

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 355

PRINTER NO. 2110

AMOUNT

No Fiscal Impact

FUND

General

DATE INTRODUCED

May 7, 2019

PRIME SPONSOR

Representative Reese

DESCRIPTION

House Bill 355 amends Article XVII-A (Charter Schools) of the Public School Code to increase transparency and provide additional ethics requirements for charter school entities, which includes charter schools, regional charter schools and cyber charter schools. The legislation includes the following provisions:

Advertising

Provides that a paid media advertisement by a public school entity, including charter and cyber charter schools, that refers to the cost of tuition or transportation cannot be advertised as free, and must be stated that the cost is covered by taxpayer dollars.

Charter School Entity Requirements

Considers a cyber charter school an executive agency for the purpose of Article V-A of the Administrative Code and requires that a cyber charter school shall electronically distribute to administrators, trustees, employees, staff and parents, on a semi-annual basis, information from the State Inspector General describing:

- Their power to investigate fraud, waste, misconduct and abuse;
- How to file a complaint with the Office of State Inspector General; and
- The statutory protections surrounding "whistle-blowers".

Requires trustees of a charter school entity to file statements of financial interests with the State Ethics Commission and either the local board of school directors or the Department of Education depending on whether it is a charter school or regional charter school or a cyber charter school. Further requires all trustees to take an oath of office.

Requires individuals who serve as an administrator to file a statement of financial interests with the board of trustees and considers them to be a public employee. Prohibits an individual who serves as an administrator for a charter school from receiving compensation from another charter school entity or from an educational management service provider unless they provide a sworn statement to the board of trustees, to be kept on file, detailing their work, number or projected hours and duration and rate of compensation. The administrator in question must receive approval from the board before serving.

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Prohibits an administrator of a charter school entity or family member to serve as a voting member of the board of trustees of the charter school, participate in the selection or award of the contract if they have a conflict of interest, and be subject to penalties under the State Ethics Commission. A contract made in violation of this clause shall be voidable by the board of trustees, and the administrator shall be immediately dismissed upon conviction of a felony, infamous crime, theft or mismanagement of funds.

Powers of Board of Trustees

Any individual or family member of an individual who is employed by or a member of the board of directors of the reviewing school board shall be prohibited from serving as a voting member of the board of trustees. Any employee of the school district housing a charter school may only serve as a non-voting member of the board of trustees.

A member of the board of trustees shall abstain from voting if there exists a conflict of interest and shall be subject to penalties under the State Ethics Commission for a violation. Any contract made under such circumstances shall be voidable by a court if suit is commenced within 90 days of discovery.

No member of the board of trustees of a charter school entity shall be compensated for their service and can be similarly dismissed and removed from duties if convicted of a felony, infamous crime, theft or mismanagement of public funds in discharge of their official duties.

A board of trustees shall hold open meetings and consist of at least 5 nonrelated voting members. Any board in violation on the effective date of this requirement shall have 60 days to appoint additional members to comply with the requirement. One member of the board of trustees shall be a parent of a currently enrolled child and shall only serve while the child attends the charter school.

Charter school entities shall form an independent audit committee of its board of trustees' members to review a complete certified audit of the operations to be performed by an independent certified public accountant to include the following:

- A enrollment test to verify the accuracy of enrollment and reporting;
- Full review of expense reimbursements for board of trustees members and administrators;
- Review of internal controls, including receipts and disbursements;
- Review of annual state and federal tax filings;
- Review of the financial records of any charter school foundation;
- Review of the selection and acceptance process of all publicly bid contracts;
- and
- Review of all board policies and procedures.

The audit and annual budget shall be public documents and made available on the charter school entity's website, including the school district's website; if applicable. Charter school entities shall also be subject to an annual audit by the Auditor General in addition to any other federal or state required audits.

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A charter school entity and foundation shall make annual budget and tax filings available upon request and on their website and annually provide the department and the school district a copy of the annual budget for operation that identifies the following:

- The source of funding for all expenditures;
- Where funding is provided by a charter school foundation, the amount and a description of the use of funds;
- The salaries of all administrators (for charter school entities);
- The salaries of all employees (for foundations); and
- All expenditures to an educational management service provider.

Prohibits a charter school entity from accumulating an unassigned fund balance greater than the entities' unassigned fund balance limit.

The funds may not be used to pay bonuses or be transferable to a charter school foundation. The value of any bonus or transferred fund shall be refunded on a pro rata basis to any school district which paid tuition to the charter school entity.

The legislation is scheduled to take effect in 60 days, except Section 128 (related to advertising) which is scheduled to take effect in 120 days.

FISCAL IMPACT:

The enactment of House Bill 355 will have no fiscal impact on Commonwealth funds.

The costs related to the additional responsibilities placed upon charter school entities, to form the independent audit committee and its review of final information and policies, providing information to parents regarding reporting waste, misconduct, abuse and whistleblower protections, and making certain documents publically available should be minor considering their current scope of operations.