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

HOUSE BILL 761: Charter School Capital Funds

2015-2016 General Assembly

Committee:	House Local Government, if favorable, Education - K-12	**Date:**	April 22, 2015
Introduced by:	Reps. Yarborough, Stam	**Prepared by:**	R. Erika Churchill Committee Counsel
Analysis of:	First Edition		

SUMMARY: House Bill 761 would authorize counties to use the taxing authority of the county to provide capital funds for charter schools.

CURRENT LAW: Part 6A of Article 16 of Chapter 115C establishes charter schools and provides that the State Board of Education (SBE) is the entity that oversees charter schools in the State by granting, monitoring, and revoking charters. Currently, any person, group of persons, or nonprofit corporation may apply for a charter to establish a charter school or to convert an existing public school to a charter school. Application is made to the State Board of Education, who makes final decisions as to approval or denial by August 15th of each year. The initial charter may be granted for a period of up to 10 years, with renewals for subsequent periods of 10 years each.

G.S. 115C-218.105 provides for allocation of State and local funds for charter schools. State funds are allocated to charter schools in an amount equal to the average per pupil allocation for average daily membership from the local school administrative unit in which the charter school is located for each child attending the charter schools. Additional amounts are provided by the State for children with disabilities and children with limited English proficiency. Local school administrative units transfer to the charter school an amount equal to the per pupil share of the local current expense fund for a student who resides in the unit but attends the charter school.

Charter schools are prohibited from receiving State monies for obtaining any interest in real property or mobile classroom units other than leases. Charter schools often operate on property owned by a separate entity because the charter school is not authorized to enter into a mortgage to buy land. For example, a charter school may lease a building that is owned by an affiliated nonprofit entity. The affiliated entity would have the authority to buy land and mortgage the land to finance the purchase.

BILL ANALYSIS: The bill would authorize counties to levy property taxes for the purpose of providing capital funds for charter schools. The county could, but would not be required to, appropriate funds to a charter school, or non-profit organization supporting a charter school, for any of the following uses:

- The acquisition of real property for school purposes, including school sites, playgrounds, and athletic fields.
- The acquisition, construction, reconstruction, enlargement, renovation, or replacement of buildings and other structures, including buildings for classrooms and laboratories, physical and vocational educational purposes, libraries, auditoriums, and gymnasiums.
- The acquisition or replacement of furniture and furnishings, instructional apparatus, and similar items of furnishings and equipment.

If the charter school uses the funds from the county to acquire or improve property, a promissory note to the county for the amount of the money used, secured by a deed of trust on the land, must be executed. The county may opt to subordinate their lien in order to facilitate the acquisition or improvement. The county must cancel the deed of trust if the charter school repays the money.

If the charter school dissolves, any capital funds provided by the county, and all net assets purchased or improved with the capital funds, are the deemed the property of the county. If multiple counties allocated capital funds, the property is divided proportionately. It is unclear if the county would be responsible for any other debt attached to the property, as the county would be deemed the owner.

EFFECTIVE DATE: Effective when it becomes law, and applies beginning with the 2015-16 fiscal year.