



# INDIANA STATE BOARD OF EDUCATION

## Memorandum Regarding The Charter and Innovation School Advance Program Revised September 23, 2015

Public Law 213-2015, SEC. 232, establishes the Charter and Innovation School Advance Program, to be administered by the State Board of Education ("State Board") per Indiana Code ("IC") 20-49-9. All questions about the Advance Program should be addressed to [applications@sboe.in.gov](mailto:applications@sboe.in.gov).

### *Application*

The State Board will accept [applications](#) for loans from qualifying charter and innovation network schools from August 10, 2015 through October 31, 2015. The application must be signed by an authorized representative for the school and, in the case of a charter school, by the board president or chairperson of the charter school organizer. A copy of the application submitted by a charter school will be provided to the charter school's authorizer.

Applications may be sent by regular mail to:

State Board of Education  
Attn: Executive Director  
143 W. Market Street, Suite 500  
Indianapolis, IN 46204

Or by email to [applications@sboe.in.gov](mailto:applications@sboe.in.gov). Please put "Charter/Innovation School Advance Program Application" in the subject line of the email.

All applications must be received by the State Board by October 31, 2015 to be considered. The State Board will review and make determinations on completed applications as soon as practicable.

### *Automatic Eligibility*

The following schools are eligible for an advance:

1. A charter school in its first or second year of operation.
2. A charter school that was placed in the "A", "B", or "C" category or designation of performance established under IC 20-31-8-3 for the most recently completed school year.
3. A charter school that was placed in the "D" or "F" category or designation for the most recently completed school year is eligible for an advance if the charter school is placed in the same or a better category or designation than the nearest non-charter public school(s) configured to teach the same grades of students as the charter school teaches. In making this determination, "nearest" is defined as closest in geographical distance regardless of school corporation or county boundaries.
4. A charter school that does not receive a category or designation of performance established under IC 20-31-8-3 for the most recently completed school year.

5. A school that has a majority of students with developmental, intellectual, or behavioral challenges. A school must include a statement with its application explaining how it qualifies for an advance under this category.
6. An innovation network school located in a school city, as defined in IC 20-25-2-12, that existed on January 1, 2015, that does not receive a pro rata share of local property tax revenue.

#### *Ineligible Schools*

A charter school is not eligible for an advance if it does not qualify under (1) – (5) above, and, for two (2) consecutive years the charter school has been placed in a worse category or designation of performance than the nearest non-charter public school(s) configured to teach the same grades of students as the charter school teaches.

In addition, schools which have been granted a charter but which will not be open to serve students in the fall of 2015, virtual charter schools, and adult high schools (as defined in IC 20-24-1-2.3) are not eligible for an advance.

#### *Allocation of Advance Funds*

The total amount of advances that the State Board may make during the state biennium beginning July 1, 2015, and ending June 30, 2017, may not exceed fifty million dollars (\$50,000,000). Funds will be made available following approval of applications at the State Board's October 14, 2015 business meeting. Additional information regarding allocation, including the priority of funding in the case of oversubscription, will be addressed by the State Board in the coming months.

#### *Terms of the Advance*

The following apply to advances made under this Program:

1. Interest shall be charged at the rate of one percent (1%) per year.
2. The outstanding advance amount at any one (1) time for a particular school may not exceed five million dollars (\$5,000,000). A school may receive multiple advances from the fund as long as the total amount outstanding on all advances to the school from the fund does not exceed this maximum amount.
3. The term of the advance may not exceed ten (10) years after the date of the advance.
4. Advance proceeds must be used for educational purposes (as determined by the State Board). Advance proceeds may be used to refinance existing debt.

Please note that advances are made to schools, not any other entity. Regardless of a school's relationship with a management organization, the school retains responsibility for the all aspects of the advance including, but not limited to application submission, budget decisions, and repayment of any funds. Items purchased by the school with advance funds are and remain the property of the school, not the management organization.

#### *Purchase of School Facilities*

If advance proceeds are used to construct or purchase a school facility, the school must provide the state board with an adequate security interest for the repayment of the advance, in a form and amount determined by the Indiana Department of Administration. The form and type of the security interest will be determined on a case by case basis. If the building is sold, the State Board will re-determine the adequacy of its security interest and may hold a public hearing to determine whether any tax dollar equity funded with the advance should be paid to the state.

### *Repayment*

Any school that is awarded an advance must enter into an Agreement before receiving funds. The terms of the Agreement will include a provision allowing the State Board to withhold funds due to a school to which an advance is made until the advance is paid. If funds are withheld, they will be withheld from the distribution of state tuition support to the school to which the advance is made. If the state tuition support distribution is unavailable or inadequate, funds may be withheld from any other distribution of state funds to the school.