AN ACT

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

Be it enacted by the Senate and House of Representa-

tives of the United States of America in Congress assembled,
SECTION 1. SHORT TITLE.

This Act may be cited as the “Success and Opportunity through Quality Charter Schools Act”.

SEC. 2. REFERENCES.

Except as otherwise specifically provided, whenever in this Act a section or other provision is amended or repealed, such amendment or repeal shall be considered to be made to that section or other provision of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.).

SEC. 3. SUBPART HEADING; PURPOSE.

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

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

“SEC. 5201. PURPOSE.

“It is the purpose of this subpart to—

“(1) improve the United States education system and education opportunities for all Americans by supporting innovation in public education in public school settings that prepare students to compete and contribute to the global economy;

“(2) provide financial assistance for the planning, program design, and initial implementation of charter schools;
“(3) expand the number of high-quality charter schools available to students across the Nation;

“(4) evaluate the impact of such schools on student achievement, families, and communities, and share best practices between charter schools and other public schools;

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

“(6) improve student services to increase opportunities for students with disabilities, English learners, and other traditionally underserved students to attend charter schools and meet challenging State academic achievement standards;

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

“(8) support quality accountability and transparency in the operational performance of all authorized public chartering agencies, which include State educational agencies, local educational agencies, and other authorizing entities.”.
SEC. 4. PROGRAM AUTHORIZED.

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

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SEC. 5202. PROGRAM AUTHORIZED.

(a) In General.—This subpart authorizes the Secretary to carry out a charter school program that supports charter schools that serve elementary school and secondary school students by—

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

(2) assisting charter schools in accessing credit to acquire and renovate facilities for school use; and

(3) carrying out national activities to support—

(A) charter school development;

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

(C) the evaluation of the impact of the program on schools participating in the program; and

(D) stronger charter school authorizing.

(b) Funding Allotment.—From the amount made available under section 5211 for a fiscal year, the Secretary shall—
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“(1) reserve 12.5 percent to support charter school facilities assistance under section 5204;

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

“(3) use the remaining amount after the Secretary reserves funds under paragraphs (1) and (2) to carry out section 5203.

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

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

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

“(2) if determined not to be appropriate, makes recommendations on the appropriate reservation of funding for such administrative costs.”.
SEC. 5. GRANTS TO SUPPORT HIGH-QUALITY CHARTER SCHOOLS.

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

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

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

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

“(A) new charter schools;

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

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

“(2) provide technical assistance to eligible applicants and authorized public chartering agencies in carrying out the activities described in paragraph (1) and work with authorized public chartering agencies in the State to improve authorizing quality.

“(b) STATE USES OF FUNDS.—

“(1) IN GENERAL.—A State entity receiving a grant under this section shall—
“(A) use not less than 90 percent of the grant funds to award subgrants to eligible applicants, in accordance with the quality charter school program described in the State entity’s application approved pursuant to subsection (f), for the purposes described in subparagraphs (A) through (C) of subsection (a)(1);

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

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

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

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

“(A) the use of weighted lotteries in favor of such students is not prohibited by State law,
and such State law is consistent with laws described in section 5210(1)(G); and

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

“(c) Program Periods; Peer Review; Grant Number and Amount; Diversity of Projects; Waivers.—

“(1) Program Periods.—

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

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

“(2) Peer Review.—The Secretary, and each State entity receiving a grant under this section, shall use a peer review process to review applications for assistance under this section.

“(3) Grant Awards.—The Secretary shall—

“(A) for each fiscal year for which funds are appropriated under section 5211—
“(i) award not less than 3 grants under this section;

“(ii) wholly fund each grant awarded under this section, without making continuation awards; and

“(iii) fully obligate the funds appropriated for the purpose of awarding grants under this section in the fiscal year for which such grants are awarded; and

“(B) prior to the start of the final year of the grant period of each grant awarded under this section to a State entity, review whether the State entity is using the grant funds for the agreed upon uses of funds and whether the full amount of the grant will be needed for the remainder of the grant period and may, as determined necessary based on that review, terminate or reduce the amount of the grant and reallocate the remaining grant funds to other State entities during the succeeding grant competition under this section.

“(4) DIVERSITY OF PROJECTS.—Each State entity receiving a grant under this section shall award subgrants under this section in a manner that, to the extent possible, ensures that such subgrants—
“(A) are distributed throughout different areas, including urban, suburban, and rural areas; and

“(B) will assist charter schools representing a variety of educational approaches.

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

“(A) the waiver is requested in an approved application under this section; and

“(B) the Secretary determines that granting such a waiver will promote the purpose of this subpart.

“(d) LIMITATIONS.—

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

“(2) SUBGRANTS.—An eligible applicant may not receive more than 1 subgrant under this section per individual charter school for a 5-year period, unless the eligible applicant demonstrates to the State
entity not less than 3 years of improved educational
results in the areas described in subparagraphs (A)
and (D) of section 5210(8) for students enrolled in
such charter school.

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

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

“(A) of how the State entity—

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

“(ii) will inform eligible charter
schools, developers, and authorized public
chartering agencies of the availability of
funds under the program;
“(iii) will work with eligible applicants to ensure that the eligible applicants access all Federal funds that they are eligible to receive, and help the charter schools supported by the applicants and the students attending the charter schools—

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

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

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

“(iv) will have clear plans and procedures to assist students enrolled in a charter school that closes or loses its charter to attend other high-quality schools;

“(v) in the case in which the State entity is not a State educational agency—

“(I) will work with the State educational agency and the charter
schools in the State to maximize charter school participation in Federal and State programs for charter schools; and

“(II) will work with the State educational agency to adequately operate the State entity’s program under this section, where applicable;

“(vi) will ensure each eligible applicant that receives a subgrant under the State entity’s program to open and prepare to operate a new charter school, a replicated, high-quality charter school model, or an expanded, high-quality charter school—

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

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

“(vii) will support charter schools in local educational agencies with large num-
bers of schools identified by the State for improvement, including supporting the use of charter schools to improve, or in turning around, struggling schools;

“(viii) will work with charter schools to promote inclusion of all students, including eliminating any barriers to enrollment for foster youth or unaccompanied homeless youth, and support all students once they are enrolled to promote retention including through the use of fair disciplinary practice;

“(ix) will work with charter schools on recruitment practices, including efforts to engage groups that may otherwise have limited opportunities to participate in charter schools, and to ensure such schools do not have in effect policies or procedures that may create barriers to enrollment of students, including educationally disadvantaged students, and are in compliance with all Federal and State laws on enrollment practices;

“(x) will share best and promising practices between charter schools and
other public schools, including, where ap-
propriate, instruction and professional de-
velopment in core academic subjects, and
science, technology, engineering, and math
education, including computer science;

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

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

“(xiii) in the case of a State entity
not described in clause (xiv), will provide
oversight of authorizing activity, including
how the State will approve, actively mon-
itor, and re-approve or revoke the author-
ity of an authorized public chartering
agency based on the performance of the
charter schools authorized by such agency
in the areas of student achievement, stu-
dent safety, financial management, and
compliance with all applicable statutes and regulations;

“(xiv) in the case of a State entity defined in subsection (i)(4), will work with the State to provide assistance to and oversight of authorized public chartering agencies for authorizing activity described in clause (xiii); and

“(xv) will work with eligible applicants receiving a subgrant under the State entity’s program to support the opening of charter schools or charter school models described in clause (i) that are secondary schools;

“(B) of the extent to which the State entity—

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

“(ii) is working to develop or strengthen a cohesive statewide system to support the opening of new charter schools, replicated, high-quality charter school models, or expanded, high-quality charter schools;
“(C) of how the State entity will carry out the subgrant competition, including—

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

“(I) a description of the roles and responsibilities of eligible applicants, partner organizations, and management organizations, including the administrative and contractual roles and responsibilities;

“(II) a description of the quality controls agreed to between the eligible applicant and the authorized public chartering agency involved, such as a contract or performance agreement, how a school’s performance in the State’s academic accountability system will be a primary factor for renewal or revocation of the school’s charter, and how the State entity and the authorized public chartering agency involved will reserve the right to revoke or not renew a school’s charter based on financial, structural, or oper-
ational factors involving the management of the school;

“(III) a description of how the eligible applicant will solicit and consider input from parents and other members of the community on the implementation and operation of each charter school receiving funds under the State entity’s program; and

“(IV) a description of the planned activities and expenditures for the subgrant funds for purposes of opening and preparing to operate a new charter school, a replicated, high-quality charter school model, or an expanded, high-quality charter school, and how the school or model will maintain financial sustainability after the end of the subgrant period; and

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

“(D) in the case of an entity that partners with an outside organization to carry out the State entity’s quality charter school program, in
whole or in part, of the roles and responsibil-
ities of this partner;

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

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

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

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

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

“(C) the State entity will ensure that the
authorized public chartering agency of any
charter school that receives funds under the
State entity’s program—
“(i) adequately monitors each charter school in recruiting, enrolling, and meeting the needs of all students, including students with disabilities and English learners; and

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

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

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

“(ii) recruit, enroll, and retain traditionally underserved students, including students with disabilities and English learners, at rates similar to traditional public schools;

“(E) the State entity will promote quality authorizing, such as through providing technical assistance and supporting all authorized public chartering agencies in the State to improve the
oversight of their charter schools, including by—

“(i) assessing annual performance data of the schools, including, as appropriate, graduation rates, student academic growth, and rates of student attrition;

“(ii) reviewing the schools’ independent, annual audits of financial statements conducted in accordance with generally accepted accounting principles, and ensuring any such audits are publically reported; and

“(iii) holding charter schools accountable to the academic, financial, and operational quality controls agreed to between the charter school and the authorized public chartering agency involved, such as through renewal, non-renewal, or revocation of the school’s charter;

“(F) the State entity will work to ensure that charter schools are included with the traditional public schools in decision-making about the public school system in the State; and

“(G) The State entity will ensure that each charter school in the State makes publicly avail-
able, consistent with the dissemination requirements of the annual State report card, information to help parents make informed decisions about the education options available to their children, including information for each school on—

“(i) the educational program;
“(ii) student support services;
“(iii) annual performance and enrollment data, disaggregated by the groups of students described in section 1111(b)(2)(C)(v)(II); and
“(iv) any other information the State requires all other public schools to report for purposes of section 1111(h)(1)(D).

“(3) REQUESTS FOR WAIVERS.—A request and justification for waivers of any Federal statutory or regulatory provisions that the State entity believes are necessary for the successful operation of the charter schools that will receive funds under the State entity’s program under this section, and a description of any State or local rules, generally applicable to public schools, that will be waived, or otherwise not apply to such schools or, in the case of a State entity defined in subsection (i)(4), a descrip-
tion of how the State entity will work with the State
to request necessary waivers where applicable.
“(f) SELECTION CRITERIA; PRIORITY.—
“(1) SELECTION CRITERIA.—The Secretary
shall award grants to State entities under this sec-
tion on the basis of the quality of the applications
submitted under subsection (e), after taking into
consideration—
“(A) the degree of flexibility afforded by
the State’s public charter school law and how
the State entity will work to maximize the flexi-
bility provided to charter schools under the law;
“(B) the ambitiousness of the State enti-
ty’s objectives for the quality charter school
program carried out under this section;
“(C) the quality of the strategy for assess-
ing achievement of those objectives;
“(D) the likelihood that the eligible appli-
cants receiving subgrants under the program
will meet those objectives and improve edu-
cational results for students;
“(E) the State entity’s plan to—
“(i) adequately monitor the eligible
applicants receiving subgrants under the
State entity’s program;
“(ii) work with the authorized public chartering agencies involved to avoid duplication of work for the charter schools and authorized public chartering agencies; and

“(iii) provide adequate technical assistance and support for—

“(I) the charter schools receiving funds under the State entity’s program; and

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

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

“(2) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to State entities to the extent that they meet the following criteria:

“(A) In the case of a State entity located in a State that allows an entity other than a local educational agency to be an authorized public chartering agency, the State has a quality authorized public chartering agency that is an entity other than a local educational agency.
“(B) The State entity is located in a State that does not impose any limitation on the number or percentage of charter schools that may exist or the number or percentage of students that may attend charter schools in the State.

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

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

“(E) The State entity partners with an organization that has a demonstrated record of success in developing management organizations to support the development of charter schools in the State.

“(F) The State entity supports charter schools that support at-risk students through activities such as dropout prevention, dropout recovery, or comprehensive career counseling practices.
“(G) The State entity authorizes all charter schools in the State to serve as school food authorities.

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

“(g) Local Uses of Funds.—An eligible applicant receiving a subgrant under this section shall use such funds to carry out activities related to opening and preparing to operate a new charter school, a replicated, high-quality charter school model, or an expanded, high-quality charter school, such as—

“(1) preparing teachers and school leaders, including through professional development;

“(2) acquiring equipment, educational materials, and supplies; and

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

“(h) Reporting Requirements.—Each State entity receiving a grant under this section shall submit to the Secretary, at the end of the third year of the 5-year grant period and at the end of such grant period, a report on—

“(1) the number of students served by each subgrant awarded under this section and, if applica-
ble, how many new students were served during each year of the subgrant period;

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

“(3) how the State entity met the objectives of the quality charter school program described in the State entity’s application under subsection (e), including how the State entity met the objective of sharing best and promising practices described in subsection (e)(1)(A)(x) in areas such as instruction, professional development, curricula development, and operations between charter schools and other public schools, and the extent to which, if known, such practices were adopted and implemented by such other public schools;

“(4) how the State entity complied with, and ensured that eligible applicants complied with, the assurances described in the State entity’s application;

“(5) how the State entity worked with authorized public chartering agencies, including how the agencies worked with the management company or leadership of the schools that received subgrants under this section;
“(6) the number of subgrants awarded under this section to carry out each of the following:

“(A) The opening of new charter schools.
“(B) The opening of replicated, high-quality charter school models.
“(C) The opening of expanded, high-quality charter schools; and
“(7) how the State entity has worked with charter schools receiving funds under the State entity’s program to foster community involvement in the planning for and opening of such schools.

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

“(1) a State educational agency;
“(2) a State charter school board;
“(3) a Governor of a State; or
“(4) a charter school support organization.”.

SEC. 6. FACILITIES FINANCING ASSISTANCE.

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

“SEC. 5204. FACILITIES FINANCING ASSISTANCE.

“(a) GRANTS TO ELIGIBLE ENTITIES.—

“(1) IN GENERAL.—From the amount reserved under section 5202(b)(1), the Secretary shall not use less than 50 percent to award grants to eligible
entities that have the highest-quality applications approved under subsection (d), after considering the diversity of such applications, to demonstrate innovative methods of assisting charter schools to address the cost of acquiring, constructing, and renovating facilities by enhancing the availability of loans or bond financing.

“(2) Eligible entity defined.—For purposes of this section, the term ‘eligible entity’ means—

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

“(B) a private nonprofit entity; or

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

“(b) Grantee selection.—The Secretary shall evaluate each application submitted under subsection (d), and shall determine whether the application is sufficient to merit approval.

“(c) Grant characteristics.—Grants under subsection (a) shall be of a sufficient size, scope, and quality so as to ensure an effective demonstration of an innovative means of enhancing credit for the financing of charter school acquisition, construction, or renovation.

“(d) Applications.—
“(1) IN GENERAL.—To receive a grant under subsection (a), an eligible entity shall submit to the Secretary an application in such form as the Secretary may reasonably require.

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

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

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

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

“(D) a description of how the proposed activities will leverage the maximum amount of private-sector financing capital relative to the amount of public funding used and otherwise enhance credit available to charter schools, including how the eligible entity will offer a combination of rates and terms more favorable than the rates and terms that a charter school could
receive without assistance from the eligible entity under this section;

“(E) a description of how the eligible entity possesses sufficient expertise in education to evaluate the likelihood of success of a charter school program for which facilities financing is sought; and

“(F) in the case of an application submitted by a State governmental entity, a description of the actions that the entity has taken, or will take, to ensure that charter schools within the State receive the funding the charter schools need to have adequate facilities.

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

“(1) The acquisition (by purchase, lease, donation, or otherwise) of an interest (including an interest held by a third party for the benefit of a charter school) in improved or unimproved real property that is necessary to commence or continue the operation of a charter school.
“(2) The construction of new facilities, or the
renovation, repair, or alteration of existing facilities,
necessary to commence or continue the operation of
a charter school.

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

“(f) Reserve Account.—

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

“(A) Guaranteeing, insuring, and rein-
suring bonds, notes, evidences of debt, loans,
and interests therein, the proceeds of which are
used for an objective described in subsection (e).

“(B) Guaranteeing and insuring leases of personal and real property for an objective described in subsection (e).

“(C) Facilitating financing by identifying potential lending sources, encouraging private lending, and other similar activities that directly promote lending to, or for the benefit of, charter schools.

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

“(2) INVESTMENT.—Funds received under this section and deposited in the reserve account established under paragraph (1) shall be invested in obligations issued or guaranteed by the United States or a State, or in other similarly low-risk securities.

“(3) REINVESTMENT OF EARNINGS.—Any earnings on funds received under subsection (a) shall be
deposited in the reserve account established under paragraph (1) and used in accordance with such paragraph.

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

“(h) AUDITS AND REPORTS.—

“(1) FINANCIAL RECORD MAINTENANCE AND AUDIT.—The financial records of each eligible entity receiving a grant under subsection (a) shall be maintained in accordance with generally accepted accounting principles and shall be subject to an annual audit by an independent public accountant.

“(2) REPORTS.—

“(A) GRANTEE ANNUAL REPORTS.—Each eligible entity receiving a grant under subsection (a) annually shall submit to the Secretary a report of its operations and activities under this section.

“(B) CONTENTS.—Each annual report submitted under subparagraph (A) shall include—
“(i) a copy of the most recent financial statements, and any accompanying opinion on such statements, prepared by the independent public accountant reviewing the financial records of the eligible entity;

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

“(iii) an evaluation by the eligible entity of the effectiveness of its use of the Federal funds provided under subsection (a) in leveraging private funds;

“(iv) a listing and description of the charter schools served during the reporting period, including the amount of funds used by each school, the type of project facilitated by the grant, and the type of assistance provided to the charter schools;

“(v) a description of the activities carried out by the eligible entity to assist charter schools in meeting the objectives set forth in subsection (e); and
“(vi) a description of the characteristics of lenders and other financial institutions participating in the activities undertaken by the eligible entity under this section (excluding subsection (k)) during the reporting period.

“(C) SECRETARIAL REPORT.—The Secretary shall review the reports submitted under subparagraph (A) and shall provide a comprehensive annual report to Congress on the activities conducted under this section (excluding subsection (k)).

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

“(j) RECOVERY OF FUNDS.—
“(1) IN GENERAL.—The Secretary, in accordance with chapter 37 of title 31, United States Code, shall collect—

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

“(B) all or a portion of the funds in a reserve account established by an eligible entity under subsection (f)(1) if the Secretary determines that the eligible entity has permanently ceased to use all or a portion of the funds in such account to accomplish any purpose described in subsection (f)(1).

“(2) EXERCISE OF AUTHORITY.—The Secretary shall not exercise the authority provided in paragraph (1) to collect from any eligible entity any funds that are being properly used to achieve one or more of the purposes described in subsection (f)(1).
“(3) PROCEDURES.—The provisions of sections 451, 452, and 458 of the General Education Provisions Act 20 U.S.C. 124, 1234a, 1234g shall apply to the recovery of funds under paragraph (1).

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

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

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

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

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

“(2) GRANTS.—

“(A) IN GENERAL.—From the amount under section 5202(b)(1) remaining after the Secretary makes grants under subsection (a), the Secretary shall make grants, on a competitive basis, to States to pay for the Federal
share of the cost of establishing or enhancing, and administering per-pupil facilities aid programs.

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

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

“(i) 90 percent of the cost, for the first fiscal year for which the program receives assistance under this subsection;

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

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

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

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

“(D) State share.—A State receiving a grant under this subsection may partner with 1 or more organizations to provide up to 50 percent of the State share of the cost of estab-
lishing or enhancing, and administering the per-pupil facilities aid program.

“(E) MULTIPLE GRANTS.—A State may receive more than 1 grant under this subsection, so long as the amount of such funds provided to charter schools increases with each successive grant.

“(3) USE OF FUNDS.—

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

“(B) EVALUATIONS; TECHNICAL ASSISTANCE; DISSEMINATION.—From the amount made available to a State through a grant under this subsection for a fiscal year, the State may reserve not more than 5 percent to carry out evaluations, to provide technical assistance, and to disseminate information.

“(C) SUPPLEMENT, NOT SUPPLANT.— Funds made available under this subsection shall be used to supplement, and not supplant, State and local public funds expended to pro-
vide per pupil facilities aid programs, operations financing programs, or other programs, for charter schools.

“(4) REQUIREMENTS.—

“(A) VOLUNTARY PARTICIPATION.—No State may be required to participate in a program carried out under this subsection.

“(B) STATE LAW.—

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

“(I) is specified in State law; and

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

“(ii) SPECIAL RULE.—Notwithstanding clause (i), a State that is required under State law to provide its charter schools with access to adequate facility space, but which does not have a per-pupil facilities aid program for charter schools specified in State law, may be eligible to
receive a grant under this subsection if the
State agrees to use the funds to develop a
per-pupil facilities aid program consistent
with the requirements of this subsection.

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

SEC. 7. NATIONAL ACTIVITIES.

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

“SEC. 5205. NATIONAL ACTIVITIES.

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

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

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

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

“(B) disseminate best practices; and
“(C) evaluate the impact of the charter school program, including the impact on student achievement, carried out under this subpart.

“(b) GRANTS.—

“(1) IN GENERAL.—The Secretary shall make grants, on a competitive basis, to eligible applicants for the purpose of carrying out the activities described in section 5202(a)(1), subparagraphs (A) through (C) of section 5203(a)(1), and section 5203(g).

“(2) TERMS AND CONDITIONS.—Except as otherwise provided in this subsection, grants awarded under this subsection shall have the same terms and conditions as grants awarded to State entities under section 5203.

“(3) CHARTER MANAGEMENT ORGANIZATIONS.—The Secretary shall—

“(A) use not less than 75 percent of the funds described in subsection (a)(1) to make grants, on a competitive basis, to eligible applicants described in paragraph (4)(B); and

“(B) notwithstanding paragraphs (1)(A) and (2) of section 5203(f)—
“(i) award grants to eligible applicants on the basis of the quality of the applications submitted under this subsection; and

“(ii) in awarding grants to eligible applicants described in paragraph (4)(B), take into consideration whether such an eligible applicant—

“(I) demonstrates a high proportion of high-quality charter schools within the network of the eligible applicant;

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

“(III) does not have a significant proportion of charter schools that have been closed, had their charter revoked for compliance issues, or had their affiliation with such eligible applicant revoked;

“(IV) has sufficient procedures in effect to ensure timely closure of low-performing or financially-mismanaged charter schools and clear plans and
procedures in effect for the students in such schools to attend other high-quality schools; and

“(V) demonstrates success in working with schools identified for improvement by the State.

“(4) ELIGIBLE APPLICANT DEFINED.—For purposes of this subsection, the term ‘eligible applicant’ means an eligible applicant (as defined in section 5210) that—

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

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

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

“(B) is a charter management organization.

“(c) CONTRACTS AND GRANTS.—The Secretary may carry out any of the activities described in this section directly or through grants, contracts, or cooperative agreements.”.

SEC. 8. RECORDS TRANSFER.

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

(1) by inserting “as quickly as possible and” before “to the extent practicable”; and
SEC. 9. DEFINITIONS.

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

(1) by amending paragraph (1) to read as follows:

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

“(A) in accordance with a specific State statute authorizing the granting of charters to schools, is exempt from significant State or local rules that inhibit the flexible operation and management of public schools, but not from any rules relating to the other requirements of this paragraph;

“(B) is created by a developer as a public school, or is adapted by a developer from an existing public school, and is operated under public supervision and direction;

“(C) operates in pursuit of a specific set of educational objectives determined by the school’s developer and agreed to by the authorized public chartering agency;

“(D) provides a program of elementary or secondary education, or both;
“(E) is nonsectarian in its programs, admissions policies, employment practices, and all other operations, and is not affiliated with a sectarian school or religious institution;

“(F) does not charge tuition;


“(H) is a school to which parents choose to send their children, and admits students on the basis of a lottery if more students apply for admission than can be accommodated, except that in cases in which students who are enrolled in a charter school affiliated (such as by sharing a network) with another charter school, those students may be automatically enrolled in the next grade level at such other charter school, so
long as a lottery is used to fill seats created through regular attrition in student enrollment;

“(I) agrees to comply with the same Federal and State audit requirements as do other elementary schools and secondary schools in the State, unless such State audit requirements are waived by the State;

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

“(K) operates in accordance with State law;

“(L) has a written performance contract with the authorized public chartering agency in the State that includes a description of how student performance will be measured in charter schools pursuant to State assessments that are required of other schools and pursuant to any other assessments mutually agreeable to the authorized public chartering agency and the charter school; and

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

(2) by redesignating paragraphs (2) through (4) as paragraphs (4) through (6), respectively;
(3) by inserting after paragraph (1), the following:

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

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

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

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

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

(5) by adding at the end the following:

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

“(A) shows evidence of strong academic results, which may include strong academic growth as determined by a State;

“(B) has no significant issues in the areas of student safety, operational and financial management, or statutory or regulatory compliance;

“(C) has demonstrated success in significantly increasing student academic achievement, including graduation rates where applicable, consistent with the requirements under title I, for all students served by the charter school; and

“(D) has demonstrated success in increasing student academic achievement, including graduation rates where applicable, for the groups of students described in section 1111(b)(2)(C)(v)(II), except that such demonstration is not required in a case in which the number of students in a group is insufficient to yield statistically reliable information or the re-
sults would reveal personally identifiable infor-

mation about an individual student.

“(9) Replicated, high-quality charter
school model.—The term ‘replicated, high-quality
charter school model’ means a high-quality charter
school that has opened a new campus under an ex-
isting charter or an additional charter if required or
permitted by State law.”.

SEC. 10. AUTHORIZATION OF APPROPRIATIONS.

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

“SEC. 5211. AUTHORIZATION OF APPROPRIATIONS.

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

SEC. 11. CONFORMING AMENDMENTS.

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

(b) Table of Contents.—The table of contents in
section 2 is amended—

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

“Subpart 1—Charter School Program”;

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

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

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(3) by striking the item relating to section 5204
and inserting the following:

“Sec. 5204. Facilities financing assistance.”;

and

(4) by striking the items relating to subpart 2
of part B of title V.

Passed the House of Representatives May 9, 2014.

Attest:

Clerk.
AN ACT

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