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2^D SESSION

H. R. 10

IN THE SENATE OF THE UNITED STATES

MAY 12, 2014

Received; read twice and referred to the Committee on Health, Education,
Labor, and Pensions

AN ACT

To amend the charter school program under the Elementary
and Secondary Education Act of 1965.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Success and Oppor-
3 tunity through Quality Charter Schools Act”.

4 **SEC. 2. REFERENCES.**

5 Except as otherwise specifically provided, whenever in
6 this Act a section or other provision is amended or re-
7 pealed, such amendment or repeal shall be considered to
8 be made to that section or other provision of the Elemen-
9 tary and Secondary Education Act of 1965 (20 U.S.C.
10 6301 et seq.).

11 **SEC. 3. SUBPART HEADING; PURPOSE.**

12 (a) SUBPART HEADING.—The heading for subpart 1
13 of part B of title V (20 U.S.C. 7221 et seq.) is amended
14 to read as follows: “**Charter School Program**”.

15 (b) PURPOSE.—Section 5201 (20 U.S.C. 7221) is
16 amended to read as follows:

17 **“SEC. 5201. PURPOSE.**

18 “It is the purpose of this subpart to—

19 “(1) improve the United States education sys-
20 tem and education opportunities for all Americans
21 by supporting innovation in public education in pub-
22 lic school settings that prepare students to compete
23 and contribute to the global economy;

24 “(2) provide financial assistance for the plan-
25 ning, program design, and initial implementation of
26 charter schools;

1 “(3) expand the number of high-quality charter
2 schools available to students across the Nation;

3 “(4) evaluate the impact of such schools on stu-
4 dent achievement, families, and communities, and
5 share best practices between charter schools and
6 other public schools;

7 “(5) encourage States to provide support to
8 charter schools for facilities financing in an amount
9 more nearly commensurate to the amount the States
10 have typically provided for traditional public schools;

11 “(6) improve student services to increase oppor-
12 tunities for students with disabilities, English learn-
13 ers, and other traditionally underserved students to
14 attend charter schools and meet challenging State
15 academic achievement standards;

16 “(7) support efforts to strengthen the charter
17 school authorizing process to improve performance
18 management, including transparency, oversight,
19 monitoring, and evaluation of such schools; and

20 “(8) support quality accountability and trans-
21 parency in the operational performance of all au-
22 thorized public chartering agencies, which include
23 State educational agencies, local educational agen-
24 cies, and other authorizing entities.”.

1 **SEC. 4. PROGRAM AUTHORIZED.**

2 Section 5202 (20 U.S.C. 7221a) is amended to read
3 as follows:

4 **“SEC. 5202. PROGRAM AUTHORIZED.**

5 “(a) IN GENERAL.—This subpart authorizes the Sec-
6 retary to carry out a charter school program that supports
7 charter schools that serve elementary school and sec-
8 ondary school students by—

9 “(1) supporting the startup of charter schools,
10 and the replication and expansion of high-quality
11 charter schools;

12 “(2) assisting charter schools in accessing cred-
13 it to acquire and renovate facilities for school use;
14 and

15 “(3) carrying out national activities to sup-
16 port—

17 “(A) charter school development;

18 “(B) the dissemination of best practices of
19 charter schools for all schools;

20 “(C) the evaluation of the impact of the
21 program on schools participating in the pro-
22 gram; and

23 “(D) stronger charter school authorizing.

24 “(b) FUNDING ALLOTMENT.—From the amount
25 made available under section 5211 for a fiscal year, the
26 Secretary shall—

1 “(1) reserve 12.5 percent to support charter
2 school facilities assistance under section 5204;

3 “(2) reserve not more than 10 percent to carry
4 out national activities under section 5205; and

5 “(3) use the remaining amount after the Sec-
6 retary reserves funds under paragraphs (1) and (2)
7 to carry out section 5203.

8 “(c) PRIOR GRANTS AND SUBGRANTS.—The recipi-
9 ent of a grant or subgrant under this subpart or subpart
10 2, as such subpart was in effect on the day before the
11 date of enactment of the Success and Opportunity through
12 Quality Charter Schools Act, shall continue to receive
13 funds in accordance with the terms and conditions of such
14 grant or subgrant.

15 “(d) GAO REPORT.—Not later than 3 years after the
16 date of enactment of the Success and Opportunity through
17 Quality Charter Schools Act, the Comptroller General of
18 the United States shall submit a report to the Secretary
19 and Congress that—

20 “(1) examines whether the funds authorized to
21 be reserved by State entities for administrative costs
22 under section 5203(b)(1)(C) is appropriate; and

23 “(2) if determined not to be appropriate, makes
24 recommendations on the appropriate reservation of
25 funding for such administrative costs.”.

1 **SEC. 5. GRANTS TO SUPPORT HIGH-QUALITY CHARTER**
2 **SCHOOLS.**

3 Section 5203 (20 U.S.C. 7221b) is amended to read
4 as follows:

5 **“SEC. 5203. GRANTS TO SUPPORT HIGH-QUALITY CHARTER**
6 **SCHOOLS.**

7 “(a) IN GENERAL.—From the amount reserved
8 under section 5202(b)(3), the Secretary shall award
9 grants to State entities having applications approved pur-
10 suant to subsection (f) to enable such entities to—

11 “(1) award subgrants to eligible applicants for
12 opening and preparing to operate—

13 “(A) new charter schools;

14 “(B) replicated, high-quality charter school
15 models; or

16 “(C) expanded, high-quality charter
17 schools; and

18 “(2) provide technical assistance to eligible ap-
19 plicants and authorized public chartering agencies in
20 carrying out the activities described in paragraph (1)
21 and work with authorized public chartering agencies
22 in the State to improve authorizing quality.

23 “(b) STATE USES OF FUNDS.—

24 “(1) IN GENERAL.—A State entity receiving a
25 grant under this section shall—

1 “(A) use not less than 90 percent of the
2 grant funds to award subgrants to eligible ap-
3 plicants, in accordance with the quality charter
4 school program described in the State entity’s
5 application approved pursuant to subsection (f),
6 for the purposes described in subparagraphs
7 (A) through (C) of subsection (a)(1);

8 “(B) reserve not less than 7 percent of
9 such funds to carry out the activities described
10 in subsection (a)(2); and

11 “(C) reserve not more than 3 percent of
12 such funds for administrative costs which may
13 include technical assistance.

14 “(2) CONTRACTS AND GRANTS.—A State entity
15 may use a grant received under this section to carry
16 out the activities described in subparagraphs (A)
17 and (B) of paragraph (1) directly or through grants,
18 contracts, or cooperative agreements.

19 “(3) RULE OF CONSTRUCTION.—Nothing in
20 this Act shall prohibit the Secretary from awarding
21 grants to States that use a weighted lottery to give
22 slightly better chances for admission to all, or a sub-
23 set of, educationally disadvantaged students if—

24 “(A) the use of weighted lotteries in favor
25 of such students is not prohibited by State law,

1 and such State law is consistent with laws de-
2 scribed in section 5210(1)(G); and

3 “(B) such weighted lotteries are not used
4 for the purpose of creating schools exclusively
5 to serve a particular subset of students.

6 “(c) PROGRAM PERIODS; PEER REVIEW; GRANT
7 NUMBER AND AMOUNT; DIVERSITY OF PROJECTS; WAIV-
8 ERS.—

9 “(1) PROGRAM PERIODS.—

10 “(A) GRANTS.—A grant awarded by the
11 Secretary to a State entity under this section
12 shall be for a period of not more than 5 years.

13 “(B) SUBGRANTS.—A subgrant awarded
14 by a State entity under this section shall be for
15 a period of not more than 5 years, of which an
16 eligible applicant may use not more than 18
17 months for planning and program design.

18 “(2) PEER REVIEW.—The Secretary, and each
19 State entity receiving a grant under this section,
20 shall use a peer review process to review applications
21 for assistance under this section.

22 “(3) GRANT AWARDS.—The Secretary shall—

23 “(A) for each fiscal year for which funds
24 are appropriated under section 5211—

1 “(i) award not less than 3 grants
2 under this section;

3 “(ii) wholly fund each grant awarded
4 under this section, without making con-
5 tinuation awards; and

6 “(iii) fully obligate the funds appro-
7 priated for the purpose of awarding grants
8 under this section in the fiscal year for
9 which such grants are awarded; and

10 “(B) prior to the start of the final year of
11 the grant period of each grant awarded under
12 this section to a State entity, review whether
13 the State entity is using the grant funds for the
14 agreed upon uses of funds and whether the full
15 amount of the grant will be needed for the re-
16 mainder of the grant period and may, as deter-
17 mined necessary based on that review, termi-
18 nate or reduce the amount of the grant and re-
19 allocate the remaining grant funds to other
20 State entities during the succeeding grant com-
21 petition under this section.

22 “(4) DIVERSITY OF PROJECTS.—Each State en-
23 tity receiving a grant under this section shall award
24 subgrants under this section in a manner that, to
25 the extent possible, ensures that such subgrants—

1 “(A) are distributed throughout different
2 areas, including urban, suburban, and rural
3 areas; and

4 “(B) will assist charter schools rep-
5 resenting a variety of educational approaches.

6 “(5) WAIVERS.—The Secretary may waive any
7 statutory or regulatory requirement over which the
8 Secretary exercises administrative authority except
9 any such requirement relating to the elements of a
10 charter school described in section 5210(1), if—

11 “(A) the waiver is requested in an ap-
12 proved application under this section; and

13 “(B) the Secretary determines that grant-
14 ing such a waiver will promote the purpose of
15 this subpart.

16 “(d) LIMITATIONS.—

17 “(1) GRANTS.—The Secretary shall not award
18 a grant to a State entity under this section in a case
19 in which such award would result in more than 1
20 grant awarded under this section being carried out
21 in a State at the same time.

22 “(2) SUBGRANTS.—An eligible applicant may
23 not receive more than 1 subgrant under this section
24 per individual charter school for a 5-year period, un-
25 less the eligible applicant demonstrates to the State

1 entity not less than 3 years of improved educational
2 results in the areas described in subparagraphs (A)
3 and (D) of section 5210(8) for students enrolled in
4 such charter school.

5 “(e) APPLICATIONS.—A State entity desiring to re-
6 ceive a grant under this section shall submit an application
7 to the Secretary at such time and in such manner as the
8 Secretary may require. The application shall include the
9 following:

10 “(1) DESCRIPTION OF PROGRAM.—A descrip-
11 tion of the State entity’s objectives under this sec-
12 tion and how the objectives of the program will be
13 carried out, including a description—

14 “(A) of how the State entity—

15 “(i) will support the opening of new
16 charter schools, replicated, high-quality
17 charter school models, or expanded, high-
18 quality charter schools, and a description
19 of the proposed number of each type of
20 charter school or model, if applicable, to be
21 opened under the State entity’s program;

22 “(ii) will inform eligible charter
23 schools, developers, and authorized public
24 chartering agencies of the availability of
25 funds under the program;

1 “(iii) will work with eligible applicants
2 to ensure that the eligible applicants access
3 all Federal funds that they are eligible to
4 receive, and help the charter schools sup-
5 ported by the applicants and the students
6 attending the charter schools—

7 “(I) participate in the Federal
8 programs in which the schools and
9 students are eligible to participate;

10 “(II) receive the commensurate
11 share of Federal funds the schools
12 and students are eligible to receive
13 under such programs; and

14 “(III) meet the needs of students
15 served under such programs, including
16 student with disabilities and English
17 learners;

18 “(iv) will have clear plans and proce-
19 dures to assist students enrolled in a char-
20 ter school that closes or loses its charter to
21 attend other high-quality schools;

22 “(v) in the case in which the State en-
23 tity is not a State educational agency—

24 “(I) will work with the State edu-
25 cational agency and the charter

1 schools in the State to maximize char-
2 ter school participation in Federal and
3 State programs for charter schools;
4 and

5 “(II) will work with the State
6 educational agency to adequately op-
7 erate the State entity’s program
8 under this section, where applicable;

9 “(vi) will ensure each eligible appli-
10 cant that receives a subgrant under the
11 State entity’s program to open and prepare
12 to operate a new charter school, a rep-
13 licated, high-quality charter school model,
14 or an expanded, high-quality charter
15 school—

16 “(I) will ensure such school or
17 model meets the requirements under
18 section 5210(1); and

19 “(II) is prepared to continue to
20 operate such school or model, in a
21 manner consistent with the eligible
22 applicant’s application, after the
23 subgrant funds have expired;

24 “(vii) will support charter schools in
25 local educational agencies with large num-

1 bers of schools identified by the State for
2 improvement, including supporting the use
3 of charter schools to improve, or in turning
4 around, struggling schools;

5 “(viii) will work with charter schools
6 to promote inclusion of all students, in-
7 cluding eliminating any barriers to enroll-
8 ment for foster youth or unaccompanied
9 homeless youth, and support all students
10 once they are enrolled to promote retention
11 including through the use of fair discipli-
12 nary practice;

13 “(ix) will work with charter schools on
14 recruitment practices, including efforts to
15 engage groups that may otherwise have
16 limited opportunities to participate in char-
17 ter schools, and to ensure such schools do
18 not have in effect policies or procedures
19 that may create barriers to enrollment of
20 students, including educationally disadvan-
21 tagged students, and are in compliance with
22 all Federal and State laws on enrollment
23 practices;

24 “(x) will share best and promising
25 practices between charter schools and

1 other public schools, including, where ap-
2 propriate, instruction and professional de-
3 velopment in core academic subjects, and
4 science, technology, engineering, and math
5 education, including computer science;

6 “(xi) will ensure the charter schools
7 receiving funds under the State entity’s
8 program meet the educational needs of
9 their students, including students with dis-
10 abilities and English learners;

11 “(xii) will support efforts to increase
12 quality initiatives, including meeting the
13 quality authorizing elements described in
14 paragraph (2)(E);

15 “(xiii) in the case of a State entity
16 not described in clause (xiv), will provide
17 oversight of authorizing activity, including
18 how the State will approve, actively mon-
19 itor, and re-approve or revoke the author-
20 ity of an authorized public chartering
21 agency based on the performance of the
22 charter schools authorized by such agency
23 in the areas of student achievement, stu-
24 dent safety, financial management, and

1 compliance with all applicable statutes and
2 regulations;

3 “(xiv) in the case of a State entity de-
4 fined in subsection (i)(4), will work with
5 the State to provide assistance to and over-
6 sight of authorized public chartering agen-
7 cies for authorizing activity described in
8 clause (xiii); and

9 “(xv) will work with eligible applicants
10 receiving a subgrant under the State enti-
11 ty’s program to support the opening of
12 charter schools or charter school models
13 described in clause (i) that are secondary
14 schools;

15 “(B) of the extent to which the State enti-
16 ty—

17 “(i) is able to meet and carry out the
18 priorities listed in subsection (f)(2); and

19 “(ii) is working to develop or
20 strengthen a cohesive statewide system to
21 support the opening of new charter
22 schools, replicated, high-quality charter
23 school models, or expanded, high-quality
24 charter schools;

1 “(C) of how the State entity will carry out
2 the subgrant competition, including—

3 “(i) a description of the application
4 each eligible applicant desiring to receive a
5 subgrant will submit, including—

6 “(I) a description of the roles
7 and responsibilities of eligible appli-
8 cants, partner organizations, and
9 management organizations, including
10 the administrative and contractual
11 roles and responsibilities;

12 “(II) a description of the quality
13 controls agreed to between the eligible
14 applicant and the authorized public
15 chartering agency involved, such as a
16 contract or performance agreement,
17 how a school’s performance in the
18 State’s academic accountability sys-
19 tem will be a primary factor for re-
20 newal or revocation of the school’s
21 charter, and how the State entity and
22 the authorized public chartering agen-
23 cy involved will reserve the right to re-
24 voke or not renew a school’s charter
25 based on financial, structural, or oper-

1 ational factors involving the manage-
2 ment of the school;

3 “(III) a description of how the el-
4 igible applicant will solicit and con-
5 sider input from parents and other
6 members of the community on the im-
7 plementation and operation of each
8 charter school receiving funds under
9 the State entity’s program; and

10 “(IV) a description of the
11 planned activities and expenditures
12 for the subgrant funds for purposes of
13 opening and preparing to operate a
14 new charter school, a replicated, high-
15 quality charter school model, or an ex-
16 panded, high-quality charter school,
17 and how the school or model will
18 maintain financial sustainability after
19 the end of the subgrant period; and

20 “(ii) a description of how the State
21 entity will review applications;

22 “(D) in the case of an entity that partners
23 with an outside organization to carry out the
24 State entity’s quality charter school program, in

1 whole or in part, of the roles and responsibil-
2 ities of this partner;

3 “(E) of how the State entity will help the
4 charter schools receiving funds under the State
5 entity’s program consider the transportation
6 needs of the schools’ students; and

7 “(F) of how the State entity will support
8 diverse charter school models, including models
9 that serve rural communities.

10 “(2) ASSURANCES.—Assurances, including a
11 description of how the assurances will be met,
12 that—

13 “(A) each charter school receiving funds
14 under the State entity’s program will have a
15 high degree of autonomy over budget and oper-
16 ations;

17 “(B) the State entity will support charter
18 schools in meeting the educational needs of
19 their students as described in paragraph
20 (1)(A)(xi);

21 “(C) the State entity will ensure that the
22 authorized public chartering agency of any
23 charter school that receives funds under the
24 State entity’s program—

1 “(i) adequately monitors each charter
2 school in recruiting, enrolling, and meeting
3 the needs of all students, including stu-
4 dents with disabilities and English learn-
5 ers; and

6 “(ii) ensures that each charter school
7 solicits and considers input from parents
8 and other members of the community on
9 the implementation and operation of the
10 school;

11 “(D) the State entity will provide adequate
12 technical assistance to eligible applicants to—

13 “(i) meet the objectives described in
14 clauses (viii) and (ix) of paragraph (1)(A)
15 and paragraph (2)(B); and

16 “(ii) recruit, enroll, and retain tradi-
17 tionally underserved students, including
18 students with disabilities and English
19 learners, at rates similar to traditional
20 public schools;

21 “(E) the State entity will promote quality
22 authorizing, such as through providing technical
23 assistance and supporting all authorized public
24 chartering agencies in the State to improve the

1 oversight of their charter schools, including
2 by—

3 “(i) assessing annual performance
4 data of the schools, including, as appro-
5 priate, graduation rates, student academic
6 growth, and rates of student attrition;

7 “(ii) reviewing the schools’ inde-
8 pendent, annual audits of financial state-
9 ments conducted in accordance with gen-
10 erally accepted accounting principles, and
11 ensuring any such audits are publically re-
12 ported; and

13 “(iii) holding charter schools account-
14 able to the academic, financial, and oper-
15 ational quality controls agreed to between
16 the charter school and the authorized pub-
17 lic chartering agency involved, such as
18 through renewal, non-renewal, or revoca-
19 tion of the school’s charter;

20 “(F) the State entity will work to ensure
21 that charter schools are included with the tradi-
22 tional public schools in decision-making about
23 the public school system in the State; and

24 “(G) The State entity will ensure that each
25 charter school in the State makes publicly avail-

1 able, consistent with the dissemination require-
2 ments of the annual State report card, informa-
3 tion to help parents make informed decisions
4 about the education options available to their
5 children, including information for each school
6 on—

7 “(i) the educational program;

8 “(ii) student support services;

9 “(iii) annual performance and enroll-
10 ment data, disaggregated by the groups of
11 students described in section
12 1111(b)(2)(C)(v)(II); and

13 “(iv) any other information the State
14 requires all other public schools to report
15 for purposes of section 1111(h)(1)(D).

16 “(3) REQUESTS FOR WAIVERS.—A request and
17 justification for waivers of any Federal statutory or
18 regulatory provisions that the State entity believes
19 are necessary for the successful operation of the
20 charter schools that will receive funds under the
21 State entity’s program under this section, and a de-
22 scription of any State or local rules, generally appli-
23 cable to public schools, that will be waived, or other-
24 wise not apply to such schools or, in the case of a
25 State entity defined in subsection (i)(4), a descrip-

1 tion of how the State entity will work with the State
2 to request necessary waivers where applicable.

3 “(f) SELECTION CRITERIA; PRIORITY.—

4 “(1) SELECTION CRITERIA.—The Secretary
5 shall award grants to State entities under this sec-
6 tion on the basis of the quality of the applications
7 submitted under subsection (e), after taking into
8 consideration—

9 “(A) the degree of flexibility afforded by
10 the State’s public charter school law and how
11 the State entity will work to maximize the flexi-
12 bility provided to charter schools under the law;

13 “(B) the ambitiousness of the State enti-
14 ty’s objectives for the quality charter school
15 program carried out under this section;

16 “(C) the quality of the strategy for assess-
17 ing achievement of those objectives;

18 “(D) the likelihood that the eligible appli-
19 cants receiving subgrants under the program
20 will meet those objectives and improve edu-
21 cational results for students;

22 “(E) the State entity’s plan to—

23 “(i) adequately monitor the eligible
24 applicants receiving subgrants under the
25 State entity’s program;

1 “(ii) work with the authorized public
2 chartering agencies involved to avoid dupli-
3 cation of work for the charter schools and
4 authorized public chartering agencies; and

5 “(iii) provide adequate technical as-
6 sistance and support for—

7 “(I) the charter schools receiving
8 funds under the State entity’s pro-
9 gram; and

10 “(II) quality authorizing efforts
11 in the State; and

12 “(F) the State entity’s plan to solicit and
13 consider input from parents and other members
14 of the community on the implementation and
15 operation of the charter schools in the State.

16 “(2) PRIORITY.—In awarding grants under this
17 section, the Secretary shall give priority to State en-
18 tities to the extent that they meet the following cri-
19 teria:

20 “(A) In the case of a State entity located
21 in a State that allows an entity other than a
22 local educational agency to be an authorized
23 public chartering agency, the State has a qual-
24 ity authorized public chartering agency that is
25 an entity other than a local educational agency.

1 “(B) The State entity is located in a State
2 that does not impose any limitation on the
3 number or percentage of charter schools that
4 may exist or the number or percentage of stu-
5 dents that may attend charter schools in the
6 State.

7 “(C) The State entity is located in a State
8 that ensures equitable financing, as compared
9 to traditional public schools, for charter schools
10 and students in a prompt manner.

11 “(D) The State entity is located in a State
12 that uses charter schools and best practices
13 from charter schools to help improve struggling
14 schools and local educational agencies.

15 “(E) The State entity partners with an or-
16 ganization that has a demonstrated record of
17 success in developing management organiza-
18 tions to support the development of charter
19 schools in the State.

20 “(F) The State entity supports charter
21 schools that support at-risk students through
22 activities such as dropout prevention, dropout
23 recovery, or comprehensive career counseling
24 practices.

1 “(G) The State entity authorizes all char-
2 ter schools in the State to serve as school food
3 authorities.

4 “(H) The State entity has taken steps to
5 ensure that all authorizing public chartering
6 agencies implement best practices for charter
7 school authorizing.

8 “(g) LOCAL USES OF FUNDS.—An eligible applicant
9 receiving a subgrant under this section shall use such
10 funds to carry out activities related to opening and pre-
11 paring to operate a new charter school, a replicated, high-
12 quality charter school model, or an expanded, high-quality
13 charter school, such as—

14 “(1) preparing teachers and school leaders, in-
15 cluding through professional development;

16 “(2) acquiring equipment, educational mate-
17 rials, and supplies; and

18 “(3) necessary renovations and minor facilities
19 repairs (excluding construction).

20 “(h) REPORTING REQUIREMENTS.—Each State enti-
21 ty receiving a grant under this section shall submit to the
22 Secretary, at the end of the third year of the 5-year grant
23 period and at the end of such grant period, a report on—

24 “(1) the number of students served by each
25 subgrant awarded under this section and, if applica-

1 ble, how many new students were served during each
2 year of the subgrant period;

3 “(2) the progress the State entity made toward
4 meeting the priorities described in subsection (f)(2),
5 as applicable;

6 “(3) how the State entity met the objectives of
7 the quality charter school program described in the
8 State entity’s application under subsection (e), in-
9 cluding how the State entity met the objective of
10 sharing best and promising practices described in
11 subsection (e)(1)(A)(x) in areas such as instruction,
12 professional development, curricula development, and
13 operations between charter schools and other public
14 schools, and the extent to which, if known, such
15 practices were adopted and implemented by such
16 other public schools;

17 “(4) how the State entity complied with, and
18 ensured that eligible applicants complied with, the
19 assurances described in the State entity’s applica-
20 tion;

21 “(5) how the State entity worked with author-
22 ized public chartering agencies, including how the
23 agencies worked with the management company or
24 leadership of the schools that received subgrants
25 under this section;

1 “(6) the number of subgrants awarded under
2 this section to carry out each of the following:

3 “(A) The opening of new charter schools.

4 “(B) The opening of replicated, high-quality
5 charter school models.

6 “(C) The opening of expanded, high-quality
7 charter schools; and

8 “(7) how the State entity has worked with charter
9 schools receiving funds under the State entity’s
10 program to foster community involvement in the
11 planning for and opening of such schools.

12 “(i) STATE ENTITY DEFINED.—For purposes of this
13 section, the term ‘State entity’ means—

14 “(1) a State educational agency;

15 “(2) a State charter school board;

16 “(3) a Governor of a State; or

17 “(4) a charter school support organization.”.

18 **SEC. 6. FACILITIES FINANCING ASSISTANCE.**

19 Section 5204 (20 U.S.C. 7221c) is amended to read
20 as follows:

21 **“SEC. 5204. FACILITIES FINANCING ASSISTANCE.**

22 “(a) GRANTS TO ELIGIBLE ENTITIES.—

23 “(1) IN GENERAL.—From the amount reserved
24 under section 5202(b)(1), the Secretary shall not
25 use less than 50 percent to award grants to eligible

1 entities that have the highest-quality applications
2 approved under subsection (d), after considering the
3 diversity of such applications, to demonstrate inno-
4 vative methods of assisting charter schools to ad-
5 dress the cost of acquiring, constructing, and ren-
6 ovating facilities by enhancing the availability of
7 loans or bond financing.

8 “(2) ELIGIBLE ENTITY DEFINED.—For pur-
9 poses of this section, the term ‘eligible entity’
10 means—

11 “(A) a public entity, such as a State or
12 local governmental entity;

13 “(B) a private nonprofit entity; or

14 “(C) a consortium of entities described in
15 subparagraphs (A) and (B).

16 “(b) GRANTEE SELECTION.—The Secretary shall
17 evaluate each application submitted under subsection (d),
18 and shall determine whether the application is sufficient
19 to merit approval.

20 “(c) GRANT CHARACTERISTICS.—Grants under sub-
21 section (a) shall be of a sufficient size, scope, and quality
22 so as to ensure an effective demonstration of an innovative
23 means of enhancing credit for the financing of charter
24 school acquisition, construction, or renovation.

25 “(d) APPLICATIONS.—

1 “(1) IN GENERAL.—To receive a grant under
2 subsection (a), an eligible entity shall submit to the
3 Secretary an application in such form as the Sec-
4 retary may reasonably require.

5 “(2) CONTENTS.—An application submitted
6 under paragraph (1) shall contain—

7 “(A) a statement identifying the activities
8 proposed to be undertaken with funds received
9 under subsection (a), including how the eligible
10 entity will determine which charter schools will
11 receive assistance, and how much and what
12 types of assistance charter schools will receive;

13 “(B) a description of the involvement of
14 charter schools in the application’s development
15 and the design of the proposed activities;

16 “(C) a description of the eligible entity’s
17 expertise in capital market financing;

18 “(D) a description of how the proposed ac-
19 tivities will leverage the maximum amount of
20 private-sector financing capital relative to the
21 amount of public funding used and otherwise
22 enhance credit available to charter schools, in-
23 cluding how the eligible entity will offer a com-
24 bination of rates and terms more favorable than
25 the rates and terms that a charter school could

1 receive without assistance from the eligible enti-
2 ty under this section;

3 “(E) a description of how the eligible enti-
4 ty possesses sufficient expertise in education to
5 evaluate the likelihood of success of a charter
6 school program for which facilities financing is
7 sought; and

8 “(F) in the case of an application sub-
9 mitted by a State governmental entity, a de-
10 scription of the actions that the entity has
11 taken, or will take, to ensure that charter
12 schools within the State receive the funding the
13 charter schools need to have adequate facilities.

14 “(e) CHARTER SCHOOL OBJECTIVES.—An eligible
15 entity receiving a grant under this section shall use the
16 funds deposited in the reserve account established under
17 subsection (f) to assist one or more charter schools to ac-
18 cess private sector capital to accomplish one or more of
19 the following objectives:

20 “(1) The acquisition (by purchase, lease, dona-
21 tion, or otherwise) of an interest (including an inter-
22 est held by a third party for the benefit of a charter
23 school) in improved or unimproved real property
24 that is necessary to commence or continue the oper-
25 ation of a charter school.

1 “(2) The construction of new facilities, or the
2 renovation, repair, or alteration of existing facilities,
3 necessary to commence or continue the operation of
4 a charter school.

5 “(3) The predevelopment costs required to as-
6 sess sites for purposes of paragraph (1) or (2) and
7 which are necessary to commence or continue the
8 operation of a charter school.

9 “(f) RESERVE ACCOUNT.—

10 “(1) USE OF FUNDS.—To assist charter schools
11 to accomplish the objectives described in subsection
12 (e), an eligible entity receiving a grant under sub-
13 section (a) shall, in accordance with State and local
14 law, directly or indirectly, alone or in collaboration
15 with others, deposit the funds received under sub-
16 section (a) (other than funds used for administrative
17 costs in accordance with subsection (g)) in a reserve
18 account established and maintained by the eligible
19 entity for this purpose. Amounts deposited in such
20 account shall be used by the eligible entity for one
21 or more of the following purposes:

22 “(A) Guaranteeing, insuring, and rein-
23 suring bonds, notes, evidences of debt, loans,
24 and interests therein, the proceeds of which are

1 used for an objective described in subsection
2 (e).

3 “(B) Guaranteeing and insuring leases of
4 personal and real property for an objective de-
5 scribed in subsection (e).

6 “(C) Facilitating financing by identifying
7 potential lending sources, encouraging private
8 lending, and other similar activities that di-
9 rectly promote lending to, or for the benefit of,
10 charter schools.

11 “(D) Facilitating the issuance of bonds by
12 charter schools, or by other public entities for
13 the benefit of charter schools, by providing
14 technical, administrative, and other appropriate
15 assistance (including the recruitment of bond
16 counsel, underwriters, and potential investors
17 and the consolidation of multiple charter school
18 projects within a single bond issue).

19 “(2) INVESTMENT.—Funds received under this
20 section and deposited in the reserve account estab-
21 lished under paragraph (1) shall be invested in obli-
22 gations issued or guaranteed by the United States or
23 a State, or in other similarly low-risk securities.

24 “(3) REINVESTMENT OF EARNINGS.—Any earn-
25 ings on funds received under subsection (a) shall be

1 deposited in the reserve account established under
2 paragraph (1) and used in accordance with such
3 paragraph.

4 “(g) LIMITATION ON ADMINISTRATIVE COSTS.—An
5 eligible entity may use not more than 2.5 percent of the
6 funds received under subsection (a) for the administrative
7 costs of carrying out its responsibilities under this section
8 (excluding subsection (k)).

9 “(h) AUDITS AND REPORTS.—

10 “(1) FINANCIAL RECORD MAINTENANCE AND
11 AUDIT.—The financial records of each eligible entity
12 receiving a grant under subsection (a) shall be main-
13 tained in accordance with generally accepted ac-
14 counting principles and shall be subject to an annual
15 audit by an independent public accountant.

16 “(2) REPORTS.—

17 “(A) GRANTEE ANNUAL REPORTS.—Each
18 eligible entity receiving a grant under sub-
19 section (a) annually shall submit to the Sec-
20 retary a report of its operations and activities
21 under this section.

22 “(B) CONTENTS.—Each annual report
23 submitted under subparagraph (A) shall in-
24 clude—

1 “(i) a copy of the most recent finan-
2 cial statements, and any accompanying
3 opinion on such statements, prepared by
4 the independent public accountant review-
5 ing the financial records of the eligible en-
6 tity;

7 “(ii) a copy of any report made on an
8 audit of the financial records of the eligible
9 entity that was conducted under paragraph
10 (1) during the reporting period;

11 “(iii) an evaluation by the eligible en-
12 tity of the effectiveness of its use of the
13 Federal funds provided under subsection
14 (a) in leveraging private funds;

15 “(iv) a listing and description of the
16 charter schools served during the reporting
17 period, including the amount of funds used
18 by each school, the type of project facili-
19 tated by the grant, and the type of assist-
20 ance provided to the charter schools;

21 “(v) a description of the activities car-
22 ried out by the eligible entity to assist
23 charter schools in meeting the objectives
24 set forth in subsection (e); and

1 “(vi) a description of the characteris-
2 tics of lenders and other financial institu-
3 tions participating in the activities under-
4 taken by the eligible entity under this sec-
5 tion (excluding subsection (k)) during the
6 reporting period.

7 “(C) SECRETARIAL REPORT.—The Sec-
8 retary shall review the reports submitted under
9 subparagraph (A) and shall provide a com-
10 prehensive annual report to Congress on the ac-
11 tivities conducted under this section (excluding
12 subsection (k)).

13 “(i) NO FULL FAITH AND CREDIT FOR GRANTEE
14 OBLIGATION.—No financial obligation of an eligible entity
15 entered into pursuant to this section (such as an obliga-
16 tion under a guarantee, bond, note, evidence of debt, or
17 loan) shall be an obligation of, or guaranteed in any re-
18 spect by, the United States. The full faith and credit of
19 the United States is not pledged to the payment of funds
20 which may be required to be paid under any obligation
21 made by an eligible entity pursuant to any provision of
22 this section.

23 “(j) RECOVERY OF FUNDS.—

1 “(1) IN GENERAL.—The Secretary, in accord-
2 ance with chapter 37 of title 31, United States
3 Code, shall collect—

4 “(A) all of the funds in a reserve account
5 established by an eligible entity under sub-
6 section (f)(1) if the Secretary determines, not
7 earlier than 2 years after the date on which the
8 eligible entity first received funds under this
9 section (excluding subsection (k)), that the eli-
10 gible entity has failed to make substantial
11 progress in carrying out the purposes described
12 in subsection (f)(1); or

13 “(B) all or a portion of the funds in a re-
14 serve account established by an eligible entity
15 under subsection (f)(1) if the Secretary deter-
16 mines that the eligible entity has permanently
17 ceased to use all or a portion of the funds in
18 such account to accomplish any purpose de-
19 scribed in subsection (f)(1).

20 “(2) EXERCISE OF AUTHORITY.—The Secretary
21 shall not exercise the authority provided in para-
22 graph (1) to collect from any eligible entity any
23 funds that are being properly used to achieve one or
24 more of the purposes described in subsection (f)(1).

1 “(3) PROCEDURES.—The provisions of sections
2 451, 452, and 458 of the General Education Provi-
3 sions Act 20 U.S.C. 124, 1234a, 1234g shall apply
4 to the recovery of funds under paragraph (1).

5 “(4) CONSTRUCTION.—This subsection shall
6 not be construed to impair or affect the authority of
7 the Secretary to recover funds under part D of the
8 General Education Provisions Act (20 U.S.C. 1234
9 et seq.).

10 “(k) PER-PUPIL FACILITIES AID PROGRAM.—

11 “(1) DEFINITION OF PER-PUPIL FACILITIES AID
12 PROGRAM.—In this subsection, the term ‘per-pupil
13 facilities aid program’ means a program in which a
14 State makes payments, on a per-pupil basis, to char-
15 ter schools to provide the schools with financing—

16 “(A) that is dedicated solely for funding
17 charter school facilities; or

18 “(B) a portion of which is dedicated for
19 funding charter school facilities.

20 “(2) GRANTS.—

21 “(A) IN GENERAL.—From the amount
22 under section 5202(b)(1) remaining after the
23 Secretary makes grants under subsection (a),
24 the Secretary shall make grants, on a competi-
25 tive basis, to States to pay for the Federal

1 share of the cost of establishing or enhancing,
2 and administering per-pupil facilities aid pro-
3 grams.

4 “(B) PERIOD.—The Secretary shall award
5 grants under this subsection for periods of not
6 more than 5 years.

7 “(C) FEDERAL SHARE.—The Federal
8 share of the cost described in subparagraph (A)
9 for a per-pupil facilities aid program shall be
10 not more than—

11 “(i) 90 percent of the cost, for the
12 first fiscal year for which the program re-
13 ceives assistance under this subsection;

14 “(ii) 80 percent in the second such
15 year;

16 “(iii) 60 percent in the third such
17 year;

18 “(iv) 40 percent in the fourth such
19 year; and

20 “(v) 20 percent in the fifth such year.

21 “(D) STATE SHARE.—A State receiving a
22 grant under this subsection may partner with 1
23 or more organizations to provide up to 50 per-
24 cent of the State share of the cost of estab-

1 lishing or enhancing, and administering the per-
2 pupil facilities aid program.

3 “(E) MULTIPLE GRANTS.—A State may
4 receive more than 1 grant under this sub-
5 section, so long as the amount of such funds
6 provided to charter schools increases with each
7 successive grant.

8 “(3) USE OF FUNDS.—

9 “(A) IN GENERAL.—A State that receives
10 a grant under this subsection shall use the
11 funds made available through the grant to es-
12 tablish or enhance, and administer, a per-pupil
13 facilities aid program for charter schools in the
14 State of the applicant.

15 “(B) EVALUATIONS; TECHNICAL ASSIST-
16 ANCE; DISSEMINATION.—From the amount
17 made available to a State through a grant
18 under this subsection for a fiscal year, the State
19 may reserve not more than 5 percent to carry
20 out evaluations, to provide technical assistance,
21 and to disseminate information.

22 “(C) SUPPLEMENT, NOT SUPPLANT.—
23 Funds made available under this subsection
24 shall be used to supplement, and not supplant,
25 State and local public funds expended to pro-

1 vide per pupil facilities aid programs, oper-
2 ations financing programs, or other programs,
3 for charter schools.

4 “(4) REQUIREMENTS.—

5 “(A) VOLUNTARY PARTICIPATION.—No
6 State may be required to participate in a pro-
7 gram carried out under this subsection.

8 “(B) STATE LAW.—

9 “(i) IN GENERAL.—Except as pro-
10 vided in clause (ii), to be eligible to receive
11 a grant under this subsection, a State shall
12 establish or enhance, and administer, a
13 per-pupil facilities aid program for charter
14 schools in the State, that—

15 “(I) is specified in State law; and

16 “(II) provides annual financing,
17 on a per-pupil basis, for charter
18 school facilities.

19 “(ii) SPECIAL RULE.—Notwith-
20 standing clause (i), a State that is required
21 under State law to provide its charter
22 schools with access to adequate facility
23 space, but which does not have a per-pupil
24 facilities aid program for charter schools
25 specified in State law, may be eligible to

1 receive a grant under this subsection if the
2 State agrees to use the funds to develop a
3 per-pupil facilities aid program consistent
4 with the requirements of this subsection.

5 “(5) APPLICATIONS.—To be eligible to receive a
6 grant under this subsection, a State shall submit an
7 application to the Secretary at such time, in such
8 manner, and containing such information as the Sec-
9 retary may require.”.

10 **SEC. 7. NATIONAL ACTIVITIES.**

11 Section 5205 (20 U.S.C. 7221d) is amended to read
12 as follows:

13 **“SEC. 5205. NATIONAL ACTIVITIES.**

14 “(a) IN GENERAL.—From the amount reserved
15 under section 5202(b)(2), the Secretary shall—

16 “(1) use not less than 75 percent of such funds
17 to award grants in accordance with subsection (b);
18 and

19 “(2) use not more than 25 percent of such
20 funds to—

21 “(A) provide technical assistance to State
22 entities in awarding subgrants under section
23 5203, and eligible entities and States receiving
24 grants under section 5204;

25 “(B) disseminate best practices; and

1 “(C) evaluate the impact of the charter
2 school program, including the impact on stu-
3 dent achievement, carried out under this sub-
4 part.

5 “(b) GRANTS.—

6 “(1) IN GENERAL.—The Secretary shall make
7 grants, on a competitive basis, to eligible applicants
8 for the purpose of carrying out the activities de-
9 scribed in section 5202(a)(1), subparagraphs (A)
10 through (C) of section 5203(a)(1), and section
11 5203(g).

12 “(2) TERMS AND CONDITIONS.—Except as oth-
13 erwise provided in this subsection, grants awarded
14 under this subsection shall have the same terms and
15 conditions as grants awarded to State entities under
16 section 5203.

17 “(3) CHARTER MANAGEMENT ORGANIZA-
18 TIONS.—The Secretary shall—

19 “(A) use not less than 75 percent of the
20 funds described in subsection (a)(1) to make
21 grants, on a competitive basis, to eligible appli-
22 cants described in paragraph (4)(B); and

23 “(B) notwithstanding paragraphs (1)(A)
24 and (2) of section 5203(f)—

1 “(i) award grants to eligible appli-
2 cants on the basis of the quality of the ap-
3 plications submitted under this subsection;
4 and

5 “(ii) in awarding grants to eligible ap-
6 plicants described in paragraph (4)(B),
7 take into consideration whether such an el-
8 igible applicant—

9 “(I) demonstrates a high propor-
10 tion of high-quality charter schools
11 within the network of the eligible ap-
12 plicant;

13 “(II) demonstrates success in
14 serving students who are educationally
15 disadvantaged;

16 “(III) does not have a significant
17 proportion of charter schools that
18 have been closed, had their charter re-
19 voked for compliance issues, or had
20 their affiliation with such eligible ap-
21 plicant revoked;

22 “(IV) has sufficient procedures in
23 effect to ensure timely closure of low-
24 performing or financially-mismanaged
25 charter schools and clear plans and

1 procedures in effect for the students
2 in such schools to attend other high-
3 quality schools; and

4 “(V) demonstrates success in
5 working with schools identified for im-
6 provement by the State.

7 “(4) ELIGIBLE APPLICANT DEFINED.—For pur-
8 poses of this subsection, the term ‘eligible applicant’
9 means an eligible applicant (as defined in section
10 5210) that—

11 “(A) desires to open a charter school in—

12 “(i) a State that did not apply for a
13 grant under section 5203; or

14 “(ii) a State that did not receive a
15 grant under section 5203; or

16 “(B) is a charter management organiza-
17 tion.

18 “(c) CONTRACTS AND GRANTS.—The Secretary may
19 carry out any of the activities described in this section di-
20 rectly or through grants, contracts, or cooperative agree-
21 ments.”.

22 **SEC. 8. RECORDS TRANSFER.**

23 Section 5208 (20 U.S.C. 7221g) is amended—

24 (1) by inserting “as quickly as possible and”
25 before “to the extent practicable”; and

1 (2) by striking “section 602” and inserting
2 “section 602(14)”.

3 **SEC. 9. DEFINITIONS.**

4 Section 5210 (20 U.S.C. 7221i) is amended—

5 (1) by amending paragraph (1) to read as fol-
6 lows:

7 “(1) CHARTER SCHOOL.—The term ‘charter
8 school’ means a public school that—

9 “(A) in accordance with a specific State
10 statute authorizing the granting of charters to
11 schools, is exempt from significant State or
12 local rules that inhibit the flexible operation
13 and management of public schools, but not
14 from any rules relating to the other require-
15 ments of this paragraph;

16 “(B) is created by a developer as a public
17 school, or is adapted by a developer from an ex-
18 isting public school, and is operated under pub-
19 lic supervision and direction;

20 “(C) operates in pursuit of a specific set of
21 educational objectives determined by the
22 school’s developer and agreed to by the author-
23 ized public chartering agency;

24 “(D) provides a program of elementary or
25 secondary education, or both;

1 “(E) is nonsectarian in its programs, ad-
2 missions policies, employment practices, and all
3 other operations, and is not affiliated with a
4 sectarian school or religious institution;

5 “(F) does not charge tuition;

6 “(G) complies with the Age Discrimination
7 Act of 1975, title VI of the Civil Rights Act of
8 1964, title IX of the Education Amendments of
9 1972, section 504 of the Rehabilitation Act of
10 1973, part B of the Individuals with Disabil-
11 ities Education Act, the Americans with Dis-
12 abilities Act of 1990 (42 U.S.C. 12101 et seq.),
13 and section 444 of the General Education Pro-
14 visions Act (20 U.S.C. 1232(g)) (commonly
15 known as the ‘Family Education Rights and
16 Privacy Act of 1974’);

17 “(H) is a school to which parents choose to
18 send their children, and admits students on the
19 basis of a lottery if more students apply for ad-
20 mission than can be accommodated, except that
21 in cases in which students who are enrolled in
22 a charter school affiliated (such as by sharing
23 a network) with another charter school, those
24 students may be automatically enrolled in the
25 next grade level at such other charter school, so

1 long as a lottery is used to fill seats created
2 through regular attrition in student enrollment;

3 “(I) agrees to comply with the same Fed-
4 eral and State audit requirements as do other
5 elementary schools and secondary schools in the
6 State, unless such State audit requirements are
7 waived by the State;

8 “(J) meets all applicable Federal, State,
9 and local health and safety requirements;

10 “(K) operates in accordance with State
11 law;

12 “(L) has a written performance contract
13 with the authorized public chartering agency in
14 the State that includes a description of how
15 student performance will be measured in char-
16 ter schools pursuant to State assessments that
17 are required of other schools and pursuant to
18 any other assessments mutually agreeable to
19 the authorized public chartering agency and the
20 charter school; and

21 “(M) may serve prekindergarten or post-
22 secondary students.”;

23 (2) by redesignating paragraphs (2) through
24 (4) as paragraphs (4) through (6), respectively;

1 (3) by inserting after paragraph (1), the fol-
2 lowing:

3 “(2) CHARTER MANAGEMENT ORGANIZATION.—
4 The term ‘charter management organization’ means
5 a not-for-profit organization that manages a network
6 of charter schools linked by centralized support, op-
7 erations, and oversight.

8 “(3) CHARTER SCHOOL SUPPORT ORGANIZA-
9 TION.—The term ‘charter school support organiza-
10 tion’ means a nonprofit, nongovernmental entity that
11 is not an authorized public chartering agency, which
12 provides on a statewide basis—

13 “(A) assistance to developers during the
14 planning, program design, and initial implemen-
15 tation of a charter school; and

16 “(B) technical assistance to charter schools
17 to operate such schools.”;

18 (4) in paragraph (5)(B), as so redesignated, by
19 striking “under section 5203(d)(3)”; and

20 (5) by adding at the end the following:

21 “(7) EXPANDED, HIGH-QUALITY CHARTER
22 SCHOOL.—The term ‘expanded, high-quality charter
23 school’ means a high-quality charter school that has
24 either significantly increased its enrollment or added
25 one or more grades to its school.

1 “(8) HIGH-QUALITY CHARTER SCHOOL.—The
2 term ‘high-quality charter school’ means a charter
3 school that—

4 “(A) shows evidence of strong academic re-
5 sults, which may include strong academic
6 growth as determined by a State;

7 “(B) has no significant issues in the areas
8 of student safety, operational and financial
9 management, or statutory or regulatory compli-
10 ance;

11 “(C) has demonstrated success in signifi-
12 cantly increasing student academic achieve-
13 ment, including graduation rates where applica-
14 ble, consistent with the requirements under title
15 I, for all students served by the charter school;
16 and

17 “(D) has demonstrated success in increas-
18 ing student academic achievement, including
19 graduation rates where applicable, for the
20 groups of students described in section
21 1111(b)(2)(C)(v)(II), except that such dem-
22 onstration is not required in a case in which the
23 number of students in a group is insufficient to
24 yield statistically reliable information or the re-

1 sults would reveal personally identifiable infor-
2 mation about an individual student.

3 “(9) REPLICATED, HIGH-QUALITY CHARTER
4 SCHOOL MODEL.—The term ‘replicated, high-quality
5 charter school model’ means a high-quality charter
6 school that has opened a new campus under an ex-
7 isting charter or an additional charter if required or
8 permitted by State law.”.

9 **SEC. 10. AUTHORIZATION OF APPROPRIATIONS.**

10 Section 5211 (20 U.S.C. 7221j) is amended to read
11 as follows:

12 **“SEC. 5211. AUTHORIZATION OF APPROPRIATIONS.**

13 “‘There are authorized to be appropriated to carry out
14 this subpart \$300,000,000 for fiscal year 2015 and each
15 of the 5 succeeding fiscal years.’”.

16 **SEC. 11. CONFORMING AMENDMENTS.**

17 (a) REPEAL.—Subpart 2 of part B of title V (20
18 U.S.C. 7223 et seq.) is repealed.

19 (b) TABLE OF CONTENTS.—The table of contents in
20 section 2 is amended—

21 (1) by striking the item relating to subpart 1
22 of part B of title V and inserting the following:

 “Subpart 1—Charter School Program”;

23 (2) by striking the item relating to section 5203
24 and inserting the following:

 “Sec. 5203. Grants to support high-quality charter schools.”;

