

2025 Regular Session

SENATE BILL NO. 71

BY SENATORS FOIL, CLOUD, EDMONDS, MIGUEZ, SELTERS, STINE AND WOMACK

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

FUNDS/FUNDING. Provides relative to the administration of the Louisiana Charter School Start-Up Loan Fund and expands the authorized uses of the fund. (gov sig)

AN ACT

To amend and reenact R.S. 17:4001 and R.S. 24:514(I), relative to the Louisiana Charter School Start-Up Loan Fund; to expand the authorized uses and purposes of the fund; to rename the fund; to provide for the administration, investment, and disposition of monies in the fund; to establish eligibility criteria; to authorize the State Board of Elementary and Secondary Education to enter into contracts and agreements; to authorize the reimbursement of administrative expenses; to provide for requirements and limitations; to require certain loan agreements; to provide for the terms of loan agreements; to provide for the transfer of assets in certain circumstances; to provide for audit requirements; to require eligible charter schools to submit a supplemental reporting schedule; to provide for definitions; to provide an effective date; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 17:4001 is hereby amended and reenacted to read as follows:

§4001. Louisiana Charter School Start-Up **and Expansion** Loan Fund; creation; purpose; distribution

A.**(1)** The Louisiana Charter School Start-Up **and Expansion** Loan Fund,

hereafter referred to as the "fund", is hereby created within the state treasury for the purposes of providing a source for funding ~~no-interest~~ loans to assist ~~both existing and new~~ Type 1, Type 2, or Type 3 charter schools with initial start-up funding and for funding the administrative and legal cost associated with the charter school program. eligible charter schools to expand existing operations and facilities or establish new operations and facilities with initial start-up funding, including funding for eligible costs associated with facility predevelopment, development, and associated financing activities.

(2) For purposes of this Section, "eligible charter school" shall mean an existing or new Louisiana public charter school authorized by either a local school board or the State Board of Elementary and Secondary Education pursuant to R.S. 17:3983. An affiliated supporting organization as defined in Section 509(a)(3) of the Internal Revenue Code or a charter school's wholly-owned, nonprofit corporation real estate entity is eligible to apply for a loan or facilitate the use of a loan for the benefit of an eligible charter school.

B. All monies appropriated to the fund and any grants, other donations, or other sources of financial assistance directed to the fund shall be deposited into the fund. Monies in the fund shall be subject to appropriation by the legislature and shall be appropriated to the State Board of Elementary and Secondary Education for allocation by the board as ~~no-interest~~ loans for the purposes provided in Subsection D of this Section ~~or for other educational purposes as determined by the legislature.~~

Expenses incurred by the state board in administrating the fund shall be reimbursable from the fund. All unexpended and unencumbered monies remaining in such fund at the end of each fiscal year shall remain in the fund. The monies in such fund shall be invested by the state treasurer in accordance with state law, and interest earned on the investment of these monies shall be credited to the fund, after compliance with the requirements of Article VII, Section 9(B) of the Constitution of Louisiana, relative to the Bond Security and Redemption Fund.

C.(1) The state board shall administer the use of the monies appropriated

1 from the fund and may enter in contracts and other agreements in connection
2 with the operation of the fund. ~~shall adopt rules in accordance with the~~
3 ~~Administrative Procedure Act. The adopted rules shall specify that state board~~
4 ~~approval of any Type 2 charter school proposal that includes within its budget a~~
5 ~~request for loan funding which complies with the provisions of this Section and~~
6 ~~details regarding how those loan funds are to be expended, shall constitute the~~
7 ~~approval of that loan amount. No additional loan application paperwork shall be~~
8 ~~required. No Type 1 or Type 3 charter school approved by its local school board~~
9 ~~shall be required to submit more than its approved charter proposal and a detailed~~
10 ~~budget identifying how any loan funds are to be expended and how such request~~
11 ~~complies with the provisions of this Section. The state board may reject any such~~
12 ~~request which does not comply with terms of this Section. Such rules shall also note~~
13 ~~that any loan funding may be used only to purchase tangible items such as~~
14 ~~equipment, technology, instructional materials, and facility acquisition, upgrade, and~~
15 ~~repairs. Such equipment or other items shall become the property of the state if the~~
16 ~~loan is not fully repaid by virtue of the school ceasing to operate during the three~~
17 ~~years of automatic loan repayment as noted in Paragraph (3) of this Subsection.~~

18 (2) ~~Loans shall be made only to Type 1, Type 2, and Type 3 charter schools~~
19 ~~and shall not exceed one hundred thousand dollars to pay for charter school start-up~~
20 ~~and early operating expenses.~~

21 (2) The state board shall adopt rules in accordance with the
22 Administrative Procedure Act to implement the provisions of this Section. The
23 rules shall include but not be limited to the following:

- 24 (a) Charter school eligibility requirements.
25 (b) Loan application and processing procedures.
26 (c) Security and collateral requirement provisions.
27 (d) Terms of the loan agreement, including the manner of execution,
28 repayment schedule, redemption features, the maximum principal amount of
29 the obligation, the maximum interest rate to be incurred or borne by the

1 obligation, the maximum term in years for the obligation, and default
2 provisions.

3 (e) Provisions defining eligible costs to include predevelopment costs of
4 construction prior to construction, such as property or land acquisition,
5 feasibility and site studies, design and engineering fees, legal costs, permitting,
6 review, and inspection fees, surveys, utility assessments, financing costs and
7 other eligible project costs as determined by the board.

8 (f) Provisions defining development costs to include the costs of
9 construction, labor and materials, site acquisition, construction administration,
10 financing, equipment, demolition, infrastructure, required off-site
11 improvements, and other related costs as determined by the board.

12 (g) Provisions defining eligible renovations to include material additions
13 and renovations to existing buildings, general environmental abatement,
14 systems, code and life-safety upgrades, and other types of renovations as
15 determined by the board.

16 D.(1)No loan shall be made without the approval of the state board.
17 Loans shall be executed through a loan agreement between the state board and
18 the eligible charter school and shall be used solely for the following purposes:

19 (a) To pay for charter school start-up and early operating expenses.

20 (b) To purchase tangible items such as equipment, technology, and
21 instructional materials.

22 (c) Land acquisition and facility predevelopment and development costs,
23 including construction hard and soft costs.

24 (d) Facility acquisition, upgrade, repairs, and other eligible renovations.

25 (e)Any other purposes approved by the state board that are related to
26 the start-up, operation, expansion, or renovation of an eligible charter school.

27 (2) In order for an eligible charter school to qualify for a loan pursuant
28 to the provisions of this Section, the eligible charter school shall comply with all
29 of the following:

1 (a) The eligible charter school shall demonstrate sufficient financial
2 resources and a detailed financial strategy for repayment of the loan.

3 (b)The eligible charter school shall complete and submit the
4 supplemental reporting schedule as mandated in R.S. 24:514(I)(2) as part of its
5 annual financial reporting to the legislative auditor pursuant to R.S. 24:513 et
6 seq.

7 (3) An eligible charter school is limited to one loan from the loan fund;
8 however, once all of the principal, interest, and any other obligations due under
9 the loan agreement are paid in full, the eligible charter school may apply for a
10 new loan.

11 (4) No money lent as provided in this Section may be used to pay prior debts
12 of the nonprofit corporation which formed the eligible charter school, any of the
13 natural persons principally involved in forming the eligible charter school, or any
14 former or current business or nonprofit venture of any such natural persons for any
15 purchase not related to the creation of the eligible charter school or predevelopment
16 and development costs of the eligible charter school facility, or to pay to members
17 of the immediate family of any such natural persons, or to make any investments.

18 ~~(3)(5)(a)~~ Loans to qualifying eligible charter schools shall be repaid with no
19 ~~interest and may be made by the authority for terms of up to three years.~~ in
20 accordance with the terms of the loan agreement as approved by the state board
21 and the rules adopted pursuant to this Section. Nothing herein shall limit the
22 ability of a loan to be subordinated to a senior loan, to be paid off prior to
23 maturity, or to charge variable interest rates. All interest and principal
24 payments on loans shall be repaid and deposited back into the fund and made
25 available for additional loans.

26 (b) Loan repayment shall may occur by having the state Department of
27 Education automatically reduce the last state payment or payments for each eligible
28 charter school ~~by one-third of the total loan amount during the initial three years of~~
29 ~~the loan term~~ in accordance with the terms of the loan agreement. The state

1 Department of Education ~~shall~~ **may** instead deposit those funds with the state
2 treasury in the Louisiana Charter School Start-up **and Expansion** Loan Fund.

3 ~~(4)(6)~~ The state board shall not knowingly approve the loan portion of any
4 ~~Type 2~~ **eligible** charter school's budget proposal if the background checks required
5 by the state board reveals that any person principal to the charter school proposal has
6 been convicted of any felony related to misappropriation of funds or theft.

7 **(7)(a) If the charter agreement of any eligible charter school is revoked**
8 **or the school ceases to operate during the term of the loan agreement and the**
9 **loan is not fully repaid, all cash assets, equipment, property, facilities or other**
10 **physical assets purchased or constructed with loan funds shall be transferred**
11 **in accordance with the loan agreement and the rules adopted by the state board.**

12 **(b) The state may, by suit, action, mandamus, or other proceedings,**
13 **protect and enforce any rights to assets or security provided in connection with**
14 **a loan agreement authorized pursuant to this Section.**

15 **E. Eligible charter schools shall comply with applicable laws related to**
16 **public bids for the erection, construction, alteration, improvement, or repair of**
17 **a public facility or immovable property pursuant to R.S. 17:3996(B)(19).**

18 **F. The state board shall submit an annual report to the legislature, on or**
19 **before December thirty-first, relative to loan fund activities for the prior fiscal**
20 **year, including but not limited to the following:**

21 **(1) The number of loan applications filed in the preceding year.**

22 **(2) The number of loans executed in the preceding year, the amounts**
23 **loaned to each eligible charter school, and the total amount of loan funds**
24 **expended in accordance with the provisions of this Section.**

25 **(3) The collection rate of the loans.**

26 **(4) The balance of the fund at the time such report is submitted and the**
27 **viability of the fund at that time.**

28 **(5) An evaluation of financial accountability measures and the**
29 **effectiveness of the loan program.**

Section 2. R.S. 24:514(I) is hereby amended and reenacted to read as follows:

§514. Sworn annual financial statements; actuarial valuations; examinations

* * *

I.(1) The annual financial statements of city, parish, and other local public school boards shall be accompanied by such schedules of performance and statistical data as may be developed by the legislative auditor and legislative staff, with assistance from the state Department of Education, and approved by the House Committee on Education and the Senate Committee on Education. Such performance and statistical data shall be the subject of assurances provided as part of the financial statement audits of local school boards to ensure that the information is complete and accurate. The assurances provided on such performance and statistical data shall be used for reporting to the legislature by the Department of Education. As an integral part of the legislative auditor's annual audit of the financial statements of the state of Louisiana, he shall review the Department of Education's compilation of the performance and statistical data, as reported by the local school boards, within the annual financial and statistical report of the department.

(2) The annual financial statements of eligible charter schools receiving loans as provided in R.S. 17:4001 shall be accompanied by a supplemental schedule developed by the legislative auditor, which shall include but not be limited to the following:

(a) Details on the approved loan, including total amounts of the loan, payments made, and outstanding balances.

(b) The amount expended on tangible items such as equipment, technology, and instructional materials.

(c) The amount expended on land acquisition and facility predevelopment and development costs, including construction hard and soft costs.

(d) The amount expended on facility acquisition, upgrade, repairs, and other eligible renovations.

(e) The amount expended for any other purposes approved by the State Board of Elementary and Secondary Education that are related to the start-up, operation, expansion, or renovation of the eligible charter school.

Section 3. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Senate Legislative Services. The keyword, summary, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

DIGEST

SB 71 Engrossed

2025 Regular Session

Foil

Present law (R.S. 17:4001) establishes the Louisiana Charter School Start-Up Loan Fund, hereinafter referred to as the "fund", within the state treasury for the purposes of providing a source for funding no-interest loans to assist both existing and new Type 1, Type 2, or Type 3 charter schools with initial start-up funding and for funding the administrative and legal costs associated with the charter school program.

Proposed law renames the fund as the Louisiana Charter School Start-Up and Expansion Loan Fund and expands the authorized uses and purposes of the fund to provide a source for funding loans to assist eligible charter schools to expand existing operations and facilities or establish new operations and facilities with initial start-up funding, including funding for eligible costs associated with facility predevelopment, development, and associated financing activities.

Proposed law defines an "eligible charter school" as an existing or new Louisiana public charter school authorized by either a local school board or the State Board of Elementary and Secondary Education, hereinafter referred to as the "state board". An affiliated supporting organization as defined in Section 509(a)(3) of the Internal Revenue Code or a charter school's wholly-owned, nonprofit corporation real estate entity is eligible to apply for a loan or facilitate the use of a loan for the benefit of an eligible charter school.

Present law provides that monies in the fund are subject to appropriation by the legislature and shall be appropriated to the state board for allocation by the board as no-interest loans. Further requires all unexpended and unencumbered monies remaining in the fund at the end of each fiscal year to remain in the fund and that the monies be invested by the state treasurer in accordance with state law.

Proposed law removes the requirement that the loans be issued without interest, authorizes expenses incurred by the state board in administering the fund to be reimbursable from the fund, and otherwise retains present law.

Present law requires the state board to administer the use of the monies appropriated from the fund and adopt rules in accordance with the APA.

Proposed law retains present law.

Proposed law authorizes the state board to enter in contracts and other agreements in connection with the operation of the fund.

Present law limits the uses of loan funding to purchase tangible items such as equipment, technology, instructional materials, and facility acquisition, upgrade, and repairs. Such equipment or other items shall become the property of the state if the loan is not fully repaid by virtue of the school ceasing to operate during the three years of automatic loan repayment.

Proposed law repeals present law.

Proposed law requires that rules adopted by the state board include the following:

- (1) Charter school eligibility requirements.
- (2) Loan application and processing procedures.
- (3) Security and collateral requirement provisions.
- (4) Terms of the loan agreement, including the manner of execution, repayment schedule, redemption features, the maximum principal amount of the obligation, the maximum interest rate to be incurred or borne by the obligation, the maximum term in years for the obligation, and default provisions.
- (5) Provisions defining eligible costs to include predevelopment costs of construction prior to construction, such as property or land acquisition, feasibility and site studies, design and engineering fees, legal costs, permitting, review, and inspection fees, surveys, utility assessments, financing costs and other eligible project costs as determined by the board.
- (6) Provisions defining development costs to include the costs of construction, labor and materials, site acquisition, construction administration, financing, equipment, demolition, infrastructure, required off-site improvements, and other related costs as determined by the board.
- (7) Provisions defining eligible renovations to include material additions and renovations to existing buildings, general environmental abatement, systems, code and life-safety upgrades, and other types of renovations as determined by the board.

Present law authorizes loans for Type 1, Type 2, and Type 3 charter schools not to exceed \$100,000 per loan.

Proposed law repeals present law.

Proposed law authorizes loans for eligible charter schools for the following purposes:

- (1) To pay for charter school start-up and early operating expenses.
- (2) To purchase tangible items such as equipment, technology, and instructional materials.
- (3) Land acquisition and facility predevelopment and development costs, including construction hard and soft costs.
- (4) Facility acquisition, upgrade, repairs, and other eligible renovations.

- (5) Any other purposes approved by the state board that are related to the start-up, operation, expansion, or renovation of an eligible charter school.

Proposed law requires an eligible charter school to comply with all of the following:

- (1) The eligible charter school shall demonstrate sufficient financial resources and a detailed financial strategy for repayment of the loan.
- (2) The eligible charter school shall complete and submit the supplemental reporting schedule as mandated in proposed law as part of its annual financial reporting to the legislative auditor.

Proposed law limits an eligible charter school to one loan from the loan fund; however, once all of the principal, interest, and any other obligations due under the loan agreement are paid in full, the eligible charter school may apply for a new loan.

Proposed law prohibits loans from being made without the approval of the state board. Further requires loans to be executed through a loan agreement between the state board and the eligible charter school.

Proposed law requires loans to eligible charter schools to be repaid in accordance with the terms of the loan agreement as approved by the state board and the rules adopted by the state board. Further requires all interest and principal payments on loans to be repaid and deposited back into the fund and made available for additional loans.

Present law requires loan repayment to occur by having the state Dept. of Education automatically reduce the last state payment or payments for each charter school by 1/3 of the total loan amount during the initial three years of the loan term and instead deposit those funds in the Louisiana Charter School Start-up Loan Fund.

Proposed law instead authorizes the state Dept. of Education to reduce the last state payment or payments for each eligible charter school in accordance with the terms of the loan agreement.

Proposed law provides that if the charter agreement of any eligible charter school is revoked or the school ceases to operate during the term of the loan agreement and the loan is not fully repaid, all cash assets, equipment, property, facilities or other physical assets purchased or constructed with loan funds shall be transferred in accordance with the loan agreement and the rules adopted by the state board.

Proposed law authorizes the state to, by suit, action, mandamus, or other proceedings, protect and enforce any rights to assets or security provided in connection with a loan agreement.

Proposed law requires the state board to submit an annual report to the legislature, on or before December 31st, relative to loan fund activities for the prior fiscal year.

Present law (R.S. 24:514) requires certain auditees to furnish to the legislative auditor sworn annual financial statements.

Proposed law retains present law and further requires the annual financial statements of eligible charter schools receiving loans to be accompanied by a supplemental schedule developed by the legislative auditor.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 17:4001 and R.S. 24:514(I))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Finance to the original bill

1. Clarifies the definition of "eligible charter school" to provide that an affiliated supporting organization or a charter school's wholly-owned, nonprofit corporation real estate entity is eligible to apply for a loan or facilitate the use of a loan for the benefit of an eligible charter school.
2. Requires cash assets to be transferred in accordance with the loan agreement in certain circumstances.
3. Requires the annual report to the legislature to include loan fund activities for the prior fiscal year.
4. Makes technical corrections.