



This Bill Analysis reflects the contents of the bill as it was presented in committee.

# HOUSE BILL 242: Various Charter School Law Changes.

2016-2017 General Assembly

<b>Committee:</b>	Senate Education/Higher Education	<b>Date:</b>	June 8, 2016
<b>Introduced by:</b>	Reps. Faircloth, Stam	<b>Prepared by:</b>	Drupti Chauhan and Kara McCraw
<b>Analysis of:</b>	PCS to Third Edition H242-CSRQ-30		Committee Co-Counsel

**SUMMARY:** *The Proposed Committee Substitute (PCS) for HB 242 removes all of the content of the bill and replaces it with changes to various charter school laws.*

### SECTION 1.1

**CURRENT LAW:** G.S. 115C-218.5 contains all of the following:

- The process for final approval of initial applications for charter schools.
- The process for charter reviews and renewals.
- Material revisions of charters.
- Non-material revisions of charters.

**BILL ANALYSIS:** This section of the PCS deletes the provisions on the process for charter reviews and renewals; material revisions of charters; and non-material revisions of charters so that each of those items can be set out in new individual statutes.

### SECTION 1.2 –Review and Renewal of Charters

**CURRENT LAW:** G.S. 115C-218.5(d) provides that the State Board of Education (SBE) must review the operations of a charter school at least once every 5 years. The SBE must renew the charter for periods of 10 years unless 1 of the following applies: (i) the charter school has not provided financially sound audits for the past 3 years; (ii) the charter school's student academic outcomes for the past 3 years have not been comparable to the academic outcomes of student in the local school administrative unit (LEA) in which the charter school is located; or (iii) the charter school is not in substantial compliance with laws, its own bylaws, or the provisions in its charter at the time of the request for the renewal.

**BILL ANALYSIS:** The current law on review and renewals would be set out again in a new separate statute.

The PCS would direct the SBE to review the operations of a charter at least once prior to the expiration of the charter rather than once every 5 years.

The PCS would clarify that the 3 years to be considered in renewal requests are the immediately preceding 3 years.

Finally, the PCS would provide that if 1 of the 3 conditions does apply in the case of a renewal request (charter does not have financially sound audits; student academic outcomes not comparable to LEA; or the charter is not in compliance with laws), then the SBE may renew the charter for a period of less than 10 years or not renew the charter.

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## **SECTION 1.3 – Material Revisions of Charters**

**CURRENT LAW:** Material revisions of a charter can only be made upon the approval of the SBE. Enrollment growth greater than 20% is considered a material revision and the SBE may approve this growth only if the SBE finds all of the following:

- The actual enrollment of the charter school is within 10% of its maximum authorized enrollment.
- The charter school has commitments for 90% of the requested maximum growth.
- The charter school is not identified as low-performing.
- The charter school meets generally accepted standards of fiscal management.
- The charter school is substantially in compliance with all laws, its bylaws, and its charter.

**BILL ANALYSIS:** The PCS would provide the SBE with the discretion to waive the requirement that the actual enrollment is within 10% of the maximum authorized enrollment when a charter school is asking for a material revision because of a proposed capital expansion but has not been able to meet that requirement. In this situation, the charter school would have to provide the SBE with the following information:

- The requested increase in enrollment growth is within a reasonable margin of the threshold necessary to support the material revision.
- The charter school has secured financing for its proposed capital expansion conditioned on its obtaining the requested material revision.

If the SBE grants a material revision for enrollment growth based on evidence of a proposed capital expansion and the charter school is not able to realize the capital expansion within 2 years of the grant of the material revision, the charter school would reflect the maximum authorized enrollment that was in place immediately preceding the material revision.

## **SECTION 1.4 – Non-Material Revisions of Charters**

**CURRENT LAW:** Prior approval of the SBE is not needed and it is not considered a material revision of the charter for a charter school to any of the following:

- Increase its enrollment during the 2nd year of operation and annually thereafter by up to 20% of the school's previous year's enrollment.
- Increase its enrollment during the 2nd year of operation and annually thereafter in accordance with the planned growth authorized in the charter.
- Expand to offer one grade higher or lower than it currently offers if the charter school has operated for at least 3 years, has not been identified as having inadequate performance, and has been in financial compliance.

**BILL ANALYSIS:** The PCS would make no changes to the existing law—only re-codify it into a new section.

## **SECTION 1.5 – Enrollment Priority**

**CURRENT LAW:** Charter schools can give enrollment priority in a number of different situations, including to siblings of currently enrolled students; children of full-time employees; and students who were enrolled at the school within the past 2 years but left for specific reasons such as parental work opportunities.

**BILL ANALYSIS:** The PCS would add 2 more enrollment priority categories:

- Students who were enrolled in another charter school in the State in the previous year that does not offer the students' next grade levels.
- Students who were enrolled in another charter school in the State in the previous year that does not offer the students' next grade levels and both schools have enrollment articulation agreements to accept students or are governed by the same board of directors.

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## **SECTION 1.7 – Information on Per Pupil Shares of Local Current Expense Funds**

**CURRENT LAW:** LEAs must give each charter school to which it transfers a per pupil share of its local current expense fund specific information, including the amount of monies in the LEA's various funds and the student membership numbers used to calculate the per pupil share of the local current expense fund.

**BILL ANALYSIS:** The PCS would require the LEA to provide the SBE with the same information that it provides to the charter schools to which it transfers a per pupil share of its local current expense fund. The SBE would have to adopt a policy on the collection of this information and issues letters of non-compliance if the information is not submitted. This section would also make a conforming change.

## **SECTION 2 – Fast Track Charter Application Timelines**

**CURRENT LAW:** The SBE must have a process and rules for the fast-track replication of high-quality charter schools. The decisions of the SBE on whether to grant a charter through the fast-track replication process must be completed in less than 150 days. In addition, the SBE was required to adopt these rules and procedures by December 15, 2014 and report to the Joint Legislative Education Oversight Committee by February 15, 2015.

**BILL ANALYSIS:** The PCS would provide that the SBE must decide whether to grant a charter through the fast-track replication process in less than 90 days from the application submission date. The SBE must provide a decision no later than September 30 of the year immediately preceding the year of the proposed school opening. The SBE must adopt rules and procedures within 90 days of the effective date of this act and must report to the Joint Legislative Education Oversight Committee within 120 days of the effective date of the act.

**SECTION 3** – This section provides that it is the intent of the General Assembly to study and revise the standards for inadequate performance for charter schools.

**EFFECTIVE DATE:** The bill becomes effective when it becomes law and applies beginning with the 2016-2017 school year. Section 2 applies beginning with applications submitted for fast-track replication of schools opening in the 2017-2018 school year.