

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015**

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**HOUSE BILL 354**

Short Title: Charter School Transparency Act. (Public)

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Sponsors: Representative Cotham (Primary Sponsor).  
*For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.*

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Referred to: Education - K-12, if favorable, Judiciary IV.

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March 26, 2015

A BILL TO BE ENTITLED  
AN ACT TO INCREASE TRANSPARENCY IN THE OPERATION OF CHARTER  
SCHOOLS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 115C-218.1(b) reads as rewritten:

"(b) The application shall contain at least the following information:

- (1) A description of a program that implements one or more of the purposes in G.S. 115C-218.
- (2) A description of student achievement goals for the school's educational program and the method of demonstrating that students have attained the skills and knowledge specified for those student achievement goals.
- (3) The governance structure of the school including the names of the initial members of the board of directors of the nonprofit, tax-exempt corporation and the process to be followed by the school to ensure parental involvement. A teacher employed by the board of directors to teach in the charter school may serve as a nonvoting member of the board of directors for the charter school.
- (3a) The principal officer responsible for making funding requests to the Department of Public Instruction under G.S. 115C-218.105.
- (4) The local school administrative unit in which the school will be located.
- (5) Admission policies and procedures.
- (6) A proposed budget for the school and evidence that the financial plan for the school is economically sound.
- (7) Requirements and procedures for program and financial audits.
- (8) A description of how the school will comply with G.S. 115C-218.20, 115C-218.25, 115C-218.30, 115C-218.40, 115C-218.45, 115C-218.50, 115C-218.55, 115C-218.60, 115C-218.65, 115C-218.70, 115C-218.75, 115C-218.80, 115C-218.85, and 115C-218.90.
- (9) Types and amounts of insurance coverage, including bonding insurance for the principal officers of the school, to be obtained by the charter school.
- (10) The term of the charter.
- (11) The qualifications required for individuals employed by the school.
- (12) The procedures by which students can be excluded from the charter school and returned to a public school. Notwithstanding any law to the contrary, any local board may refuse to admit any student who is suspended or



- 1 expelled from a charter school due to actions that would lead to suspension  
2 or expulsion from a public school under G.S. 115C-390.5 through  
3 G.S. 115C-390.11 until the period of suspension or expulsion has expired.
- 4 (13) The number of students to be served, which number shall be at least 65, and  
5 the minimum number of teachers to be employed at the school, which  
6 number shall be at least three. However, the charter school may serve fewer  
7 than 65 students or employ fewer than three teachers if the application  
8 contains a compelling reason, such as the school would serve a  
9 geographically remote and small student population.
- 10 (14) Information regarding the facilities to be used by the school and the manner  
11 in which administrative services of the school are to be provided."

12 **SECTION 2.** Article 14A of Chapter 115C of the General Statutes is amended by  
13 adding a new section to read:

14 **"§ 115C-218.17. Contracts for the management of charter schools.**

15 (a) Authority to Contract. – The board of directors of a charter school may contract  
16 with a vendor or company, including an educational management organization, to perform  
17 services in connection with the operation of the charter school in accordance with the  
18 requirements of this section. The board of directors shall ensure that all operational activities of  
19 the management company are conducted in compliance with State and federal law and the  
20 terms of its charter.

21 (b) Disclosure of Contract Terms and Other Information. – The board of directors of a  
22 charter school shall notify the State Board of Education and the Department of Public  
23 Instruction, Office of Charter Schools, of a contract entered into under this section. The board  
24 shall submit, within 30 days of entering into a contract for educational or financial management  
25 services under this section, and annually thereafter for the length of that contract, a copy of the  
26 contract and at least the following information:

- 27 (1) A list of all employees paid by the vendor or company who are assigned to  
28 manage or work at the school. The minimum information shall be included  
29 for each employee as follows:
- 30 a. Name.  
31 b. A brief description of duties.  
32 c. Annual salary.
- 33 (2) A budget and expenditure report that outlines for each year of the contract  
34 the following:
- 35 a. A description of the activities performed by the vendor or company.  
36 b. Budget amounts with a sum of which equals the contract total.  
37 c. The prior year and current year expenditures.
- 38 (3) Corporate structure of the vendor or company, including the name of the  
39 parent organization and any of its subsidiaries or affiliates."

40 **SECTION 3.** G.S. 115C-218.25 reads as rewritten:

41 **"§ 115C-218.25. Open meetings and public records.**

42 The charter school and board of directors of the private nonprofit corporation that operates  
43 the charter school are subject to the Public Records Act, Chapter 132 of the General Statutes,  
44 and the Open Meetings Law, Article 33C of Chapter 143 of the General Statutes.  
45 Notwithstanding the requirements of Chapter 132 of the General Statutes, inspection of charter  
46 school personnel records for those employees ~~directly employed~~ employed, either directly or  
47 indirectly by contract, by the board of directors of the charter school shall be subject to the  
48 requirements of Article 21A of this Chapter. The charter school and board of directors of the  
49 private nonprofit corporation that operates the charter school shall use the same schedule  
50 established by the Department of Cultural Resources for retention and disposition of records of  
51 local school administrative units."

1           **SECTION 4.** G.S. 115C-218.100 is amended by adding a new subsection to read:  
2           "**(c)** Financial Audit and Refund of Overpayments. – The board of directors of a charter  
3 school shall transmit final financial information to the Department of Public Instruction upon  
4 the effective date of closure. Allotments for State and federal funds provided in accordance  
5 with this Chapter shall be adjusted and a final adjustment shall be based on the average daily  
6 membership amount for the first 20 days of the school year through the last day of the month  
7 that the closure becomes effective. The Department shall arrange for a closing audit to ensure  
8 that the charter school is in compliance with State and federal law and to facilitate an efficient  
9 closing process. If the closing audit indicates that the charter school has overdrawn any State or  
10 federal funds in the final allotment adjustment, the Department shall notify the board of  
11 directors of the charter school in writing of any funds owed to the State. The board of directors  
12 of the charter school shall issue a refund to the Department within 20 days following receipt of  
13 a notification of overpayment."

14           **SECTION 5.** G.S. 115C-218.105(a) reads as rewritten:

15           "(a) The State Board of Education shall allocate to each charter school:

- 16           (1) An amount equal to the average per pupil allocation for average daily  
17           membership from the local school administrative unit allotments in which  
18           the charter school is located for each child attending the charter school  
19           except for the allocation for children with disabilities and for the allocation  
20           for children with limited English proficiency;
- 21           (2) An additional amount for each child attending the charter school who is a  
22           child with disabilities; and
- 23           (3) An additional amount for children with limited English proficiency attending  
24           the charter school, based on a formula adopted by the State Board.

25           In accordance with ~~G.S. 115C-218.5(d)~~, G.S. 115C-218.5(e), the State Board shall allow for  
26           annual adjustments to the amount allocated to a charter school based on its enrollment growth  
27           in school years subsequent to the initial year of operation.

28           A charter school that has been placed on noncompliance status in finance, governance, or  
29 academics by the Department of Public Instruction for that school year, or in two prior school  
30 years, shall not be automatically eligible for an annual adjustment to funding based on a  
31 projection of up to twenty percent (20%) greater than prior year enrollment. The State Board  
32 shall require the charter school to provide documentation supporting increases over prior year  
33 enrollment numbers and estimates of expected student attendance. The State Board shall  
34 provide initial funding to the charter school based on the prior year's funding for average daily  
35 membership. When the State Board verifies the enrollment increases with actual enrollment  
36 numbers, adjustments for funded average daily membership shall be made in accordance with  
37 State Board policy.

38           In the event a child with disabilities leaves the charter school and enrolls in a public school  
39           during the first 60 school days in the school year, the charter school shall return a pro rata  
40           amount of funds allocated for that child to the State Board, and the State Board shall reallocate  
41           those funds to the local school administrative unit in which the public school is located. In the  
42           event a child with disabilities enrolls in a charter school during the first 60 school days in the  
43           school year, the State Board shall allocate to the charter school the pro rata amount of  
44           additional funds for children with disabilities."

45           **SECTION 6.** This act is effective when it becomes law. Section 1 of this act  
46           applies to an initial application for or the renewal of a charter, including the charter for a virtual  
47           charter school. Section 2 of this act applies to a contract entered into by the board of directors  
48           of a charter school, including a virtual charter school, on or after the effective date of this act.  
49           Section 5 of this act applies beginning with the 2015-2016 fiscal year.