HOUSE GOVERNMENT, ELECTIONS AND INDIAN AFFAIRS COMMITTEE SUBSTITUTE FOR HOUSE BILL 143 56TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2023

AN ACT

RELATING TO PUBLIC SCHOOL GOVERNANCE; REQUIRING THE PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL TO APPROVE CHARTER SCHOOL LEASES AT A MARKET RATE; PROVIDING TECHNICAL CLEANUP; REQUIRING CHARTERING AUTHORITIES TO ANNUALLY REVIEW AND APPROVE CHARTER SCHOOL CONFLICT OF INTEREST DISCLOSURES; REQUIRING CHARTER SCHOOLS TO USE A STANDARD CHARTER SCHOOL LEASE FORM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 22-8B-4 NMSA 1978 (being Laws 1999, Chapter 281, Section 4, as amended) is amended to read:

"22-8B-4. CHARTER SCHOOLS' RIGHTS AND RESPONSIBILITIES-OPERATION.--

A. A charter school shall be subject to all federal and state laws and constitutional provisions prohibiting discrimination on the basis of disability, physical or mental .224668.2

handicap, serious medical condition, race, creed, color, sex, gender identity, sexual orientation, spousal affiliation, national origin, religion, ancestry or need for special education services and shall not allow for the imposition of discipline, discrimination or disparate treatment against a student based on the student's race, religion or culture or because of the student's use of protective hairstyles or cultural or religious headdresses.

- B. A charter school shall be governed by a governing body in the manner set forth in the charter contract; provided that a governing body shall have at least five members; and provided further that no member of a governing body for a charter school that is initially approved on or after July 1, 2005 or whose charter is renewed on or after July 1, 2005 shall serve on the governing body of another charter school. No member of a local school board shall be a member of a governing body for a charter school or employed in any capacity by a locally chartered charter school located within the local school board's school district during the term of office for which the member was elected or appointed.
 - C. A charter school shall be responsible for:
- (1) its own operation, including preparation of a budget, subject to audits pursuant to the Audit Act; and
- (2) contracting for services and personnel matters.

- D. A charter school may contract with a school district, a university or college, the state, another political subdivision of the state, the federal government or one of its agencies, a tribal government or any other third party for the use of a facility, its operation and maintenance and the provision of any service or activity that the charter school is required to perform in order to carry out the educational program described in its charter contract. Facilities used by a charter school shall meet the standards required pursuant to Section 22-8B-4.2 NMSA 1978.
- E. A conversion school chartered before July 1,
 2007 may choose to continue using the school district
 facilities and equipment it had been using prior to conversion,
 subject to the provisions of Subsection F of this section.
- or more available facilities not currently used for other educational purposes shall make facilities and may make land available for lease, lease-purchase or purchase to the charter schools located in the school district for the charter schools' operations and shall notify the charter schools of that availability no later than May 1 of each year. The public school facilities authority shall annually ensure that each school district with available land or one or more available facilities has provided that notification. A school district may develop a facility prioritization plan that identifies

which charter schools may lease, lease-purchase or purchase
available school district facilities. School-district-owned
land shall not be considered available to a charter school if
the school district has justified future use of that land
through its five-year facilities master plan. An agreement for
the use of school district facilities by a charter school may
provide for reasonable lease payments <u>approved by the public</u>
school capital outlay council at the local market rate;
provided that the payments do not exceed the sum of the lease
reimbursement rate provided in Paragraph (1) of Subsection I of
Section 22-24-4 NMSA 1978 plus any reimbursement for actual
direct costs incurred by the school district in providing the
facilities; and provided further that any lease payments
received by a school district may be retained by the school
district and shall not be considered to be cash balances in any
calculation pursuant to Section 22-8-41 NMSA 1978. The
available facilities provided by a school district to a charter
school shall meet all occupancy standards as specified by the
public school capital outlay council. As used in this
subsection, "other educational purposes" includes health
clinics, daycare centers, teacher training centers, school
district administration functions and other ancillary services
related to a school district's functions and operations.

G. A locally chartered charter school may pay the costs of operation and maintenance of its facilities or may .224668.2

contract with the school district to provide facility operation and maintenance services.

- H. Locally chartered charter school facilities are eligible for state and local capital outlay funds and shall be included in the school district's five-year facilities plan.
- I. A locally chartered charter school shall negotiate with a school district to provide transportation to students eligible for transportation under the provisions of the Public School Code. The school district, in conjunction with the charter school, may establish a limit for student transportation to and from the charter school site not to extend beyond the school district boundary.
- J. A charter school shall be a nonsectarian, nonreligious and non-home-based public school.
- K. Except as otherwise provided in the Public School Code, a charter school shall not charge tuition or have admission requirements.
- L. With the approval of the chartering authority, a single charter school may maintain separate facilities at two or more locations within the same school district; but, for purposes of calculating program units pursuant to the Public School Finance Act, the separate facilities shall be treated together as one school.
- M. A charter school shall be subject to the provisions of Section 22-2-8 NMSA 1978 and the Assessment and .224668.2

Accountability Act.

- N. Within constitutional and statutory limits, a charter school may acquire and dispose of property; provided that, upon termination of the charter, all assets of the locally chartered charter school shall revert to the local school board and all assets of the state-chartered charter school shall revert to the state, except that, if all or any portion of a state-chartered charter school facility is financed with the proceeds of general obligation bonds issued by a local school board, the facility shall revert to the local school board.
- O. The governing body of a charter school may accept or reject any charitable gift, grant, devise or bequest; provided that no such gift, grant, devise or bequest shall be accepted if subject to any condition contrary to law or to the terms of the charter. The particular gift, grant, devise or bequest shall be considered an asset of the charter school to which it is given.
- P. The governing body may contract and sue and be sued. A local school board shall not be liable for any acts or omissions of the charter school.
- Q. A charter school shall comply with all state and federal health and safety requirements applicable to public schools, including those health and safety codes relating to educational building occupancy.

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- A charter school is a public school that may contract with a school district or other party for provision of financial management, food services, transportation, facilities, education-related services or other services. governing body shall not contract with a for-profit entity for the management of the charter school.
- S. To enable state-chartered charter schools to submit required data to the department, an accountability data system shall be maintained by the department.
- T. A charter school shall comply with all applicable state and federal laws and rules related to providing special education services. Charter school students with disabilities and their parents retain all rights under the federal Individuals with Disabilities Education Act and its implementing state and federal rules. Each charter school is responsible for identifying, evaluating and offering a free appropriate public education to all eligible children who are accepted for enrollment in that charter school. The statechartered charter school, as a local educational agency, shall assume responsibility for determining students' needs for special education and related services. The division may promulgate rules to implement the requirements of this subsection.
 - U. As used in this section:
 - "cultural or religious headdresses"

includes hijabs, head wraps or other headdresses used as part of an individual's personal cultural or religious beliefs;

- (2) "protective hairstyles" includes such hairstyles as braids, locs, twists, tight coils or curls, cornrows, bantu knots, afros, weaves, wigs or head wraps; and
- (3) "race" includes traits historically associated with race, including hair texture, length of hair, protective hairstyles or cultural or religious headdresses."
- SECTION 2. Section 22-8B-4.2 NMSA 1978 (being Laws 2005, Chapter 221, Section 3 and Laws 2005, Chapter 274, Section 2, as amended) is amended to read:

"22-8B-4.2. CHARTER SCHOOL FACILITIES--STANDARDS.--

- A. The facilities of a charter school that is approved on or after July 1, 2005 and before July 1, 2015 shall meet educational occupancy standards required by applicable New Mexico construction codes.
- B. The facilities of a charter school whose charter has been renewed at least once shall be evaluated, prioritized and eligible for grants pursuant to the Public School Capital Outlay Act in the same manner as all other public schools in the state; provided that for charter school facilities in leased facilities, grants may be used to provide additional lease payments for leasehold improvements made by the lessor.
- C. [On or after July 1, 2011] A new charter school shall not open and an existing charter school shall not .224668.2

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relocate unless the facilities of the new or relocated charter school, as measured by the New Mexico condition index, receive a condition rating equal to or better than the average condition for all New Mexico public schools for that year [or the charter school demonstrates, within eighteen months of occupancy or relocation of the charter, the way in which the facilities will achieve a rating equal to or better than the average New Mexico condition index].

- On or after July 1, 2015, a new charter school shall not open and an existing charter shall not be renewed unless the charter school:
 - is housed in a building that is:
- (a) owned by the charter school, the school district, the state, an institution of the state, another political subdivision of the state, the federal government or one of its agencies or a tribal government; or
- (b) subject to a lease-purchase arrangement that has been entered into and approved pursuant to the Public School Lease Purchase Act; or
- if it is not housed in a building (2) described in Paragraph (1) of this subsection, demonstrates that:
- (a) the facility in which the charter school is housed meets the statewide adequacy standards developed pursuant to the Public School Capital Outlay Act and .224668.2

the owner of the facility is contractually obligated to maintain those standards at no additional cost to the charter school or the state; and

- (b) either: 1) public buildings are not available or adequate for the educational program of the charter school; or 2) the owner of the facility is a nonprofit entity specifically organized for the purpose of providing the facility for the charter school.
- E. Without the approval of the public school facilities authority pursuant to Section 22-20-1 NMSA 1978, a charter school shall not enter into a lease-purchase agreement.
 - F. The public school capital outlay council:
- (1) shall determine whether facilities of a charter school meet the educational occupancy standards pursuant to the requirements of Subsection A of this section or the requirements of Subsections B, C and D of this section, as applicable; and
- (2) upon a determination that specific requirements are not appropriate or reasonable for a charter school, may grant a variance from those requirements for that charter school."
- SECTION 3. Section 22-8B-5.2 NMSA 1978 (being Laws 2011, Chapter 14, Section 7) is amended to read:
 - "22-8B-5.2. GOVERNING BODY CONFLICTS OF INTEREST.--
- A. A person shall not serve as a member of a .224668.2

governing body or as an employee of a charter school if the person or an immediate family member of the person is an owner, agent of, contractor with or otherwise has a financial interest in a for-profit or nonprofit entity with which the charter school contracts directly, for professional services, goods or facilities. A violation of this subsection renders the contract between the person or the person's immediate family member and the charter school voidable at the option of the chartering authority, the department or the governing body. A person who knowingly violates this subsection may be individually liable to the charter school for any financial damage caused by the violation.

- B. No member of a governing body or employee, officer or agent of a charter school shall participate in selecting, awarding or administering a contract with the charter school if a conflict of interest exists. A conflict of interest exists when the member, employee, officer or agent or an immediate family member of the member, employee, officer or agent has a financial interest in the entity with which the charter school is contracting. A violation of this subsection renders the contract [voidable] void.
- C. Any employee, agent or board member of the chartering authority who participates in the initial review, approval, ongoing oversight, evaluation or charter renewal process of a charter school is ineligible to serve on the .224668.2

1	governing body of the charter school chartered by the
2	chartering authority.
3	D. As used in this section, "immediate fa
4	member" means spouse, father, father-in-law, mother,

D. As used in this section, "immediate family member" means spouse, father, father-in-law, mother, mother-in-law, son, son-in-law, daughter, daughter-in-law, brother, brother-in-law, sister, sister-in-law or any other relative who is financially supported."

SECTION 4. Section 22-8B-5.3 NMSA 1978 (being Laws 2011, Chapter 14, Section 8) is amended to read:

"22-8B-5.3. CHARTERING AUTHORITY--POWERS--DUTIES--LIABILITY.--A chartering authority shall:

- A. evaluate charter applications;
- B. actively pursue the utilization of charter schools to satisfy identified education needs and promote a diversity of educational choices;
- C. approve charter applications that meet the requirements of the Charter Schools Act;
- D. decline to approve charter applications that fail to meet the requirements of the Charter Schools Act or are otherwise inadequate;
- E. negotiate and execute, in good faith, charter contracts that meet the requirements of the Charter Schools Act with each approved charter school;
- F. monitor, in accordance with the requirements of the Charter Schools Act and the terms of the charter contract, .224668.2

areas of

1	the performance and legal compliance of charter schools under						
2	their authority;						
3	G. determine whether a charter school merits						
4	suspension, revocation or nonrenewal; [and]						
5	H. develop and maintain chartering policies and						
6	practices consistent with nationally recognized principles and						
7	standards for quality charter authorizing in all major areas of						
8	authorizing, including:						
9	(1) organizational capacity and						
10	infrastructure;						
11	(2) evaluating charter applications;						
12	(3) performance contracting;						
13	(4) charter school oversight and evaluation;						
14	and						
15	(5) charter school suspension, revocation and						
16	renewal processes; and						
17	I. annually review, approve and report to the						
18	department all charter school conflict-of-interest disclosure						
19	statements."						
20	SECTION 5. Section 22-24-4 NMSA 1978 (being Laws 1975,						
21	Chapter 235, Section 4, as amended) is amended to read:						
22	"22-24-4. PUBLIC SCHOOL CAPITAL OUTLAY FUND CREATED						
23	USE						
24	A. The "public school capital outlay fund" is						
25	created. Balances remaining in the fund at the end of each						

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fiscal year shall not revert.

- B. Except as provided in Subsections G and I through Q of this section, money in the fund may be used only for capital expenditures deemed necessary by the council for an adequate educational program.
- C. The council may authorize the purchase by the authority of portable classrooms to be loaned to school districts to meet a temporary requirement. Payment for these purchases shall be made from the fund. Title to and custody of the portable classrooms shall rest in the authority. The council shall authorize the lending of the portable classrooms to school districts upon request and upon finding that sufficient need exists. Application for use or return of state-owned portable classroom buildings shall be submitted by school districts to the council. Expenses of maintenance of the portable classrooms while in the custody of the authority shall be paid from the fund; expenses of maintenance and insurance of the portable classrooms while in the custody of a school district shall be the responsibility of the school district. The council may authorize the permanent disposition of the portable classrooms by the authority with prior approval of the state board of finance.
- D. Applications for assistance from the fund shall be made by school districts to the council in accordance with requirements of the council. Except as provided in Subsection .224668.2

K of this section, the council shall require as a condition of application that a school district have a current five-year facilities plan that shall include a current preventive maintenance plan to which the school adheres for each public school in the school district.

- E. The council shall review all requests for assistance from the fund and shall allocate funds only for those capital outlay projects that meet the criteria of the Public School Capital Outlay Act.
- F. Money in the fund shall be disbursed by warrant of the department of finance and administration on vouchers signed by the secretary of finance and administration following certification by the council that an application has been approved or an expenditure has been ordered by a court pursuant to Section 22-24-5.4 NMSA 1978. At the discretion of the council, money for a project shall be distributed as follows:
- (1) up to ten percent of the portion of the project cost funded with distributions from the fund or five percent of the total project cost, whichever is greater, may be paid to the school district before work commences with the balance of the grant award made on a cost-reimbursement basis; or
- (2) the council may authorize payments directly to the contractor.
- G. Balances in the fund may be annually .224668.2

appropriated for the core administrative functions of the authority pursuant to the Public School Capital Outlay Act, and, in addition, balances in the fund may be expended by the authority, upon approval of the council, for project management expenses; provided that:

- (1) the total annual expenditures from the fund for the core administrative functions pursuant to this subsection shall not exceed five percent of the average annual grant assistance authorized from the fund during the three previous fiscal years; and
- (2) any unexpended or unencumbered balance remaining at the end of a fiscal year from the expenditures authorized in this subsection shall revert to the fund.
- H. The fund may be expended by the council for building system repair, renovation or replacement initiatives with projects to be identified by the council pursuant to Section 22-24-4.6 NMSA 1978; provided that money allocated pursuant to this subsection shall be expended within three years of the allocation.
- I. The fund may be expended annually by the council for grants to school districts for the purpose of making lease payments for facilities, including facilities leased by charter schools. For leases, amendments and renewals entered into after July 1, 2023, these payments shall be reviewed by the council and charter school's authorizer and shall not be used

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for operational expenditures, including expenditures for property taxes, utilities, custodial fees, insurance or <u>repairs</u>. The grants shall be made upon application by the school districts and pursuant to rules adopted by the council; provided that an application on behalf of a charter school shall be made by the school district, but, if the school district fails to make an application on behalf of a charter school, the charter school may submit its own application. The following criteria shall apply to the grants:

- (1) the amount of a grant to a school district or charter school shall not exceed:
- (a) the actual annual lease payments owed for leasing a facility; or
- (b) seven hundred dollars (\$700) multiplied by the MEM using the leased facilities; provided that in fiscal year 2009 and in each subsequent fiscal year, this amount shall be adjusted by the percentage change between the penultimate calendar year and the immediately preceding calendar year of the consumer price index for the United States, all items, as published by the United States department of labor;
- a grant received for the lease payments of (2) a charter school may be used by that charter school as a state match necessary to obtain federal grants pursuant to the federal Every Student Succeeds Act;

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unexpended	or	unencun	nbered	l balaı	nce	of t	the	grant	shall	revert	to
the fund:											

- (4) no grant shall be made for lease payments due pursuant to a financing agreement under which the facilities may be purchased for a price that is reduced according to the lease payments made unless:
- (a) the agreement has been approved pursuant to the provisions of the Public School Lease Purchase Act; and
- (b) the facilities are leased by a charter school;
- a financing agreement under which the facilities may be purchased for a price that is reduced according to the lease payments made, neither a grant nor any provision of the Public School Capital Outlay Act creates a legal obligation for the school district or charter school to continue the lease from year to year or to purchase the facilities nor does it create a legal obligation for the state to make subsequent grants pursuant to the provisions of this subsection; and
 - 6) as used in this subsection:
- (a) "MEM" means: 1) the average full-time-equivalent enrollment using leased facilities on the second and third reporting dates of the prior school year; or .224668.2

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2) in the case of an approved charter school that has not commenced classroom instruction, the estimated full-time-equivalent enrollment that will use leased facilities in the first year of instruction, as shown in the approved charter school application; provided that, after the second reporting date of the current school year, the MEM shall be adjusted to reflect the full-time-equivalent enrollment on that date; and (b) "facilities" includes the space

(b) "facilities" includes the space needed for school activities.

In addition to other authorized expenditures from the fund, up to one percent of the average grant assistance authorized from the fund during the three previous fiscal years may be expended in each fiscal year by the authority to pay the state fire marshal, the construction industries division of the regulation and licensing department and local jurisdictions having authority from the state to permit and inspect projects for expenditures made to permit and inspect projects funded in whole or in part under the Public School Capital Outlay Act. The authority may enter into contracts with the state fire marshal, the construction industries division or the appropriate local authorities to carry out the provisions of this subsection. Such a contract may provide for initial estimated payments from the fund prior to the expenditures if the contract also provides for additional payments from the fund if the actual expenditures

exceed the initial payments and for repayments back to the fund if the initial payments exceed the actual expenditures. Money distributed from the fund to the state fire marshal or the construction industries division pursuant to this subsection shall be used to supplement, rather than supplant, appropriations to those entities.

- K. Pursuant to guidelines established by the council, allocations from the fund may be made to assist school districts in developing and updating five-year facilities plans required by the Public School Capital Outlay Act; provided that:
- (1) no allocation shall be made unless the council determines that the school district is willing and able to pay the portion of the total cost of developing or updating the plan that is not funded with the allocation from the fund. Except as provided in Paragraph (2) of this subsection, the portion of the total cost to be paid with the allocation from the fund shall be determined pursuant to the methodology in Subsection B of Section 22-24-5 NMSA 1978; or
- (2) the allocation from the fund may be used to pay the total cost of developing or updating the plan if:
- (a) the school district has fewer than an average of six hundred full-time-equivalent students on the second and third reporting dates of the prior school year; or
 - (b) the school district meets all of the

following requirements: 1) the school district has fewer than
an average of one thousand full-time-equivalent students on the
second and third reporting dates of the prior school year; 2)
the school district has at least seventy percent of its
students eligible for free or reduced-fee lunch; 3) the state
share of the total cost, if calculated pursuant to the
methodology in Subsection B of Section 22-24-5 NMSA 1978, would
be less than fifty percent; and 4) for all educational
purposes, the school district has a residential property tax
rate of at least seven dollars (\$7.00) on each one thousand
dollars (\$1,000) of taxable value, as measured by the sum of
all rates imposed by resolution of the local school board plus
rates set to pay interest and principal on outstanding school
district general obligation bonds.

- L. Upon application by a school district, allocations from the fund may be made by the council for the purpose of demolishing abandoned school district facilities; provided that:
- (1) the costs of continuing to insure an abandoned facility outweigh any potential benefit when and if a new facility is needed by the school district;
- (2) there is no practical use for the abandoned facility without the expenditure of substantial renovation costs; and
- (3) the council may enter into an agreement .224668.2

with the school district to fully fund the demolition of the abandoned school district facility if Paragraphs (1) and (2) of this subsection are satisfied.

M. Up to ten million dollars (\$10,000,000) of the fund may be expended each year for an education technology infrastructure deficiency corrections initiative pursuant to Section 22-24-4.5 NMSA 1978; provided that funding allocated pursuant to this section shall be expended within three years of its allocation.

N. For each fiscal year from 2018 through 2022, twenty-five million dollars (\$25,000,000) of the fund is reserved for appropriation by the legislature to the instructional material fund or to the transportation distribution of the public school fund. The secretary shall certify the need for the issuance of supplemental severance tax bonds to meet an appropriation from the public school capital outlay fund to the instructional material fund or to the transportation distribution of the public school fund. Any portion of an amount of the public school capital outlay fund that is reserved for appropriation by the legislature for a fiscal year, but that is not appropriated before the first day of that fiscal year, may be expended by the council as provided in this section.

O. Up to ten million dollars (\$10,000,000) of the fund may be expended in each of fiscal years 2019 through 2022 .224668.2

for school security system project grants made in accordance with Section 22-24-4.7 NMSA 1978.

- P. The fund may be expended in each of fiscal years 2020 through 2024 for a pre-kindergarten classroom facilities initiative in accordance with Section 22-24-12 NMSA 1978.
- Q. The council may fund pre-kindergarten classrooms with a qualifying, awarded standards-based project; provided that pre-kindergarten classroom space shall not be included in the project prioritization calculation adopted by the council pursuant to Section 22-24-5 NMSA 1978. The council shall develop pre-kindergarten classroom standards to use when funding pre-kindergarten space."

SECTION 6. APPLICABILITY.--The provisions of this act apply to the 2023-2024 school year and subsequent school years.

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