



Kid's First, New Mexico Wins!

Public Project Revolving Funds for Charter School
Lease-Purchases

**Presentation to the
New Mexico Finance Authority Oversight Committee
Representative Patricia A. Lundstrom, Chair**

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Secretary of Education**

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Public Project Revolving Funds for Charter School Lease-Purchases

- Lease purchases are authorized under Article IX, Section 11 of the New Mexico Constitution for school districts and charter schools.
 - The Constitution provides that no school district shall borrow money except for the purpose of erecting, remodeling, making additions to and furnishing school buildings or purchasing or improving school grounds.
 - Further, constitutional provisions require that in order to borrow money for the purposes noted, the voters of a school district must approve the issuance of debt through an election.

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- Why then are lease purchases not considered debt?
 - Certain conditions must be met in order to meet this test.
 - First, a financing agreement entered into by a school district or a charter school for the leasing of a building or other real property with an option to purchase must include a provision that reduces the price of a facility by the amount of payments made by the school district or charter school.
 - Once this is met, the lease-purchase must include two provisions:
 - There is no legal obligation for the school district or charter school to continue the lease from year to year or to purchase the real property; and
 - The agreement provides that the lease shall be terminated if sufficient money is not available to meet the current lease payments.

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- Why not pursue awards through the standards-based process?
 - Charter schools are eligible for standards-based awards and are included on the state ranked list.
 - The charter school's local share of projects is difficult to achieve.
 - The charter school's local share is based on that of the local school district regardless of the authorizer.
 - Without the capacity to tax, charter schools generally do not have the resources to meet the local share amount.
 - The PSCOC has been reluctant to waive the local share amount because of concerns of fairness.

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- Issues and Concerns.
 - State dollars making improvements to private facilities.
 - Ownership of facilities if charters are revoked or non-renewed.
 - Local school district.
 - PED-PEC
 - Cooperative Purchasing Consortium
 - Stability of funding sources.
 - Risk to lenders.
- Questions

