

AMENDMENTS TO HOUSE BILL NO. 618

Sponsor: REPRESENTATIVE ROEBUCK

Printer's No. 1917

1 Amend Bill, page 44, by inserting between lines 26 and 27

2 Section 13.1. The act is amended by adding a section to
3 read:

4 Section 1725.1-A. Actual Costs of Education Services.--(a)
5 Within one hundred eighty (180) days of the effective date of
6 this section, the department shall promulgate audit standards
7 under this article which shall be used in determining the year-
8 end actual costs of educational services per non-special
9 education student and special education student provided by a
10 charter school to any child who is a resident of a school
11 district, which are subject to payment in accordance with
12 section 1725-A. The department shall follow the procedures
13 provided in the act of July 31, 1968 (P.L.769, No.240), referred
14 to as the "Commonwealth Documents Law," and the act of June 25,
15 1982 (P.L.633, No.181), known as the "Regulatory Review Act,"
16 for promulgation and review of final-omitted regulations.
17 Subsequent audit standards promulgated under this section or
18 amendments to the initial audit standards may not be in final-
19 omitted form. The audit standards shall take effect at the
20 beginning of the first school year after which such audit
21 standards have been promulgated.

22 (b) In order for the year-end actual costs of educational
23 services per non-special education student and special education
24 student to be thoroughly and properly determined, the audit
25 standards promulgated by the department shall:

26 (1) Specify reasonable costs associated with the operation
27 of the educational program offered by a charter school. The
28 following may not be considered reasonable costs associated with
29 the operation of the educational program offered by a charter
30 school:

31 (i) Any paid media advertisement, including television,
32 radio, movie theater, billboard, bus poster, newspaper,
33 magazine, the Internet or any other commercial method that may
34 promote enrollment of a charter school.

35 (ii) Any bonuses or additional compensation beyond the
36 annual or termed contractual compensation for all faculty,
37 administration and staff, including salary, benefits and any
38 additional compensation not specifically enumerated in the

1 contract.

2 (2) Allow a closely related business entity to charge up to
3 one hundred and seven per centum of the actual educational
4 costs.

5 (3) Require information as necessary for a full-scope review
6 of a finalized management agreement entered into between a
7 charter school and a closely related business entity, including:

8 (i) All payments received from school districts of
9 residence.

10 (ii) Expenditures of the closely related business entity
11 related to the delivery of educational and administrative
12 services pursuant to the management agreement.

13 (4) List and show all receipts and expenditures for an
14 educational service provider that provides any service to a
15 charter school.

16 (5) Provide reasonable penalties for failure to comply.

17 (c) The following shall apply:

18 (1) The department shall effectuate an annual year-end final
19 reconciliation process of tuition payments against actual costs
20 of educational services per non-special education student and
21 special education student providing any necessary procedures for
22 the transfer of funds from the charter school to the school
23 district of residence. The final reconciliation process shall
24 include one of the following:

25 (i) Allowing a school district of residence to withhold its
26 last monthly payment from a charter school to account for any
27 overpayments as identified by the year-end audit. If the school
28 district of residence has sent overpayments, the district may
29 adjust its last monthly payment accordingly.

30 (ii) Requiring a charter school at the end of each school
31 year to return any overpayments to a school district of
32 residence owed a refund. A charter school may not return any
33 overpayments on a pro rata basis.

34 (2) Procedures for the transfer of funds may not permit the
35 department to deduct from a school district of residence's basic
36 education subsidy any amount in excess of the selected
37 expenditure per average daily membership amount calculated in
38 accordance with section 1725-A.

39 (d) Charter schools, educational service providers and
40 closely related business entities shall provide to the
41 department, unless already retained by the department, any
42 information necessary to carry out the provisions of this
43 section.

44 (e) Except as provided under subsection (c), nothing
45 contained under this section shall permit a school district of
46 residence to provide funding for a charter school in a manner
47 other than that which is specified in section 1725-A.

48 (f) For the purposes of this section, the following terms
49 shall have the following meanings:

50 "Charter school" shall mean a regional charter school or
51 cyber charter school.

1 "Closely related business entity" shall mean any organization
2 with a management or operational relationship with a charter
3 school involving either shared or overlapping aspects of
4 corporate identity such as ownership, board of directors or
5 trustees membership, capital or profits.

6 "Educational and administrative services" shall mean any
7 direct expenditures for any instruction and the administration
8 of the instructional program. The term shall not include any
9 expenditures not pertaining directly to the instruction and the
10 administration of the instructional program.

11 "Educational service provider" shall mean a for-profit
12 education management organization, nonprofit charter management
13 organization, school design provider, business manager or any
14 other partner entity with which a charter school intends to
15 contract or presently contracts to provide educational services,
16 operational services or management services to the charter
17 school. The term shall not include a charter school foundation.

18 "Management agreement" shall mean any contract establishing a
19 management or operational relationship between a charter school
20 and closely related business entity for the provision of
21 professional or nonprofessional services to the charter school.