

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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HOUSE BILL 798
Committee Substitute Favorable 4/30/19

Short Title: Low-Performing Schools.

(Public)

Sponsors:

Referred to:

April 18, 2019

1 A BILL TO BE ENTITLED
2 AN ACT TO ALIGN THE SELECTION OF INNOVATIVE SCHOOLS WITH THOSE
3 IDENTIFIED BY THE STATE BOARD OF EDUCATION FOR COMPREHENSIVE
4 SUPPORT AND IMPROVEMENT, TO EXPAND OPTIONS FOR THE INNOVATIVE
5 SCHOOL DISTRICT TO REQUIRE LOCAL BOARDS OF EDUCATION TO INFORM
6 BOARDS OF COUNTY COMMISSIONERS OF ACADEMIC PROGRESS ANNUALLY,
7 AND TO REQUIRE FURTHER STUDY OF REFORMS FOR ASSISTANCE TO
8 LOW-PERFORMING SCHOOLS.

9 The General Assembly of North Carolina enacts:

10 SECTION 1. Article 7A of Chapter 115C of the General Statutes reads as rewritten:

11 "Article 7A.

12 "North Carolina Innovative School District and Innovation Zones.

13 "§ 115C-75.5. Definitions.

14 The following definitions apply in this Article:

- 15 (1) Innovative school. – A qualifying school selected by the State Board of
16 Education under the supervision of the North Carolina Innovative School
17 District.
- 18 (2) Innovative school consultant or IS consultant. – An entity selected by the State
19 Board of Education, upon the recommendation of the ISD Superintendent, to
20 provide assistance and support through consultation with an innovative
21 school.
- 22 (3) Innovative school operator or IS operator. – An entity selected by the State
23 Board of Education upon the recommendation of the ISD Superintendent to
24 operate an innovative school. ~~Except as otherwise provided in this Article, the~~
25 ~~Department of Public Instruction may not be selected as an IS operator.~~
- 26 (4) ISD Superintendent. – The superintendent of the ISD appointed by the
27 Superintendent of Public Instruction in accordance with G.S. 115C-75.6.
- 28 (4a) North Carolina Innovative School District or ISD. – The statewide school unit
29 established pursuant to this Article.
- 30 (5) Qualifying school. – ~~A low performing school, as defined in~~
31 ~~G.S. 115C-105.37, that meets one of the following criteria:~~
- 32 a. ~~The school earned an overall school performance score in the lowest~~
33 ~~five percent (5%) of all schools in the prior school year that meet all~~
34 ~~of the following requirements:~~
- 35 1. ~~The school includes all or part of grades kindergarten through~~
36 ~~fifth.~~



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1 2. The school did not exceed growth in at least one of the prior
2 three school years and did not meet growth in at least one of
3 the prior three school years.

4 3. One of the models established in G.S. 115C-105.37B for
5 continually low performing schools had not been adopted for
6 that school for the immediately prior school year.

7 b. The school received a school performance score in the lowest ten
8 percent (10%) of all schools that include all or part of grades
9 kindergarten through fifth in the prior school year and has been
10 designated by the local board of education for consideration by the
11 State Board of Education as an innovative school.

12 A school meeting at least one of the following criteria based on performance in the
13 school year prior to identification:

14 a. A Title I school in the lowest-performing five percent (5%) of school
15 performance grades of all Title I schools. For the purposes of this
16 sub-subdivision, a Title I school is a school identified under Part A of
17 Title I of the Elementary and Secondary Education Act of 1965, as
18 amended.

19 b. A school serving students in grades nine through 12 that failed to
20 graduate one-third or more of its students.

21 c. A school identified by the State Board of Education as being in need
22 of comprehensive support and improvement under 20 U.S.C. § 6311
23 (c)(4)(D)(i)(III) due to at least one consistently underperforming
24 subgroup.

25 ...

26 **"§ 115C-75.7. Selection of innovative schools.**

27 (a) State Board Selection. – ~~The State Board of Education is authorized to select, upon~~
28 ~~the recommendation of the ISD Superintendent, shall select no more than five qualifying~~
29 ~~elementary schools annually to transfer to the ISD as innovative schools. schools, in accordance~~
30 ~~with this section. The five qualifying schools selected for inclusion in the ISD should represent~~
31 ~~geographic diversity, including urban and rural schools. The State Board of Education shall select~~
32 ~~no more than one qualifying school per local school administrative unit, unless the local board~~
33 ~~of education consents.~~

34 (b) ~~Selection-Evaluation Process.~~ – ~~The selection of qualifying innovative schools shall~~
35 ~~be based on an analysis and evaluation of performance over the most recent of qualifying schools~~
36 ~~over a three-year period. period as follows: Prior to recommendation of selection of a qualifying~~
37 ~~school, the ISD Superintendent shall conduct an evaluation of the school to determine the factors~~
38 ~~contributing to the school's performance and shall confer with the school principal, local board~~
39 ~~of education members, the local school superintendent, and the local board of county~~
40 ~~commissioners to share the findings of the evaluation. The school selection process shall also~~
41 ~~include a public hearing to allow for parent and community input. The ISD Superintendent shall~~
42 ~~evaluate and identify the qualifying schools to recommend for selection as prospective innovative~~
43 ~~schools no later than October 15 prior to the initial school year in which the school may operate~~
44 ~~as an innovative school and shall notify the local boards of education where prospective~~
45 ~~innovative schools are located by that date. The State Board of Education shall select the~~
46 ~~prospective innovative schools no later than December 15.~~

47 (1) Qualifying list. – In the first school year after a school has been identified as
48 a qualifying school, the school shall be placed on the ISD qualifying list. By
49 November 15, the ISD Superintendent shall notify the superintendent and
50 local board of education of that school's status and provide that school's
51 performance data, considerations for improvement, and any additional

1 information deemed necessary by the ISD Superintendent. The ISD
2 Superintendent, or designee, shall hold a public hearing for parents,
3 employees of the school, and community members with a minimum of 10
4 days' notice, and shall coordinate with the local board of education to provide
5 direct notice of the public hearing to the following assigned to that school: (i)
6 parents of students and (ii) employees. At the public hearing, the ISD
7 Superintendent shall share information about the ISD selection process;
8 potential impacts of the designation as an innovative school; potential
9 resources, strategies, and partners for comprehensive support and
10 improvement that can assist in plans for improvement of the school; and any
11 additional information deemed necessary by the ISD Superintendent.

12 (2) Watch list. – If a school that was on the qualifying list in the prior school year
13 remains a qualifying school in the next school year, the school shall be placed
14 on the ISD watch list. By November 15, the ISD Superintendent shall notify
15 the superintendent and local board of education of that school's status and
16 provide that school's performance data, considerations for improvement, and
17 any additional information deemed necessary by the ISD Superintendent. The
18 local board of education shall hold a public hearing with a minimum of 10
19 days' notice. The local board of education shall provide direct notice of the
20 public hearing to the following assigned to that school: (i) parents of students
21 and (ii) employees. At the public hearing, the local board of education shall
22 share potential impacts of the designation, plans for improvement of the
23 school, and any additional information deemed necessary by the ISD
24 Superintendent. The local board of education shall provide notice of the public
25 hearing to the ISD Superintendent 10 days prior to the meeting and provide
26 the opportunity to the ISD Superintendent to present as part of the presentation
27 at the public meeting. The ISD Superintendent, or designee, shall share
28 information at the public hearing about the ISD selection process; potential
29 impacts of the designation as an innovative school; potential resources,
30 strategies, and partners for comprehensive support and improvement that can
31 assist in plans for improvement of the school; and any additional information
32 deemed necessary by the ISD Superintendent. The local board of education
33 shall submit a transcript of the public hearing to the ISD Superintendent within
34 60 days after the hearing.

35 (3) Warning list. – If a school that was on the watch list in the prior school year
36 remains a qualifying school in the next school year, the school shall be placed
37 on the ISD warning list. By November 15, the ISD Superintendent shall notify
38 the superintendent and local board of education of that school's status and
39 provide that school's performance data, considerations for improvement, and
40 any additional information deemed necessary by the ISD Superintendent. The
41 local board of education shall do the following:

42 a. Hold a public hearing with a minimum of 10 days' notice. The local
43 board of education shall provide direct notice of the public hearing to
44 the following assigned to that school: (i) parents of students and (ii)
45 employees. At the public hearing, the local board of education shall
46 share potential impacts of the designation, including the consequence
47 of becoming an innovative school if the school remains a qualifying
48 school, plans for improvement of the school, and any additional
49 information deemed necessary by the ISD Superintendent. The local
50 board of education shall provide notice of the public hearing to the ISD
51 Superintendent 10 days prior to the hearing and provide the

1 opportunity to the ISD Superintendent to present at the public hearing.
2 The ISD Superintendent, or designee, shall share information at the
3 public hearing about the ISD selection process; potential impacts of
4 the designation as an innovative school; potential resources, strategies,
5 and partners for comprehensive support and improvement that can
6 assist in plans for improvement of the school; and any additional
7 information deemed necessary by the ISD Superintendent. The local
8 board of education shall submit a transcript of the public hearing to the
9 ISD Superintendent within 60 days after the hearing.

10 b. Present information at a public meeting to the board of commissioners
11 of the county in which the local school administrative unit is located
12 on the school's performance while on an ISD list and efforts by the
13 local board of education to improve the school's performance. The
14 local board of education shall provide notice of the public meeting at
15 which the presentation will occur to the ISD Superintendent 10 days
16 prior to the meeting and provide the opportunity to the Superintendent
17 to present as part of the presentation at the public meeting.

18 (b1) Support Process. – The State Board of Education shall ensure that qualifying schools
19 identified for any ISD list are engaged in strategies in compliance with federal and State law for
20 comprehensive support and improvement. The ISD Superintendent shall monitor those schools
21 and assist local boards of education in identifying funding, strategies, and partners for
22 comprehensive support and improvement efforts.

23 (b2) Voluntary Selection. – A local board of education, upon the recommendation of the
24 ISD Superintendent, may request that the State Board of Education select a qualifying school
25 under the control of that local board as an innovative school at any time.

26 ~~(c) Local Board Response. Selection Process. – Upon notification by the ISD~~
27 ~~Superintendent of selection by the State Board of Education of the qualifying school as a~~
28 ~~prospective innovative school, the local board of education shall determine whether to (i) close~~
29 ~~the selected qualifying school or (ii) transfer the school into the ISD. The local board shall not~~
30 ~~be required to undertake the study required by G.S. 115C-72 before closing the school. Before~~
31 ~~the adoption of a resolution, the local board of education shall provide for a public hearing in~~
32 ~~regard to the proposed transfer or closure, at which hearing the public shall be afforded an~~
33 ~~opportunity to express their views. No later than February 1, the local board of education shall~~
34 ~~adopt a resolution either (i) consenting to transfer of the selected qualifying school to the ISD as~~
35 ~~an innovative school or (ii) closing that school at the conclusion of that school year. The State~~
36 ~~Board of Education may delay the transfer of a selected school to the ISD for one year only upon~~
37 ~~the recommendation of the ISD Superintendent. If a school (i) remains a qualifying school in the~~
38 ~~school year following the year the school was placed on the ISD warning list and (ii) is one of~~
39 ~~the lowest five qualifying schools, as measured by school performance scores, on the ISD~~
40 ~~warning list, the school shall be selected by the State Board as an innovative school beginning~~
41 ~~with the next school year.~~

42 (d) Public Notification. – The list of qualifying schools on the ISD qualifying, watch, and
43 warning lists and selected innovative schools shall be made publically available on a Web site
44 maintained by the ISD.

45 (e) Waivers for Innovative Schools. – The ISD Superintendent may request a waiver from
46 the State Board of Education of State Board of Education rules, regulations, policies, and
47 procedures, or the provisions of this Chapter for innovative schools; however, innovative schools
48 shall be required to comply with, at a minimum, the statutory requirements for charter schools as
49 provided in Article 14A of this Chapter. The goal for each waiver shall be improvement of
50 student performance. All innovative schools shall comply with all applicable constitutional and
51 statutory nondiscrimination requirements. Notwithstanding G.S. 115C-105.26, the State Board

1 of Education may grant a requested waiver of State laws or rules for an innovative school
2 pursuant to this subsection, except for a waiver of State laws or rules applicable to children with
3 disabilities and any of the other requirements set forth in this subsection.

4 **"§ 115C-75.8. Selection of IS operators, operators and consultants.**

5 (a) The State Board of Education may select an IS operator or an IS consultant for a
6 ~~prospective-selected~~ innovative school by ~~January-December~~ 15 and shall select an IS operator
7 or an IS consultant for a prospective-selected innovative school no later than ~~February-January~~
8 15.

9 (b) Upon the recommendation of the ISD Superintendent, the State Board of Education
10 shall only select an entity to contract as an IS operator or an IS consultant if that entity
11 demonstrates one of the following:

12 (1) The entity has a record of results in improving performance of ~~persistently~~
13 low-performing schools or improving performance of a substantial number of
14 ~~persistently~~-low-performing students within a school or schools operated by
15 the entity in this State or other states.

16 (2) The entity has a credible and specific plan for dramatically improving student
17 achievement in a low-performing school and provides evidence that the entity,
18 or a contractual affiliate of such an entity, is either currently operating a school
19 or schools in this State that provide students a sound, basic education or
20 demonstrating consistent and substantial growth toward providing students a
21 sound, basic education in the prior three school years.

22 ~~(b1) In the event that no entity demonstrates the qualifications required by subsection (b)~~
23 ~~of this section, the ISD is authorized to act as an IS operator for one academic year and the State~~
24 ~~Board shall select an entity in accordance with subsection (b) of this section to assume~~
25 ~~management beginning with the next academic year. If the State Board has not been able to select~~
26 ~~an entity demonstrating the required qualifications by the third year of management of the school~~
27 ~~by the ISD, the ISD shall remain the operator of the school until the end of the fifth year and shall~~
28 ~~develop a transition plan to return the school to the local school administrative unit.~~

29 (c) The selected IS operator or the IS consultant is encouraged to hold public
30 informational sessions and other outreach to the community, ~~prospective-selected~~ innovative
31 school, and local board of education of a ~~prospective-selected~~ innovative school prior to a local
32 board's adoption of the resolution required by G.S. 115C-75.7(e).~~school.~~

33 (c1) The State Board of Education shall determine, based on the needs of the specific
34 school, whether an innovative school shall be assigned an IS operator or an IS consultant. If a
35 school is assigned an IS consultant, the school shall continue to be operated by the local school
36 administrative unit but shall be required to meet the requirements established by the ISD
37 Superintendent and the IS consultant for a minimum five-year period. An innovative school that
38 fails to meet those requirements shall be assigned an IS operator by the State Board of Education.

39 (d) The contract between the State Board of Education and IS operator shall require, as a
40 minimum, that the IS operator meet the same requirements as established for charter schools in
41 the following statutes:

42 (1) G.S. 115C-218.20 (Civil liability and insurance requirements).

43 (2) G.S. 115C-218.25 (Open meetings and public records).

44 (3) G.S. 115C-218.30 (Accountability; reporting requirements to State Board of
45 Education).

46 (4) G.S. 115C-218.50 (Charter school nonsectarian).

47 (5) G.S. 115C-218.55 (Nondiscrimination in charter schools).

48 (6) G.S. 115C-218.60 (Student discipline).

49 (7) G.S. 115C-218.65 (North Carolina School Report Cards).

50 (8) G.S. 115C-218.75 (General operating requirements).

51 (9) G.S. 115C-218.85 (Course of study requirements).

1 **"§ 115C-75.9. Management of innovative schools.**~~schools by an IS operator.~~

2 (a) Direct Management by IS Operator. – An innovative school shall be subject to direct
3 management by an IS operator selected by the State Board of Education, upon the
4 recommendation of the ISD Superintendent, for a five-year contract. ~~In the event that temporary~~
5 ~~management is necessary due to contract termination, lack of a qualified IS operator under~~
6 ~~G.S. 115C-75.8(b1), or other unforeseen emergency, the ISD is authorized to act as an IS~~
7 ~~operator.~~The requirements of this section apply only to innovative schools under the direct
8 management of an IS operator.

9 (b) Role of IS Operator. – The IS operator shall be authorized to have a direct role in
10 making decisions about school finance, human capital, and curriculum and instruction for the
11 innovative school while developing the leadership capacity in such schools.

12 (c) Assignment to Innovative Schools. – All innovative schools shall remain open to
13 enrollment in the same manner with the same attendance zone as prior to becoming an innovative
14 school. If a local board of education's reassignment of students within the local school
15 administrative unit due to student population changes or openings or closures of other schools
16 impacts the innovative school, the IS operator may appeal to the ISD Superintendent and request
17 a hearing before the State Board of Education regarding the reassignment. Notwithstanding
18 G.S. 115C-366, the State Board of Education shall, after hearing from both the local board of
19 education and IS operator, determine whether the reassignment of students impacting the
20 innovative school may proceed.

21 (d) Facility and Capital Expenditures. – Facility and capital expenditures shall be
22 provided as follows:

- 23 (1) In addition to the transfer of funds as provided in G.S. 115C-75.10, the local
24 board of education shall be responsible for facility and capital expenditures at
25 the qualifying school.
- 26 (2) All IS operators and local boards of education shall enter into an occupancy
27 agreement establishing the terms of occupancy for the IS operator not
28 otherwise addressed in statute. If the parties are unable to reach agreement,
29 either party may petition the State Board of Education to resolve any issues in
30 dispute.
- 31 (3) The IS operator shall have first priority in use of the facility for any purpose
32 related to the operation of the innovative school. The local board of education
33 may allow use of the facility by governmental, charitable, civic, or other
34 organizations for activities within the community and may retain any funds
35 received for such use for any time the IS operator has not provided written
36 notice to the local board of its use of the facility during that time for a purpose
37 related to the operation of the innovative school.

38 For the purposes of this subsection, facility and capital expenditures include routine
39 maintenance and repair, and capital expenditures include building repair and maintenance,
40 furniture, furnishings, and equipment.

41 (e) Transportation. – The local board of education shall provide transportation of all
42 students assigned to the innovative school in the same manner as provided for other schools in
43 the local school administrative unit in that school year.

44 (f) Memorandums of Understanding for Alternate Arrangements. – Notwithstanding this
45 section, the IS operator, in ~~consultation~~collaboration with the ISD Superintendent, may elect to
46 enter into a memorandum of understanding for alternate arrangements with the local board of
47 education to address any of the following:

- 48 (1) Facility and capital expenditures.
49 (2) Transportation services.
50 (3) Services for Children with Disabilities.

1 If the IS operator elects to use a memorandum of understanding for alternate arrangements,
2 the IS operator and local board of education shall finalize the memorandum of understanding
3 within 30 days of the initial request by the IS operator. If the parties have not completed the
4 memorandum of understanding within 30 days, the State Board of Education shall resolve any
5 issues in dispute.

6 (g) Student Records. – The local board of education shall make available in a timely
7 fashion all student records to the innovative school at no cost for all students of that school.

8 (h) Innovative School Employees. – The IS operator shall select and hire the school
9 principal for an innovative ~~school~~ school in collaboration with the ISD Superintendent. Within
10 the limits of the school budget, the IS operator or its designee shall select staff members in
11 accordance with guidance from the ISD Superintendent. Before finalizing staffing
12 recommendations, the IS operator and the ISD Superintendent or the Superintendent's designee
13 shall interview all existing staff members at the qualifying school and review student growth and
14 performance data for those staff members for whom it is available. Notwithstanding Article 21A
15 of this Chapter, the IS operator and the ISD Superintendent shall be permitted to examine
16 personnel files of existing staff members for the qualifying school. The IS operator shall have
17 the authority to decide whether any administrator, teacher, or staff member previously assigned
18 to a qualifying school selected to become an innovative school shall continue as an employee of
19 the innovative school. Any such employees retained shall become employees of the ~~ISD~~. An ISD,
20 unless the IS operator is another local board of education, in which case the employee may
21 become an employee of that board of education with approval of the ISD Superintendent. Except
22 as otherwise provided in this subsection, an employee hired to work in an innovative school shall
23 be an employee of the ISD, and the employees shall be under the exclusive control of the ISD.
24 All employees of the ISD shall be eligible for enrollment in the Teachers' and State Employees'
25 Retirement System of North Carolina, the State Health Plan, and other benefits available to State
26 employees. The IS operator shall provide funds to the ISD in an amount sufficient to provide
27 salary and benefits for employees of the ISD working in the innovative school based on the terms
28 of employment established by the IS operator. If a teacher at a qualifying school selected to
29 become an innovative school has career status under G.S. 115C-325 prior to selection to teach at
30 that innovative school, the teacher may return to a public school in the local school administrative
31 unit where the innovative school is located with career status upon the end of employment at the
32 innovative school, if an appropriate position is available. If an appropriate position is unavailable,
33 the teacher's name shall be placed on a list of available teachers in accordance with
34 G.S. 115C-325(e)(2).

35 (i) Criminal History Checks. – The State Board of Education shall require applicants for
36 employment with the ISD to be checked for criminal histories using the process provided in
37 G.S. 115C-332. The State Board of Education shall provide the criminal history it receives to the
38 ISD Superintendent and IS operator.

39 (j) Employees of Local Board of Education. – The transfer of a qualifying school shall
40 be deemed a reorganization of the local school administration unit resulting in a reduction in
41 force. If an employee is not given the option to continue as an employee for the innovative school,
42 the local board of education may, in its discretion, do any of the following:

43 (1) Continue the employee's employment with the local board of education.

44 (2) Dismiss the employee due to a reduction in force as provided in Article 22 of
45 this Chapter.

46 (3) Dismiss the employee as otherwise provided in Article 22 of this Chapter.

47 (k) Liability Insurance. – The IS operator shall maintain reasonable amounts and types
48 of liability insurance as established by the State Board of Education. No civil liability shall attach
49 to the State Board of Education, the Department of Public Instruction, the ISD Superintendent,
50 or a local board of education or to any of their members or employees, individually or
51 collectively, for any acts or omissions of the IS operator.

1 (l) School Nutrition Program. – The innovative school shall participate in the National
2 School Lunch Program, as provided in G.S. 115C-264.

3 (m) Cooperation with ISD Superintendent. – The local board of education shall cooperate
4 with the ISD Superintendent in carrying out his or her powers and duties as necessary in
5 accordance with this Chapter.

6 **"§ 115C-75.10. Innovative schools funds.**

7 (a) Funding Allocation Selection. – State and local funding for an innovative school
8 operated by an IS operator shall be allocated as provided in subsection (b) or subsection (c) of
9 this section. The IS operator shall select one of the allocation methods as the method to be used
10 for the innovative school.

11 (b) Designated Funding. – Funding shall be allocated to the ISD for the innovative school
12 by the State Board of Education and local board of education as follows:

13 (1) The State Board of Education shall allocate the following to the ISD for each
14 innovative school:

15 a. An amount equal to the average per pupil allocation for average daily
16 membership from the local school administrative unit allotments in
17 which the innovative school was located for each child attending the
18 innovative school except for the allocations for (i) children with
19 disabilities, (ii) children with limited English proficiency, and (iii)
20 transportation. The State Board of Education shall provide the
21 allocation for transportation to the local school administrative unit in
22 which the innovative school is located.

23 b. An additional amount for each child attending the innovative school
24 who is a child with disabilities.

25 c. An additional amount for children with limited English proficiency
26 attending the innovative school, based on a formula adopted by the
27 State Board of Education.

28 (2) The local school administrative unit in which the innovative school is located
29 shall transfer to the ISD for the innovative school an amount equal to the per
30 pupil share of the local current expense fund of the local school administrative
31 unit for the fiscal year. The per pupil share of the local current expense fund
32 shall be transferred to the ISD for the innovative school within 30 days of the
33 receipt of monies into the local current expense fund. The local school
34 administrative unit and ISD may use the process for mediation of differences
35 between the State Board of Education and a charter school provided in
36 G.S. 115C-218.95(d) to resolve differences on calculation and transference of
37 the per pupil share of the local current expense fund. The amount transferred
38 under this subsection that consists of revenue derived from supplemental taxes
39 shall be transferred only to an innovative school located in the tax district for
40 which these taxes are levied and in which the student resides. The local school
41 administrative unit shall also provide the ISD with all of the following
42 information within the 30-day time period provided in this subsection:

43 a. The total amount of monies the local school administrative unit has in
44 each of the funds listed in G.S. 115C-426(c).

45 b. The student membership numbers used to calculate the per pupil share
46 of the local current expense fund.

47 c. How the per pupil share of the local current expense fund was
48 calculated.

49 d. Any additional records requested by the ISD from the local school
50 administrative unit in order for the ISD to audit and verify the

1 calculation and transfer of the per pupil share of the local current
2 expense fund.

3 (c) Funding Memorandum of Understanding. – The IS operator, in ~~consultation~~
4 collaboration with the ISD Superintendent, may enter into a funding memorandum of
5 understanding with the local board of education of the local school administrative unit where the
6 innovative school is located for all student support and operational services and instructional
7 services to be provided by the local board of education in the same manner and degree as in the
8 prior school year or funding in an amount equivalent to the amount the local board of education
9 would have expended on those services if provided. For the purposes of this subsection, student
10 support and operational services include cafeteria services, custodial services, broadband and
11 utilities, and student information services, and instructional services include alternative
12 education, special education services, test administration services, textbooks, technology, media
13 resources, instructional equipment, and other resources. The IS operator and local board of
14 education shall finalize the funding memorandum of understanding within 30 days of the initial
15 request for the memorandum by the IS operator. If the parties have not completed the funding
16 memorandum of understanding within 30 days, the State Board of Education shall resolve any
17 issues in dispute.

18 (d) The ISD may seek, manage, and expend federal money and grants, State funding,
19 municipal funding, and other funding with the same authority as a local school administrative
20 unit, including decisions related to allocation of State funds among innovative schools, and shall
21 be considered a local school administrative unit for all federal funding purposes.

22 **"§ 115C-75.11. Accountability and governance for innovative schools.**

23 (a) The IS operator or innovative school with an IS consultant shall set clear goals related
24 to higher academic outcomes for students, safe and positive learning environments for children,
25 parent and community engagement, and the efficient and effective use of taxpayer dollars,
26 empower and equip teachers and school leaders to meet the goals, and hold such teachers and
27 school leaders accountable to meet the goals. The IS operator or innovative school with an IS
28 consultant shall apply to the ISD Superintendent for appropriate waivers for the innovative school
29 pursuant to G.S. 115C-75.7(e).

30 (b) The IS ~~operator~~ operator, in collaboration with the ISD Superintendent, shall select,
31 approve, or remove the school principal of an innovative school that it is managing in accordance
32 with this Article.

33 (c) The IS operator or innovative school with an IS consultant shall enter into an
34 agreement with the school principal regarding specific goals for the innovative school related to
35 higher academic outcomes for students, safe and positive learning environments for children,
36 parent and community engagement, and the efficient and effective use of taxpayer dollars. The
37 agreement shall be made publicly available on the ISD Web site.

38 (d) An innovative school with an IS operator shall not be included in any State evaluation
39 or performance models used for the local school administrative unit in which the school is located
40 but shall be considered a part of the ISD for all evaluation purposes.

41 **"§ 115C-75.12. Term of supervision for an innovative ~~school~~ school with an IS operator.**

42 (a) An innovative school shall remain under the supervision of the ISD for a minimum
43 of five consecutive years through a contract with an IS operator. The following shall apply to the
44 term of a contract with an IS operator of an innovative school:

- 45 (1) Early termination of contract based on performance. – If, during the five-year
46 contract, the innovative school's annual percentage growth does not exceed
47 the average annual percentage growth of other qualifying schools for three
48 consecutive years, the State Board of Education, upon the recommendation of
49 the ISD Superintendent, may terminate the contract at the conclusion of the
50 academic year and select another IS operator in accordance with
51 G.S. 115C-75.8 to assume the remainder of the five-year contract and any

- 1 occupancy agreements or memorandums of understanding with the local
2 board of education at the beginning of the next academic year.
- 3 (2) Nonrenewal of contract based on performance. – If, by the end of the five-year
4 contract, the innovative school's average annual percentage growth during the
5 term of the contract does not exceed the average annual percentage growth of
6 other qualifying schools during the same term, the State Board of Education
7 shall not renew the contract of the IS operator and develop a transition plan to
8 return the school to the local school administrative unit.
- 9 (3) State Board of Education optional extension of contract for three years. – If,
10 by the end of the five-year contract, the innovative school remains a qualifying
11 school but has exceeded the average annual percentage growth of other
12 qualifying schools and has shown growth over the term of the contract, the
13 State Board of Education, upon the recommendation of the ISD
14 Superintendent in his or her discretion, may continue the contract with the IS
15 operator for an additional three-year term. The ISD Superintendent and IS
16 operator shall engage the school, the school community, and the school's local
17 board of education in developing a transition plan for the school to leave the
18 supervision of the ISD at the conclusion of the three-year extension of the
19 contract. If the State Board of Education does not elect to continue the
20 contract, the State Board of Education may do any of the following:
21 a. Select another IS operator for a three-year contract.
22 b. Close the school as provided in subdivision (2) of this subsection.
23 c. Develop a transition plan to return the school to the local school
24 administrative unit for the next school year.
- 25 (4) IS operator option to extend contract for three years. – If, by the end of the
26 five-year contract, the innovative school receives a grade of C or higher under
27 G.S. 115C-12(9)c1., the IS operator shall have the option to extend the
28 contract for another three-year term. The ISD Superintendent and IS operator
29 shall engage the school, the school community, and the school's local board
30 of education in developing a transition plan for the school to leave the
31 supervision of the ISD at the conclusion of the three-year extension of the
32 contract. Options at the conclusion of the contract shall include the following:
33 a. Conversion to charter. – If, in the development of the transition plan,
34 a local board of education indicates by resolution to the State Board of
35 Education that the local board of education elects to not receive the
36 transfer of the innovative school back to the local school
37 administrative unit, the IS operator may apply to convert the school to
38 a charter school under Article 14A of this Chapter. If a charter is
39 awarded, the charter board of directors may request to use the facility
40 as provided in G.S. 115C-218.35. If the IS operator does not seek
41 conversion to a charter school or fails to receive a charter, the State
42 Board of Education may close the school as provided in subdivision
43 (2) of this subsection.
44 b. Alternate as operator or return to local school administrative unit. – If
45 the IS operator does not elect to continue the contract, the State Board
46 of Education may select another IS operator for a three-year contract
47 or may develop a transition plan to return the school to the local school
48 administrative unit for the next school year.
- 49 (5) Termination of contract on other grounds. – The State Board of Education,
50 upon the recommendation of the ISD Superintendent, may terminate a
51 contract with an IS operator at any time during the contract for financial

1 mismanagement, noncompliance with federal or State laws, failure to comply
2 with the terms of the contract, or evidence of criminal activity. The State
3 Board of Education shall develop a transition plan to return the school to the
4 local school administrative unit. ~~The ISD is authorized to act as a temporary~~
5 ~~IS operator during the transition period, if necessary.~~

6 (b) An innovative school with an IS operator shall remain under the supervision of the
7 ISD for no more than eight years.

8 (c) The State Board of Education shall make all decisions related to contracts for IS
9 operators no later than May 1, except as provided in subdivision (5) of subsection (a) of this
10 section.

11 **"§ 115C-75.13. Innovation zones.**

12 (a) If a local board of education transfers a qualifying school to the ISD, the local board
13 of education may ask the State Board of Education to be allowed to create an innovation zone (i)
14 for up to three ~~continually~~-low-performing schools within its local school administrative unit or
15 (ii) if the local school administrative unit has more than thirty-five percent (35%) of the schools
16 identified in the unit as low-performing, for some or all of the low-performing schools located in
17 the unit.

18 The State Board of Education shall grant, upon recommendation of the ISD Superintendent,
19 such requests for the creation of an innovation zone. The State Board of Education shall also
20 authorize the local board of education the flexibility to operate the schools within the innovation
21 zone with the same exemptions from statutes and rules as a charter school authorized under
22 Article 14A of this Chapter and with exemptions from local board of education policies as needed
23 to ensure autonomy under the guidance of the innovation zone office for financial, programmatic,
24 staffing, and time allocation decisions.

25 (b) The innovation zone created by a local board of education must include all of the
26 following:

- 27 (1) Development of a clear and specific plan for improving schools within the
28 innovation zone.
- 29 (2) Establishment of an innovation zone office with a leader ~~recommended by~~
30 selected in consultation with the ISD Superintendent to be appointed by the
31 local board of education and approved by the State Board of Education to
32 govern and lead the schools in the innovation zone.
- 33 (3) Attraction of high-quality staff at schools in the innovation zone through the
34 use of incentives, favorable working conditions, and development of
35 partnerships to develop human capital.
- 36 (4) Accountability for those schools based on established benchmarks and goals
37 for student achievement and for support services provided by the local school
38 administrative unit based on metrics established by the innovation zone office
39 for effective and efficient delivery.
- 40 (5) Support for those schools by the innovation zone office to ensure priority in
41 services from the local school administrative unit, pursuit of outside funding,
42 and technical support, including support from external partners.

43 (c) A local board of education may maintain an innovation zone created as provided in
44 subsection (a) for up to five consecutive years. The State Board of Education may terminate the
45 innovation zone as follows:

- 46 (1) Early termination of innovation zone based on performance. – If, during the
47 five-year period, the average of the annual percentage growth of the schools
48 within the innovation zone does not exceed the average annual percentage
49 growth of other ~~continually~~-low-performing schools for three consecutive
50 years, the State Board of Education, upon the recommendation of the ISD

- 1 Superintendent, may terminate the innovation zone at the conclusion of the
2 academic year.
- 3 (2) Nonrenewal of innovation zone based on performance. – If, by the end of the
4 five-year period, the average annual percentage growth of the schools within
5 the innovation zone over the five-year period does not exceed the average
6 annual percentage growth of other ~~continually~~ low-performing schools during
7 the same term, the State Board of Education shall not permit the local board
8 of education to continue the innovation zone.
- 9 (3) State Board of Education optional extension of innovation zone for three
10 years. – If, by the end of the five-year period, the schools within the innovation
11 zone remain ~~continually~~ low-performing schools but have exceeded the
12 average annual percentage growth of other ~~continually~~ low-performing
13 schools, the State Board of Education, upon the recommendation of the ISD
14 Superintendent in his or her discretion, may allow continuation of the
15 innovation zone for an additional three years.
- 16 (4) Local board of education option to extend innovation zone for three years. –
17 If, by the end of the five-year period, the schools within the innovation zone
18 receive a grade of C or higher under G.S. 115C-12(9)c1., the local board of
19 education shall have the option to extend the innovation zone for another three
20 years.

21 ~~(d) A low performing school in an innovation zone, created as provided in clause (ii) of~~
22 ~~subsection (a) of this section, shall become an innovative school if that low performing school~~
23 ~~does not exceed expected growth in the last two years of the five consecutive years in the~~
24 ~~innovation zone."~~

25 **SECTION 2.** G.S. 115C-429(a) reads as rewritten:

26 "(a) Upon receiving the budget from the superintendent and following the public hearing
27 authorized by G.S. 115C-428(b), if one is held, the board of education shall consider the budget,
28 make such changes therein as it deems advisable, and submit the entire budget as approved by
29 the board of education to the board of county commissioners not later than May 15, or such later
30 date as may be fixed by the board of county commissioners. At the time of submission of the
31 budget, the board of education shall also submit to the board of county commissioners in writing
32 the academic performance of the schools in the local school administrative unit, including the
33 school performance grades of each school, any schools identified as low-performing or
34 continually low-performing or included on the Innovative School District qualifying, watch, or
35 warning list, and efforts by the local board of education to improve those identified schools'
36 performance. The local board of education shall present the academic performance information
37 at a public meeting upon the request of the board of commissioners."

38 **SECTION 3.(a)** Notwithstanding G.S. 115C-75.7(a), as amended by this act, the
39 State Board of Education shall select the following schools to become innovative schools:

- 40 (1) The lowest scoring school in the State based on the school performance score
41 in the 2017-2018 school year to become an innovative school in the
42 2019-2020 school year.
- 43 (2) The lowest scoring school in the State based on the school performance score
44 in the 2018-2019 school year to become an innovative school in the
45 2020-2021 school year.
- 46 (3) The lowest scoring school in the State based on the school performance score
47 in the 2019-2020 school year to become an innovative school in the
48 2021-2022 school year.
- 49 (4) The lowest scoring school in the State based on the school performance score
50 in the 2020-2021 school year to become an innovative school in the
51 2022-2023 school year.

1 **SECTION 3.(b)** The State Board of Education shall select all innovative schools, as
2 required by G.S. 115C-75.7(a), as amended by this act, no earlier than the 2022-2023 school year
3 for inclusion in the Innovative School District beginning with the 2023-2024 school year, unless
4 a local board of education requests selection prior to that year.

5 **SECTION 4.** The State Superintendent of Education and the ISD Superintendent
6 shall jointly study the following and report on any recommendations and suggested legislative
7 changes to the Joint Legislative Education Oversight Committee no later than March 15, 2020:

8 (1) Options for innovative schools. – Structure of innovative schools and types of
9 partnerships with IS operators, IS consultants, or other entities that provide
10 effective options and ensure flexibility for the Innovative School District
11 (ISD) to best address the needs of innovative schools and students. This
12 recommendation should take into consideration, but is not limited to, factors
13 such as length of time of an innovative school in the ISD, role or relationship
14 of the local board of education with the ISD and innovative school, and types
15 of entities and contract terms that the ISD should use to establish options for
16 selecting the most appropriate entity to serve the innovative school.

17 (2) Reform of low-performing school models. – Alignment of requirements in
18 Chapter 115C of the General Statutes for identification and reform of
19 low-performing and continually low-performing schools, including Part 3 of
20 Article 8B of Chapter 115C of the General Statutes, with other reform efforts
21 in State and federal law, to ensure a comprehensive and efficient approach to
22 support and improvement of those schools that does not create redundancies.

23 **SECTION 5.** This act is effective when it becomes law and, except as provided in
24 Section 3(a) of this act, applies to schools identified based on data from the 2018-2019 school
25 year as qualifying schools for the 2019-2020 school year.