

**SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION**

S.F. No. 1905

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1.1 A bill for an act
 1.2 relating to education; modifying certain charter school provisions; amending
 1.3 Minnesota Statutes 2014, section 124D.10, subdivisions 3, 4, 6, 6a, 8, 9, 23, by
 1.4 adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2014, section 124D.10, subdivision 3, is amended to read:

1.7 Subd. 3. **Authorizer.** (a) For purposes of this section, the terms defined in this
 1.8 subdivision have the meanings given them.

1.9 "Application" to receive approval as an authorizer means the proposal an eligible
 1.10 authorizer submits to the commissioner under paragraph (c) before that authorizer is able
 1.11 to submit any affidavit to charter to a school.

1.12 "Application" under subdivision 4 means the charter school business plan a
 1.13 school developer submits to an authorizer for approval to establish a charter school that
 1.14 documents the school developer's mission statement, school purposes, program design,
 1.15 financial plan, governance and management structure, and background and experience,
 1.16 plus any other information the authorizer requests. The application also shall include a
 1.17 "statement of assurances" of legal compliance prescribed by the commissioner.

1.18 "Affidavit" means a written statement the authorizer submits to the commissioner
 1.19 for approval to establish a charter school under subdivision 4 attesting to its review and
 1.20 approval process before chartering a school.

1.21 (b) The following organizations may authorize one or more charter schools:

1.22 (1) a school board, intermediate school district school board, or education district
 1.23 organized under sections 123A.15 to 123A.19;

2.1 (2) a charitable organization under section 501(c)(3) of the Internal Revenue Code
2.2 of 1986, excluding a nonpublic sectarian or religious institution; any person other than a
2.3 natural person that directly or indirectly, through one or more intermediaries, controls,
2.4 is controlled by, or is under common control with the nonpublic sectarian or religious
2.5 institution; and any other charitable organization under this clause that in the federal IRS
2.6 Form 1023, Part IV, describes activities indicating a religious purpose, that:

2.7 (i) is a member of the Minnesota Council of Nonprofits or the Minnesota Council on
2.8 Foundations;

2.9 (ii) is registered with the attorney general's office; and

2.10 (iii) is incorporated in the state of Minnesota and has been operating continuously
2.11 for at least five years but does not operate a charter school;

2.12 (3) a Minnesota private college, notwithstanding clause (2), that grants two- or
2.13 four-year degrees and is registered with the Minnesota Office of Higher Education under
2.14 chapter 136A; community college, state university, or technical college governed by the
2.15 Board of Trustees of the Minnesota State Colleges and Universities; or the University
2.16 of Minnesota;

2.17 (4) a nonprofit corporation subject to chapter 317A, described in section 317A.905,
2.18 and exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code
2.19 of 1986, may authorize one or more charter schools if the charter school has operated
2.20 for at least three years under a different authorizer and if the nonprofit corporation has
2.21 existed for at least 25 years; or

2.22 (5) single-purpose authorizers formed as charitable, nonsectarian organizations
2.23 under section 501(c)(3) of the Internal Revenue Code of 1986 and incorporated in the state
2.24 of Minnesota under chapter 317A as a corporation with no members or under section
2.25 322B.975 as a nonprofit limited liability company for the sole purpose of chartering schools.
2.26 Eligible organizations interested in being approved as an authorizer under this paragraph
2.27 must submit a proposal to the commissioner that includes the provisions of paragraph (c)
2.28 and a five-year financial plan. Such authorizers shall consider and approve charter school
2.29 applications using the criteria provided in subdivision 4 and shall not limit the applications
2.30 it solicits, considers, or approves to any single curriculum, learning program, or method.

2.31 (c) An eligible authorizer under this subdivision must apply to the commissioner for
2.32 approval as an authorizer before submitting any affidavit to the commissioner to charter
2.33 a school. The application for approval as a charter school authorizer must demonstrate
2.34 the applicant's ability to implement the procedures and satisfy the criteria for chartering a
2.35 school under this section. The commissioner must approve or disapprove an application
2.36 within 45 business days of the application deadline. If the commissioner disapproves

3.1 the application, the commissioner must notify the applicant of the specific deficiencies
3.2 in writing and the applicant then has 20 business days to address the deficiencies to the
3.3 commissioner's satisfaction. After the 20 business days expire, the commissioner has 15
3.4 business days to make a final decision to approve or disapprove the application. Failing to
3.5 address the deficiencies to the commissioner's satisfaction makes an applicant ineligible to
3.6 be an authorizer. The commissioner, in establishing criteria for approval, must consider
3.7 the applicant's:

3.8 (1) capacity and infrastructure;

3.9 (2) application criteria and process;

3.10 (3) contracting process;

3.11 (4) ongoing oversight and evaluation processes; and

3.12 (5) renewal criteria and processes.

3.13 (d) An applicant must include in its application to the commissioner to be an
3.14 approved authorizer at least the following:

3.15 (1) how chartering schools is a way for the organization to carry out its mission;

3.16 (2) a description of the capacity of the organization to serve as an authorizer,
3.17 including the personnel who will perform the authorizing duties, their qualifications, the
3.18 amount of time they will be assigned to this responsibility, and the financial resources
3.19 allocated by the organization to this responsibility;

3.20 (3) a description of the application and review process the authorizer will use to
3.21 make decisions regarding the granting of charters;

3.22 (4) a description of the type of contract it will arrange with the schools it charters
3.23 that meets the provisions of subdivision 6;

3.24 (5) the process to be used for providing ongoing oversight of the school consistent
3.25 with the contract expectations specified in clause (4) that assures that the schools chartered
3.26 are complying with both the provisions of applicable law and rules, and with the contract;

3.27 (6) a description of the criteria and process the authorizer will use to grant expanded
3.28 applications under subdivision 4, paragraph (j);

3.29 (7) the process for making decisions regarding the renewal or termination of
3.30 the school's charter based on evidence that demonstrates the academic, organizational,
3.31 and financial competency of the school, including its success in increasing student
3.32 achievement and meeting the goals of the charter school agreement; and

3.33 (8) ~~an assurance specifying that the organization is committed to serving as an~~
3.34 ~~authorizer for the full five-year term.~~ a copy of the resolution adopted by the organization's
3.35 governing board stating that the governing board understands the responsibilities of an
3.36 authorizer and will commit the necessary resources to fulfill those responsibilities.

4.1 (e) A disapproved applicant under this section may resubmit an application during a
4.2 future application period.

4.3 (f) If the governing board of an approved authorizer organization votes to withdraw
4.4 as an approved authorizer for a reason unrelated to any cause under subdivision 23, the
4.5 governing board of the authorizer organization must notify all its chartered schools and the
4.6 commissioner ~~in writing~~ by certified mail by July 15 March 31 of its intent to withdraw as
4.7 an authorizer. A voluntary withdrawal of an authorizer is effective on June 30 in the next
4.8 calendar year following the delivery of the notice. The authorizer must submit a financial
4.9 report for the last year of authorizing to the commissioner no later than August 15. Any
4.10 authorizer fees collected in excess of expenses held by the authorizer on June 30 shall
4.11 be refunded to the authorized schools on a prorated basis. The authorizer shall transfer
4.12 all records related to a school it authorized to the school's new authorizer no later than
4.13 August 15. The commissioner may ~~approve the transfer~~ waive deadlines for the approval
4.14 of a transfer of a charter school to a new authorizer under this paragraph ~~after the new~~
4.15 authorizer submits an affidavit to the commissioner.

4.16 (g) The authorizer must participate in department-approved training. The department
4.17 shall annually post on its Web site the approved training provided to authorizers.

4.18 (h) The commissioner shall review an authorizer's performance every five years in
4.19 a manner and form determined by the commissioner and may review an authorizer's
4.20 performance more frequently at the commissioner's own initiative or at the request of a
4.21 charter school operator, charter school board ~~member~~, or other interested party. The
4.22 commissioner, after completing the review, shall transmit a report with findings to the
4.23 authorizer. If, consistent with this section, the commissioner finds that an authorizer has
4.24 not fulfilled the requirements of this section, the commissioner may subject the authorizer
4.25 to corrective action, which may include terminating the ~~contract with the charter school~~
4.26 ~~board of directors of a school it chartered~~ authorizer's status of an approved authorizer.
4.27 The commissioner must notify the authorizer in writing of any findings that may subject
4.28 the authorizer to corrective action and the authorizer then has 15 business days to request
4.29 an informal hearing before the commissioner takes corrective action. ~~If the commissioner~~
4.30 ~~terminates a contract between an authorizer and a charter school under this paragraph,~~
4.31 ~~the commissioner may assist the charter school in acquiring a new authorizer.~~ If the
4.32 commissioner terminates the approval of an authorizer's ability to charter schools, the
4.33 commissioner shall notify the schools that the authorizer charters of the effective date of
4.34 the termination of the authorizer's ability to authorize. A school chartered by a terminated
4.35 authorizer shall be protected from closure, as a result of the commissioner action, for up to
4.36 15 months, while the school seeks a new authorizer. During the transition period to a new

5.1 authorizer, the school may contract with an approved authorizer, or with another entity
5.2 agreed upon between the school and the commissioner, to serve as an interim overseer
5.3 of the school. An entity that is not an approved authorizer shall have immunity as an
5.4 authorizer in subdivision 25, paragraphs (c) and (d), while serving as an interim overseer
5.5 during the transition period. An interim authorizer or interim overseer shall be able to
5.6 charge an authorizer fee for the transition period.

5.7 (i) The commissioner may at any time take corrective action against an authorizer,
5.8 including terminating an authorizer's ability to charter a school for:

5.9 (1) failing to demonstrate the criteria under paragraph (c) under which the
5.10 commissioner approved the authorizer;

5.11 (2) violating a term of the chartering contract between the authorizer and the charter
5.12 school board of directors;

5.13 (3) unsatisfactory performance as an approved authorizer; or

5.14 (4) any good cause shown that provides the commissioner a legally sufficient reason
5.15 to take corrective action against an authorizer.

5.16 Sec. 2. Minnesota Statutes 2014, section 124D.10, subdivision 4, is amended to read:

5.17 Subd. 4. **Formation of school.** (a) An authorizer, after receiving an application from
5.18 a school developer, may charter a licensed teacher under section 122A.18, subdivision
5.19 1, or a group of individuals that includes one or more licensed teachers under section
5.20 122A.18, subdivision 1, to operate a school subject to the commissioner's approval of the
5.21 authorizer's affidavit under paragraph (b). The school must be organized and operated as a
5.22 nonprofit corporation under chapter 317A and the provisions under the applicable chapter
5.23 shall apply to the school except as provided in this section.

5.24 Notwithstanding sections 465.717 and 465.719, a school district, subject to this
5.25 section and section 124D.11, may create a corporation for the purpose of establishing a
5.26 charter school.

5.27 (b) Before the operators may establish and operate a school, the authorizer must file
5.28 an affidavit with the commissioner stating its intent to charter a school. An authorizer
5.29 must file a separate affidavit for each school it intends to charter. An authorizer must file
5.30 an affidavit by May 1 to be able to charter a new school in the next school year after the
5.31 commissioner approves the authorizer's affidavit. The affidavit must state the terms and
5.32 conditions under which the authorizer would charter a school and how the authorizer
5.33 intends to oversee the fiscal and student performance of the charter school and to comply
5.34 with the terms of the written contract between the authorizer and the charter school
5.35 board of directors under subdivision 6. The commissioner must approve or disapprove

6.1 the authorizer's affidavit within 60 business days of receipt of the affidavit. If the
6.2 commissioner disapproves the affidavit, the commissioner shall notify the authorizer of
6.3 the deficiencies in the affidavit and the authorizer then has 20 business days to address the
6.4 deficiencies. The commissioner must notify the authorizer of final approval or disapproval
6.5 within 15 business days after receiving the authorizer's response to the deficiencies in the
6.6 affidavit. If the authorizer does not address deficiencies to the commissioner's satisfaction,
6.7 the commissioner's disapproval is final. Failure to obtain commissioner approval precludes
6.8 an authorizer from chartering the school that is the subject of this affidavit.

6.9 (c) The authorizer may prevent an approved charter school from opening for
6.10 operation if, among other grounds, the charter school violates this section or does not meet
6.11 the ready-to-open standards that are part of the authorizer's oversight and evaluation
6.12 process or are stipulated in the charter school contract.

6.13 (d) The operators authorized to organize and operate a school, before entering into
6.14 a contract or other agreement for professional or other services, goods, or facilities,
6.15 must incorporate as a nonprofit corporation under chapter 317A and must establish a
6.16 board of directors composed of at least five members who are not related parties until a
6.17 timely election for members of the ongoing charter school board of directors is held
6.18 according to the school's articles and bylaws under paragraph (f). A charter school board
6.19 of directors must be composed of at least five members who are not related parties.
6.20 Staff members employed at the school, including teachers providing instruction under a
6.21 contract with a cooperative, members of the board of directors, and all parents or legal
6.22 guardians of children enrolled in the school are the voters eligible to elect the members
6.23 of the school's board of directors. A charter school must notify eligible voters of the
6.24 school board election dates at least 30 days before the election. Board of director meetings
6.25 must comply with chapter 13D.

6.26 (e) A charter school shall publish and maintain on the school's official Web site: (1)
6.27 the minutes of meetings of the board of directors, and of members and committees having
6.28 any board-delegated authority, for at least one calendar year from the date of publication;
6.29 (2) directory information for members of the board of directors and committees having
6.30 board-delegated authority; and (3) identifying and contact information for the school's
6.31 authorizer. Identifying and contact information for the school's authorizer must be
6.32 included in other school materials made available to the public. Upon request of an
6.33 individual, the charter school must also make available in a timely fashion financial
6.34 statements showing all operations and transactions affecting income, surplus, and deficit
6.35 during the school's last annual accounting period; and a balance sheet summarizing assets
6.36 and liabilities on the closing date of the accounting period. A charter school also must

7.1 include that same information about its authorizer in other school materials that it makes
7.2 available to the public.

7.3 (f) Every charter school board member shall attend annual training throughout the
7.4 member's term on the board. All new board members shall attend initial training on
7.5 the board's role and responsibilities, employment policies and practices, and financial
7.6 management. A new board member who does not begin the required initial training within
7.7 six months after being seated and complete that training within 12 months of being seated
7.8 on the board is automatically ineligible to continue to serve as a board member. The
7.9 school shall include in its annual report the training attended by each board member
7.10 during the previous year.

7.11 (g) The ongoing board must be elected before the school completes its third year of
7.12 operation. Board elections must be held during the school year but may not be conducted
7.13 on days when the school is closed for holidays, breaks, or vacations. The charter school
7.14 board of directors shall be composed of at least five nonrelated members and include: (i)
7.15 at least one licensed teacher employed as a teacher at the school or providing instruction
7.16 under contract between the charter school and a cooperative; (ii) at least one parent or legal
7.17 guardian of a student enrolled in the charter school who is not an employee of the charter
7.18 school; and (iii) at least one interested community member who resides in Minnesota and
7.19 is not employed by the charter school and does not have a child enrolled in the school.
7.20 The board governance structure may ~~include~~ be a majority of teachers described in this
7.21 paragraph or parents or community members, or it may have no clear majority. The chief
7.22 financial officer and the chief administrator may only serve as ex-officio nonvoting board
7.23 members. No charter school employees shall serve on the board other than teachers under
7.24 item (i). Contractors providing facilities, goods, or services to a charter school shall
7.25 not serve on the board of directors of the charter school. Board bylaws shall outline the
7.26 process and procedures for changing the board's governance structure, consistent with
7.27 chapter 317A. A board may change its governance structure only:

7.28 (1) by a majority vote of the board of directors and a separate majority vote of
7.29 the licensed teachers employed by the school as teachers, including licensed teachers
7.30 providing instruction under a contract between the school and a cooperative; and

7.31 (2) with the authorizer's approval.

7.32 Any change in board governance structure must conform with the composition of
7.33 the board established under this paragraph.

7.34 (h) The granting or renewal of a charter by an authorizer must not be conditioned
7.35 upon the bargaining unit status of the employees of the school.

8.1 (i) The granting or renewal of a charter school by an authorizer must not be
8.2 contingent on the charter school being required to contract, lease, or purchase services
8.3 from the authorizer. Any potential contract, lease, or purchase of service from an
8.4 authorizer must be disclosed to the commissioner, accepted through an open bidding
8.5 process, and be a separate contract from the charter contract. The school must document
8.6 the open bidding process. An authorizer must not enter into a contract to provide
8.7 management and financial services for a school that it authorizes, unless the school
8.8 documents that it received at least two competitive bids.

8.9 (j) A charter school may apply to the authorizer to amend the school charter to
8.10 expand the operation of the school to additional grades or sites that would be students'
8.11 primary enrollment site beyond those defined in the original affidavit approved by the
8.12 commissioner. After approving the school's application, the authorizer shall submit a
8.13 supplementary affidavit in the form and manner prescribed by the commissioner. The
8.14 authorizer must file a supplement affidavit by October 1 to be eligible to expand in the next
8.15 school year. The supplementary affidavit must document that the school has demonstrated
8.16 to the satisfaction of the authorizer the following:

8.17 (1) the need for the expansion with supporting long-range enrollment projections;

8.18 (2) a longitudinal record of demonstrated student academic performance and growth
8.19 on statewide assessments under chapter 120B or on other academic assessments that
8.20 measure longitudinal student performance and growth approved by the charter school's
8.21 board of directors and agreed upon with the authorizer;

8.22 (3) a history of sound school finances and a finance plan to implement the expansion
8.23 in a manner to promote the school's financial sustainability; and

8.24 (4) board capacity and an administrative and management plan to implement its
8.25 expansion.

8.26 (k) The commissioner shall have 30 business days to review and comment on the
8.27 supplemental affidavit. The commissioner shall notify the authorizer of the findings in
8.28 writing ~~of any deficiencies in the supplemental affidavit and~~.

8.29 (1) If an authorizer has a satisfactory or higher rating on its last performance
8.30 evaluation, the authorizer shall submit a response to the findings to the commissioner. The
8.31 final decision on the school expanding grades or adding sites is the authorizer's, after
8.32 submitting its response to the commissioner.

8.33 (2) If an authorizer did not receive at least a satisfactory rating on its last performance
8.34 evaluation, the authorizer ~~then has~~ shall have 20 business days to address, to the
8.35 commissioner's satisfaction, any findings and deficiencies in the supplemental affidavit.
8.36 The commissioner must notify the authorizer of the final approval or disapproval decision

9.1 within 15 ~~business~~ days after receiving the authorizer's response to the findings and the
 9.2 deficiencies in the affidavit. The school may not expand grades or add sites until the
 9.3 commissioner has approved the supplemental affidavit. The commissioner's approval or
 9.4 disapproval of a the supplemental affidavit for grade expansion or additional sites is final.

9.5 Sec. 3. Minnesota Statutes 2014, section 124D.10, is amended by adding a subdivision
 9.6 to read:

9.7 Subd. 5a. **Merger of existing charter schools.** (a) A charter school operating under
 9.8 this section shall be able to merge with another school operating under this section upon
 9.9 approval of the authorizers of the schools. The merger plan shall comply with chapter
 9.10 317A and include at least the following elements:

- 9.11 (1) which school will be the surviving school;
- 9.12 (2) the case for the merger and the viability of the surviving school;
- 9.13 (3) a short- and long-term financial plan;
- 9.14 (4) a governance plan;
- 9.15 (5) an administration, human resources, and operations plan; and
- 9.16 (6) academic and nonacademic progress goals.

9.17 (b) The assets and liabilities of the schools shall transfer to the surviving school
 9.18 upon the effective date of the merger. The authorizer of the surviving school shall submit
 9.19 an affidavit to the commissioner for review and comment outlining the due diligence
 9.20 review conducted about the proposed merger. The commissioner shall have 30 business
 9.21 days to conduct the review and comment on the affidavit. If the proposed authorizer
 9.22 of the merging school has received at least a satisfactory rating on its last performance
 9.23 evaluation, the final decision on the merger is the authorizer's decision. The authorizer's
 9.24 final decision may not be given until the authorizer has received the commissioner's
 9.25 comment and review. If the proposed authorizer of the merging school has not yet received
 9.26 a rating based on a performance review, the final decision on the merger shall be the
 9.27 commissioner's decision. An authorizer which has not received at least a satisfactory rating
 9.28 on its last performance review may not submit an affidavit to authorize a school merger.

9.29 (c) A charter contract between the surviving school and the authorizer must be
 9.30 submitted to the commissioner before the effective date of the merger.

9.31 Sec. 4. Minnesota Statutes 2014, section 124D.10, subdivision 6, is amended to read:

9.32 **Subd. 6. Charter contract.** The authorization for a charter school must be in the
 9.33 form of a written contract signed by the authorizer and the board of directors of the charter
 9.34 school. The contract must be completed within 45 business days of the commissioner's

10.1 approval of the authorizer's affidavit. The authorizer shall submit to the commissioner a
10.2 copy of the signed charter contract within ten business days of its execution. The contract
10.3 for a charter school must be in writing and contain at least the following:

10.4 (1) a declaration that the charter school will carry out the primary purpose in
10.5 subdivision 1 and how the school will report its implementation of the primary purpose;

10.6 (2) a declaration of the additional purpose or purposes in subdivision 1 that the school
10.7 intends to carry out and how the school will report its implementation of those purposes;

10.8 (3) a description of the school program and the specific academic and nonacademic
10.9 outcomes that pupils must achieve;

10.10 (4) a statement of admission policies and procedures;

10.11 (5) a governance, management, and administration plan for the school;

10.12 (6) signed agreements from charter school board members to comply with all
10.13 federal and state laws governing organizational, programmatic, and financial requirements
10.14 applicable to charter schools;

10.15 (7) the criteria, processes, and procedures that the authorizer will use to monitor and
10.16 evaluate the fiscal, operational, and academic performance consistent with subdivision
10.17 15, paragraphs (a) and (b);

10.18 (8) for contract renewal, the formal written performance evaluation of the school
10.19 that is a prerequisite for reviewing a charter contract under subdivision 15;

10.20 (9) types and amounts of insurance liability coverage to be obtained by the charter
10.21 school, consistent with subdivision 8, paragraph (k);

10.22 (10) consistent with subdivision 25, paragraph (d), a provision to indemnify and
10.23 hold harmless the authorizer and its officers, agents, and employees from any suit, claim,
10.24 or liability arising from any operation of the charter school, and the commissioner and
10.25 department officers, agents, and employees notwithstanding section 3.736;

10.26 (11) the term of the contract, which must expire on June 30. For an initial contract,
10.27 which this term may be up to five years plus an additional preoperational planning year,
10.28 and ~~up to five years~~ for a renewed contract or a contract with a new authorizer after a
10.29 transfer of authorizers, if warranted by the school's academic, financial, and operational
10.30 performance, up to five years;

10.31 (12) how the board of directors or the operators of the charter school will provide
10.32 special instruction and services for children with a disability under sections 125A.03
10.33 to 125A.24, and 125A.65, a description of the financial parameters within which the
10.34 charter school will operate to provide the special instruction and services to children
10.35 with a disability;

11.1 (13) the specific conditions for contract renewal that identify performance of all
 11.2 students under the primary purpose of subdivision 1 as the most important factor in
 11.3 determining contract renewal;

11.4 (14) the additional purposes under subdivision 1, paragraph (a), and related
 11.5 performance obligations under clause (7) contained in the charter contract as additional
 11.6 factors in determining contract renewal; and

11.7 (15) the plan for an orderly closing of the school under chapter 317A, whether
 11.8 the closure is a termination for cause, a voluntary termination, or a nonrenewal of the
 11.9 contract, that includes establishing the responsibilities of the school board of directors
 11.10 and the authorizer and notifying the commissioner, ~~authorizer~~, school district in which the
 11.11 charter school is located, and parents of enrolled students about the closure, information
 11.12 and assistance sufficient to enable the student to re-enroll in another school, the transfer of
 11.13 student records under subdivision 8, paragraph (p), ~~and procedures for closing financial~~
 11.14 ~~operations.~~ The plan shall also include how the school will finance the costs of closing
 11.15 financial operations, dissolve the nonprofit corporation, and choose the entity that will
 11.16 oversee the closure process by the board.

11.17 Sec. 5. Minnesota Statutes 2014, section 124D.10, subdivision 6a, is amended to read:

11.18 Subd. 6a. **Audit report.** (a) The charter school must submit an audit report to the
 11.19 commissioner and its authorizer by December 31 each year.

11.20 (b) The charter school, with the assistance of the auditor conducting the audit, must
 11.21 include with the report, as supplemental information, a copy of management agreements
 11.22 with a charter management organization or an educational management organization and
 11.23 any service agreements or contracts over the lesser of \$100,000 or ten five percent of the
 11.24 school's most recent annual audited expenditures. The agreements must detail the terms of
 11.25 the agreement, including the services provided and the annual costs for those services.
 11.26 If the entity that provides the professional services to the charter school is exempt from
 11.27 taxation under section 501 of the Internal Revenue Code of 1986, that entity must file with
 11.28 the commissioner by February 15 a copy of the annual return required under section 6033
 11.29 of the Internal Revenue Code of 1986. A copy of all agreements and contracts referred to
 11.30 in this paragraph must be annually posted on the school's Web site.

11.31 (c) A charter school independent audit report shall include audited financial data of
 11.32 an affiliated building corporation or other component unit.

11.33 (d) If the audit report finds that a material weakness exists in the financial reporting
 11.34 systems of a charter school, the charter school must submit a written report to the
 11.35 commissioner explaining how the material weakness will be resolved. An auditor, as a

12.1 condition of providing financial services to a charter school, must agree to make available
12.2 information about a charter school's financial audit to the commissioner and authorizer
12.3 upon request.

12.4 Sec. 6. Minnesota Statutes 2014, section 124D.10, subdivision 8, is amended to read:

12.5 Subd. 8. **Federal, state, and local requirements.** (a) A charter school shall meet all
12.6 federal, state, and local health and safety requirements applicable to school districts.

12.7 (b) A school must comply with statewide accountability requirements governing
12.8 standards and assessments in chapter 120B.

12.9 (c) A school authorized by a school board may be located in any district, unless the
12.10 school board of the district of the proposed location disapproves by written resolution.

12.11 (d) A charter school must be nonsectarian in its programs, admission policies,
12.12 employment practices, and all other operations. An authorizer may not authorize a charter
12.13 school or program that is affiliated with a nonpublic sectarian school or a religious
12.14 institution. A charter school student must be released for religious instruction, consistent
12.15 with section 120A.22, subdivision 12, clause (3).

12.16 (e) Charter schools must not be used as a method of providing education or
12.17 generating revenue for students who are being home-schooled. This paragraph does not
12.18 apply to shared time aid under section 126C.19.

12.19 (f) The primary focus of a charter school must be to provide a comprehensive
12.20 program of instruction for at least one grade or age group from five through 18 years of age.
12.21 Instruction may be provided to people older than 18 years of age. A charter school may
12.22 offer a free preschool or prekindergarten that meets high-quality early learning instructional
12.23 program standards that are aligned with Minnesota's early learning standards for children.

12.24 (g) A charter school may not charge tuition.

12.25 (h) A charter school is subject to and must comply with chapter 363A and section
12.26 121A.04.

12.27 (i) Once a student is enrolled in the school, the student is considered enrolled in the
12.28 school until the student formally withdraws or is expelled under the Pupil Fair Dismissal
12.29 Act in sections 121A.40 to 121A.56. A charter school is subject to and must comply with
12.30 the Pupil Fair Dismissal Act, sections 121A.40 to 121A.56, and the Minnesota Public
12.31 School Fee Law, sections 123B.34 to 123B.39.

12.32 (j) A charter school is subject to the same financial audits, audit procedures, and
12.33 audit requirements as a district, except as required under subdivision 6a. Audits must be
12.34 conducted in compliance with generally accepted governmental auditing standards, the
12.35 federal Single Audit Act, if applicable, and section 6.65. A charter school is subject

13.1 to and must comply with sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04;
13.2 118A.05; 118A.06; 471.38; 471.391; 471.392; and 471.425. The audit must comply with
13.3 the requirements of sections 123B.75 to 123B.83, except to the extent deviations are
13.4 necessary because of the program at the school. Deviations must be approved by the
13.5 commissioner and authorizer. The Department of Education, state auditor, legislative
13.6 auditor, or authorizer may conduct financial, program, or compliance audits. A charter
13.7 school determined to be in statutory operating debt under sections 123B.81 to 123B.83
13.8 must submit a plan under section 123B.81, subdivision 4.

13.9 (k) A charter school is a district for the purposes of tort liability under chapter 466.

13.10 (l) A charter school must comply with chapters 13 and 13D; and sections 120A.22,
13.11 subdivision 7; 121A.75; and 260B.171, subdivisions 3 and 5.

13.12 (m) A charter school is subject to the Pledge of Allegiance requirement under
13.13 section 121A.11, subdivision 3.

13.14 (n) A charter school offering online courses or programs must comply with section
13.15 124D.095.

13.16 (o) A charter school and charter school board of directors are subject to chapter 181.

13.17 (p) A charter school must comply with section 120A.22, subdivision 7, governing
13.18 the transfer of students' educational records and sections 138.163 and 138.17 governing
13.19 the management of local records. Upon the closure of a charter school, the school must
13.20 notify the parent, legal guardian, or emancipated student of the location where the student's
13.21 educational records were transferred and the date of the transfer. A cumulative report of
13.22 the educational record transfers shall be submitted to the commissioner and another school
13.23 or organization that agrees to accept responsibility for archiving the information.

13.24 (q) A charter school that provides early childhood health and developmental
13.25 screening must comply with sections 121A.16 to 121A.19.

13.26 (r) A charter school that provides school-sponsored youth athletic activities must
13.27 comply with section 121A.38.

13.28 (s) A charter school is subject to and must comply with continuing truant notification
13.29 under section 260A.03.

13.30 (t) A charter school must develop and implement a teacher evaluation and peer
13.31 review process under section 122A.40, subdivision 8, paragraph (b), clauses (2) to
13.32 (13). The teacher evaluation process in this paragraph does not create any additional
13.33 employment rights for teachers.

13.34 (u) A charter school must adopt a policy, plan, budget, and process, consistent with
13.35 section 120B.11, to review curriculum, instruction, and student achievement and strive
13.36 for the world's best workforce.

14.1 (v) A charter school must comply with section 121A.031 governing policies on
14.2 prohibited conduct.

14.3 (w) A charter school must comply with all pupil transportation requirements in
14.4 section 123B.88, subdivision 1. A charter school must not require parents to surrender
14.5 their rights to pupil transportation under section 123B.88, subdivision 2.

14.6 Sec. 7. Minnesota Statutes 2014, section 124D.10, subdivision 9, is amended to read:

14.7 Subd. 9. **Admission requirements.** (a) A charter school may limit admission to:

14.8 (1) pupils within an age group or grade level;

14.9 (2) pupils who are eligible to participate in the graduation incentives program under
14.10 section 124D.68; or

14.11 (3) residents of a specific geographic area in which the school is located when the
14.12 majority of students served by the school are members of underserved populations.

14.13 (b) A charter school shall enroll an eligible pupil who submits a timely application,
14.14 unless the number of applications exceeds the capacity of a program, class, grade level, or
14.15 building. In this case, pupils must be accepted by lot. The charter school must develop
14.16 and publish, including on its Web site, a lottery policy and process that it must use when
14.17 accepting pupils by lot.

14.18 (c) A charter school shall give enrollment preference to a sibling of an enrolled pupil
14.19 and to a foster child of that pupil's parents and may give preference for enrolling children
14.20 of the school's staff before accepting other pupils by lot. A charter school that is located in
14.21 Duluth township in St. Louis County and admits students in kindergarten through grade
14.22 6 must give enrollment preference to students residing within a five-mile radius of the
14.23 school and to the siblings of enrolled children. A charter school may give enrollment
14.24 preference to children currently enrolled in the school's free preschool or prekindergarten
14.25 program under subdivision 8, paragraph (f), who are eligible to enroll in kindergarten in
14.26 the next school year, if the student attends the preschool or prekindergarten program for
14.27 free or under a state scholarship.

14.28 (d) A person shall not be admitted to a charter school (1) as a kindergarten pupil,
14.29 unless the pupil is at least five years of age on September 1 of the calendar year in which
14.30 the school year for which the pupil seeks admission commences; or (2) as a first grade
14.31 student, unless the pupil is at least six years of age on September 1 of the calendar year in
14.32 which the school year for which the pupil seeks admission commences or has completed
14.33 kindergarten; except that a charter school may establish and publish on its Web site a
14.34 policy for admission of selected pupils at an earlier age, consistent with the enrollment
14.35 process in paragraphs (b) and (c).

15.1 (e) Except as permitted in paragraph (d), a charter school may not limit admission
 15.2 to pupils on the basis of intellectual ability, measures of achievement or aptitude, or
 15.3 athletic ability and may not establish any criteria or requirements for admission that are
 15.4 inconsistent with this subdivision.

15.5 (f) The charter school shall not distribute any services or goods of value to students,
 15.6 parents, or guardians as an inducement, term, or condition of enrolling a student in a
 15.7 charter school.

15.8 Sec. 8. Minnesota Statutes 2014, section 124D.10, subdivision 23, is amended to read:

15.9 Subd. 23. **Causes for nonrenewal or termination of charter school contract.** (a)
 15.10 The duration of the contract with an authorizer must be for the term contained in the
 15.11 contract according to subdivision 6. The authorizer may or may not renew a contract at
 15.12 the end of the term for any ground listed in paragraph (b). An authorizer may unilaterally
 15.13 terminate a contract during the term of the contract for any ground listed in paragraph (b).
 15.14 At least 60 business days before not renewing or terminating a contract, the authorizer
 15.15 shall notify the board of directors of the charter school of the proposed action in writing.
 15.16 The notice shall state the grounds for the proposed action in reasonable detail and that the
 15.17 charter school's board of directors may request in writing an informal hearing before the
 15.18 authorizer within 15 business days of receiving notice of nonrenewal or termination of
 15.19 the contract. Failure by the board of directors to make a written request for an informal
 15.20 hearing within the 15-business-day period shall be treated as acquiescence to the proposed
 15.21 action. Upon receiving a timely written request for a hearing, the authorizer shall give ten
 15.22 business days' notice to the charter school's board of directors of the hearing date. The
 15.23 authorizer shall conduct an informal hearing before taking final action. The authorizer
 15.24 shall take final action to renew or not renew a contract no later than 20 business days
 15.25 before the proposed date for terminating the contract or the end date of the contract.

15.26 (b) A contract may be terminated or not renewed upon any of the following grounds:

- 15.27 (1) failure to demonstrate satisfactory academic achievement for all students,
 15.28 including the requirements for pupil performance contained in the contract;
 15.29 (2) failure to meet generally accepted standards of fiscal management;
 15.30 (3) violations of law; or
 15.31 (4) other good cause shown.

15.32 If a contract is terminated or not renewed under this paragraph, the school must be
 15.33 dissolved according to the applicable provisions of chapter 317A.

15.34 (c) If ~~the~~ an authorizer and the charter school board of directors mutually agree not
 15.35 to renew the contract, or end the contract before it expires, a change in authorizers is

16.1 allowed. The authorizer and the school board must jointly submit a written and signed
16.2 letter of their intent to the commissioner to mutually not renew the contract or end the
16.3 contract before it expires. The authorizer that is a party to the existing contract must
16.4 inform the proposed authorizer about the fiscal, operational, and student performance
16.5 status of the school, as well as any outstanding contractual obligations that exist. The
16.6 charter contract between the proposed authorizer and the school must identify and provide
16.7 a plan to address any outstanding obligations from the previous contract. The proposed
16.8 contract must be submitted at least 105 business days before the end of the existing
16.9 charter contract. The commissioner shall have 30 business days to review and make a
16.10 determination. The proposed authorizer and the school shall have 15 business days to
16.11 respond to the determination and address any issues identified by the commissioner. A
16.12 final determination by the commissioner shall be made no later than 45 business days
16.13 before the end of the current charter contract. If no change in authorizer is approved,
16.14 the school and the current authorizer may withdraw their joint letter of nonrenewal and
16.15 enter into a new contract or continue the current contract. If the transfer of authorizers is
16.16 not approved and the current authorizer and the school do not withdraw their letter and
16.17 enter into a new contract or continue the current contract, the school must be dissolved
16.18 according to applicable law and the terms of the contract. Any mutual transfer of
16.19 authorizers under this paragraph is effective on July 1.

16.20 (d) The commissioner, after providing reasonable notice to the board of directors of
16.21 a charter school and the existing authorizer, and after providing an opportunity for a public
16.22 hearing, may terminate the existing contract between the authorizer and the charter school
16.23 board if the charter school has a history of:

- 16.24 (1) failure to meet pupil performance requirements consistent with state law;
16.25 (2) financial mismanagement or failure to meet generally accepted standards of
16.26 fiscal management; or
16.27 (3) repeated or major violations of the law.