

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

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HOUSE PRINCIPAL CLERK

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HOUSE DRH40050-MK-54 (01/29)

Short Title: Charter School Financial Accountability. (Public)

Sponsors: Representative L. Hall.

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO INCREASE THE FINANCIAL ACCOUNTABILITY OF CHARTER  
3 SCHOOLS.

4 The General Assembly of North Carolina enacts:

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

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

7 (1) A description of a program that implements one or more of the purposes in  
8 G.S. 115C-218.

9 (2) A description of student achievement goals for the school's educational  
10 program and the method of demonstrating that students have attained the  
11 skills and knowledge specified for those student achievement goals.

12 (3) The governance structure of the school including the names of the initial  
13 members of the board of directors of the nonprofit, tax-exempt corporation  
14 and the process to be followed by the school to ensure parental involvement.  
15 A teacher employed by the board of directors to teach in the charter school  
16 may serve as a nonvoting member of the board of directors for the charter  
17 school.

18 (4) The local school administrative unit in which the school will be located.

19 (5) Admission policies and procedures.

20 (6) A proposed budget for the school and evidence that the financial plan for the  
21 school is economically sound.

22 (7) Requirements and procedures for program and financial audits.

23 (7a) The names and contact information for the principal officers of the school,  
24 or an organization that may operate the school, with the authority to  
25 maintain or expend funds of the charter school.

26 (7b) The name of any individual with the authority to maintain or expend funds  
27 of the charter school who is currently, or was previously, listed in the  
28 database maintained by the Department of Public Instruction, Office of  
29 Charter Schools, pursuant to G.S. 115C-218.100(d), related to prior  
30 incidences of financial and governance noncompliance.

31 (8) A description of how the school will comply with G.S. 115C-218.20,  
32 115C-218.25, 115C-218.30, 115C-218.40, 115C-218.45, 115C-218.50,  
33 115C-218.55, 115C-218.60, 115C-218.65, 115C-218.70, 115C-218.75,  
34 115C-218.80, 115C-218.85, and 115C-218.90.

35 (9) Types and amounts of insurance coverage, including bonding insurance  
36 required pursuant to G.S. 115C-218.20 for the principal officers of the



1 ~~school, school and any other individual with the authority to maintain or~~  
 2 ~~expend funds, to be obtained by the charter school.~~

3 (10) The term of the charter.

4 (11) The qualifications required for individuals employed by the school.

5 (12) The procedures by which students can be excluded from the charter school  
 6 and returned to a public school. Notwithstanding any law to the contrary,  
 7 any local board may refuse to admit any student who is suspended or  
 8 expelled from a charter school due to actions that would lead to suspension  
 9 or expulsion from a public school under G.S. 115C-390.5 through  
 10 G.S. 115C-390.11 until the period of suspension or expulsion has expired.

11 (13) The number of students to be served, which number shall be at least 65, and  
 12 the minimum number of teachers to be employed at the school, which  
 13 number shall be at least three. However, the charter school may serve fewer  
 14 than 65 students or employ fewer than three teachers if the application  
 15 contains a compelling reason, such as the school would serve a  
 16 geographically remote and small student population.

17 (14) Information regarding the facilities to be used by the school and the manner  
 18 in which administrative services of the school are to be provided."

19 **SECTION 2.** G.S. 115C-218.5 reads as rewritten:

20 "**§ 115C-218.5. Final approval of applications for charter schools.**

21 (a) The State Board may grant final approval of an application if it finds the following:

22 (1) The application meets the requirements set out in this Article and such other  
 23 requirements as may be adopted by the State Board of Education.

24 (2) The applicant has the ability to operate the school and would be likely to  
 25 operate the school in an educationally and economically sound manner.

26 (2a) The applicant is not employing, directly or indirectly by contract, an  
 27 individual who is currently listed in the database maintained by the  
 28 Department of Public Instruction, Office of Charter Schools, pursuant to  
 29 G.S. 115C-218.100(d), related to prior incidences of financial and  
 30 governance noncompliance.

31 (3) Granting the application would achieve one or more of the purposes set out  
 32 in G.S. 115C-269.1.

33 In reviewing applications for the establishment of charter schools within a local school  
 34 administrative unit, the State Board is encouraged to give preference to applications that  
 35 demonstrate the capability to provide comprehensive learning experiences to students identified  
 36 by the applicants as at risk of academic failure.

37 ...

38 (g) A charter school shall notify the State Board of Education and the Department of  
 39 Public Instruction, Office of Charter Schools, within 30 days of any change to the information  
 40 provided in the charter application pursuant to subdivisions (7a) or (7b) of subsection (b) of  
 41 G.S. 115C-218.1."

42 **SECTION 3.** G.S. 115C-218.15(c) reads as rewritten:

43 "(c) A charter school shall operate under the written charter signed by the State Board  
 44 and the applicant. The written charter shall include terms requiring that individuals with the  
 45 authority to maintain or expend funds for the charter school be held personally and individually  
 46 liable for debts incurred by the charter school in accordance with G.S. 115C-218.20(a2). A  
 47 charter school is not required to enter into any other contract. The charter shall incorporate the  
 48 information provided in the application, as modified during the charter approval process, and  
 49 any terms and conditions imposed on the charter school by the State Board of Education. No  
 50 other terms may be imposed on the charter school as a condition for receipt of local funds."

51 **SECTION 4.** G.S. 115C-218.20 reads as rewritten:

1 **"§ 115C-218.20. Civil liability and liability; bond and insurance requirements.**

2 (a) Amount of Liability Insurance and Bonds. – The board of directors of a charter  
3 school may sue and be sued. The State Board of Education shall adopt rules to establish (i)  
4 reasonable amounts and types of liability insurance that the board of directors shall be required  
5 by the charter to ~~obtain~~ obtain and (ii) the bond requirement for principal officers and any  
6 other individual with the authority to maintain or expend funds of the charter school as required  
7 by subsection (a1) of this section. The board of directors shall obtain at least the amount of and  
8 types of insurance required by these rules to be included in the charter. The board of directors  
9 shall also ensure that the bond requirement under subsection (a1) of this section is met for  
10 individuals employed, directly or indirectly by contract, by the charter school. Any sovereign  
11 immunity of the charter school, of the organization that operates the charter school, or its  
12 members, officers, or directors, or of the employees of the charter school or the organization  
13 that operates the charter school, is waived to the extent of indemnification by  
14 insurance insurance or as otherwise provided in State law.

15 (a1) Bond Required. – The principal officer of a charter school or any other individual  
16 with the authority to maintain or expend funds of a charter school must file a bond with the  
17 State Board of Education executed by the individual as a principal and by a bonding company  
18 authorized to do business in this State. The bond must be payable to the State Board of  
19 Education, must be conditioned on fulfillment of the obligations of the individual in their  
20 capacity as an employee of the charter school, and must remain in effect until cancelled by the  
21 bonding company. The bonding company may cancel the bond upon 30 days' notice to the State  
22 Board of Education.

23 (a2) Personal Liability for Debts Incurred by the Charter School. – Upon the voluntary or  
24 involuntary closure of a charter school or charter schools, any individual with the authority to  
25 maintain or expend funds on behalf of the charter school may be held personally and  
26 individually liable for any outstanding debts incurred by a charter school in excess of any funds  
27 reserved for charter school closure proceedings or amounts applied from liability insurance  
28 held by the board of directors and bonds required under subsection (a1) of this section.

29 (b) No Civil Liability for the State Board of Education. – No civil liability shall attach  
30 to the State Board of Education, or to any of their members or employees, individually or  
31 collectively, for any acts or omissions of the charter school."

32 **SECTION 5.** G.S. 115C-218.90 is amended by adding a new subsection to read:

33 "(c) History of Financial and Governance Noncompliance. – The board of directors of a  
34 charter school shall not employ, directly or indirectly by contract, any individual who is  
35 currently listed in the database maintained by the Department of Public Instruction, Office of  
36 Charter Schools, pursuant to G.S. 115C-218.100(d), related to prior incidences of financial and  
37 governance noncompliance for any services related to the maintenance or expenditure of  
38 charter school funds."

39 **SECTION 6.** G.S. 115C-218.100 is amended by adding new subsections to read:

40 "(c) Debt Collection from Personally Liable Individuals. – Following the dissolution of a  
41 charter school, for any individuals who are personally and individually liable pursuant to  
42 G.S. 115C-218.20 and have failed to pay the State Board of Education for any debt owed, the  
43 State Board may (i) submit the debt owed by the individual to the Department of Revenue, in  
44 accordance with Chapter 105A of the General Statutes or (ii) utilize an alternative means of  
45 collection for the debt owed, including establishing a repayment agreement with the individual  
46 or individuals who are held liable.

47 (d) Database Related to Financial Governance Noncompliance. – The Department of  
48 Public Instruction, Office of Charter Schools, shall maintain a database of individuals with the  
49 authority to maintain or expend funds on behalf of charter schools who (i) had that authority at  
50 the time a charter school was dissolved, involuntarily or voluntarily, for reasons of financial  
51 and governance noncompliance and (ii) have failed to repay any debt owed to the State Board

1 of Education for which the individual is held personally and individually liable pursuant to  
2 G.S. 115C-218.20. The database shall contain the individual's name, the name of the charter  
3 school or charter schools for which the individual had financial authority, and the amount and  
4 nature of any outstanding debt owed to the State Board. An individual who is listed in the  
5 database shall not be employed, directly or indirectly by contract, by a charter school for  
6 services related to the maintenance or expenditure of funds until the individual pays in full any  
7 debt owed to the State Board. If the individual pays the debt in full, the individual's name shall  
8 be removed from the database at which time the individual shall be eligible to be employed,  
9 directly or indirectly by contract, to perform services for charter schools related to the  
10 maintenance or expenditure of charter school funds."

11 **SECTION 7.** Within 60 days of the effective date of this act, the State Board of  
12 Education shall adopt (i) language to include in the written charter agreement for charter  
13 schools, including virtual charter schools, to implement the requirements of G.S. 115C-218.15,  
14 as amended by this act, and (ii) bond requirements for individuals with the authority to  
15 maintain or expend funds of a charter school in accordance with G.S. 115C-218.20(a1) of this  
16 act.

17 **SECTION 8.** The State Board of Education may adopt policies setting forth debt  
18 collection methods for any individuals who are held personally and individually liable pursuant  
19 to G.S. 115C-218.20(a2), as enacted by this act, and have failed to pay the State Board for any  
20 debt owed, as authorized by G.S. 115C-218.100(c), as enacted by this act. Debt collection  
21 methods adopted by the State Board may include repayment plans and installment contracts.

22 **SECTION 9.** Notwithstanding G.S. 115C-218.20, as amended by this act,  
23 individuals with the authority to maintain or expend funds of a charter school shall meet the  
24 bond requirement under G.S. 115C-218.20(a1) within 90 days of the effective date of this act.

25 **SECTION 10.** This act is effective when it becomes law. Sections 1 through 3 of  
26 this act apply to an initial application for or the renewal of a charter school, including a virtual  
27 charter school. Section 5 applies to an individual initially employed or reemployed, directly or  
28 indirectly by contract, by a charter school, including a virtual charter school, on or after the  
29 effective date of this act.