

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE PRINCIPAL CLERK

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HOUSE DRH40156-MKf-125A (11/08)

Short Title: Funds/Procedure for Charter School Closure. (Public)

Sponsors: Representatives Glazier, Fisher, Carney, and Goodman (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO REQUIRE A CHARTER SCHOOL TO RESERVE FUNDS FOR
3 CONDUCTING CLOSURE PROCEEDINGS IN THE EVENT OF A VOLUNTARY OR
4 INVOLUNTARY DISSOLUTION OF THE SCHOOL AND TO PROVIDE FOR
5 PROCEDURES RELATED TO THE DISSOLUTION OF CHARTER SCHOOLS,
6 INCLUDING THE RETURN OF ANY OVERPAYMENT OF FUNDS.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 115C-238.29F(i) is repealed.

9 **SECTION 2.** Part 6A of Article 16 of Chapter 115C of the General Statutes is
10 amended by adding a new section to read:

11 "**§ 115C-238.29L. Dissolution of a charter school.**

12 (a) Funds Reserved for Closure Proceedings. – A charter school shall maintain in an
13 escrow account a minimum amount of fifty thousand dollars (\$50,000) to be used for the
14 payment of expenses related to closure proceedings in the event of a voluntary or involuntary
15 dissolution of the charter school. The State Board of Education shall not allocate any funds to a
16 charter school under G.S. 115C-238.29H unless the school has provided documentation to the
17 State Board that an account has been established and funded for this purpose.

18 (b) Closure Procedures. – The State Board of Education shall develop policies and
19 procedures in accordance with this section for the dissolution of a charter school that closes (i)
20 voluntarily or (ii) upon revocation or nonrenewal of its charter by the State Board.

21 (c) Notification of Voluntary Dissolution. – A charter school shall notify the State
22 Board of Education within 10 days of any official action taken by the board of directors to
23 initiate dissolution of the school. The notification shall include the circumstances requiring the
24 school's closure and the effective date of closure.

25 (d) Financial Audit and Refund of Overpayments. – A charter school shall transmit
26 final financial information to the Department of Public Instruction upon the effective date of
27 closure. Allotments for State and federal funds provided in accordance with this Chapter shall
28 be adjusted, and a final adjustment shall be based on the average daily membership amount for
29 the first 30 days of the school year through the last day of the month that the closure becomes
30 effective. The Department shall arrange for a closing audit to ensure that the charter school is in
31 compliance with State and federal law and to facilitate an efficient closing process. If the
32 closing audit indicates that the charter school has overdrawn any State or federal funds in the
33 final allotment adjustment, the Department shall notify the charter school in writing of any
34 funds owed to the State or the overpayment of federal funds. The charter school shall issue a
35 refund to the Department within 20 days following receipt of a notification of overpayment.



1 (e) Distribution of Assets. – Upon dissolution of a charter school, all net assets of the
2 charter school purchased with public funds shall be deemed the property of the local school
3 administrative unit in which the charter school is located."

4 **SECTION 3.** G.S. 115C-238.29G(a1)(2) reads as rewritten:

5 "(a1) The State Board shall adopt criteria for adequate performance by a charter school
6 and shall identify charter schools with inadequate performance. The criteria shall include a
7 requirement that a charter school which demonstrates no growth in student performance and
8 has annual performance composites below sixty percent (60%) in any two years in a three-year
9 period is inadequate.

10 ...

11 (2) If a charter school is inadequate and has had a charter for more than five
12 years, the State Board is authorized to terminate, not renew, or seek
13 applicants to assume the charter through a competitive bid process
14 established by the State Board. The State Board shall develop rules on the
15 assumption of a charter by a new entity that include all aspects of the
16 operations of the charter school, including the status of the employees.
17 Public assets would transfer to the new entity and not revert to the local
18 school administrative unit in which the charter school is located pursuant to
19 ~~G.S. 115C-238.29F(i)~~; G.S. 115C-238.29L(e)."

20 **SECTION 4.** This act is effective when it becomes law and applies to charter
21 schools that submit applications for an initial charter or the renewal of a charter to the State
22 Board of Education on or after that date.