



SENATE BILL 456: Charter School Modifications

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

2015-2016 General Assembly

Committee:	Senate Education/Higher Education	Date:	April 28, 2015
Introduced by:	Sen. Tillman	Prepared by:	Drupti Chauhan and Kara McCraw
Analysis of:	PCS to First Edition S456-CSTC-30		Committee Counsel

SUMMARY: *Senate Bill 456 makes various changes to the charter school laws.*

The Proposed Committee Substitute (PCS) for SB 456 would do the following: (i) require the Charter School Advisory Board (Advisory Board) to provide written comments on proposed SBE rule and guidance changes on charter schools; (ii) allow members of the board of directors of a charter school to be residents of other states; (iii) increase the minimum number of students at a charter school; (iv) direct the SBE to renew charters for 10 years unless specific factors apply and direct the SBE to approve a request for increase of enrollment by up to 20% unless specific factors apply; (v) direct board of directors of charters schools to adopt anti-nepotism policies (vi) restrict local school administrative units from use of other funds for certain purposes under the Uniform Budget Format; and (vii) provide that in the high-quality replication process adopted by the SBE, nonprofit corporations can contract with organizations currently contracted to operate charter schools in the State with which the nonprofit has not previously contracted.

SECTION 1

CURRENT LAW: The Advisory Board must make recommendations to the SBE on the adoption of rules regarding all aspects of charters schools.

BILL ANALYSIS: The PCS would direct the SBE to submit all proposed rules and guidance related to charter schools to the Advisory Board which must, within 45 days, give written comments and recommendations back to the SBE. The SBE is prohibited from adopting any proposed rules or guidance related to charter schools until the 45 day time period has passed.

SECTION 2

BILL ANALYSIS: The PCS would provide that the board of directors of a charter school may include members who are not residents of the State, but the SBE may require by rule that a majority of the board of directors must reside in the State.

SECTION 3

CURRENT LAW: Charter schools must serve at least 65 students unless the application for the charter contains a compelling reason such as the school would serve a geographically remote and small student population.

BILL ANALYSIS: Charter schools would have to serve at least 80 students unless the application for the charter contains a compelling reason such as the school would serve a geographically remote and small student population.

SECTION 4

CURRENT LAW: The SBE may grant an initial charter for a period of not more than 10 years. The SBE may renew the charter for 10 years if requested but the renewal may be for less than 10 years if any one of the following applies:

- The charter school has not provided financially sound audits for the prior 3 years.

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- The charter school's student academic outcomes for the past 3 years have not been comparable to the academic outcomes of students in the local school administrative unit in which the charter school is located.
- The charter school is not in compliance with State law, federal law, the school's own bylaws, or the provisions set forth in its charter granted by the State Board of Education.

Enrollment growth of greater than 20% is considered a material revision and must be approved by the SBE. The SBE may approve this enrollment growth only if all of the following are found by the SBE:

- 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 currently identified as low-performing.
- The charter school meets generally accepted standards of fiscal management.
- It is otherwise appropriate to approve the enrollment growth.

Prior approval of the SBE is not required for a charter to increase its enrollment during its second year of operation and annually thereafter by up to 20% of the school's previous year's enrollment as this is not considered a material revision.

BILL ANALYSIS: The SBE must renew the charter for 10 years if requested unless one of the current criteria set forth in the law apply with the following modification:

- The charter school is not, at the time of the application for renewal, in compliance with State law, federal law, the school's own bylaws, or the provisions set forth in its charter granted by the State Board of Education.

The SBE must grant approval for a material revision of a charter for a charter school to increase its enrollment during its second year of operation and annually thereafter by up to 20% of the school's previous year's enrollment unless one of the following applies:

- The charter school has been notified by the SBE in the previous year on its failure to meet requirements on student performance contained in the charter or failure to meet generally accepted standards of fiscal management.
- The charter school is not in compliance with State law, federal law, the school's own bylaws, or the provisions in its charter.

SECTION 5(a)

CURRENT LAW: Under Policy TCS-U-006, the SBE requires charter schools to have policies that employee of the charter school cannot be immediate family to any member of the board of directors. "Immediate family" is defined as it is in G.S. 115C-12.2 which states immediate family means "spouse, parent, child, brother, sister, grandparent, or grandchild. The term includes the step, half, and in-law relationships".

BILL ANALYSIS: Section 5(a) would require the board of directors of a charter school to adopt a conflict and anti-nepotism policy that includes the requirements of Chapter 55A of the General Statutes which relates to general conflicts of interest and a provision that requires that before an immediate family member of a member of the board of directors or supervising employee is hired or engaged as an independent contractor, the information must be disclosed to the board of directors and approved in an open session meeting. The burden of any disclosures of such conflicts is on the board member or current supervising employee.

SECTION 5(b)

BILL ANALYSIS: Section 5(b) would require local board of education to adopt policies that require that before immediate family members (as defined in G.S. 115C-12.2) of members of the local board or central office administrators, are hired or engaged as an independent contractor, the information must be disclosed to

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the local board and approved in an open session meeting. The burden of any disclosures of such conflicts is on the board member or administrator.

SECTION 6

CURRENT LAW: The Uniform Budget Format allows local school administrative units (LEAs) to have other funds to account for reimbursements, fees for actual costs, tuition, sales tax revenues distributed through ad valorem taxes, sales tax refunds, gifts and grants restricted as to use, trust funds, federal appropriations made to LEAs and funds for prekindergarten programs.

BILL ANALYSIS: The PCS for SB 546 would prohibit LEAs from using other funds to account for sales tax revenues distributed through ad valorem taxes, sales tax refunds, gifts and grants restricted as to use and trust funds. LEAs would be authorized to use other funds when necessary to comply with a requirement by a donor of a gift or grant that the LEA use a separate fund to account for those funds.

SECTION 7

CURRENT LAW: State Board of Education Policy TCS-U-016 (Fast Track Replication of High Quality Charter Schools) creates a process for nonprofits currently holding charters in North Carolina to apply for additional charters replicating the existing school (or schools) and its successful educational model. A majority of the members comprising the nonprofit board must be North Carolina residents. The nonprofit must demonstrate that the current school has a consistent track record of success both financially and academically, including the following in the three years preceding the application:

- The existing charter must have student proficiency exceeding the average proficiency of the State and District for grade levels offered by the charter school that have an End-of-Grade or End-of-Course test.
- If the existing charters targets at-risk, high-needs students, the student proficiency must exceed the District and State performance on subgroup targets for Exceptional Children, Economically Disadvantaged, and Limited English Proficient students or those subgroups represented by the school.
- The charter school must meet student growth consistent with State formulas.
- The charter school must have unqualified audits without fiscal compliance issues.
- The charter school must not have had any warning letters issued by the Department of Public Instruction.

BILL ANALYSIS: By September 15, 2015, the SBE must amend the process and rules for the policy addressing the replication of high-quality charter schools upon written recommendation of the Advisory Board. The process and rules must authorize consideration for fast track replication of a charter application from a board of directors of a North Carolina nonprofit corporation which agrees to contract with an education management organization or charter management organization currently operating in the State regardless of whether that board of directors has previously contracted with that education management organization or charter management organization. The SBE must report to the Joint Legislative Education Oversight Committee by November 15, 2015 on the amendment process and rules for charter replication that is required by this section of the PCS.

EFFECTIVE DATE: The bill would become effective when it becomes law and sections 2, 3, 4, 5, and 6 of the bill apply beginning with the 2015-2016 school year.