

## **IAC Policy: State Capital Investments in Leased Facilities**

### **1. Need to Be Addressed by the Policy**

The IAC recognizes that Local Education Agencies (LEAs) have educational space requirements that may be met by leasing facilities for a public school purpose, including but not limited to, pre-kindergarten programs, career- and college-readiness programs, and charter schools. These leased facilities may require capital improvements to create safe, healthy, and educationally sufficient spaces for public school purposes.

### **2. Definitions**

2.1 “Non-LEA entity” includes but is not limited to, operators of public charter schools.

2.2. “Public school” includes public charter schools.

2.2.1. “Public school” does not include facilities used primarily for non-instructional uses such as administrative function and support services, including transportation, facilities maintenance, and warehousing.

2.3 “Public school purpose” means use of a facility primarily to deliver prekindergarten through Grade 12 educational programs and services to public school students.

### **3. Eligibility**

3.1. LEAs may apply for funding from the Capital Improvement Program or a Pass-Through Grant, established in Chapter 344 of the Acts of 2022, for capital improvements to facilities leased by the LEA or a non-LEA entity for a public school purpose.

3.2. These funds may be used solely for eligible school capital improvement expenses authorized under the program from which funding is being requested.

3.2.1. Capital improvement expenses do not include operating expenses, including but not limited to, lease or rent payments, utilities, taxes, fees, maintenance, moveable furniture and equipment with a median useful life of less than 15 years, insurance, salaries or wages.

3.3. A leased facility improved using Capital Improvement Program funding or Pass-Through Grant funding shall be used for a public school purpose for a period of at least 25 years after project closeout. If a leased facility improved using these funds ceases to be used for a public school purpose earlier than 25 years after project closeout, the LEA will be subject to Section 5 (LEA Guarantee) below.

### **4. Application and Approval Procedures**

4.1. LEAs may apply for funding using the Capital Improvement Program [application form](#) or the Pass-Through Grant Program [application form](#).

4.2 Applications shall be reviewed and approved using the eligibility criteria and any other requirements of the program from which funding is being requested.

4.3. If a LEA applies for funding for a project in a facility leased by a non-LEA entity, the LEA shall guarantee the State investment in the facility. The LEA Guarantee provisions are in Section 5 below.

## 5. LEA Guarantee

5.1. When a LEA applies for funding for a project in a leased facility and regardless of whether the LEA or a non-LEA entity will be the tenant, the LEA shall provide an executed written guarantee to the IAC that the leased facility will be used for a public school purpose for at least 25 years after project closeout. The IAC will provide the guarantee form to the LEA as part of the application package.

5.2. If the leased facility ceases for more than a 24-month period to be used for a public school purpose during the 25-year period after project closeout, the LEA shall repay the State within two fiscal years a prorated amount of project funding based on the number of years between the date the leased facility ceased to be used for a public school purpose and 25 years from project closeout.