By Senator Montford

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3-00813-15 20151038\_\_\_ A bill to be entitled

An act relating to charter schools; creating s. 1002.322, F.S.; providing a short title and purpose of the act; providing legislative findings; creating s. 1002.323, F.S.; defining terms; creating s. 1002.324, F.S.; specifying the duties and responsibilities of the Department of Education with respect to the issuance of statements of need; requiring the State Board of Education to adopt certain rules; requiring the state board to allow stakeholder participation in rule development; creating s. 1002.325, F.S.; requiring an applicant to file a letter of intent with the department before applying for a statement of need; prescribing required content for a letter of intent; requiring the department to publish notice of filing of letters of intent in the Florida Administrative Register; specifying the content of a statement of need application; requiring the state board to adopt a certain rule; establishing procedures governing the submission and review of applications; authorizing the department to hold a public hearing regarding a proposed project under certain circumstances; authorizing an applicant to submit a response to a written statement of opposition; specifying evaluation criteria for applications; authorizing the department to assess fees on applications; creating s. 1002.326, F.S.; establishing procedures for the department to issue or deny statements of need; requiring publication of the

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department's report and notice of intent; authorizing specified parties to file a request for an administrative hearing; requiring the department to issue a final order within a certain timeframe of an administrative law judge's recommended order; authorizing a party to an administrative hearing to seek judicial review; authorizing the reviewing court to award attorney fees and court costs under certain circumstances; creating s. 1002.327, F.S.; specifying applicability of the statement of need review process; authorizing expedited review and exemption from review under certain circumstances; creating s. 1002.328, F.S.; authorizing the department to conditionally issue a statement of need; authorizing a statement holder to apply to the department for a modification of conditions; requiring the state board to specify factors constituting good cause for modification by rule; authorizing the department to assess a fine against a noncompliant statement holder; requiring fine proceeds to be deposited into the State School Trust Fund; specifying the length of validity for a statement of need; requiring the department to monitor the progress of a statement holder; requiring the department to extend the length of validity for a statement of need under certain circumstances; creating s. 1002.3281, F.S.; prohibiting a person from undertaking a project subject to review without holding a statement of need; providing a penalty; creating s. 1002.3282, F.S.; prohibiting the transfer

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of a statement of need; providing a penalty; creating s. 1002.329, F.S.; authorizing the department to seek injunctive relief; amending s. 1002.33, F.S.; conforming provisions to changes made by the act; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 1002.322, Florida Statutes, is created to read:

1002.322 Short title and purpose.—

- (1) Sections 1002.322-1002.329 may be cited as the "Charter School Excellence Act."
  - (2) The Legislature finds that:
- (a) Section 1, Art. IX of the State Constitution mandates a "uniform, efficient, safe, secure, and high quality system of free public schools" in this state. Thus, a uniform and coherent system of public education which is both equitable and fiscally efficient is imperative. All charter schools in this state are public schools and are, therefore, subject to the constitutional mandate.
- (b) Since their inception in 1996, the number of charter schools in this state grew to more than 615 in the 2013-2014 school year. Charter school enrollment in this state grew to more than 229,000 students in the 2013-2014 school year. A charter school can be independently opened and operated by individuals, a municipality, or a legal entity organized under the laws of this state. Volunteer governing boards control each individual charter school, rather than the elected

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representatives that compose each district school board.

Duplicative programs in charter schools, which largely mirror programs available in traditional public schools, serve as a burden on the already financially strained public school system.

The state's charter schools should complement, and not duplicate, the role of the state's traditional public schools.

- (c) The application process for new charter schools is biased toward encouraging unmitigated growth of the charter school industry, rather than focusing on the specific needs of students or the safeguarding of taxpayer dollars.
- (d) The lack of transparency and local control over charter schools has resulted in the inefficient use of taxpayer dollars. School districts are limited in their ability to intervene in the management or instruction of an individual charter school, which has exacerbated the number of charter school failures. Delaying intervention into a failing charter school's operation has repeatedly resulted in the failure of the charter school and the resulting displacement of students. In many instances, school districts have been unable to recoup taxpayer dollars that have been invested in a failed charter school.

  Additionally, current standards of performance for charter schools, compared to the standards applied to traditional public schools, are inadequate given a charter school's ability to target and select particular students for enrollment.
- (e) For-profit companies that provide charter schools with various administrative services can consume a significant portion of the school's budget, which ultimately results in less money going toward student education. Such administrative services are duplicative of services available through the

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school districts and are an inefficient use of taxpayer dollars.

(f) Many charter schools have failed to assume the role that was originally envisioned for them in the original authorizing legislation. Instead, many charter schools are offering the same instructional services offered in traditional public schools located in the same neighborhood. Unlike many other states, Florida has not established a maximum cap on the number of charter schools that are authorized to operate.

(3) The purpose of this act is to develop and implement a program that requires statements of need for charter schools to ensure that such schools provide innovative educational services not provided by traditional public schools in the community; do not duplicate existing services provided by school districts and traditional public schools; and are responsible stewards of taxpayer money.

Section 2. Section 1002.323, Florida Statutes, is created to read:

1002.323 Definitions.—As used in ss. 1002.322-1002.329, the term:

(1) "Capital expenditure" means an expenditure, including an expenditure for a construction project undertaken by a charter school, which, under generally accepted accounting principles, is not properly chargeable as an expense of operation and maintenance, which is made to change the student enrollment capacity of the charter school, or substantially change the educational services or grade levels of the charter school, and which includes the cost of the studies, surveys, designs, plans, working drawings, specifications, initial financing costs, and other activities essential to the

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acquisition, improvement, expansion, or replacement of the plant and equipment.

- (2) "Charter school" means a school that meets the requirements of s. 1002.33 and has been issued a statement of need.
- (3) "Commenced construction" means initiation of and continuous activities beyond site preparation associated with erecting or modifying a charter school, including procurement of a building permit, securing an executed owner/contractor agreement or an irrevocable or binding forced account, and the actual undertaking of foundation forming with steel installation and concrete placing.
  - (4) "Department" means the Department of Education.
- (5) "Exemption" means a school that would otherwise require a statement of need but qualifies for an exemption from that requirement.
- (6) "Expedited review" means the process by which certain types of applications are not subject to the review and letter of intent requirements in s. 1002.325.
  - (7) "State board" means the State Board of Education.
- (8) "Statement of need" means a written statement issued by the department evidencing the need for a new, converted, expanded, or otherwise significantly modified charter school in a specific school district.
- Section 3. Section 1002.324, Florida Statutes, is created to read:
  - 1002.324 Duties and responsibilities of department; rules.—
- (1) The department is designated as the sole agency that may issue, revoke, or deny issuance of statements of need and

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that may issue, revoke, or deny exemptions from statement of need review in accordance with applicable law and rules.

- (2) Before determining that there is a need for additional charter schools in a school district, the department shall assess whether a specific need can be satisfied through existing traditional public schools and charter schools.
  - (3) The state board shall establish by rule:
- (a) Uniform need methodologies for charter schools. In developing such methodologies, the state board shall, at a minimum, consider full-time equivalent student population trends, student demographics, the number of existing charter schools already operational in a school district, the need for additional programs and educational services for students which may be met by a charter school, and the need for innovative educational services.
- (b) A full-time equivalent student methodology with a goal of maintaining an average enrollment rate of 95 percent.
- (4) In developing rules, the state board shall involve all stakeholders to the greatest extent practicable, including school district personnel, charter school operators, and statewide organizations that represent public school educators and charter schools.
- Section 4. Section 1002.325, Florida Statutes, is created to read:
- 1002.325 Application process and review for statements of need.—
  - (1) LETTERS OF INTENT.—
- (a) At least 30 days before filing an application for a statement of need, a letter of intent shall be filed by the

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prospective applicant with the department stating its intent to develop a charter school, subject to review by the department.

The letter of intent shall also be filed with the district school board of the school district in which the proposed charter school would be located.

- (b) Letters of intent must describe the proposed charter school; specify the projected number of full-time equivalent students to be enrolled; identify the educational services to be provided and the specific location of the charter school; and identify the applicant.
- (c) Within 21 days after receipt of a letter of intent, the department shall publish a notice of the filing of a letter of intent in the Florida Administrative Register. Notices published under this paragraph must specify due dates applicable to the timetable or cycle for filing applications and for requesting an administrative hearing.
- (2) APPLICATION.—An application for a statement of need must include:
- (a) A detailed description of the proposed charter school project and a statement of purpose and need in relation to the criteria used by the department in reviewing applications.
- (b) A statement of the financial resources needed by and available to the applicant to complete the proposed project. The statement must include:
- 1. A complete listing of all capital projects, including facility acquisitions applied for, pending, approved, or underway in this state or any state at the time of application, regardless of whether the state has a statement of need program. This listing must include the applicant's actual or proposed

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financial commitment to those projects and an assessment of
their impact on the applicant's ability to provide adequate
funding for the proposed project.

- 2. A detailed listing of the needed capital expenditures, including sources of funds.
- 3. A detailed financial projection, including a statement of the projected revenue and expenses for the first 2 years of operation after completion of the proposed project. This statement must include a detailed evaluation of the impact of the proposed project on the cost of other services provided by the applicant.
- (c) An audited financial statement of the applicant or the applicant's parent corporation if audited financial statements of the applicant do not exist. In an application submitted by an existing charter school, financial condition documentation must include, but need not be limited to, a balance sheet and a profit-and-loss statement for the 2 previous fiscal years' operation.
  - (3) REVIEW OF APPLICATIONS.—
- (a) The state board shall adopt a rule that establishes a timetable or cycle basis for the submission and review of statement of need applications. The timetable or cycle for the submission and review of statement of need applications must be aligned and consistent with the charter school application and review process established in s. 1002.33. Reviews of applications shall be conducted on a timely basis and provide for all completed applications to be considered at least annually.
  - (b) Within 15 days after the applicable filing deadline for

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the review cycle, the department shall determine if the application is complete. If the application is incomplete, the department shall request specific information from the applicant necessary to complete the application; however, the department may make only one such request. If the requested information is not filed with the department within 21 days after the receipt of the department's request, the application shall be withdrawn from consideration.

- (c) Upon the request of any applicant or substantially affected person, including other charter schools and the district school board, within 14 days after notice that an application has been filed, a public hearing may be held at the department's discretion if the department determines that a proposed project involves issues of great public interest. In such cases, the department shall attend the public hearing. The public hearing shall allow applicants and other interested parties reasonable time to present their positions and to present rebuttal information. A recorded transcript of the hearing shall be maintained. The public hearing shall be held at the local school district level within 21 days after the application is deemed complete.
- (d) In those cases in which a written statement of opposition has been timely filed regarding a statement of need application, the applicant may submit a written response to the department. Such response must be received by the department within 10 days of the written statement due date.
- (4) CRITERIA.—The evaluation criteria for applications submitted to the department must include the following:
  - (a) The need for the proposed charter school and

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educational services.

(b) The availability of the proposed educational services in existing public schools and charter schools in the school district.

- (c) The ability of the applicant to provide quality educational services and the applicant's record of providing quality educational services, if applicable.
- (d) The availability of resources, including teachers and administrators, management personnel, and funds for capital and operating expenditures, for project accomplishment and operation.
- (e) The extent to which the proposed educational services will enhance the educational options in the school district and are not duplicative of existing educational services.
- (f) The immediate and long-term financial feasibility and fiscal efficiency of the charter school.
- (g) The costs and methods of the proposed construction, including whether the charter school will be in compliance with the State Requirements for Educational Facilities approved by the state board, and if not, whether the charter school will be in compliance with any applicable state and local building codes.
- (h) The applicant's record of providing educational services to students who are from lower socioeconomic backgrounds, who are low performing, or who have disabilities.
- (5) FEES.—The department shall assess a fee on each application for a statement of need as follows:
  - (a) A minimum base fee of \$10,000 per application.
  - (b) In addition to the base fee, \$50 for each full-time

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equivalent student projected to enroll based on the enrollment capacity of the applicant school. The total fee assessed

pursuant to paragraph (a) and this paragraph may not exceed

\$50,000 in the aggregate.

(c) The department shall reduce the fee assessed pursuant to paragraph (b) if the fees collected are projected to exceed the cost of administering the statement of need program.

Section 5. Section 1002.326, Florida Statutes, is created to read:

1002.326 Disposition of applications; administrative hearing; judicial review.—

- (1) The department's review of and final action on applications submitted must be in accordance with the criteria specified in s. 1002.325(4) and any applicable state board rules.
- (2) Within 60 days after all of the applications in a review cycle are determined to be complete, the department shall issue a report and notice of intent specifying statements of need that are issued or denied for the review cycle. The department's report shall specify its findings of fact and determinations upon which its decision is based. If the department intends to issue a statement of need, the report and notice of intent must also include any conditions that the department intends to attach to the statement of need. The state board shall designate by rule a senior staff person, other than the person who issues the final order and notice of intent, to issue the report.
- (3) The department shall publish the notice of intent in the Florida Administrative Register within 14 days after

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issuance.

(4) If no administrative hearing is requested pursuant to subsection (5), the report and the notice of intent become the final order of the department. The department shall provide a copy of the final order to the appropriate district school board.

(5) Within 21 days after publication of the report and notice of intent, any person authorized under paragraph (b) to participate in a hearing may file a request for an administrative hearing. Failure to file a request for hearing within 21 days of publication of notice of intent constitutes a waiver of any right to a hearing and a waiver of the right to contest the final decision of the department. A copy of the request for hearing shall be served on the applicant.

(a) Hearings must be held in the county in which the charter school would be located unless the administrative law judge determines that changing the location will facilitate the proceedings. The department shall assign proceedings requiring hearings to the Division of Administrative Hearings of the Department of Management Services within 10 days after the time has expired for requesting a hearing. Except upon unanimous consent of the parties, or upon the granting by the administrative law judge of a motion of continuance, hearings shall commence within 60 days after the administrative law judge has been assigned, and a continuance may not be granted after commencement of the proceedings absent a finding of extraordinary circumstances by the administrative law judge. All parties, except the department, shall bear their own expense of preparing a transcript. In any application for a statement of

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need which is referred to the Division of Administrative
Hearings for hearing, the administrative law judge shall
complete and submit to the parties a recommended order as
provided in ss. 120.569 and 120.57. The recommended order shall
be issued within 30 days after the receipt of the proposed
recommended orders or the deadline for submission of such
proposed recommended orders, whichever is earlier. The division
shall adopt procedures for administrative hearings which
maximize the use of stipulated facts and shall provide for the
admission of prepared testimony.

- (b) The department shall issue its final order within 45 days after receipt of the recommended order. If the department fails to take action within such time, or as otherwise agreed to by the applicant and the department, the applicant may take appropriate legal action to compel the department to act. When making a determination on an application for a statement of need, the department is specifically exempt from the time limitations provided in s. 120.60(1).
- (6) (a) A party to an administrative hearing for an application for a statement of need has the right, within not more than 30 days after the date of the final order, to seek judicial review in the appropriate district court of appeal pursuant to s. 120.68. The department shall be a party in any such proceeding.
- (b) In such judicial review, the court shall affirm the final order of the department, unless the decision is arbitrary or capricious or does not comply with the requirements for a statement of need.
  - (c) The court may award reasonable attorney fees and costs

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to the prevailing party if the court finds that there was a complete absence of a justiciable issue of law or fact raised by the losing party.

Section 6. Section 1002.327, Florida Statutes, is created to read:

- 1002.327 Applicability; expedited review; exemption.—
- (1) Beginning July 1, 2016, all charter schools described in this subsection are subject to review and must file an application for a statement of need with the department. The department is exclusively responsible for determining whether a charter school project is subject to review. Schools subject to review include:
- (a) A charter school that is newly constructed or established, including a replacement charter school, if the proposed project site is not located on the same site as, or within 1 mile of, the existing charter school.
- (b) An existing traditional public school proposed to be converted to a charter school.
- (c) An existing charter school that increases the number of students enrolled or the enrollment capacity.
- (d) An existing charter school that increases the number of grades being provided educational services.
- (2) All charter schools that meet the criteria specified in this subsection are eligible for an expedited review of an application for a statement of need:
- (a) Transfer of a previously issued statement of need. A subsequent purchaser of a charter school that is not yet operational, but previously issued a statement of need, may acquire the school's statement of need without a transfer.

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- (b) Replacement of an existing charter school.
- (c) Expansion of a charter school designated as a highperforming charter school in accordance with s. 1002.331.
- (d) Replication of a high-performing charter school in a high-performing charter school system.
- (3) An applicant may submit a request for exemption from subsection (1) to the department. Any exemption request must specifically document why an exemption is appropriate in a particular circumstance.

Section 7. Section 1002.328, Florida Statutes, is created to read:

1002.328 Conditions and monitoring.—

- (1) (a) The department may conditionally issue a statement of need, predicated upon statements of intent expressed by an applicant in the application for a statement of need. Any conditions imposed on a statement of need based on such statements of intent shall be stated on the face of the statement of need approval.
- (b) A statement holder may apply to the department for a modification of conditions imposed under paragraph (a). If the holder of a statement of need demonstrates good cause why the statement should be modified, the department shall reissue the statement of need with such modifications as may be appropriate. The state board shall define by rule the factors constituting good cause for modification.
- (c) If the holder of a statement of need fails to comply with a condition upon which the issuance of the statement or exemption was predicated, the department may assess an administrative fine against the statement holder in an amount

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not to exceed \$1,000 per each day of noncompliance. Failure to
annually report compliance with any condition upon which the
issuance of the statement was predicated constitutes
noncompliance. In assessing the penalty, the department shall
take into account as mitigation the degree of noncompliance.
Proceeds of such penalties shall be deposited in the State
School Trust Fund.

- (2) (a) Unless the applicant has commenced construction, if the project requires construction, and unless the applicant has incurred an enforceable capital expenditure commitment for a project, if the project does not provide for construction, a statement of need terminates 18 months after the date of issuance. The department shall monitor the progress of the holder of the statement of need in meeting the timetable for school development specified in the application and may revoke the statement of need if the holder of the statement is not meeting such timetable and is not making a good-faith effort, as defined by rule, to meet it.
- (b) The statement of need validity period for a project shall be extended by the department if the applicant demonstrates to the satisfaction of the department that goodfaith commencement of the project is being delayed by litigation or by governmental action or inaction with respect to regulations or permitting that precludes commencement of the project.

Section 8. Section 1002.3281, Florida Statutes, is created to read:

1002.3281 Statement of need required; penalties.—It is unlawful for any person to undertake a project subject to review

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without a valid statement of need. Any person violating this section commits a misdemeanor of the second degree, punishable as provided in s. 775.082 or s. 775.083. Each day of continuing violation shall be considered a separate offense.

Section 9. Section 1002.3282, Florida Statutes, is created to read:

1002.3282 Transfer prohibited.—The holder of a statement of need may not transfer a statement of need to another person. A holder who violates this section commits a misdemeanor of the first degree, punishable as provided in s. 775.082, or by a fine of up to \$10,000, or both.

Section 10. Section 1002.329, Florida Statutes, is created to read:

1002.329 Injunction.—Notwithstanding the existence or pursuit of any other remedy, the department may maintain an action in the name of the state for injunction or other process against any person to restrain or prevent the pursuit of a project subject to review in absence of a valid statement of need.

Section 11. Subsection (1), paragraph (a) of subsection (6), and paragraph (a) of subsection (8) of section 1002.33, Florida Statutes, are amended, and paragraph (e) is added to subsection (7) of that section, to read:

1002.33 Charter schools.-

(1) AUTHORIZATION.—Charter schools shall be part of the state's program of public education. All charter schools in Florida are public schools. A charter school may be formed by creating a new school or converting an existing public school to charter status. A charter school may operate a virtual charter

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school pursuant to s. 1002.45(1)(d) to provide full-time online instruction to eligible students, pursuant to s. 1002.455, in kindergarten through grade 12. A charter school must amend its charter or submit a new application pursuant to subsection (6) to become a virtual charter school. A virtual charter school is subject to the requirements of this section; however, a virtual charter school is exempt from subsections (18) and (19), subparagraphs (20)(a)2., 4., 5., and 7., paragraph (20)(c), and s. 1003.03. A public school may not use the term charter in its name unless it has been approved under this section. Effective July 1, 2016, a district school board may not issue a charter to a charter school that has not been issued a statement of need pursuant to s. 1002.326.

- (6) APPLICATION PROCESS AND REVIEW.—Charter school applications are subject to the following requirements:
- (a) A person or entity wishing to open a charter school shall prepare and submit an application on a model application form prepared by the Department of Education which:
- 1. Demonstrates how the school will use the guiding principles and meet the statutorily defined purpose of a charter school.
- 2. Provides a detailed curriculum plan that illustrates how students will be provided services to attain the Sunshine State Standards.
- 3. Contains goals and objectives for improving student learning and measuring that improvement. These goals and objectives must indicate how much academic improvement students are expected to show each year, how success will be evaluated, and the specific results to be attained through instruction.

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4. Describes the reading curriculum and differentiated strategies that will be used for students reading at grade level or higher and a separate curriculum and strategies for students who are reading below grade level. A sponsor shall deny a charter if the school does not propose a reading curriculum that is consistent with effective teaching strategies that are grounded in scientifically based reading research.

- 5. Contains an annual financial plan for each year requested by the charter for operation of the school for up to 5 years. This plan must contain anticipated fund balances based on revenue projections, a spending plan based on projected revenues and expenses, and a description of controls that will safeguard finances and projected enrollment trends.
- 6. Contains additional information a sponsor may require, which shall be attached as an addendum to the charter school application described in this paragraph.
- 7. For the establishment of a virtual charter school, documents that the applicant has contracted with a provider of virtual instruction services pursuant to s. 1002.45(1)(d).
- 8. Documents that the applicant has been issued a statement of need by the Department of Education. Issuance of a statement of need does not guarantee approval of the charter school application.
- (7) CHARTER.—The major issues involving the operation of a charter school shall be considered in advance and written into the charter. The charter shall be signed by the governing board of the charter school and the sponsor, following a public hearing to ensure community input.
  - (e) The charter must identify the issuance of a statement

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## of need by the Department of Education.

- (8) CAUSES FOR NONRENEWAL OR TERMINATION OF CHARTER.-
- (a) The sponsor shall make student academic achievement for all students the most important factor when determining whether to renew or terminate the charter. The sponsor may also choose not to renew or may terminate the charter for any of the following grounds:
- 1. Failure to participate in the state's education accountability system created in s. 1008.31, as required in this section, or failure to meet the requirements for student performance stated in the charter.
- 2. Failure to meet generally accepted standards of fiscal management.
  - 3. Violation of law.
  - 4. Failure to maintain a valid statement of need.
  - 5. Other good cause shown.
- Section 12. This act shall take effect October 1, 2015.

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