



Celebrating Chartering @ 30 – MINNESOTA'S STORY

The 2003 OLA REPORT PART 2 – LEASE AID

The second question addressed in the OLA Report was, **"Is the Lease-Aid program an effective way to help charter schools obtain school facilities?"**

To answer the question, the OLA did an analysis of lease expenditures and lease-aid payments, looked at the reasonableness of lease costs, and conducted interviews with charter school directors and board chairs.

The findings:

- Lease-aid is an important component of charter school funding (*FY2002 lease costs accounted for 14% of charter school expenditures*)
- Charter school administrators believe that lease-aid is essential to charter schools' financial viability
- Charter school lease rates appear to compare favorably with rates the State of Minnesota pays for office space
- Lease rates vary considerably among charter schools (*FY2003 – range from \$1.95 per square foot to \$21.92 per square foot*)
- On average, the amount of space charter schools lease is within the Department of Education's guidelines
- To circumvent the prohibition against using state funds to buy buildings, some charter schools have established affiliated nonprofit building corporations that issue bonds or obtain loans to acquire school buildings
- Charter schools' use of affiliated corporations to purchase buildings has introduced a gray area to the state's policy on building ownership

The OLA's answer to the question that it was asked about the effectiveness of Lease-Aid was:

"We think the time is right for the legislature to once again weigh the advantages and disadvantages of allowing charter schools to buy buildings."

NEXT WEEK: Another report on charter school financial management - The State Auditor's 2006 Report



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161 St. Anthony Avenue, Suite 1000
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