



MN ASSOCIATION OF
CHARTER SCHOOLS

Unleashing education from convention

Friday, June 19, 2009

Governor Tim Pawlenty
Minnesota State Capitol
Room 130
75 Rev. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Dear Governor Pawlenty,

First, I want you to know that the charter school community appreciates the scope and depth of the financial situation facing the State of Minnesota and that the shift in K-12 funding is an essential component of your plan to balance the budget. With that said, I want to share how the proposed 27% shift will negatively impact charter school districts disproportionately in comparison to traditional school districts.

Charter schools do not have the same opportunity to do low interest borrowing as traditional districts.

Traditional school districts have the ability to do short-term borrowing through a state guaranteed fund at low interest rates. Charter schools, on the other hand, do not currently have access to this funding source – so the short-term borrowing that charter schools will need to cover the shift will be through commercial banks at market interest rates. Thus, the cost of borrowing will be higher for charter schools.

Charter schools budgets are based on state funding, not a mixture of state and local funding.

As you know, charter schools do not have levy authority so charter school budgets are totally dependent on state funding, as opposed to traditional districts whose budgets come from local property taxes. Thus, the shift will have a greater impact on the budgets of charter schools.

Charter schools are young organizations that have not had the time to build large fund balances.

As most charter schools are less than 7 years old, many do not have fund balance to cushion the shift, which means they will have to borrow significantly more per capita than districts that have had decades to build a fund balance that can withstand the proposed shift.

REQUEST

Given these factors, we would ask for consideration of the following before your final decisions are made on balancing the budget:

- First, provide charter schools with access to the state guaranteed loan funds at the low interest rates in the same way that traditional districts have access.
- Second, reduce the hold back in funding for charter schools to reflect the fact that charter schools are totally funded by the state as opposed to traditional school districts which receive a significant portion of funding from local revenues that will not be affected by the shift.

Thank you for your consideration of our concerns and request; we appreciate your long-standing support for public school choice and charter schools.

Sincerely,

Eugene Piccolo
Executive Director

CC: Commissioner Alice Seagren
Bret Walsh, Senior Policy Advisor – Office of the Governor
Charter School Directors, Board Chairs and Authorizer Liaisons