

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Governmental Oversight and Productivity Committee

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BILL: CS/SB 1710

SPONSOR: Education Committee

SUBJECT: Charter Schools

DATE: April 1, 2005

REVISED: 04/06/05

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Woodruff</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Fav/CS</u>
2.	<u>Wilson</u>	<u>Wilson</u>	<u>GO</u>	<u>Favorable</u>
3.	<u></u>	<u></u>	<u>EA</u>	<u></u>
4.	<u></u>	<u></u>	<u>WM</u>	<u></u>
5.	<u></u>	<u></u>	<u></u>	<u></u>
6.	<u></u>	<u></u>	<u></u>	<u></u>

## I. Summary:

Section 1002.33(22)(b), Florida Statutes, requires the Legislature to review the operation of charter schools during the 2005 Regular Session of the Legislature. The Committee Substitute for Senate Bill 1710 is the result of a Senate Interim Project related to that review, includes input from studies and reports of the Office of Program Policy Analysis and Government Accountability and from the Department of Education, and amendments adopted in the Education Committee.

In general, the Committee Substitute would ensure charter school financial information is provided by an auditor in a timely fashion and is available to the members of a charter school's governing board. When one or more of certain financial conditions occur, or are about to occur, the governing board of a charter school is required to contact the charter sponsor and to prepare a financial-recovery plan or to take other action to eliminate the condition.

Duties, membership criteria, and certain procedural requirements for the governing board of a charter school are detailed. More consistency would be brought to the charter application process, the charter approval process, the renewal review process, and to the reporting of a school's performance.

The Committee Substitute substantially amends the following sections of the Florida Statutes: section 218.39, Florida Statutes, relating to the notification required if the financial condition of a charter school is determined to be deteriorating; sections 218.50, 218.501 and 218.503, which are a part of the Financial Emergencies Act, section 1002.32, relating to charter lab school personnel; section 1002.33, relating to charter schools, and section 1011.68 relating to funds for student transportation.

## II. Present Situation:

**Section 1. Section 218.39(5), F.S., Annual Financial Audit Reports** - Upon completion of an audit, the auditor is required to notify each member of the governing body of a local unit of government or district school board when a deteriorating financial condition exist that may cause one of a statutorily specified list of financial behaviors to occur. The governing board of a charter school is not included in the governing boards to be so notified.

Financial problems were the most frequently cited reason for the closure of Florida charter schools and were reported in 16 of the 39 schools that have closed since 1996.

**Sections 2 through 4. Sections 218.50, 218.501, and 218.503, F.S., Financial Emergencies Act** - The Financial Emergencies Act is presently restricted in its scope of application to local governmental entities and to school boards.

**Section 5. Section 1002.32, F.S., Developmental Research (Laboratory) Schools** - Employees of charter lab schools which were in operation prior to the 2002-2003 fiscal year are currently employees of the university board of trustees for collective bargaining purposes.

### **Section 6. Section 1002.33, F.S., Charter Schools:**

**Section 1002.33(5), F.S., Sponsor; Duties** – This subsection identifies who may sponsor a charter school and the duties which a sponsor must assume. Presently only a district school board may sponsor a charter school. A university may sponsor a charter lab school.

Among the listed duties of a sponsor are monitoring and reviewing: progress toward goals, revenues and expenditures, innovation and consistency with state education goals, and participation in the state's accountability system.

**Section 1002.33(6), F.S., Application Process and Review** – Subsection (6) identifies the content of a charter application, specifies the dates for making application, and provides directions for reviewing and approving or denying an application, provides an appeals procedure when applications are denied, establishes a Charter School Appeal Commission, allows the Department to provide technical assistance to an applicant, and identifies how disagreements between an applicant and a sponsor are to be resolved.

**Section 1002.33(7), F.S., Charter** – Subsection (7) details the content of a charter for a charter school. Included are: mission, focus of the curriculum, student data and characteristics, admissions procedures, financial issues, facilities information, teacher qualifications, timetables, conflict resolution, matters relating to conversion charter schools, and the length of time for which charters may be awarded.

**Section 1002.33(8), F.S., Causes for Nonrenewal or Termination of Charter** – This subsection specifies the grounds upon which a sponsor may determine the need for non-renewal or termination of a charter. Language is also included which specifies how such a determination is to be conveyed to a charter school, how the school is to be dissolved, and what happens if the

charter school has outstanding debt. Finally, provisions related to the rights of students in such a charter school are identified.

**Section 1002.33(9), F.S., Charter School Requirements** – Provides specific requirements that a charter school must meet in order to operate in Florida, i.e., nonsectarian in nature, shall not charge tuition or registration fees, shall meet all applicable state and local health, safety, and civil rights requirements, etc.

**Section 1002.33(10), F.S., Eligible Students** – Identifies how students are to be chosen to attend a charter school or charter lab school, and identifies when priorities are to be used in the admission of students.

**Section 1002.33(15), F.S., Charter Schools-in-the-Workplace, Charter Schools-in-a-Municipality** – Describes the requirements to be designated as a charter school-in-the-workplace or a charter school-in-a-municipality.

**Section 1002.33(22), F.S., Charter School Review Panel and Legislative Review** – Creates a Charter School Review Panel and requires the Department of Education to convene the panel on a regular basis to review issues related to charter schools.

**Section 1002.33(24), F.S., Rulemaking** – Directs the Department of Education to recommend rules to the State Board of Education to implement specific subsections of this section.

**Section 7. Section 1011.68, F.S., Funds for Student Transportation** – Charter school students are presently included in the calculation of how much money is to be allocated to each district for student transportation. The charter between a school district and a charter school governed by a community college may provide for those funds to be passed on to the community college.

### III. Effect of Proposed Changes:

**Section 1. Section 218.39(5), F.S., Annual Financial Audit Reports** - The members of the governing board of a charter school are added to the list of governing boards an auditor is required to notify upon completion of an audit when a deteriorating financial condition exists that may cause one of a statutorily specified list of financial behaviors to occur.

**Sections 2 through 4. Sections 218.50, 218.501, and 218.503, F.S., Financial Emergencies Act** - The Financial Emergencies Act is amended to include charter schools in addition to local governmental entities and school boards. Should one of the specified financial conditions occur or appear to be about to occur, the charter school must notify the sponsor and the Legislative Auditing Committee. The sponsor, in turn, is to determine what is being done to resolve the condition. The sponsor may require a financial-recovery plan be prepared by the charter school governing board.

**Section 5. Section 1002.32, F.S., Developmental Research (Laboratory) Schools** - For collective bargaining purposes, employees of a charter lab school are made employees of the entity holding the charter instead of the university board of trustees. This applies regardless of when the charter lab school began operation.

**Section 6. Section 1002.33, F.S., Charter Schools:**

**Section 1002.33(5), F.S., Sponsor; Duties** – Language is added to require sponsors to have specific quality policies and procedures in place by July 1, 2005. Language is also added to specify that a sponsor must participate in the application and review and approval process in a good faith effort with fairness, due diligence, and quality. The chief executive officer of the sponsoring agency must certify that the actions taken in a review of the charter meet these standards.

Beginning in the 2005-2006 school year, the sponsor is required to conduct an annual review to ascertain whether terms of the contract are being met. In meeting that obligation, the sponsor must provide the charter school board in writing the results of the contract review identifying specific problem areas and recommending strategies for corrective action.

Should a charter school receive a “D” or “F” grade, the director and a member of the governing board are required to appear before the sponsor at least twice a year to present information about noted deficiencies and planned corrective actions.

Reviews for approval of an application and of a contract itself are to demonstrate certain content has been addressed. This includes a 5-year financial plan, a detailed curriculum plan, the inclusion of goals and objectives, a primary focus on reading, instructional methods to be used, and an opportunity to adjust a contract to reflect the actual student body being served.

The sponsor is to monitor at least on a quarterly basis the revenues and expenditures of the charter school. There is no current requirement on frequency of review.

The Department of Education is charged with conducting an annual survey to determine the charter school board’s satisfaction with services provided by the sponsor and the Department.

Language is added to allow a charter school to request the assistance of the sponsor in scheduling fire code inspections.

**Section 1002.33(6), F.S., Application Process and Review** – Current language is deleted which required an application to address specific content, such as a five year financial plan and curriculum plan. Most of the items, such as describing the reading curriculum and the financial plan, are now addressed in the sponsor’s duties section.

A sponsor may not approve an application unless the application meets the specifications and criteria established by rule of the State Board of Education. Language is added requiring a sponsor to notify the applicant by letter, as well as the Department, of specific reasons for denying an application. In addition, the application is to specify which codes the charter school has chosen to comply with. A copy of that portion of the approved application is to be provided to local fire inspectors at the time of the inspection of the charter school facilities. The fire marshal shall acknowledge receipt of the agreed upon code choice.

Clarifying language is added to provide that the State Board of Education's decision to approve a charter application which a district school board had previously denied is subject to review at the district court of appeal level.

The Department is charged with either offering or arranging training and technical assistance for charter school applicants in developing business plans and estimating expenses. The role of the Department in mediating disputes between a school district and an applicant over the content of a charter is delineated.

**Section 1002.33(7), F.S., Charter Schools** - Current language is deleted which required a charter to include specific content such as the focus of the curriculum, mission of the school, admissions procedures, and how students will be evaluated. Some of the items are now addressed in the sponsor's duties section.

**Section 1002.33(8), F.S., Causes for Nonrenewal or Termination of Charter** – Language is added to allow a sponsor to terminate or not renew a charter if:

- the charter school fails to meet State Board performance standards authorized by s. 1008.32, F.S., and specified in State Board Rules.
- the charter school fails to comply with statutory reporting guidelines, including the components of the annual charter school accountability report.
- the governing body of a charter school fails to submit its annual performance accountability report as specified.
- the director of a charter school receiving a “D” or “F” school performance grade fails to appear before the sponsoring body as required by law.

New language is added specifying that a sponsor may not renew or shall terminate a charter if a school receives a school performance grade of “F” for two consecutive years, unless the school has made adequate yearly progress under the federal No Child Left Behind Act in at least 1 of those 2 years.

A charter may also not be renewed if the charter school has failed to meet the requirements for student performance set forth in rules of the State Board.

The actions a sponsor must take when a charter is to be immediately terminated are delineated in language added to this subsection.

**Section 1002.33(9), F.S., Charter School Requirements** – Current language is amended to require the members of the governing board of a charter school to be responsible for hiring an independent certified public accountant for the annual financial audit, reviewing and approving the audit, and monitoring corrective actions when necessary.

Language is added to require any individual, group, organization, or private or nonprofit company that submits an application to operate a charter school in Florida, or that is contracted with by the governing board of a charter school to operate a charter school to submit certain data to the Department of Education. The Department is to maintain a database of the information provided.

The Department is directed to develop a modified annual financial report for use by charter schools so charter school expenditures may be included in district and state cost reports. Only certain individuals may sign a charter school's annual financial report.

The governing board of a charter school must approve the compensation of all charter school personnel. The board is also required to oversee charter school operations including specific financial activities.

Language is modified to require a charter school governing board to report its performance, rather than its progress, annually to the sponsor and requires the governing board to monitor and review the school for adherence and compliance with components of the application and charter.

The composition of and length of time for individual terms for members of the governing board of a charter school are specified. When a voting conflict exists, a member is required to abstain from voting. The number of members required to be present for a quorum is specified. The minimal frequency of meetings of the board is specified as at least once per quarter.

**Section 1002.33(10), F.S., Eligible Students** – Deletes a reference to language being deleted by this Committee Substitute and provides that the racial/ethnic provisions for charter school student enrollment are to be described in State Board of Education rules.

**Section 1002.33(15), F.S., Charter Schools-in-the-workplace, Charter Schools-in-a-Municipality** – Deletes a reference to language being deleted by this Committee Substitute and provides that the racial/ethnic provisions for charter school student enrollment are to be described in State Board of Education rules.

**Section 1002.33(22), F.S., State Board of Education Authority (new language)** – Permits the State Board of Education to adopt rules to administer s. 1002.33, F.S., and gives the State Board authority to enforce the provisions of this section. New language directs the State Board to ensure that the Department of Education provides or arranges for the provision of certain services to charter school applicants, charter schools, and sponsors relating to developing models of applications, charters, and renewal documents. Training opportunities are to be made available for members of charter school governing boards and school district and charter school applicants and personnel.

Charter School Review Panel and Legislative Review (old language)–Deletes the Charter School Review Panel and the requirement that the Legislature review charter school operations during the 2005 Regular Session of the Legislature.

**Section 1002.33(24), F.S., Financial Management (new language)** – Requires the Department of Education to develop a system of financial indicators to be used by sponsors to identify charter schools at risk for financial difficulty. The Department is to provide training and technical assistance to those charter schools. The Department is to report how it and the sponsor have provided assistance to those schools.

**Section 1002.33(25), F.S., Rulemaking** – technical change to reflect renumbering.

**Section 7. Section 1011.68, F.S., Funds for Student Transportation –**

Subsection 1011.68 (8), F.S., is added to the current statutes to allow a charter school governed by a community college to generate school transportation funding for isolated students attending the charter school. The community college may include in the charter contract a provision to pay parents for transporting students to the charter school. The cost shall not exceed the amount of funds generated for student transportation.

**Section 8.** The effective date of the Committee Substitute is July 1, 2005

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

None.

**C. Government Sector Impact:**

It is not clear whether there will be a fiscal impact created by the amendment to s. 1011.68, F.S. If the students are currently being reported by the school district for such funding, then the change in the law would simply pass the funds through to the community college. If there are eligible students attending a charter school governed by a community college that are not currently being reported for student transportation funding, then there would be a potential fiscal impact to cover the additional cost of student transportation funding for that number of students. The fiscal year 2004-2005 estimate of the revenue (all sources) for each student transported is approximately \$400.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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## **VIII. Summary of Amendments:**

None.

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