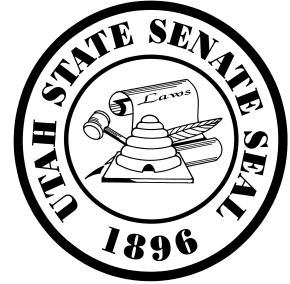




Performance Note
HB0425 - Education Monitoring
and Funds Management
Amendments
Sponsor: Rep. Snow, V. Lowry



Performance Note Report

Author: Dale Frost

Agency: State Board of Education

Funding For:

New Services or Benefit

Public Benefit:

Purpose: When a charter school closes, it is the responsibility of the closing charter school to liquidate assets appropriately and use those funds to pay any remaining debt. Cases have occurred when a charter school, after liquidating assets, was not able to fulfill certain of its debt obligations.

Services: HB 425 creates the Charter School Closure Reserve Account, which will be restricted to pay debt owed to USBE, the state or the federal government. The money in this account may not be used to pay bond debt. The money in this account would be utilized after the closing charter school has liquidated all assets to pay their own debts.

Expected Outcome: Use of the fund will ensure accountability to taxpayers and mitigate the risk related to debt obligations with state and federal government entities. Furthermore, this process will clarify which entities are liable for any remaining debt owed, reducing the potential of the state having to write off bad debt.

Implementations and Resources: The Charter School Closure Reserve Account will be funded, initially, by the Legislature appropriating \$1 million one-time. Charter schools will be required to contribute an amount not to exceed \$2 per student enrolled at the charter school to maintain a minimum balance of \$2 million, not to exceed \$3 million.

How: The proposed activities would require State Finance to establish the new account and the USBE to create board rule governing: 1) The collection of contributions from charter schools, 2) Allowable uses of the funds in the reserve account, and 3) The process to disburse funds from the account.

Performance Measures

Goal

Title: Improved Debt Repayment Process for Charter School Closures.

Description: For charter schools with outstanding debt obligations to state or federal government entities, use of the Charter School Closure Reserve Account will be utilized to reduce the number of days to resolve the debt obligation.

Collection Method: USBE will maintain a log of days to resolve debt obligations, which includes the debt obligation amount once a charter school has closed.

	2021	2022	2023
Target	0.00	0.00	0.00
Baseline	0.00	0.00	0.00

Goal

Title: Improved Debt Ratio for Charter Schools.

Description: Charter School debt ratios will improve (i.e., charter schools will have more incentive to have good debt practices by having to contribute to the reserve account).

Collection Method: Charter School Authorizers will track debt ratios for each charter school they authorize, based on audited financial statements submitted to the Office of the State Auditor, and provide that information to the USBE School Finance Section on an annual basis.

	2021	2022	2023
Target	0.00	0.00	0.00
Baseline	0.00	0.00	0.00

By rule, performance notes are provided by the governmental entity that will supervise the new agency or administer the new program. Performance notes are not written by the Office of the Legislative Fiscal Analyst.