

Senate Bill No. 3—Committee of the Whole

CHAPTER.....

AN ACT relating to the Account for Charter Schools; transferring the responsibility to administer the Account for Charter Schools from the Department of Education to the State Public Charter School Authority; revising the maximum total amount of a loan that may be made to a charter school; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Under existing law, the Department of Education administers the Account for Charter Schools. (NRS 386.576) Money in the Account is used to make loans to charter schools for certain costs incurred: (1) in preparing a charter school to commence its first year of operation; and (2) to improve a charter school that has been in operation. (NRS 386.577) This bill transfers the responsibility to administer the Account for Charter Schools from the Department to the State Public Charter School Authority and revises the maximum total amount of a loan that may be made to a charter school.

EXPLANATION – Matter in *bolded italics* is new; matter between brackets [omitted material] is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 386.576 is hereby amended to read as follows:

386.576 1. The Account for Charter Schools is hereby created in the State General Fund as a revolving loan account, to be administered by the [Department.] *State Public Charter School Authority.*

2. The money in the Account must be invested as money in other state accounts is invested. All interest and income earned on the money in the Account must be credited to the Account. Any money remaining in the Account at the end of a fiscal year does not revert to the State General Fund, and the balance in the Account must be carried forward.

3. All payments of principal and interest on all the loans made to a charter school from the Account must be deposited with the State Treasurer for credit to the Account.

4. Claims against the Account must be paid as other claims against the State are paid.

5. The [Department] *State Public Charter School Authority* may accept gifts, grants, bequests and donations from any source for deposit in the Account.

Sec. 2. NRS 386.577 is hereby amended to read as follows:

386.577 1. After deducting the costs directly related to administering the Account for Charter Schools, the [Department] *State Public Charter School Authority* may use the money in the Account for Charter Schools, including repayments of principal and interest on loans made from the Account, and interest and income earned on money in the Account, only to make loans at or below market rate to charter schools for the costs incurred:

- (a) In preparing a charter school to commence its first year of operation; and
 - (b) To improve a charter school that has been in operation.
2. The total amount of a loan that may be made to a charter school **[in 1 year] pursuant to subsection 1** must not exceed **[\$25,000.] the lesser of an amount equal to \$500 per pupil enrolled or to be enrolled at the charter school or \$200,000.**

Sec. 3. NRS 386.578 is hereby amended to read as follows:

386.578 1. If the governing body of a charter school has a written charter issued pursuant to NRS 386.527, the governing body may submit an application to the **[Department] State Public Charter School Authority** for a loan from the Account for Charter Schools. An application must include a written description of the manner in which the loan will be used to prepare the charter school for its first year of operation or to improve a charter school that has been in operation.

2. The **[Department] State Public Charter School Authority** shall, within the limits of money available for use in the Account, make loans to charter schools whose applications have been approved. If the **[Department] State Public Charter School Authority** makes a loan from the Account, the **[Department] State Public Charter School Authority** shall ensure that the contract for the loan includes all terms and conditions for repayment of the loan.

3. The State Board:

(a) Shall adopt regulations that prescribe the:

- (1) Annual deadline for submission of an application to the **[Department] State Public Charter School Authority** by a charter school that desires to receive a loan from the Account; and
- (2) Period for repayment and the rate of interest for loans made from the Account.

(b) May adopt such other regulations as it deems necessary to carry out the provisions of this section and NRS 386.576 and 386.577.

Sec. 4. This act becomes effective upon passage and approval.

Account for Charter Schools

NAC 386.420 Definitions. ([NRS 385.080, 386.578](#)) As used in [NAC 386.420](#) to [386.445](#), inclusive, unless the context otherwise requires, the words and terms defined in [NAC 386.425](#) and [386.430](#) have the meanings ascribed to them in those sections.

(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002)

NAC 386.425 “Account” defined. ([NRS 385.080, 386.578](#)) “Account” means the Account for Charter Schools created pursuant to [NRS 386.576](#).

(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002)

~~**NAC 386.430 “Operational charter school” defined.** ([NRS 385.080, 386.578](#)) “Operational charter school” means a charter school in which pupils are enrolled who are receiving instruction from the charter school.~~

~~—(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002)~~

NAC 386.435 Application for loan from Account; annual determination of balance of money in Account. ([NRS 385.080, 386.578](#))

1. An application for a loan from the Account must be submitted by the governing body of a charter school to the ~~Department~~ **State Public Charter School Authority between January 1 and March 15** ~~on or before September 30~~ of the calendar year immediately preceding the calendar year in which the loan will be made. The ~~Department~~ **State Public Charter School Authority** shall not accept an application for a loan from the Account unless the ~~Department~~ **State Public Charter School Authority** has determined pursuant to subsection 2 that the balance of money in the Account is \$5,000 or more. An application must include:

- (a) The name of the charter school.
- (b) The name, address and telephone number of the person whom the ~~Department~~ **State Public Charter School Authority** may contact regarding the application.
- (c) The proposal of the charter school to repay the loan, consistent with [NAC 386.445](#).
- (d) A description of:
 - (1) The financial needs of the charter school;
 - (2) The business plan for the charter school;
 - (3) The effect that receipt of the loan will have on the operation of the charter school;
 - (4) The effect, if any, that receipt of the loan will have on the ability of the governing body or the charter school to obtain other financial assistance from public and private sources; and
 - (5) The plan, ~~if any,~~ for the use of the money obtained from the loan, ~~including, without limitation, methods to enhance the credit of the charter school.~~
- (e) A list of the anticipated expenses for which the money obtained from the loan will be used.
- (f) A budget for the charter school for the fiscal year in which the loan is received and for each fiscal year of the proposed period for repayment of the loan. The budget must:
 - (1) Include an identification of all sources of revenue and expenses;
 - (2) Include the cost for repayment of the loan; and
 - (3) Be accompanied by a written narrative explaining each of the assumptions made in developing the budget.

(g) If the charter school is an operational charter school, a statement of the financial history of the applicant.

(h) If a member of the governing body has or had an association or affiliation with another charter school in this State or another state, a statement of the financial history of the charter school with which the member has or had such an association or affiliation. The provisions of this paragraph apply regardless of whether the member has terminated the association or affiliation.

(i) ***For an operating charter school***, three credit references for the applicant.

(j) A statement of the monthly cash flow for the operation of the charter school, including, without limitation, an identification of the amount and timing of receipt of revenue relating to the amount and timing of expenditures.

(k) A resolution of the governing body authorizing submission of the application.

(l) ***A letter of endorsement from the sponsor of the charter school.***

2. On or before July 1 of each year, the ~~Department~~ ***State Public Charter School Authority*** shall determine the balance of money in the Account. If the ~~Department~~ ***State Public Charter School Authority*** determines that the balance of money in the Account is \$5,000 or more, the ~~Department~~ ***State Public Charter School Authority*** shall provide notice of that fact and the availability of loans from the Account to each charter school that has been issued a written charter ***or charter contract, as applicable***, pursuant to [NRS 386.527](#).

(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002)

NAC 386.440 Priority for loans; considerations for approval of loans. ([NRS 385.080](#), [386.578](#))

1. To the extent that money is available in the Account, the ~~Department~~ ***State Public Charter School Authority*** shall grant priority for loans from the Account to those charter schools with approved applications that will use the money obtained from the loan in preparing to commence the first year of operation.

2. In determining whether to approve an application, the ~~Department~~ ***State Public Charter School Authority*** shall consider the:

(a) Reliability of the business plan submitted with the application;

(b) Ability of the charter school to obtain financial assistance from other sources;

(c) Information submitted in the application; and

(d) Effect of approval of the application on the equitable geographic distribution throughout this State of loans from the Account.

(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002)

NAC 386.445 Repayment of loans. ([NRS 385.080](#), [386.540](#), [386.578](#))

1. The rate of interest for loans made from the Account is the prime rate at the largest bank in Nevada, as ascertained by the Commissioner of Financial Institutions, on January 1 or July 1, as the case may be, immediately preceding the date of the transaction.

2. If a loan is made to a charter school from the Account, the Department shall deduct from the apportionments made to the charter school pursuant to [NRS 387.124](#), an amount of money equal to the annual repayment amount of the loan, including interest. The deductions must be made:

(a) In quarterly amounts corresponding with the quarterly apportionment to the charter school.

(b) In equal amounts during the period of repayment agreed upon by the governing body of the charter school and the ~~Department~~ **State Public Charter School Authority**, not to exceed 3 years.

3. If a loan is made to an operational charter school, the deductions must be made commencing in the same fiscal year in which the loan is made. If a loan is made to a **non-operational** charter school that has a written charter **or a charter contract** issued pursuant to ~~subsection 7 of~~ [NRS 386.527](#), the deductions must be made commencing with the first fiscal year immediately succeeding the fiscal year in which the charter school becomes an operational charter school.

4. If a charter school that receives a loan:

(a) Defaults on repayment of the ~~full amount~~ **outstanding balance** of the loan;

(b) Was issued a written charter pursuant to subsection 7 of [NRS 386.527](#) and the charter school fails to obtain a written charter issued pursuant to subsection 5 of [NRS 386.527](#);

(c) Was issued a charter contract and the charter school fails to fulfill its pre-opening requirements for commencement of operation

(ed) Closes or otherwise ceases operation,

→ the charter school shall be solely liable for repayment of the full amount of the loan.

~~α)~~ **(e) Uses money received from this State to purchase any real property or other property, the governing body of the charter school shall assign a security interest in the property to the State of Nevada. If the charter school then closes or otherwise ceases operation, any real property or other property held by the charter school must be disposed of as provided in NRS 386.536.**

5. As used in this section, “fiscal year” means the 12-month period beginning on the first day of July and ending on the last day of June.

(Added to NAC by Bd. of Education by R206-01, eff. 4-1-2002; A by Dep’t of Education by R044-05, 10-31-2005)