

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 10
OFFERED BY MR. MESSER OF INDIANA**

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE.**

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

4 **SEC. 2. REFERENCES.**

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

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

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

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

17 **“SEC. 5201. PURPOSE.**

18 “It is the purpose of this subpart to—

1 “(1) improve the United States education sys-
2 tem and education opportunities for all Americans
3 by supporting innovation in public education in pub-
4 lic school settings that prepare students to compete
5 and contribute to the global economy;

6 “(2) provide financial assistance for the plan-
7 ning, program design, and initial implementation of
8 charter schools;

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

11 “(4) evaluate the impact of such schools on stu-
12 dent achievement, families, and communities, and
13 share best practices between charter schools and
14 other public schools;

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

19 “(6) improve student services to increase oppor-
20 tunities for students with disabilities, limited
21 English proficient students, and other traditionally
22 underserved students to attend charter schools and
23 meet challenging State academic achievement stand-
24 ards;

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

5 “(8) support quality accountability and trans-
6 parency in the operational performance of all au-
7 thorized public chartering agencies, which include
8 State educational agencies, local educational agen-
9 cies, and other authorizing entities.”.

10 **SEC. 4. PROGRAM AUTHORIZED.**

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

13 **“SEC. 5202. PROGRAM AUTHORIZED.**

14 “(a) IN GENERAL.—This subpart authorizes the Sec-
15 retary to carry out a charter school program that supports
16 charter schools that serve elementary school and sec-
17 ondary school students by—

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

21 “(2) assisting charter schools in accessing cred-
22 it to acquire and renovate facilities for school use;
23 and

24 “(3) carrying out national activities to sup-
25 port—

1 “(A) charter school development;

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

4 “(C) the evaluation of the impact of the
5 program on schools participating in the pro-
6 gram; and

7 “(D) stronger charter school authorizing.

8 “(b) FUNDING ALLOTMENT.—From the amount
9 made available under section 5211 for a fiscal year, the
10 Secretary shall—

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

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

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

18 “(c) PRIOR GRANTS AND SUBGRANTS.—The recipi-
19 ent of a grant or subgrant under this subpart or subpart
20 2, as such subpart was in effect on the day before the
21 date of enactment of the Success and Opportunity through
22 Quality Charter Schools Act, shall continue to receive
23 funds in accordance with the terms and conditions of such
24 grant or subgrant.”.

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

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

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

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

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

13 “(A) new charter schools;

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

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

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

23 “(b) STATE USES OF FUNDS.—

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

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

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

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

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

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

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

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

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

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

9 “(1) PROGRAM PERIODS.—

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

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

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

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

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

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

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

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

10 “(B) midway through the grant period of
11 each grant awarded under this section to a
12 State entity, review the grant to determine
13 whether the State entity will meet the agreed
14 upon uses of funds in the State entity’s applica-
15 tion, and if not, reallocate the grant funds that will
16 not be used for such agreed upon uses of funds
17 to other State entities during the succeeding
18 grant competition under this section.

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

23 “(A) are distributed throughout different
24 areas, including urban, suburban, and rural
25 areas; and

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

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

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

10 “(B) the Secretary determines that grant-
11 ing such a waiver will promote the purpose of
12 this subpart.

13 “(d) LIMITATIONS.—

14 “(1) GRANTS.—A State entity may not receive
15 more than 1 grant under this section for a 5-year
16 period.

17 “(2) SUBGRANTS.—An eligible applicant may
18 not receive more than 1 subgrant under this section
19 per individual charter school for a 5-year period, un-
20 less the eligible applicant demonstrates to the State
21 entity not less than 3 years of improved educational
22 results in the areas described in subparagraphs (A)
23 and (D) of section 5210(6) for students enrolled in
24 such charter school.

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

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

10 “(A) of how the State entity—

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

18 “(ii) will inform eligible charter
19 schools, developers, and authorized public
20 chartering agencies of the availability of
21 funds under the program;

22 “(iii) will work with eligible applicants
23 to ensure that the eligible applicants access
24 all Federal funds that they are eligible to
25 receive, and help the charter schools sup-

1 ported by the applicants and the students
2 attending the charter schools—

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

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

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

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

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

20 “(I) will work with the State edu-
21 cational agency and the charter
22 schools in the State to maximize char-
23 ter school participation in Federal and
24 State programs for charter schools;
25 and

1 “(II) will work with the State
2 educational agency to adequately op-
3 erate the State entity’s program
4 under this section, where applicable;

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

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

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

20 “(vii) will support charter schools in
21 local educational agencies with large num-
22 bers of schools identified by the State for
23 improvement;

24 “(viii) will work with charter schools
25 to promote inclusion of all students and

1 support all students once they are enrolled
2 to promote retention;

3 “(ix) will work with charter schools on
4 recruitment practices, including efforts to
5 engage groups that may otherwise have
6 limited opportunities to participate in char-
7 ter schools, and to ensure such schools do
8 not have in effect policies or procedures
9 that may create barriers to enrollment of
10 students, including educationally disadvan-
11 taged students, and are in compliance with
12 all Federal and State laws on enrollment
13 practices;

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

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

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

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

17 “(xiv) in the case of a State entity de-
18 fined in subsection (i)(4), will work with
19 the State to provide assistance to and over-
20 sight of authorized public chartering agen-
21 cies for authorizing activity described in
22 clause (xiii);

23 “(B) of the extent to which the State enti-
24 ty—

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

3 “(ii) is working to develop or
4 strengthen a cohesive statewide system to
5 support the opening of new charter
6 schools, replicated, high-quality charter
7 school models, or expanded, high-quality
8 charter schools;

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

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

14 “(I) a description of the roles
15 and responsibilities of eligible appli-
16 cants, partner organizations, and
17 management organizations, including
18 the administrative and contractual
19 roles and responsibilities;

20 “(II) a description of the quality
21 controls agreed to between the eligible
22 applicant and the authorized public
23 chartering agency involved, such as a
24 contract or performance agreement,
25 how a school’s performance in the

1 State’s academic accountability sys-
2 tem will be a primary factor for re-
3 newal or revocation of the school’s
4 charter, and how the State entity and
5 the authorized public chartering agen-
6 cy involved will reserve the right to re-
7 voke or not renew a school’s charter
8 based on financial, structural, or oper-
9 ational factors involving the manage-
10 ment of the school;

11 “(III) a description of how the el-
12 igible applicant will solicit and con-
13 sider input from parents and other
14 members of the community on the im-
15 plementation and operation of each
16 charter school receiving funds under
17 the State entity’s program; and

18 “(IV) a description of the
19 planned activities and expenditures
20 for the subgrant funds for purposes of
21 opening and preparing to operate a
22 new charter school, a replicated, high-
23 quality charter school model, or an ex-
24 panded, high-quality charter school,
25 and how the school or model will

1 maintain financial sustainability after
2 the end of the subgrant period; and

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

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

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

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

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

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

24 “(B) the State entity will support charter
25 schools in meeting the educational needs of

1 their students as described in paragraph
2 (1)(A)(x);

3 “(C) the State entity will ensure that the
4 authorized public chartering agency of any
5 charter school that receives funds under the
6 State entity’s program—

7 “(i) adequately monitors each charter
8 school in recruiting, enrolling, and meeting
9 the needs of all students, including stu-
10 dents with disabilities and English learn-
11 ers; and

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

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

19 “(i) meet the objectives described in
20 clauses (vii) and (viii) of paragraph (1)(A)
21 and paragraph (2)(B); and

22 “(ii) recruit, enroll, and retain tradi-
23 tionally underserved students, including
24 students with disabilities and English

1 learners, at rates similar to traditional
2 public schools;

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

9 “(i) assessing annual performance
10 data of the schools, including, as appro-
11 priate, graduation rates and student aca-
12 demic growth;

13 “(ii) reviewing the schools’ inde-
14 pendent, annual audits of financial state-
15 ments conducted in accordance with gen-
16 erally accepted accounting principles, and
17 ensuring any such audits are publically re-
18 ported; and

19 “(iii) holding charter schools account-
20 able to the academic, financial, and oper-
21 ational quality controls agreed to between
22 the charter school and the authorized pub-
23 lic chartering agency involved, such as
24 through renewal, non-renewal, or revoca-
25 tion of the school’s charter;

1 “(F) the State entity will work to ensure
2 that charter schools are included with the tradi-
3 tional public schools in decision-making about
4 the public school system in the State; and

5 “(G) the State entity will ensure that each
6 charter school in the State make publicly avail-
7 able, consistent with the dissemination require-
8 ments of the annual State report card, informa-
9 tion to help parents make informed decisions
10 about the education options available to their
11 children, including information on the edu-
12 cational program, student support services, and
13 annual performance and enrollment data for the
14 groups of students described in section
15 1111(b)(2)(C)(v)(II).

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

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

3 “(f) SELECTION CRITERIA; PRIORITY.—

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

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

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

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

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

22 “(E) the State entity’s plan to—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 “(3) how the State entity met the objectives of
7 the quality charter school program described in the
8 State entity’s application under subsection (e);

9 “(4) how the State entity complied with, and
10 ensured that eligible applicants complied with, the
11 assurances described in the State entity’s applica-
12 tion;

13 “(5) how the State entity worked with author-
14 ized public chartering agencies, including how the
15 agencies worked with the management company or
16 leadership of the schools that received subgrants
17 under this section; and

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

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

21 “(B) The opening of replicated, high-qual-
22 ity charter school models.

23 “(C) The opening of expanded, high-qual-
24 ity charter schools.

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

3 “(1) a State educational agency;

4 “(2) a State charter school board;

5 “(3) a Governor of a State; or

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

7 **SEC. 6. FACILITIES FINANCING ASSISTANCE.**

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

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

11 “(a) GRANTS TO ELIGIBLE ENTITIES.—

12 “(1) IN GENERAL.—From the amount reserved
13 under section 5202(b)(1), the Secretary shall not
14 use less than 50 percent to award grants to eligible
15 entities that have the highest-quality applications
16 approved under subsection (d), after considering the
17 diversity of such applications, to demonstrate inno-
18 vative methods of assisting charter schools to ad-
19 dress the cost of acquiring, constructing, and ren-
20 ovating facilities by enhancing the availability of
21 loans or bond financing.

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

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

3 “(B) a private nonprofit entity; or

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

6 “(b) GRANTEE SELECTION.—The Secretary shall
7 evaluate each application submitted under subsection (d),
8 and shall determine whether the application is sufficient
9 to merit approval.

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

15 “(d) APPLICATIONS.—

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

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

22 “(A) a statement identifying the activities
23 proposed to be undertaken with funds received
24 under subsection (a), including how the eligible
25 entity will determine which charter schools will

1 receive assistance, and how much and what
2 types of assistance charter schools will receive;

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

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

8 “(D) a description of how the proposed ac-
9 tivities will leverage the maximum amount of
10 private-sector financing capital relative to the
11 amount of public funding used and otherwise
12 enhance credit available to charter schools, in-
13 cluding how the eligible entity will offer a com-
14 bination of rates and terms more favorable than
15 the rates and terms that a charter school could
16 receive without assistance from the eligible enti-
17 ty under this section;

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

23 “(F) in the case of an application sub-
24 mitted by a State governmental entity, a de-
25 scription of the actions that the entity has

1 taken, or will take, to ensure that charter
2 schools within the State receive the funding the
3 charter schools need to have adequate facilities.

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

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

16 “(2) The construction of new facilities, or the
17 renovation, repair, or alteration of existing facilities,
18 necessary to commence or continue the operation of
19 a charter school.

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

24 “(f) RESERVE ACCOUNT.—

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

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

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

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

14 “(3) REINVESTMENT OF EARNINGS.—Any earn-
15 ings on funds received under subsection (a) shall be
16 deposited in the reserve account established under
17 paragraph (1) and used in accordance with such
18 paragraph.

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

24 “(h) AUDITS AND REPORTS.—

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

7 “(2) REPORTS.—

8 “(A) GRANTEE ANNUAL REPORTS.—Each
9 eligible entity receiving a grant under sub-
10 section (a) annually shall submit to the Sec-
11 retary a report of its operations and activities
12 under this section.

13 “(B) CONTENTS.—Each annual report
14 submitted under subparagraph (A) shall in-
15 clude—

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

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

1 “(iii) an evaluation by the eligible en-
2 tity of the effectiveness of its use of the
3 Federal funds provided under subsection
4 (a) in leveraging private funds;

5 “(iv) a listing and description of the
6 charter schools served during the reporting
7 period, including the amount of funds used
8 by each school, the type of project facili-
9 tated by the grant, and the type of assist-
10 ance provided to the charter schools;

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

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

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

1 tivities conducted under this section (excluding
2 subsection (k)).

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

13 “(j) RECOVERY OF FUNDS.—

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

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

1 “(B) all or a portion of the funds in a re-
2 serve account established by an eligible entity
3 under subsection (f)(1) if the Secretary deter-
4 mines that the eligible entity has permanently
5 ceased to use all or a portion of the funds in
6 such account to accomplish any purpose de-
7 scribed in subsection (f)(1).

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

13 “(3) PROCEDURES.—The provisions of sections
14 451, 452, and 458 of the General Education Provi-
15 sions Act 20 U.S.C. 124, 1234a, 1234g shall apply
16 to the recovery of funds under paragraph (1).

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

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

23 “(1) DEFINITION OF PER-PUPIL FACILITIES AID
24 PROGRAM.—In this subsection, the term ‘per-pupil
25 facilities aid program’ means a program in which a

1 State makes payments, on a per-pupil basis, to char-
2 ter schools to provide the schools with financing—

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

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

7 “(2) GRANTS.—

8 “(A) IN GENERAL.—From the amount
9 under section 5202(b)(1) remaining after the
10 Secretary makes grants under subsection (a),
11 the Secretary shall make grants, on a competi-
12 tive basis, to States to pay for the Federal
13 share of the cost of establishing or enhancing,
14 and administering per-pupil facilities aid pro-
15 grams.

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

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

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

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

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

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

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

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

14 “(E) MULTIPLE GRANTS.—A State may
15 receive more than 1 grant under this sub-
16 section, so long as the amount of such funds
17 provided to charter schools increases with each
18 successive grant.

19 “(3) USE OF FUNDS.—

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

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

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

15 “(4) REQUIREMENTS.—

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

19 “(B) STATE LAW.—

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

1 “(I) is specified in State law; and

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

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

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

21 **SEC. 7. NATIONAL ACTIVITIES.**

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

1 **“SEC. 5205. NATIONAL ACTIVITIES.**

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

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

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

9 “(A) provide technical assistance to State
10 entities in awarding subgrants under section
11 5203, and eligible entities and States receiving
12 grants under section 5204;

13 “(B) disseminate best practices; and

14 “(C) evaluate the impact of the charter
15 school program, including the impact on stu-
16 dent achievement, carried out under this sub-
17 part.

18 “(b) GRANTS.—

19 “(1) IN GENERAL.—The Secretary shall make
20 grants, on a competitive basis, to eligible applicants
21 for the purpose of carrying out the activities de-
22 scribed in section 5202(a)(1), subparagraphs (A)
23 through (C) of section 5203(a)(1), and section
24 5203(g).

25 “(2) TERMS AND CONDITIONS.—Except as oth-
26 erwise provided in this subsection, grants awarded

1 under this subsection shall have the same terms and
2 conditions as grants awarded to State entities under
3 section 5203.

4 “(3) CHARTER MANAGEMENT ORGANIZA-
5 TIONS.—The Secretary shall—

6 “(A) use not less than 75 percent of the
7 funds described in subsection (a)(1) to make
8 grants, on a competitive basis, to eligible appli-
9 cants described in paragraph (4)(C); and

10 “(B) notwithstanding paragraphs (1)(A)
11 and (2) of section 5203(f)—

12 “(i) award grants to eligible appli-
13 cants on the basis of the quality of the ap-
14 plications submitted under this subsection;
15 and

16 “(ii) in awarding grants to eligible ap-
17 plicants described in paragraph (4)(C),
18 give priority to each such eligible applicant
19 that—

20 “(I) demonstrates a high propor-
21 tion of high-quality charter schools
22 within the network of the eligible ap-
23 plicant;

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

4 “(III) does not have a significant
5 proportion of charter schools that
6 have been closed, had their charter re-
7 voked for compliance issues, or had
8 their affiliation with such eligible ap-
9 plicant revoked;

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

17 “(V) demonstrates success in
18 working with schools identified for im-
19 provement by the State.

20 “(4) ELIGIBLE APPLICANT DEFINED.—For pur-
21 poses of this subsection, the term ‘eligible applicant’
22 means an eligible applicant (as defined in section
23 5210) that—

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

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

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

5 “(B) is a charter management organiza-
6 tion.

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

11 **SEC. 8. RECORDS TRANSFER.**

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

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

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

17 **SEC. 9. DEFINITIONS.**

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

19 (1) by amending paragraph (1) to read as fol-
20 lows:

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

23 “(A) in accordance with a specific State
24 statute authorizing the granting of charters to
25 schools, is exempt from significant State or

1 local rules that inhibit the flexible operation
2 and management of public schools, but not
3 from any rules relating to the other require-
4 ments of this paragraph;

5 “(B) is created by a developer as a public
6 school, or is adapted by a developer from an ex-
7 isting public school, and is operated under pub-
8 lic supervision and direction;

9 “(C) operates in pursuit of a specific set of
10 educational objectives determined by the
11 school’s developer and agreed to by the author-
12 ized public chartering agency;

13 “(D) provides a program of elementary or
14 secondary education, or both;

15 “(E) is nonsectarian in its programs, ad-
16 missions policies, employment practices, and all
17 other operations, and is not affiliated with a
18 sectarian school or religious institution;

19 “(F) does not charge tuition;

20 “(G) complies with the Age Discrimination
21 Act of 1975, title VI of the Civil Rights Act of
22 1964, title IX of the Education Amendments of
23 1972, section 504 of the Rehabilitation Act of
24 1973, part B of the Individuals with Disabil-
25 ities Education Act, the Americans with Dis-

1 abilities Act of 1990 (42 U.S.C. 12101 et seq.),
2 and section 444 of the General Education Pro-
3 visions Act (20 U.S.C. 1232(g)) (commonly
4 known as the ‘Family Education Rights and
5 Privacy Act of 1974’);

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

17 “(I) agrees to comply with the same Fed-
18 eral and State audit requirements as do other
19 elementary schools and secondary schools in the
20 State, unless such State audit requirements are
21 waived by the State;

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

24 “(K) operates in accordance with State
25 law;

1 “(L) has a written performance contract
2 with the authorized public chartering agency in
3 the State that includes a description of how
4 student performance will be measured in char-
5 ter schools pursuant to State assessments that
6 are required of other schools and pursuant to
7 any other assessments mutually agreeable to
8 the authorized public chartering agency and the
9 charter school; and

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

12 (2) by redesignating paragraphs (2) through
13 (4) as paragraphs (4) through (6), respectively;

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

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

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

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

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

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

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

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

14 “(6) HIGH-QUALITY CHARTER SCHOOL.—The
15 term ‘high-quality charter school’ means a charter
16 school that—

17 “(A) shows evidence of strong academic re-
18 sults, which may include strong academic
19 growth as determined by a State;

20 “(B) has no significant issues in the areas
21 of student safety, operational and financial
22 management, or statutory or regulatory compli-
23 ance;

24 “(C) has demonstrated success in signifi-
25 cantly increasing student academic achieve-

1 ment, including graduation rates where applica-
2 ble, consistent with the requirements under title
3 I, for all students served by the charter school;
4 and

5 “(D) has demonstrated success in increas-
6 ing student academic achievement, including
7 graduation rates where applicable, for the
8 groups of students described in section
9 1111(b)(2)(C)(v)(II), except that such dem-
10 onstration is not required in a case in which the
11 number of students in a group is insufficient to
12 yield statistically reliable information or the re-
13 sults would reveal personally identifiable infor-
14 mation about an individual student.

15 “(7) REPLICATED, HIGH-QUALITY CHARTER
16 SCHOOL MODEL.—The term ‘replicated, high-quality
17 charter school model’ means a high-quality charter
18 school that has opened a new campus under an ex-
19 isting charter or an additional charter if required by
20 State law.”.

21 **SEC. 10. AUTHORIZATION OF APPROPRIATIONS.**

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

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

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

5 **SEC. 11. CONFORMING AMENDMENTS.**

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

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

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

“SUBPART 1—CHARTER SCHOOL PROGRAM”;

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

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

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

“Sec. 5204. Facilities Financing Assistance.”; and

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

