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SENATE BILL 522
Education/Higher Education Committee Substitute Adopted 5/6/19
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Short Title: Low-Performing Schools.

(Public)

Sponsors:

Referred to:

April 3, 2019

A BILL TO BE ENTITLED

AN ACT TO ALIGN THE SELECTION OF INNOVATIVE SCHOOLS WITH THOSE IDENTIFIED BY THE STATE BOARD OF EDUCATION FOR COMPREHENSIVE SUPPORT AND IMPROVEMENT, TO EXPAND OPTIONS FOR THE INNOVATIVE SCHOOL DISTRICT TO REQUIRE LOCAL BOARDS OF EDUCATION TO INFORM BOARDS OF COUNTY COMMISSIONERS OF ACADEMIC PROGRESS ANNUALLY, AND TO REQUIRE FURTHER STUDY OF REFORMS FOR ASSISTANCE TO LOW-PERFORMING SCHOOLS.

The General Assembly of North Carolina enacts:

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

"Article 7A.

"North Carolina Innovative School District and Innovation Zones.

§ 115C-75.5. Definitions.

The following definitions apply in this Article:

- (1) Innovative school. – A qualifying school selected by the State Board of Education under the supervision of the North Carolina Innovative School District.
- (2) Reserved.
- (3) Innovative school operator or IS operator. – An entity selected by the State Board of Education upon the recommendation of the ISD Superintendent to operate an innovative school. ~~Except as otherwise provided in this Article, the Department of Public Instruction may not be selected as an IS operator.~~
- (4) ISD Superintendent. – The superintendent of the ISD appointed by the Superintendent of Public Instruction in accordance with G.S. 115C-75.6.
- (4a) North Carolina Innovative School District or ISD. – The statewide school unit established pursuant to this Article.
- (5) Qualifying school. – ~~A low performing school, as defined in G.S. 115C 105.37, that meets one of the following criteria:~~
 - a. ~~The school earned an overall school performance score in the lowest five percent (5%) of all schools in the prior school year that meet all of the following requirements:~~
 1. ~~The school includes all or part of grades kindergarten through fifth.~~



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

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

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

A school that is a Title I school in the lowest-performing five percent (5%) of school performance grades of all Title I schools. For the purposes of this subdivision, a Title I school is a school that (i) is governed by a local board of education and (ii) receives funds under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended.

...

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

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

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

(1) Qualifying list. – In the first school year after a school has been identified as a qualifying school, the school shall be placed on the ISD qualifying list. By November 15, the ISD Superintendent shall notify the superintendent and local board of education of that school's status and provide that school's performance data, considerations for improvement, and any additional information deemed necessary by the ISD Superintendent. The local board of education shall notify parents of students enrolled in the qualifying school by electronic mail or the parents' preferred method of written communication of (i) the school's status, (ii) potential impacts of the designation, including becoming an innovative school, (iii) plans for improvement of the school, and (iv) any additional information deemed necessary by the local board of education.

- 1 (2) Watch list. – If a school that was on the qualifying list in the prior school year
2 remains a qualifying school in the next school year, the school shall be placed
3 on the ISD watch list. By November 15, the ISD Superintendent shall notify
4 the superintendent and local board of education of that school's status and
5 provide that school's performance data, considerations for improvement, and
6 any additional information deemed necessary by the ISD Superintendent. The
7 local board of education shall notify parents of students enrolled in the
8 qualifying school by electronic mail or the parents' preferred method of
9 written communication of (i) the school's status, (ii) potential impacts of the
10 designation, including becoming an innovative school, (iii) plans for
11 improvement of the school, and (iv) any additional information deemed
12 necessary by the local board of education.
- 13 (3) Warning list. – If a school that was on the watch list in the prior school year
14 remains a qualifying school in the next school year, the school shall be placed
15 on the ISD warning list. By November 15, the ISD Superintendent shall notify
16 the superintendent and local board of education of that school's status and
17 provide that school's performance data, considerations for improvement, and
18 any additional information deemed necessary by the ISD Superintendent. The
19 local board of education shall do the following:
- 20 a. Hold a public hearing with a minimum of 10 days' notice that meets
21 the following requirements:
- 22 1. The local board of education shall provide direct notice of the
23 public hearing to parents of students, employees assigned to
24 that school, and the ISD Superintendent.
- 25 2. At the public hearing, the local board of education shall share
26 potential impacts of the designation, including becoming an
27 innovative school, plans for improvement of the school, and
28 any additional information deemed necessary by the ISD
29 Superintendent.
- 30 3. The ISD Superintendent shall be provided the opportunity to
31 present at the public hearing, including information about (i)
32 the ISD selection process, (ii) potential impacts of the
33 designation as an innovative school, (iii) potential resources,
34 strategies, and partners for comprehensive support and
35 improvement that can assist in plans for improvement of the
36 school, and (iv) any additional information deemed necessary
37 by the ISD Superintendent.
- 38 b. Present information at a regularly scheduled public meeting of the
39 board of commissioners of the county in which the local school
40 administrative unit is located on the school's performance while on an
41 ISD list and efforts by the local board of education to improve the
42 school's performance. The board of commissioners shall provide an
43 opportunity for the presentation and shall notify the board of education
44 of the public meeting at which the presentation shall occur. The local
45 board of education shall provide notice of the date and time of the
46 public meeting at which the presentation will occur to the ISD
47 Superintendent 10 days prior to the meeting and provide the
48 opportunity to the Superintendent to present as part of the presentation
49 at the public meeting.
- 50 (b1) Support Process. – The State Board of Education shall ensure that qualifying schools
51 identified for any ISD list are engaged in strategies in compliance with federal and State law for

1 comprehensive support and improvement. The State Board of Education may establish criteria
2 for the selection of independent turnaround school consultants in a pay-for-performance model
3 to provide direct support for qualifying schools. The ISD Superintendent shall monitor those
4 schools and assist local boards of education in identifying funding, strategies, and partners for
5 comprehensive support and improvement efforts.

6 (b2) Local Board of Education Action. – Local boards of education shall identify and
7 engage in strategies in compliance with federal and State law for comprehensive support and
8 improvement of qualifying schools. A local board of education member with an immediate
9 family member, as defined in G.S. 115C-12.2, who is employed by that local board of education
10 and assigned to the qualifying school, shall recuse himself or herself from any actions by the
11 board directly related to that qualifying school.

12 (b3) Voluntary Selection. – A local board of education, upon the recommendation of the
13 ISD Superintendent, may request that the State Board of Education select a qualifying school
14 under the control of that local board as an innovative school at any time.

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

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

34 (e) Waivers for Innovative Schools. – The ISD Superintendent may request a waiver from
35 the State Board of Education of State Board of Education rules, regulations, policies, and
36 procedures, or the provisions of this Chapter for innovative schools; however, innovative schools
37 shall be required to comply with, at a minimum, the statutory requirements for charter schools as
38 provided in Article 14A of this Chapter. The goal for each waiver shall be improvement of
39 student performance. All innovative schools shall comply with all applicable constitutional and
40 statutory nondiscrimination requirements. Notwithstanding G.S. 115C-105.26, the State Board
41 of Education may grant a requested waiver of State laws or rules for an innovative school
42 pursuant to this subsection, except for a waiver of State laws or rules applicable to children with
43 disabilities and any of the other requirements set forth in this subsection.

44 **"§ 115C-75.8. Selection of IS operators.**

45 (a) The State Board of Education may select an IS operator for a ~~prospective~~ selected
46 innovative school by ~~January-December~~ 15 and shall select an IS operator for a ~~prospective~~
47 selected innovative school no later than ~~February-January~~ 15.

48 (b) Upon the recommendation of the ISD Superintendent, the State Board of Education
49 shall only select an entity to contract as an IS operator if that entity demonstrates one of the
50 following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 **"§ 115C-75.9. Management of innovative schools.**

36 (a) Direct Management by IS Operator. – An innovative school shall be subject to direct
37 management by an IS operator selected by the State Board of Education, upon the
38 recommendation of the ISD Superintendent, for a five-year contract. ~~In the event that temporary~~
39 ~~management is necessary due to contract termination, lack of a qualified IS operator under~~
40 ~~G.S. 115C-75.8(b1), or other unforeseen emergency, the ISD is authorized to act as an IS~~
41 ~~operator.~~

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

45 (c) Assignment to Innovative Schools. – All innovative schools shall remain open to
46 enrollment in the same manner with the same attendance zone as prior to becoming an innovative
47 school. If a local board of education's reassignment of students within the local school
48 administrative unit due to student population changes or openings or closures of other schools
49 impacts the innovative school, the IS operator may appeal to the ISD Superintendent and request
50 a hearing before the State Board of Education regarding the reassignment. Notwithstanding
51 G.S. 115C-366, the State Board of Education shall, after hearing from both the local board of

1 education and IS operator, determine whether the reassignment of students impacting the
2 innovative school may proceed.

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

5 (1) In addition to the transfer of funds as provided in G.S. 115C-75.10, the local
6 board of education shall be responsible for facility and capital expenditures at
7 the qualifying school.

8 (2) All IS operators and local boards of education shall enter into an occupancy
9 agreement establishing the terms of occupancy for the IS operator not
10 otherwise addressed in statute. If the parties are unable to reach agreement,
11 either party may petition the State Board of Education to resolve any issues in
12 dispute.

13 (3) The IS operator shall have first priority in use of the facility for any purpose
14 related to the operation of the innovative school. The local board of education
15 may allow use of the facility by governmental, charitable, civic, or other
16 organizations for activities within the community and may retain any funds
17 received for such use for any time the IS operator has not provided written
18 notice to the local board of its use of the facility during that time for a purpose
19 related to the operation of the innovative school.

20 For the purposes of this subsection, facility and capital expenditures include routine
21 maintenance and repair, and capital expenditures include building repair and maintenance,
22 furniture, furnishings, and equipment.

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

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

30 (1) Facility and capital expenditures.

31 (2) Transportation services.

32 (3) Services for Children with Disabilities.

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

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

40 (h) Innovative School Employees. – The IS operator shall select and hire the school
41 principal for an innovative ~~school~~ school in collaboration with the ISD Superintendent. Within
42 the limits of the school budget, the IS operator or its designee shall select staff members in
43 accordance with guidance from the ISD Superintendent. Before finalizing staffing
44 recommendations, the IS operator and the ISD Superintendent or the Superintendent's designee
45 shall interview all existing staff members at the qualifying school and review student growth and
46 performance data for those staff members for whom it is available. Notwithstanding Article 21A
47 of this Chapter, the IS operator and the ISD Superintendent shall be permitted to examine
48 personnel files of existing staff members for the qualifying school. The IS operator shall have
49 the authority to decide whether any administrator, teacher, or staff member previously assigned
50 to a qualifying school selected to become an innovative school shall continue as an employee of
51 the innovative school. Any such employees retained shall become employees of the ~~ISD~~ ISD.

1 unless the IS operator is another local board of education, in which case the employee may
2 become an employee of that board of education with approval of the ISD Superintendent. Except
3 as otherwise provided in this subsection, an employee hired to work in an innovative school shall
4 be an employee of the ISD, and the employees shall be under the exclusive control of the ISD.
5 All employees of the ISD shall be eligible for enrollment in the Teachers' and State Employees'
6 Retirement System of North Carolina, the State Health Plan, and other benefits available to State
7 employees. The IS operator shall provide funds to the ISD in an amount sufficient to provide
8 salary and benefits for employees of the ISD working in the innovative school based on the terms
9 of employment established by the IS operator. If a teacher at a qualifying school selected to
10 become an innovative school has career status under G.S. 115C-325 prior to employment to teach
11 at that innovative school, the teacher may return with career status to a public school in the local
12 school administrative unit where the innovative school is located upon the end of employment at
13 the innovative school, if an appropriate position is available. If an appropriate position is
14 unavailable, the teacher's name shall be placed on a list of available teachers in accordance with
15 G.S. 115C-325(e)(2).

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

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

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

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

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

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

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

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

38 **"§ 115C-75.10. Innovative schools funds.**

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

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

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

46 a. An amount equal to the average per pupil allocation for average daily
47 membership from the local school administrative unit allotments in
48 which the innovative school was located for each child attending the
49 innovative school except for the allocations for (i) children with
50 disabilities, (ii) children with limited English proficiency, and (iii)
51 transportation. The State Board of Education shall provide the

- 1 allocation for transportation to the local school administrative unit in
2 which the innovative school is located.
- 3 b. An additional amount for each child attending the innovative school
4 who is a child with disabilities.
- 5 c. An additional amount for children with limited English proficiency
6 attending the innovative school, based on a formula adopted by the
7 State Board of Education.
- 8 (2) The local school administrative unit in which the innovative school is located
9 shall transfer to the ISD for the innovative school an amount equal to the per
10 pupil share of the local current expense fund of the local school administrative
11 unit for the fiscal year. The per pupil share of the local current expense fund
12 shall be transferred to the ISD for the innovative school within 30 days of the
13 receipt of monies into the local current expense fund. The local school
14 administrative unit and ISD may use the process for mediation of differences
15 between the State Board of Education and a charter school provided in
16 G.S. 115C-218.95(d) to resolve differences on calculation and transference of
17 the per pupil share of the local current expense fund. The amount transferred
18 under this subsection that consists of revenue derived from supplemental taxes
19 shall be transferred only to an innovative school located in the tax district for
20 which these taxes are levied and in which the student resides. The local school
21 administrative unit shall also provide the ISD with all of the following
22 information within the 30-day time period provided in this subsection:
- 23 a. The total amount of monies the local school administrative unit has in
24 each of the funds listed in G.S. 115C-426(c).
- 25 b. The student membership numbers used to calculate the per pupil share
26 of the local current expense fund.
- 27 c. How the per pupil share of the local current expense fund was
28 calculated.
- 29 d. Any additional records requested by the ISD from the local school
30 administrative unit in order for the ISD to audit and verify the
31 calculation and transfer of the per pupil share of the local current
32 expense fund.
- 33 (c) Funding Memorandum of Understanding. – The IS operator, in ~~consultation~~
34 collaboration with the ISD Superintendent, may enter into a funding memorandum of
35 understanding with the local board of education of the local school administrative unit where the
36 innovative school is located for all student support and operational services and instructional
37 services to be provided by the local board of education in the same manner and degree as in the
38 prior school year or funding in an amount equivalent to the amount the local board of education
39 would have expended on those services if provided. For the purposes of this subsection, student
40 support and operational services include cafeteria services, custodial services, broadband and
41 utilities, and student information services, and instructional services include alternative
42 education, special education services, test administration services, textbooks, technology, media
43 resources, instructional equipment, and other resources. The IS operator and local board of
44 education shall finalize the funding memorandum of understanding within 30 days of the initial
45 request for the memorandum by the IS operator. If the parties have not completed the funding
46 memorandum of understanding within 30 days, the State Board of Education shall resolve any
47 issues in dispute.
- 48 (d) The ISD may seek, manage, and expend federal money and grants, State funding,
49 municipal funding, and other funding with the same authority as a local school administrative
50 unit, including decisions related to allocation of State funds among innovative schools, and shall
51 be considered a local school administrative unit for all federal funding purposes.

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

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

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

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

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

"§ 115C-75.12. Term of supervision for an innovative school.

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

- (1) Early termination of contract based on performance. – If, during the five-year contract, the innovative school's annual percentage growth does not exceed the average annual percentage growth of other qualifying schools for three consecutive years, the State Board of Education, upon the recommendation of the ISD Superintendent, may terminate the contract at the conclusion of the academic year and select another IS operator in accordance with G.S. 115C-75.8 to assume the remainder of the five-year contract and any occupancy agreements or memorandums of understanding with the local board of education at the beginning of the next academic year.
- (2) Nonrenewal of contract based on performance. – If, by the end of the five-year contract, the innovative school's average annual percentage growth during the term of the contract does not exceed the average annual percentage growth of other qualifying schools during the same term, the State Board of Education shall not renew the contract of the IS operator and develop a transition plan to return the school to the local school administrative unit.
- (3) State Board of Education optional extension of contract for three years. – If, by the end of the five-year contract, the innovative school remains a qualifying school but has exceeded the average annual percentage growth of other qualifying schools and has shown growth over the term of the contract, the State Board of Education, upon the recommendation of the ISD Superintendent in his or her discretion, may continue the contract with the IS operator for an additional three-year term. The ISD Superintendent and IS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ISD at the conclusion of the three-year extension of the contract. If the State Board of Education does not elect to continue the contract, the State Board of Education may do any of the following:
 - a. Select another IS operator for a three-year contract.
 - b. Close the school as provided in subdivision (2) of this subsection.

- 1 c. Develop a transition plan to return the school to the local school
2 administrative unit for the next school year.
- 3 (4) IS operator option to extend contract for three years. – If, by the end of the
4 five-year contract, the innovative school receives a grade of C or higher under
5 G.S. 115C-12(9)c1., the IS operator shall have the option to extend the
6 contract for another three-year term. The ISD Superintendent and IS operator
7 shall engage the school, the school community, and the school's local board
8 of education in developing a transition plan for the school to leave the
9 supervision of the ISD at the conclusion of the three-year extension of the
10 contract. Options at the conclusion of the contract shall include the following:
- 11 a. Conversion to charter. – If, in the development of the transition plan,
12 a local board of education indicates by resolution to the State Board of
13 Education that the local board of education elects to not receive the
14 transfer of the innovative school back to the local school
15 administrative unit, the IS operator may apply to convert the school to
16 a charter school under Article 14A of this Chapter. If a charter is
17 awarded, the charter board of directors may request to use the facility
18 as provided in G.S. 115C-218.35. If the IS operator does not seek
19 conversion to a charter school or fails to receive a charter, the State
20 Board of Education may close the school as provided in subdivision
21 (2) of this subsection.
- 22 b. Alternate as operator or return to local school administrative unit. – If
23 the IS operator does not elect to continue the contract, the State Board
24 of Education may select another IS operator for a three-year contract
25 or may develop a transition plan to return the school to the local school
26 administrative unit for the next school year.
- 27 (5) Termination of contract on other grounds. – The State Board of Education,
28 upon the recommendation of the ISD Superintendent, may terminate a
29 contract with an IS operator at any time during the contract for financial
30 mismanagement, noncompliance with federal or State laws, failure to comply
31 with the terms of the contract, or evidence of criminal activity. The State
32 Board of Education shall develop a transition plan to return the school to the
33 local school administrative unit. ~~The ISD is authorized to act as a temporary
34 IS operator during the transition period, if necessary.~~
- 35 (b) An innovative school shall remain under the supervision of the ISD for no more than
36 eight years.
- 37 (c) The State Board of Education shall make all decisions related to contracts for IS
38 operators no later than May 1, except as provided in subdivision (5) of subsection (a) of this
39 section.

40 **"§ 115C-75.13. Innovation zones.**

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

47 The State Board of Education shall grant, upon recommendation of the ISD Superintendent,
48 such requests for the creation of an innovation zone. The State Board of Education shall also
49 authorize the local board of education the flexibility to operate the schools within the innovation
50 zone with the same exemptions from statutes and rules as a charter school authorized under
51 Article 14A of this Chapter and with exemptions from local board of education policies as needed

1 to ensure autonomy under the guidance of the innovation zone office for financial, programmatic,
2 staffing, and time allocation decisions.

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

- 5 (1) Development of a clear and specific plan for improving schools within the
6 innovation zone.
- 7 (2) Establishment of an innovation zone office with a leader ~~recommended by~~
8 selected in consultation with the ISD Superintendent to be appointed by the
9 local board of education and approved by the State Board of Education to
10 govern and lead the schools in the innovation zone.
- 11 (3) Attraction of high-quality staff at schools in the innovation zone through the
12 use of incentives, favorable working conditions, and development of
13 partnerships to develop human capital.
- 14 (4) Accountability for those schools based on established benchmarks and goals
15 for student achievement and for support services provided by the local school
16 administrative unit based on metrics established by the innovation zone office
17 for effective and efficient delivery.
- 18 (5) Support for those schools by the innovation zone office to ensure priority in
19 services from the local school administrative unit, pursuit of outside funding,
20 and technical support, including support from external partners.

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

- 24 (1) Early termination of innovation zone based on performance. – If, during the
25 five-year period, the average of the annual percentage growth of the schools
26 within the innovation zone does not exceed the average annual percentage
27 growth of other ~~continually~~-low-performing schools for three consecutive
28 years, the State Board of Education, upon the recommendation of the ISD
29 Superintendent, may terminate the innovation zone at the conclusion of the
30 academic year.
- 31 (2) Nonrenewal of innovation zone based on performance. – If, by the end of the
32 five-year period, the average annual percentage growth of the schools within
33 the innovation zone over the five-year period does not exceed the average
34 annual percentage growth of other ~~continually~~-low-performing schools during
35 the same term, the State Board of Education shall not permit the local board
36 of education to continue the innovation zone.
- 37 (3) State Board of Education optional extension of innovation zone for three
38 years. – If, by the end of the five-year period, the schools within the innovation
39 zone remain ~~continually~~-low-performing schools but have exceeded the
40 average annual percentage growth of other ~~continually~~-low-performing
41 schools, the State Board of Education, upon the recommendation of the ISD
42 Superintendent in his or her discretion, may allow continuation of the
43 innovation zone for an additional three years.
- 44 (4) Local board of education option to extend innovation zone for three years. –
45 If, by the end of the five-year period, the schools within the innovation zone
46 receive a grade of C or higher under G.S. 115C-12(9)c1., the local board of
47 education shall have the option to extend the innovation zone for another three
48 years.

49 ~~(d) A low-performing school in an innovation zone, created as provided in clause (ii) of~~
50 ~~subsection (a) of this section, shall become an innovative school if that low-performing school~~

1 ~~does not exceed expected growth in the last two years of the five consecutive years in the~~
2 ~~innovation zone."~~

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

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

16 **SECTION 3.(a)** For the purposes of this section, a qualifying school is as defined
17 by G.S. 115C-75.5(5), as amended by this act. Notwithstanding G.S. 115C-75.7(a), as amended
18 by this act, the State Board of Education shall select the following schools to become innovative
19 schools:

- 20 (1) The lowest scoring qualifying school in the State identified based on the
21 school performance score calculated from data for the 2018-2019 school year
22 to become an innovative school in the 2020-2021 school year.
- 23 (2) The lowest scoring qualifying school in the State identified based on the
24 school performance score calculated from data for the 2019-2020 school year
25 to become an innovative school in the 2021-2022 school year.
- 26 (3) The lowest scoring qualifying school in the State identified based on the
27 school performance score calculated from data for the 2020-2021 school year
28 to become an innovative school in the 2022-2023 school year.

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

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

- 36 (1) Options for innovative schools. – Structure of innovative schools and types of
37 partnerships with IS operators or other entities that provide effective options
38 and ensure flexibility for the Innovative School District (ISD) to best address
39 the needs of innovative schools and students. This recommendation should
40 take into consideration, but is not limited to, factors such as length of time of
41 an innovative school in the ISD, role or relationship of the local board of
42 education with the ISD and innovative school, and types of entities and
43 contract terms that the ISD should use to establish options for selecting the
44 most appropriate entity to serve the innovative school.
- 45 (2) Reform of low-performing school models. – Alignment of requirements in
46 Chapter 115C of the General Statutes for identification and reform of
47 low-performing and continually low-performing schools, including Part 3 of
48 Article 8B of Chapter 115C of the General Statutes, with other reform efforts
49 in State and federal law, to ensure a comprehensive and efficient approach to
50 support and improvement of those schools that does not create redundancies.

1 **SECTION 5.** This act is effective when it becomes law and applies to schools
2 identified beginning with data from the 2018-2019 school year as qualifying schools for the
3 2019-2020 school year.