



HOUSE BILL 335: Timely Local Payments to Charter Schools.

2021-2022 General Assembly

Committee:		Date:	February 15, 2022
Introduced by:		Prepared by:	Brian Gwyn*
Analysis of:	S.L. 2021-79		Staff Attorney

OVERVIEW: *S.L. 2021-79 requires charter schools to provide local school administrative units (LEAs) with specific student enrollment information and requires LEAs to pay penalties if the per pupil share of the local current expense fund to charter schools is not transferred within the statutory timeframe. The act also directs the Superintendent of Public Instruction (Superintendent) to create standardized procedures for the requests and transfers of the per pupil share of the local current expense fund.*

The act became effective July 8, 2021, and applied beginning with the 2021-2022 school year.

CURRENT LAW: G.S. 115C-218.105 requires that if a student attends a charter school, the LEA in which the student resides must transfer to the charter school an amount equal to the per pupil share of the local current expense fund of the LEA for the fiscal year. This transfer must occur within 30 days of the receipt of the monies into the local current expense fund. The LEA and charter school may use mediation to resolve differences on the calculation and transfer of the per pupil share of the local current expense fund.

The LEA must also provide the following information to the charter school: (i) the total amount of monies in its State Public School Fund, local current expense fund, and capital outlay fund; (ii) student membership numbers used to calculate the per pupil share of the local current expense fund; (iii) how the per pupil share of the local current expense fund was calculated; and (iv) additional records requested by the charter school to audit and verify the calculation and transfer of the per pupil share of the local current expense fund. The LEA must provide this same information to the State Board of Education (SBE).

Before filing an action for an alleged violation of these requirements, a complaining party must give the other party 15 days written notice of the alleged violation. The court must award the prevailing party reasonable attorneys' fees and costs. The court must order any delinquent funds, costs, fees, and interest to be paid in equal monthly installments and must establish a timeframe for payment in full that is not later than one year from the entry of any judgment.

BILL ANALYSIS:

Standardized Requests and Transfers – The Superintendent, in consultation with charter schools and LEAs, must create:

- A standardized enrollment and verification and transfer request document (transfer document) that charter schools must use to request the per pupil share of the local current expense fund from LEAs. Charter schools can only be required to list certain identifying information on the transfer document as that information was provided by the student's parent or guardian.

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- A standardized procedure that LEAs must use when transferring the per pupil share of the local current expense fund to charter schools. The procedure must require that the LEAs use electronic transfer to the extent practicable.

Timing of Transfers – The per pupil share of the local current expense fund must be transferred within 30 days of the later of:

- The receipt of monies into the local current expense fund; or
- The receipt by an LEA of the transfer document.

Charter schools must send the transfer document to LEAs on a monthly basis. If an LEA receives additional monies into the local current expense fund following the initial transfer to the charter schools, the LEA must transfer the per pupil share of those additional monies within 30 days of receipt of the monies. LEAs cannot delay transfers of undisputed amounts but may delay the transfer of disputed amounts.

Penalties – If an LEA receives written notice directed to the superintendent and school finance officer from a charter school that the per pupil share of the local current expense fund has not been transferred within the statutory required timeframe, the LEA must electronically transfer or postmark (if by mail) the monies within 15 days of the notice, or else pay a 3% late fee. Interest on the amount owed accrues at 8% until the transfer is made. LEAs are not required to pay late fees or interest on any amounts not owed under G.S. 115C-218.105(c), as amended by the act, or per pupil amounts owed for any student whose information is shown to be materially incorrect on the transfer document. LEAs are given an additional 30 days to make the transfer to a charter school for any month in which the charter school failed to send the transfer document with the required student enrollment information.

EFFECTIVE DATE: The act became effective July 8, 2021, and applied beginning with the 2021-2022 school year.

**Drupti Chauhan and Samantha Yarborough, Staff Attorneys in the Legislative Analysis Division, substantially contributed to this summary.*