

114TH CONGRESS
1ST SESSION

S. 102

To amend the public charter school provisions of the Elementary and Secondary Education Act of 1965, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 7, 2015

Mr. VITTER introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend the public charter school provisions of the Elementary and Secondary Education Act of 1965, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “21st Century Charter School Act”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Purpose.
- Sec. 3. Program authorized.
- Sec. 4. Applications.
- Sec. 5. Administration.

- Sec. 6. National activities.
- Sec. 7. Federal formula allocation.
- Sec. 8. Credit enhancement.
- Sec. 9. Definitions.
- Sec. 10. Authorization of appropriations.
- Sec. 11. Reorganization.
- Sec. 12. Conforming amendments.

1 **SEC. 2. PURPOSE.**

2 Section 5201 of the Elementary and Secondary Edu-
3 cation Act of 1965 (20 U.S.C. 7221) is amended—

4 (1) in paragraph (3), by striking “and”;

5 (2) by redesignating paragraph (4) as para-
6 graph (6);

7 (3) by inserting after paragraph (3) the fol-
8 lowing:

9 “(4) encouraging the growth of high-quality
10 charter schools through the replication and expan-
11 sion of successful charter school models;

12 “(5) disseminating charter school innovations
13 throughout public education; and”; and

14 (4) in paragraph (6) (as redesignated by para-
15 graph (2))—

16 (A) by striking “more nearly”; and

17 (B) by striking “have typically provided”
18 and inserting “provide”.

19 **SEC. 3. PROGRAM AUTHORIZED.**

20 Section 5202 of the Elementary and Secondary Edu-
21 cation Act of 1965 (20 U.S.C. 7221a) is amended—

22 (1) in subsection (a)—

1 (A) by striking “State educational agen-
2 cies” and inserting “eligible entities”;

3 (B) by striking “such agencies” and insert-
4 ing “such entities”; and

5 (C) by striking “this subpart” and insert-
6 ing “section 5204”;

7 (2) in subsection (b)—

8 (A) by striking “SPECIAL RULE.—If” and
9 inserting the following: “SPECIAL RULE; RE-
10 SERVE ACCOUNT.—

11 “(1) SPECIAL RULE.—If”;

12 (B) by striking “a State educational agen-
13 cy” and inserting “an eligible entity”;

14 (C) by striking “subpart” and inserting
15 “section”; and

16 (D) by adding at the end the following:

17 “(2) RESERVE ACCOUNTS.—

18 “(A) IN GENERAL.—In order to assist eli-
19 gible entities to accomplish the purposes de-
20 scribed in section 5201, an eligible entity receiv-
21 ing a grant under this section shall, directly or
22 indirectly, alone or in collaboration with others,
23 deposit the funds received under this section in
24 a reserve account established and maintained

1 by the eligible entity for this purpose, in accord-
 2 ance with State and local law.

3 “(B) INVESTMENT.—Funds received under
 4 this section that are deposited in the reserve ac-
 5 count established under subparagraph (A), shall
 6 be invested, to the extent practicable, in obliga-
 7 tions issued or guaranteed by the United States
 8 or a State, or in other similarly low risk securi-
 9 ties, in the same manner as funds of a State
 10 are invested under chapter 65 of title 31,
 11 United States Code.

12 “(C) REINVESTMENT OF EARNINGS.—Any
 13 earnings on funds received under this section
 14 shall be deposited in a reserve account and used
 15 in support of public charter schools in accord-
 16 ance with activities authorized under this Act.”;
 17 (3) in subsection (c)—

18 (A) by striking “subpart” each place the
 19 term occurs and inserting “section”;

20 (B) in paragraph (1)—

21 (i) in the paragraph heading, by strik-
 22 ing “STATES” and inserting “ELIGIBLE
 23 ENTITIES”;

1 (ii) by striking “State educational
2 agencies” and inserting “eligible entities”;
3 and

4 (iii) by striking “not more than 3
5 years” and inserting “not more than 5
6 years”; and

7 (C) in paragraph (2)—

8 (i) by striking “State educational
9 agencies” and inserting “eligible entities”;
10 and

11 (ii) by striking “not more than 3
12 years” and all that follows through the pe-
13 riod at the end and inserting “not more
14 than 5 years. An eligible applicant may use
15 a portion of the grant period for planning
16 and program design.”;

17 (4) by striking subsection (d) and inserting the
18 following:

19 “(d) CHARTER SCHOOLS WITH MULTIPLE CAM-
20 PUSES.—The Secretary shall allow an eligible entity to
21 award multiple subgrants under section 5204(f)(1) to an
22 eligible applicant in order to support multiple campuses
23 of a charter school.”;

24 (5) in subsection (e)—

1 (A) by striking paragraph (1) and insert-
2 ing the following:

3 “(1) IN GENERAL.—In awarding grants under
4 this section for fiscal year 2015 or any succeeding
5 fiscal year from any funds appropriated under sec-
6 tion 5212 (other than funds reserved to carry out
7 section 5205(c)), the Secretary shall give priority to
8 an eligible entity to the extent that the State in
9 which the eligible entity proposes to carry out the
10 activities under the grant meets the criteria de-
11 scribed in paragraph (2) and one or more of the cri-
12 teria described in subparagraphs (A) through (H) of
13 paragraph (3).”;

14 (B) in paragraph (3)—

15 (i) in subparagraph (A)—

16 (I) by striking “a State edu-
17 cational agency” and inserting “an el-
18 ible entity”; and

19 (II) by striking “subpart” and
20 inserting “section”;

21 (ii) by redesignating subparagraph
22 (C) as subparagraph (D);

23 (iii) in subparagraph (B)—

24 (I) by redesignating clause (ii) as
25 subparagraph (C), and aligning the

1 margins of such subparagraph with
2 the margins of subparagraph (A);

3 (II) by striking “The State” and
4 all that follows through “provides”
5 and inserting “The State provides”;
6 and

7 (III) by striking “law; or” and
8 inserting “law.”;

9 (iv) in subparagraph (C) (as redesign-
10 nated by clause (iii)(I)), by striking “in the
11 case” and all that follows through “allows”
12 and inserting “The State allows”;

13 (v) in subparagraph (D) (as redesign-
14 nated by clause (ii))—

15 (I) by striking “school has a”
16 and inserting “school has—
17 “(i) a”;

18 (II) by striking “expenditures.”
19 and inserting “expenditures; and”;
20 and

21 (III) by adding at the end the
22 following:

23 “(ii) an independent governing board
24 that enters into a written performance con-

1 tract with an authorized public chartering
2 agency.”; and

3 (vi) by adding at the end the fol-
4 lowing:

5 “(E) The State—

6 “(i) provides public charter schools
7 with funding commensurate with the fund-
8 ing provided to other public schools, in-
9 cluding capital or facilities aid distributed
10 through a formula or revenue generated by
11 bonds; and

12 “(ii) ensures that the State edu-
13 cational agency and local educational agen-
14 cies provide public charter schools with the
15 Federal, State, and local funds to which
16 the public charter schools are entitled in a
17 timely manner.

18 “(F) The State makes it a priority to cre-
19 ate charter schools in local educational agencies
20 with large numbers of schools designated as in
21 need of improvement, corrective action, or re-
22 structuring under paragraph (1), (7), or (8) of
23 section 1116(b).

24 “(G) The State has developed a trans-
25 parent authorizer accreditation, training, or re-

1 view process for evaluating the effectiveness and
2 quality of the State’s authorized public char-
3 tering agencies, or each authorized public char-
4 tering agency in the State has implemented
5 such a process, including—

6 “(i) a process for reviewing and evalu-
7 ating the performance of the authorized
8 public chartering agencies in the State in
9 authorizing or approving public charter
10 schools, including a process that enables
11 the authorized public chartering agencies
12 to respond to any State concerns or defi-
13 ciencies regarding such authorizing or ap-
14 proving; and

15 “(ii) any other necessary policies to
16 ensure effective charter school authorizing
17 in the State that are developed in conjunc-
18 tion with the State’s charter school com-
19 munity and in accordance with the prin-
20 ciples of high quality charter school au-
21 thorizing, as determined by the State in
22 consultation with the charter school com-
23 munity and stakeholders.

24 “(H) The State does not have a cap on
25 charter schools that constrains growth and lim-

1 its parental options in an unreasonable man-
2 ner.”; and

3 (6) in subsection (f)—

4 (A) by striking “subpart to a State edu-
5 cational agency” and inserting “section to an
6 eligible entity”; and

7 (B) by striking “in the State.” and insert-
8 ing “in the State where the grant activities will
9 be carried out.”.

10 **SEC. 4. APPLICATIONS.**

11 Section 5203 of the Elementary and Secondary Edu-
12 cation Act of 1965 (20 U.S.C. 7221b) is amended—

13 (1) by striking “this subpart” each place the
14 term appears and inserting “section 5202”;

15 (2) in subsection (a), by striking “STATE
16 AGENCIES.—Each State educational agency” and in-
17 serting “ELIGIBLE ENTITIES.—An eligible entity”;

18 (3) in subsection (b)—

19 (A) in the subsection heading, by striking
20 “A STATE EDUCATIONAL AGENCY” and insert-
21 ing “AN ELIGIBLE ENTITY”;

22 (B) in paragraph (1)—

23 (i) by striking “State educational
24 agency’s” each place the term appears and
25 inserting “eligible entity’s”; and

1 (ii) by striking “State educational
2 agency to” and inserting “eligible entity
3 to”;

4 (C) in paragraph (2)—

5 (i) in the matter preceding subpara-
6 graph (A), by striking “describe how the
7 State educational agency—” and inserting
8 “describe the State’s level of participation
9 and involvement in the grant, including a
10 letter from the State describing how the
11 State—”;

12 (ii) in the matter preceding clause (i)
13 of subparagraph (A), by striking “in the
14 State” and inserting “in the area served by
15 the grant”;

16 (iii) in subparagraph (B)—

17 (I) by striking “in the State” and
18 inserting “in the area served by the
19 grant”; and

20 (II) by striking “and” after the
21 semicolon;

22 (iv) in subparagraph (C), by striking
23 “to each local” and all that follows
24 through “; and” and inserting “related to
25 such areas as budgeting, scheduling, staff-

1 ing, and instruction to public schools, in-
2 cluding public charter schools in the
3 State;” and

4 (v) by adding at the end the following:

5 “(D) will ensure the proper handling and
6 management of Federal funds; and

7 “(E) will oversee and hold accountable the
8 authorized public chartering agencies in the
9 State, including through a transparent author-
10 izer accreditation, training, and review process
11 described in section 5202(e)(3)(G);”;

12 (D) by redesignating paragraph (3) as
13 paragraph (4);

14 (E) by inserting after paragraph (2) the
15 following:

16 “(3) describe the criteria that the eligible entity
17 will use to award subgrants to eligible applicants to
18 ensure high-quality charter schools;”;

19 (F) in paragraph (4) (as redesignated by
20 subparagraph (D))—

21 (i) in the matter preceding subpara-
22 graph (A), by striking “State educational
23 agency” each place the term appears and
24 inserting “eligible entity”;

25 (ii) in subparagraph (A)—

1 (I) by redesignating clauses (ii)
2 and (iii) as clauses (iii) and (iv), re-
3 spectively; and

4 (II) by inserting after clause (i)
5 the following:

6 “(ii) the charter school’s plan for
7 using academic assessments to measure
8 and report student academic progress;”;

9 (iii) in subparagraph (B), by striking
10 “managed;” and inserting the following:
11 “managed, including—

12 “(i) the charter school’s financial plan
13 and policies, including financial controls
14 and annual audit requirements;

15 “(ii) a clear description of the roles
16 and responsibilities for the charter school’s
17 governing board, leadership, and manage-
18 ment team, and any other organizations
19 critical to the charter school’s operations
20 or success;

21 “(iii) plans for recruiting and devel-
22 oping the charter school’s leadership and
23 staff;

1 “(iv) the charter school’s leadership
2 and teacher employment policies, including
3 performance evaluation plans;

4 “(v) the proposed governing bylaws of
5 the charter school; and

6 “(vi) a detailed charter school start-up
7 plan that identifies tasks, timelines, and
8 responsible parties;”;

9 (iv) in subparagraph (E), by inserting
10 “, including documentation of the parents’
11 and community members’ support for the
12 school” before the semicolon;

13 (v) in subparagraph (F), by striking
14 “a description of how” and inserting “an
15 assurance from the authorized public char-
16 tering agency that”;

17 (vi) in subparagraph (H), by inserting
18 “and how such funds will be used for plan-
19 ning, program design, and the initial im-
20 plementation of a charter school” before
21 the semicolon at the end;

22 (vii) in subparagraph (I)(ii), by insert-
23 ing “, including through a lottery process
24 if the number of applicants exceeds the

1 number of seats available at the charter
2 school” before the semicolon;

3 (viii) in subparagraphs (J) and (K),
4 by striking “State educational agency”
5 each place the term appears and inserting
6 “eligible entity”;

7 (ix) by striking subparagraph (M);

8 (x) by redesignating subparagraph
9 (N) as subparagraph (O);

10 (xi) by inserting after subparagraph
11 (L) the following:

12 “(M) a demonstration of support for the
13 charter school from the State’s charter school
14 community;

15 “(N) a description of how the independent
16 governing board of the charter school, including
17 a board overseeing multi-campus charters, is
18 encouraged to include individuals with a diver-
19 sity of skills, including business management,
20 financial management, real estate finance, and
21 curriculum and instruction; and”;

22 (xii) in subparagraph (O) (as redesign-
23 nated by clause (x))—

1 (I) by striking “State educational
2 agency” and inserting “eligible enti-
3 ty”; and

4 (II) by striking the period at the
5 end and inserting “; and”; and

6 (G) by adding at the end the following:

7 “(5) in the case of an eligible entity that is an
8 authorized public chartering agency—

9 “(A) describe such eligible entity’s stra-
10 tegic goal for chartering schools and progress
11 towards that goal; and

12 “(B) provide an assurance that the eligible
13 entity will annually file a plan with the State in
14 which the eligible entity is located that covers
15 such topics necessary for effective charter
16 school oversight, including, at a minimum—

17 “(i) the academic and financial per-
18 formance of all operating public charter
19 schools overseen by the eligible entity, ac-
20 cording to the performance expectations
21 for each public charter school set forth in
22 the school’s contract;

23 “(ii) the status of the eligible entity’s
24 public charter school portfolio, identifying
25 all public charter schools in each of the fol-

1 lowing categories: approved (but not yet
 2 open), operating, renewed, transferred, re-
 3 voked, not renewed, voluntarily closed, or
 4 never opened;

5 “(iii) the authorizing functions pro-
 6 vided by the eligible entity to the public
 7 charter schools the eligible entity oversees,
 8 including the eligible entity’s operating
 9 costs and expenses detailed in annual au-
 10 dited financial statements that conform
 11 with generally accepted accounting prin-
 12 ciples; and

13 “(iv) the services purchased from the
 14 eligible entity by the public charter schools
 15 overseen by the eligible entity, including an
 16 itemized accounting of the actual costs of
 17 these services.”; and

18 (4) in subsection (d)—

19 (A) in paragraph (1)—

20 (i) by striking “(A) through (N) of
 21 subsection (b)(3)” and inserting “(A)
 22 through (O) of subsection (b)(4)”;

23 (ii) by striking “and (N)” and insert-
 24 ing “and (O)”;

1 (iii) by striking “State educational
2 agency” and inserting “eligible entity”;
3 and

4 (B) in paragraph (2)—

5 (i) in the matter preceding subpara-
6 graph (A), by striking “State educational
7 agency” and inserting “eligible entity”;
8 and

9 (ii) in paragraph (3)—

10 (I) by striking “State educational
11 agency” and inserting “eligible enti-
12 ty”; and

13 (II) by striking “subgrant if”
14 and all that follows through the period
15 and inserting “subgrant.”.

16 **SEC. 5. ADMINISTRATION.**

17 Section 5204 of the Elementary and Secondary Edu-
18 cation Act of 1965 (20 U.S.C. 7221c) is amended—

19 (1) in subsection (a)—

20 (A) in the subsection heading, by striking
21 “STATE EDUCATIONAL AGENCIES” and insert-
22 ing “ELIGIBLE ENTITIES”;

23 (B) by striking “this subpart” each place
24 the term appears and inserting “section 5202”;

1 (C) in the matter preceding paragraph (1),
2 by striking “State educational agencies” and in-
3 serting “eligible entities”;

4 (D) in paragraph (1), by inserting “, in-
5 cluding efforts at closing the achievement gap
6 by meeting the annual objectives described in
7 section 1111(b)(2)(C)(v)” before the semicolon;

8 (E) in paragraph (2), by inserting “and
9 autonomy” after “flexibility”;

10 (F) in paragraph (5), by inserting “and”
11 after the semicolon;

12 (G) in paragraph (6), by striking “; and”
13 and inserting a period; and

14 (H) by striking paragraph (7);
15 (2) in subsection (b)—

16 (A) by striking “this subpart” and insert-
17 ing “section 5202”;

18 (B) in paragraph (5), by inserting “and”
19 after the semicolon;

20 (C) in paragraph (6), by striking “; and”
21 and inserting a period; and

22 (D) by striking paragraph (7);
23 (3) in subsection (c)—

24 (A) by striking “this subpart” and insert-
25 ing “section 5202”; and

1 (B) by striking “State educational agency”
2 and inserting “eligible entity”;

3 (4) in subsection (d)—

4 (A) in the matter preceding paragraph
5 (1)—

6 (i) by striking “State educational
7 agency receiving a grant under this sub-
8 part” and inserting “eligible entity receiv-
9 ing a grant under section 5202”; and

10 (ii) by striking “this subpart in” and
11 inserting “such section in”; and

12 (B) in paragraph (2), by inserting “or use
13 non-traditional curricula” before the period at
14 the end;

15 (5) in subsection (e)—

16 (A) in the matter preceding subparagraph
17 (1), by striking “5210(1)” and inserting
18 “5211(2)”; and

19 (B) in paragraph (1), by striking “this
20 subpart” and inserting “section 5203”;

21 (6) in subsection (f)—

22 (A) in paragraph (1)—

23 (i) in the paragraph heading, by strik-
24 ing “STATE EDUCATIONAL AGENCIES.—”

1 and inserting the following: “STATE EDU-
2 CATIONAL AGENCIES.—
3 “(A) IN GENERAL.—Each eligible entity”;
4 (ii) by striking “under this subpart”
5 and inserting “under section 5202”;
6 (iii) by inserting “, including a new
7 campus or expansion of an existing charter
8 school,” after “charter school”;
9 (iv) by striking “in the State” and in-
10 sserting “in the area to be served by the
11 grant”; and
12 (v) by striking “, except that” and all
13 that follows through “paragraph (6).” and
14 inserting a period;
15 (B) by striking paragraph (6);
16 (C) by redesignating paragraphs (2)
17 through (5) as paragraphs (4) through (7), re-
18 spectively;
19 (D) by inserting after paragraph (1) the
20 following:
21 “(2) CHARTER SCHOOL DEVELOPERS.—In
22 awarding subgrants under this section, an eligible
23 entity shall ensure that—

1 “(A) most of the subgrant funds are
2 awarded to eligible applicants described in sec-
3 tion 5211(5)(A); and

4 “(B) subgrants are awarded, to the extent
5 practicable, to a mix of such eligible applicants.

6 “(3) AMOUNT OF SUBGRANTS.—An eligible en-
7 tity may vary the amount of a subgrant under this
8 section based upon a variety of factors, including—

9 “(A) whether the eligible applicant is a
10 start-up charter school or a conversion charter
11 school (as defined by the eligible entity); and

12 “(B) whether the eligible applicant is cre-
13 ating a charter school under a new charter or
14 an existing charter.”;

15 (E) in paragraph (4) (as redesignated by
16 subparagraph (C))—

17 (i) by striking “a State educational
18 agency” and inserting “an eligible entity”;

19 and

20 (ii) by striking “, or to disseminate in-
21 formation about the charter school and
22 successful practices in the charter school,”;

23 (F) in paragraph (5) (as redesignated by
24 subparagraph (C))—

1 (i) in the matter preceding subpara-
2 graph (A), by striking “this subpart” and
3 inserting “section 5202”;

4 (ii) in subparagraph (A)(ii), by strik-
5 ing “and” after the semicolon;

6 (iii) in subparagraph (B)(iv), by strik-
7 ing the period and inserting “; and”; and

8 (iv) by adding at the end the fol-
9 lowing:

10 “(C) providing assistance, through activi-
11 ties described in section 5205(b)(4), in imple-
12 menting charter school innovations and dissemi-
13 nating information regarding such innova-
14 tions.”;

15 (G) in paragraph (6)(A) (as redesignated
16 by subparagraph (C))—

17 (i) in the subparagraph heading, by
18 striking “STATE EDUCATIONAL AGENCY”
19 and inserting “ELIGIBLE ENTITY”;

20 (ii) by striking “State educational
21 agency” and inserting “eligible entity”;

22 (iii) by striking “pursuant to this sub-
23 part” and inserting “pursuant to section
24 5202”;

1 (iv) by striking “this subpart” and in-
2 serting “such section”; and

3 (v) by adding at the end the following:
4 “An eligible entity may use a portion of
5 the reserved funds to improve the charter
6 school authorizing policies and practices of
7 the area served by the eligible entity, which
8 may include the approval, monitoring, and
9 renewal of charter schools.”; and

10 (H) in paragraph (7) (as redesignated by
11 subparagraph (C))—

12 (i) by striking “State educational
13 agency” and inserting “eligible entity”;

14 (ii) by striking “this subpart” and in-
15 serting “section 5202”;

16 (iii) by striking “10” and inserting
17 “20”; and

18 (iv) by striking “the State educational
19 agency” and all that follows through
20 “sources.” and inserting “the eligible enti-
21 ty, for expenses necessary to plan, begin
22 operations, and subsequently operate a
23 public charter school.”; and

24 (7) by striking subsection (g).

1 **SEC. 6. NATIONAL ACTIVITIES.**

2 Section 5205 of the Elementary and Secondary Edu-
 3 cation Act of 1965 (20 U.S.C. 7221d) is amended—

4 (1) in subsection (a)—

5 (A) in paragraph (3)(E), by striking
 6 “schools” each place the term occurs and in-
 7 serting “schools, authorized public chartering
 8 agencies, and charter support organizations”;
 9 and

10 (B) by adding at the end the following:

11 “(6) To provide technical assistance to charter
 12 schools on how to meet the requirements of part B
 13 of the Individuals with Disabilities Education Act.”;

14 (2) by redesignating subsections (b) and (c) as
 15 subsections (c) and (d), respectively;

16 (3) by inserting after subsection (a) the fol-
 17 lowing:

18 “(b) NATIONAL DISSEMINATION.—

19 “(1) IN GENERAL.—To carry out this sub-
 20 section, the Secretary shall reserve for each fiscal
 21 year not more than \$8,000,000 of the amount ap-
 22 propriated to carry out this subpart.

23 “(2) ELIGIBILITY.—In order to receive a grant
 24 under this subsection, an entity shall—

25 “(A) be—

26 “(i) a charter school;

1 “(ii) an eligible applicant;

2 “(iii) an eligible entity; or

3 “(iv) a consortium of entities de-
4 scribed in clauses (i), (ii), or (iii); and

5 “(B) submit an application to the Sec-
6 retary at such time, in such manner, and con-
7 taining such information as the Secretary may
8 require.

9 “(3) CRITERIA.—The Secretary shall award
10 grants under this subsection on the basis of—

11 “(A) the quality of the application;

12 “(B) the capacity of the applicant to exe-
13 cute the application; and

14 “(C) the scale of the expected impact of
15 the application.

16 “(4) ACTIVITIES.—A recipient of a grant under
17 this subsection shall use funds received under the
18 grant to assist other schools in the recipient’s State
19 and in other States in adopting charter school inno-
20 vations, or to disseminate information about charter
21 school innovations, through activities such as—

22 “(A) assisting other entities with the plan-
23 ning and start-up of one or more new public
24 schools, including charter schools;

1 “(B) developing partnerships designed to
2 improve student academic achievement;

3 “(C) developing curriculum materials, as-
4 sements, and other materials that promote in-
5 creased student achievement and are based on
6 successful practices at charter schools;

7 “(D) conducting evaluations and devel-
8 oping materials that document successful prac-
9 tices at charter schools and that are designed to
10 improve student performance in other schools;
11 and

12 “(E) training, regarding the innovative
13 practices developed at the original site, for per-
14 sonnel of—

15 “(i) local educational agencies that
16 are adopting innovations or successful
17 practices used at charter schools;

18 “(ii) authorized public chartering
19 agencies; or

20 “(iii) charter support organizations.”;

21 and

22 (4) in subsection (c) (as redesignated by para-
23 graph (2))—

1 (A) in paragraph (2)(A), by striking
2 “paragraphs (2) and (3)(B) of section 5211(b)”
3 and inserting “section 5212”;

4 (B) by redesignating paragraphs (5) and
5 (6) as paragraphs (6) and (7), respectively;

6 (C) by inserting after paragraph (4) the
7 following:

8 “(5) SPECIAL RULE.—A State that provides
9 public charter schools with access to existing ade-
10 quate facility space may apply for a grant under this
11 subsection, if the State agrees that the State will,
12 upon receipt of the grant, develop a capital aid pro-
13 gram consistent with the program described in this
14 subsection during the grant period.”; and

15 (D) in paragraph (7) (as redesignated by
16 subparagraph (B)), by striking “(A), (B), and
17 (C)” and inserting “(A) through (F)”.

18 **SEC. 7. FEDERAL FORMULA ALLOCATION.**

19 Section 5206 of the Elementary and Secondary Edu-
20 cation Act of 1965 (20 U.S.C. 7221e) is amended—

21 (1) by striking the section heading and insert-
22 ing the following:

23 **“SEC. 5206. FEDERAL FORMULA ALLOCATION.”;**

24 and

1 (2) in subsection (a), by inserting “or is in op-
2 eration” after “actually opens”.

3 **SEC. 8. CREDIT ENHANCEMENT.**

4 Subpart 1 of part B of title V of the Elementary and
5 Secondary Education Act of 1965 (as amended by this
6 Act) (20 U.S.C. 7221 et seq.) is further amended—

7 (1) by redesignating sections 5207 through
8 5211 as sections 5208 through 5212, respectively;
9 and

10 (2) by inserting after section 5206 the fol-
11 lowing:

12 **“SEC. 5207. CREDIT ENHANCEMENT FOR CHARTER SCHOOL**
13 **FACILITIES PROGRAMS.**

14 “(a) PURPOSE.—The purpose of this section is to
15 provide grants to eligible entities to permit the eligible en-
16 tities to demonstrate innovative credit enhancement initia-
17 tives that assist charter schools to address the cost of ac-
18 quiring, constructing, and renovating facilities.

19 “(b) GRANTS TO ELIGIBLE ENTITIES.—After reserv-
20 ing any funds as necessary for grant evaluation or admin-
21 istration consistent with any applicable provisions (includ-
22 ing section 9601(a) of this Act and section 402(b)(1) of
23 the Department of Education Organization Act), the Sec-
24 retary shall use the amounts available to carry out this
25 section to award, on a competitive basis, not less than 3

1 grants to eligible entities that have applications approved
2 under this section to demonstrate innovative methods of
3 assisting charter schools to address the cost of acquiring,
4 constructing, and renovating facilities by enhancing the
5 availability of loans or bond financing for charter schools.

6 “(c) GRANTEE SELECTION.—

7 “(1) EVALUATION OF APPLICATION.—The Sec-
8 retary shall evaluate each application submitted
9 under subsection (e), and shall determine whether
10 the application is sufficient to merit approval.

11 “(2) DISTRIBUTION OF GRANTS.—

12 “(A) IN GENERAL.—Subject to subpara-
13 graph (B) and paragraph (3), the Secretary
14 shall award—

15 “(i) not less than 1 grant to an eligi-
16 ble entity described in section 5211(6)(A);

17 “(ii) not less than 1 grant to an eligi-
18 ble entity described in section 5211(6)(B);

19 and

20 “(iii) not less than 1 grant to an eligi-
21 ble entity described in section 5211(6)(C).

22 “(B) EXCEPTION.—Subparagraph (A)
23 shall only apply if applications are submitted
24 that permit the Secretary to do so without ap-

1 proving an application that is not of sufficient
2 quality to merit approval.

3 “(3) SPECIAL RULE.—In the event the Sec-
4 retary determines that the funds made available
5 under this section are insufficient to permit the Sec-
6 retary to award not less than 3 grants in accordance
7 with this section, the 3-grant minimum under para-
8 graph (2) shall not apply, and the Secretary may de-
9 termine the appropriate number of grants to be
10 awarded in accordance with subsection (d).

11 “(d) GRANT CHARACTERISTICS.—Grants under this
12 section shall be of a sufficient size, scope, and quality so
13 as to ensure an effective demonstration of an innovative
14 means of enhancing credit for the financing of charter
15 school acquisition, construction, or renovation.

16 “(e) APPLICATIONS.—

17 “(1) IN GENERAL.—To receive a grant under
18 this section, an eligible entity shall submit to the
19 Secretary an application in such form as the Sec-
20 retary may reasonably require.

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

23 “(A) a statement identifying the activities
24 proposed to be undertaken with funds received
25 under this section, including how the eligible

1 entity will determine which charter schools will
2 receive assistance, and how much and what
3 types of assistance charter schools will receive;

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

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

9 “(D) a description of how the proposed ac-
10 tivities will leverage the maximum amount of
11 private-sector financing capital relative to the
12 amount of Federal and State funds used and
13 otherwise enhance credit available to charter
14 schools, including how the applicant will offer a
15 combination of rates and terms more favorable
16 than rates and terms that a charter school
17 could receive without assistance under this sec-
18 tion;

19 “(E) a description of how the eligible enti-
20 ty possesses sufficient expertise in education to
21 evaluate the likelihood of success of a charter
22 school program for which facilities financing is
23 sought;

24 “(F) in the case of an application sub-
25 mitted by an eligible entity that is a State gov-

1 ernmental entity, a description of the actions
2 that the entity has taken, or will take, to ensure
3 that charter schools within the State receive the
4 funding needed to have adequate facilities; and
5 “(G) such other information as the Sec-
6 retary may reasonably require.

7 “(f) CHARTER SCHOOL OBJECTIVES.—An eligible en-
8 tity receiving a grant under this section shall use the funds
9 deposited in the reserve account established under sub-
10 section (g)(1) to assist 1 or more charter schools to access
11 private sector capital in order to accomplish one or more
12 of the following objectives:

13 “(1) The acquisition (by purchase, lease, dona-
14 tion, or otherwise) of an interest (including an inter-
15 est held by a third party for the benefit of a charter
16 school) in improved or unimproved real property
17 that is necessary to commence or continue the oper-
18 ation of a charter school.

19 “(2) The construction (including pre-
20 development costs in a case where construction or
21 renovation cannot proceed as a result of
22 predevelopment findings) of new facilities, or the
23 renovation, repair, or alteration of existing facilities,
24 necessary to commence or continue the operation of
25 a charter school.

1 “(g) RESERVE ACCOUNT.—

2 “(1) USE OF FUNDS.—To assist charter schools
3 to accomplish the objectives described in subsection
4 (f), an eligible entity receiving a grant under this
5 section shall, in accordance with State and local law,
6 directly or indirectly, alone or in collaboration with
7 others, deposit the funds received under this section
8 (other than funds used for administrative costs in
9 accordance with subsection (h)) in a reserve account
10 established and maintained by the eligible entity for
11 this purpose. Amounts deposited in such account
12 shall be used by the eligible entity for one or more
13 of the following purposes:

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

18 “(B) Guaranteeing and insuring leases of
19 personal and real property for an objective de-
20 scribed in subsection (f).

21 “(C) Facilitating financing by identifying
22 potential lending sources, encouraging private
23 lending, and other similar activities that di-
24 rectly promote lending to, or for the benefit of,
25 charter schools.

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

9 “(E) Making limited loans to charter
10 schools, under such terms and conditions as the
11 Secretary may prescribe.

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

17 “(3) REINVESTMENT OF EARNINGS.—Any earn-
18 ings on funds received under this section shall be de-
19 posited in the reserve account established under
20 paragraph (1) and used in accordance with such
21 paragraph.

22 “(h) LIMITATION ON ADMINISTRATIVE COSTS.—An
23 eligible entity may use not more than 2 percent of the
24 funds received for any fiscal year under this section for

1 the administrative costs of carrying out its responsibilities
2 under this section.

3 “(i) AUDITS AND REPORTS.—

4 “(1) FINANCIAL RECORD MAINTENANCE AND
5 AUDIT.—The financial records of each eligible entity
6 receiving a grant under this section shall be main-
7 tained in accordance with generally accepted ac-
8 counting principles and shall be subject to an annual
9 audit by an independent public accountant.

10 “(2) REPORTS.—

11 “(A) GRANTEE ANNUAL REPORTS.—Each
12 eligible entity receiving a grant under this sec-
13 tion annually shall submit to the Secretary a re-
14 port of the eligible entity’s operations and ac-
15 tivities under this section.

16 “(B) CONTENTS.—Each annual report
17 submitted under subparagraph (A) shall in-
18 clude—

19 “(i) a copy of the most recent finan-
20 cial statements, and any accompanying
21 opinion on such statements, prepared by
22 the independent public accountant review-
23 ing the financial records of the eligible en-
24 tity;

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

5 “(iii) an evaluation by the eligible en-
6 tity of the effectiveness of its use of the
7 Federal funds provided under this section
8 in leveraging private funds;

9 “(iv) a listing and description of the
10 charter schools served during the reporting
11 period;

12 “(v) a description of the activities car-
13 ried out by the eligible entity to assist
14 charter schools in meeting the objectives
15 set forth in subsection (f); and

16 “(vi) a description of the characteris-
17 tics of lenders and other financial institu-
18 tions participating in the activities under-
19 taken by the eligible entity under this sec-
20 tion during the reporting period.

21 “(C) SECRETARIAL REPORT.—The Sec-
22 retary shall review the reports submitted under
23 paragraph (2)(A) and shall provide a com-
24 prehensive annual report to Congress on the ac-
25 tivities conducted under this section.

1 “(j) NO FULL FAITH AND CREDIT FOR GRANTEE
2 OBLIGATIONS.—No financial obligation of an eligible enti-
3 ty entered into pursuant to this section (such as an obliga-
4 tion under a guarantee, bond, note, evidence of debt, or
5 loan) shall be an obligation of, or guaranteed in any re-
6 spect by, the United States. The full faith and credit of
7 the United States is not pledged to the payment of funds
8 which may be required to be paid under any obligation
9 made by an eligible entity pursuant to any provision of
10 this section.

11 “(k) RECOVERY OF FUNDS.—

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

15 “(A) all of the funds in a reserve account
16 established by an eligible entity under sub-
17 section (g)(1) if the Secretary determines, not
18 earlier than 2 years after the date on which the
19 eligible entity first received funds under this
20 section, that the eligible entity has failed to
21 make substantial progress in carrying out the
22 purposes described in this section; or

23 “(B) all or a portion of the funds in a re-
24 serve account established by an eligible entity
25 under subsection (g)(1) if the Secretary deter-

1 mines that the eligible entity has permanently
2 ceased to use all or a portion of the funds in
3 such account to accomplish any purpose de-
4 scribed in this section.

5 “(2) EXERCISE OF AUTHORITY.—The Secretary
6 shall not exercise the authority provided in para-
7 graph (1) to collect from any eligible entity any
8 funds that are being properly used to achieve one or
9 more of the objectives described in subsection (f).

10 “(3) PROCEDURES.—The provisions of sections
11 451, 452, and 458 of the General Education Provi-
12 sions Act shall apply to the recovery of funds under
13 paragraph (1).

14 “(4) CONSTRUCTION.—Nothing in this section
15 shall be construed to impair or affect the authority
16 of the Secretary to recover funds under part D of
17 the General Education Provisions Act.

18 “(l) RESERVATION.—To carry out this section, the
19 Secretary shall reserve for each fiscal year not less than
20 5 percent and not more than 15 percent of the amount
21 appropriated under section 5212.”.

22 **SEC. 9. DEFINITIONS.**

23 Section 5211 of the Elementary and Secondary Edu-
24 cation Act of 1965 (as redesignated by section 8(1)) (20
25 U.S.C. 7221i) is amended—

1 (1) in paragraph (1)—

2 (A) by striking subparagraph (L);

3 (B) by redesignating subparagraphs (D)
4 through (K) as subparagraphs (E) through (L),
5 respectively;

6 (C) by inserting after subparagraph (C)
7 the following:

8 “(D) has an independent governing board
9 that enters into a performance-based agreement
10 that encompasses one or more campuses with
11 an authorized public chartering agency in the
12 State, which agreement shall include a descrip-
13 tion of—

14 “(i) how student performance will be
15 measured in each charter school pursuant
16 to the State assessments that are required
17 of other schools and any other assessments
18 or evaluations mutually agreeable to the
19 authorized public chartering agency and
20 the charter school; and

21 “(ii) criteria for renewal or revocation
22 of the charter;”;

23 (D) in subparagraph (E) (as redesignated
24 by subparagraph (B)), by striking “elementary
25 or secondary education, or both” and inserting

1 “prekindergarten, elementary, or secondary
2 education, or adult education if permitted by
3 State charter law, or any combination of such
4 types of education”;

5 (E) in subparagraph (I) (as redesignated
6 by subparagraph (B))—

7 (i) by striking “school to” and insert-
8 ing “school—
9 “(i) to”;

10 (ii) by striking “children, and that”
11 and inserting “children;
12 “(ii) that”; and

13 (iii) by striking “accommodated;” and
14 inserting “accommodated; and
15 “(iii) that does not give admissions
16 preference to any student on the basis of
17 prior academic achievement;”;

18 (F) in subparagraph (K) (as redesignated
19 by subparagraph (B)), by inserting “and” after
20 the semicolon; and

21 (G) in subparagraph (L) (as redesignated
22 by subparagraph (B)), by striking “; and” and
23 inserting a period;

24 (2) by striking paragraph (3) and inserting the
25 following:

1 “(3) ELIGIBLE APPLICANT.—The term ‘eligible
2 applicant’ means—

3 “(A) a developer that has applied to an au-
4 thorized public chartering agency to operate a
5 charter school and provided adequate and time-
6 ly notice to that authority under section
7 5203(d)(3); or

8 “(B) a charter support organization.”;

9 (3) by adding at the end the following:

10 “(5) CHARTER SUPPORT ORGANIZATION.—The
11 term ‘charter support organization’ means a public
12 or private nonprofit organization that provides as-
13 sistance to a developer of a charter school during the
14 planning, program design, and initial implementa-
15 tion of a charter school.

16 “(6) ELIGIBLE ENTITY.—The term ‘eligible en-
17 tity’ means—

18 “(A) a public entity, such as a State edu-
19 cational agency or other State or local govern-
20 mental entity;

21 “(B) a private nonprofit entity; or

22 “(C) a consortium of entities described in
23 subparagraph (A) or (B).”; and

1 (4) by redesignating paragraphs (1) through
2 (6) as paragraphs (2), (4), (5), (1), (3), and (6), re-
3 spectively.

4 **SEC. 10. AUTHORIZATION OF APPROPRIATIONS.**

5 Section 5212 of the Elementary and Secondary Edu-
6 cation Act of 1965 (as redesignated by section 8(1)) (20
7 U.S.C. 7221j) is amended to read as follows:

8 **“SEC. 5212. AUTHORIZATION OF APPROPRIATIONS.**

9 “(a) IN GENERAL.—There are authorized to be ap-
10 propriated to carry out this subpart \$650,000,000 for fis-
11 cal year 2015 and such sums as may be necessary for each
12 of the 5 succeeding fiscal years.

13 “(b) ALLOCATION.—In allocating funds under this
14 subpart for any fiscal year, the Secretary shall consider
15 the relative need between the programs under section
16 5202, section 5205(c), and section 5207 and the quality
17 of the applications submitted under such sections.”.

18 **SEC. 11. REORGANIZATION.**

19 Part B of title V of the Elementary and Secondary
20 Education Act of 1965 (20 U.S.C. 7221 et seq.) is amend-
21 ed—

22 (1) by striking subpart 2; and

23 (2) by redesignating subpart 3 as subpart 2.

1 **SEC. 12. CONFORMING AMENDMENTS.**

2 (a) CONFORMING AMENDMENT.—The Elementary
3 and Secondary Education Act of 1965 (20 U.S.C. 6301
4 et seq.) is amended—

5 (1) in section 2102(2), by striking “5210” and
6 inserting “5211”; and

7 (2) in section 5247(1), by striking “5210” and
8 inserting “5211”.

9 (b) TABLE OF CONTENTS.—The table of contents in
10 section 2 of the Elementary and Secondary Education Act
11 of 1965 is amended—

12 (1) by striking the items relating to sections
13 5206 through 5211 and inserting the following:

“Sec. 5206. Federal formula allocation.

“Sec. 5207. Credit enhancement for charter school facilities programs.

“Sec. 5208. Solicitation of input from charter school operators.

“Sec. 5209. Records transfer.

“Sec. 5210. Paperwork reduction.

“Sec. 5211. Definitions.

“Sec. 5212. Authorization of appropriations.”;

14 (2) by striking the item relating to subpart 2
15 of part B of title V;

16 (3) by striking the items relating to sections
17 5221 through 5231; and

18 (4) by striking the item relating to subpart 3
19 of part B of title V and inserting the following:

“SUBPART 2—VOLUNTARY PUBLIC SCHOOL CHOICE PROGRAMS”.

○