

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. This Act may be referred to as the Charter
5 School Closure Financial Accountability Law.

6 Section 5. Findings. The General Assembly finds and
7 declares all of the following:

8 (1) Public funds and public property provided to
9 charter schools must be protected and used for students'
10 education.

11 (2) Charter schools in this State may close during a
12 school year, and when they do there is a risk that
13 students, employees, and public assets will suffer harm
14 while the charter operator faces no meaningful financial
15 accountability.

16 (3) Current law and administrative guidance address
17 closure procedures but do not uniformly require a
18 prefunded financial mechanism sufficient to cover
19 transition costs, severance, and the return of publicly
20 funded property.

21 (4) It is, therefore, necessary to require charter
22 operators to maintain closure reserves, require return of
23 public assets purchased with public funds, provide

1 remedies to recover costs incurred by authorizers and
2 students' home districts, and impose penalties for
3 mid-year abandonment that is negligent or in bad faith.

4 Section 10. The School Code is amended by changing
5 Sections 27A-3 and 27A-9 and by adding Sections 27A-9.5,
6 27A-10.15, and 27A-10.20 as follows:

7 (105 ILCS 5/27A-3)

8 Sec. 27A-3. Definitions. For purposes of this Article:

9 "At-risk pupil" means a pupil who, because of physical,
10 emotional, socioeconomic, or cultural factors, is less likely
11 to succeed in a conventional educational environment.

12 "Authorizer" means an entity authorized under this Article
13 to review applications, decide whether to approve or reject
14 applications, enter into charter contracts with applicants,
15 oversee charter schools, and decide whether to renew, not
16 renew, or revoke a charter.

17 "Charter operator" means the entity that has entered into
18 a charter agreement with an authorizer under this Article and
19 is legally responsible for the operation of the charter
20 school.

21 "Charter school" means a school established under this
22 Article and operated under an agreement between an authorizer
23 and a charter operator.

24 "Closure event" means any termination, revocation,

1 nonrenewal, or voluntary cessation of operations of a charter
2 school resulting in the charter school's permanent cessation
3 of instruction to enrolled pupils that occurs during the
4 school year.

5 "Closure security" means a financial instrument listed
6 under subsection (a) of Section 27A-10.15.

7 "District signed-agreement requirements" means any
8 standard provisions that are required in any agreement entered
9 into by an authorizer.

10 "Financial distress" means one or more of the following
11 conditions, as determined by an authorizer based on documented
12 evidence:

13 (1) failure to timely meet payroll, benefits, or other
14 operating obligations;

15 (2) material audit findings indicating insolvency,
16 negative cash flow, or substantial doubt as to a charter
17 school's ability to continue as a going concern;

18 (3) default or imminent default on debt or lease
19 obligations;

20 (4) failure to maintain required closure security or
21 other financial reserves required under this Article;

22 (5) evidence of misuse or misappropriation of public
23 funds; or

24 (6) any financial condition that poses an imminent
25 risk to the continued operation of a charter school or to
26 the orderly transition of enrolled pupils.

1 "Financial intervention" means a temporary, limited
2 assumption of financial oversight authority by an authorizer
3 for the purpose of stabilizing a charter school and protecting
4 students, employees, and public assets.

5 "Good faith" means the duty to cooperate with an opposing
6 party fairly in reaching an agreement.

7 "Local school board" means the duly elected or appointed
8 school board or board of education of a public school
9 district, including special charter districts and school
10 districts located in cities having a population of more than
11 500,000, organized under the laws of this State.

12 "Public assets" means equipment, furniture, books,
13 instructional technology, real estate, or any other real or
14 personal property purchased or leased with public funds or
15 purchased with funds subject to public oversight.

16 "State Board" means the State Board of Education.

17 "Union neutrality clause" means a provision whereby a
18 charter school agrees: (1) to be neutral regarding the
19 unionization of any of its employees, such that the charter
20 school will not at any time express a position on the matter of
21 whether its employees will be unionized and such that the
22 charter school will not threaten, intimidate, discriminate
23 against, retaliate against, or take any adverse action against
24 any employees based on their decision to support or oppose
25 union representation; (2) to provide any bona fide labor
26 organization access at reasonable times to areas in which the

1 charter school's employees work for the purpose of meeting
2 with employees to discuss their right to representation,
3 employment rights under the law, and terms and conditions of
4 employment; and (3) that union recognition shall be through a
5 majority card check verified by a neutral third-party
6 arbitrator mutually selected by the charter school and the
7 bona fide labor organization through alternate striking from a
8 panel of arbitrators provided by the Federal Mediation and
9 Conciliation Service. As used in this definition, "bona fide
10 labor organization" means a labor organization recognized
11 under the National Labor Relations Act or the Illinois
12 Educational Labor Relations Act. As used in this definition,
13 "employees" means non-represented, non-management, and
14 non-confidential employees of a charter school.

15 (Source: P.A. 103-175, eff. 6-30-23; 103-416, eff. 8-4-23;
16 103-605, eff. 7-1-24.)

17 (105 ILCS 5/27A-9)

18 Sec. 27A-9. Term of charter; renewal.

19 (a) An initial charter shall be granted for a period of 5
20 school years. A charter may be renewed in incremental periods
21 not to exceed 10 school years. Authorizers shall ensure that
22 every charter granted on or after January 1, 2017 includes
23 standards and goals for academic, organizational, and
24 financial performance. A charter must meet all standards and
25 goals for academic, organizational, and financial performance

1 set forth by the authorizer in order to be renewed for a term
2 in excess of 5 years but not more than 10 years. If an
3 authorizer fails to establish standards and goals, a charter
4 shall not be renewed for a term in excess of 5 years. Nothing
5 contained in this Section shall require an authorizer to grant
6 a full 10-year renewal term to any particular charter school,
7 but an authorizer may award a full 10-year renewal term to
8 charter schools that have a demonstrated track record of
9 improving student performance.

10 (b) A charter school renewal proposal submitted to the
11 local school board or the State Board, as the chartering
12 entity, shall contain:

13 (1) a report on the progress of the charter school in
14 achieving the goals, objectives, pupil performance
15 standards, content standards, and other terms of the
16 initial approved charter proposal; and

17 (2) a financial statement that discloses the costs of
18 administration, instruction, and other spending categories
19 for the charter school that is understandable to the
20 general public and that will allow comparison of those
21 costs to other schools or other comparable organizations,
22 in a format required by the State Board.

23 (c) A charter may be revoked or not renewed if the local
24 school board or the State Board, as the chartering entity,
25 clearly demonstrates that the charter school did any of the
26 following, or otherwise failed to comply with the requirements

1 of this law:

2 (1) Committed a material violation of any of the
3 conditions, standards, or procedures set forth in the
4 charter.

5 (2) Failed to meet or make reasonable progress toward
6 achievement of the content standards or pupil performance
7 standards identified in the charter.

8 (3) Failed to meet generally accepted standards of
9 fiscal management.

10 (4) Violated any provision of law from which the
11 charter school was not exempted.

12 (5) Failed to execute a charter contract after good
13 faith negotiations in accordance with Section 27A-9.5.

14 In the case of revocation, the local school board or the
15 State Board, as the chartering entity, shall notify the
16 charter school in writing of the reason why the charter is
17 subject to revocation. The charter school shall submit a
18 written plan to the local school board or the State Board,
19 whichever is applicable, to rectify the problem. The plan
20 shall include a timeline for implementation, which shall not
21 exceed 2 years or the date of the charter's expiration,
22 whichever is earlier. If the local school board or the State
23 Board, as the chartering entity, finds that the charter school
24 has failed to implement the plan of remediation and adhere to
25 the timeline, then the chartering entity shall revoke the
26 charter. Except in situations of an emergency where the

1 health, safety, or education of the charter school's students
2 is at risk, the revocation shall take place at the end of a
3 school year. Nothing in this Section shall be construed to
4 prohibit an implementation timetable that is less than 2 years
5 in duration. No local school board may arbitrarily or
6 capriciously revoke or not renew a charter. Except for
7 extenuating circumstances outlined in this Section, if a local
8 school board revokes or does not renew a charter, it must
9 ensure that all students currently enrolled in the charter
10 school are placed in schools that are higher performing than
11 that charter school, as defined in the State's federal Every
12 Student Succeeds Act accountability plan. In determining
13 whether extenuating circumstances exist, a local school board
14 must detail, by clear and convincing evidence, that factors
15 unrelated to the charter school's accountability designation
16 outweigh the charter school's academic performance.

17 (d) (Blank).

18 (e) Notice of a local school board's decision to deny,
19 revoke, or not renew a charter shall be provided to the State
20 Board.

21 The State Board may reverse a local board's decision to
22 revoke or not renew a charter if the State Board finds that the
23 charter school or charter school proposal (i) is in compliance
24 with this Article and (ii) is in the best interests of the
25 students it is designed to serve. The State Board may
26 condition the granting of an appeal on the acceptance by the

1 charter school of funding in an amount less than that
2 requested in the proposal submitted to the local school board.
3 The State Board must appoint and utilize a hearing officer for
4 any appeals conducted under this subsection. Final decisions
5 of the State Board are subject to judicial review under the
6 Administrative Review Law.

7 (f) Notwithstanding other provisions of this Article, if
8 the State Board on appeal reverses a local board's decision or
9 if a charter school is approved by referendum, the State Board
10 shall act as the authorized chartering entity for the charter
11 school and shall perform all functions under this Article
12 otherwise performed by the local school board. The State Board
13 shall report the aggregate number of charter school pupils
14 resident in a school district to that district and shall
15 notify the district of the amount of funding to be paid by the
16 State Board to the charter school enrolling such students. The
17 charter school shall maintain accurate records of daily
18 attendance and student enrollment and shall enter data on the
19 students served, their characteristics, their particular
20 needs, the programs in which they participate, and their
21 academic achievement into the statewide student information
22 system established by the State Board. The State Board shall
23 withhold from funds otherwise due the district the funds
24 authorized by this Article to be paid to the charter school and
25 shall pay such amounts to the charter school in quarterly
26 installments, calculated as follows:

1 (1) The amount of the first quarterly payment shall be
2 based on the projected number of students who will be
3 enrolled in the charter school in the upcoming school
4 year, multiplied by one-fourth of the resident district's
5 per capita tuition amount. Each charter school shall
6 submit its projected enrollment by no later than August 1
7 of each year on a form provided by the State Board for this
8 purpose.

9 (2) The amount of the second quarterly payment shall
10 be calculated such that the aggregate amount of the first
11 and second quarterly installments is equal to the number
12 of students reported as enrolled at the charter school on
13 October 1 in the State Board's student information system,
14 multiplied by one-half of the resident district's per
15 capita tuition amount.

16 (3) The amount of the third quarterly payment shall be
17 based on the number of students enrolled in the charter
18 school on January 1, multiplied by one-fourth of the
19 resident district's per capita tuition amount. Each
20 charter school shall submit its January 1 enrollment by no
21 later than January 5 of each year on a form provided by the
22 State Board for this purpose.

23 (4) The amount of the fourth quarterly payment shall
24 be calculated such that the aggregate amount of the third
25 and fourth installments is equal to the number of students
26 reported as enrolled at the charter school on March 1 in

1 the State Board's student information system, multiplied
2 by one-half of the resident district's per capita tuition
3 amount.

4 (g) (Blank).

5 (h) The State Board shall pay directly to a charter school
6 it authorizes any federal or State funding attributable to a
7 student with a disability attending the school.

8 (Source: P.A. 103-175, eff. 6-30-23.)

9 (105 ILCS 5/27A-9.5 new)

10 Sec. 27A-9.5. Charter renewal; timely execution; funding
11 consequences.

12 (a) This Section applies to all charter renewals approved
13 on or after the effective date of this amendatory Act of the
14 104th General Assembly.

15 (b) For an initial agreement, no public funds may be
16 disbursed to a charter operator unless and until a charter
17 agreement has been fully executed by both the charter operator
18 and the authorizer.

19 After the initial agreement, the charter operator and the
20 authorizer shall negotiate the terms of the charter renewal
21 agreement within 90 days after the authorizer's passage of a
22 renewal resolution consistent with applicable State law and
23 district policy. In no circumstance may the charter operator
24 operate under an expired agreement at the start of a school
25 year that begins more than 90 days after the authorizer's

1 passage of the renewal resolution. No public funds may be
2 distributed after 90 days until an agreement is reached.

3 A charter operator's refusal to execute or negotiate, in
4 good faith, a charter renewal agreement that incorporates the
5 requirements of State law or district signed-agreement
6 requirements constitutes grounds for nonrenewal.

7 (105 ILCS 5/27A-10.15 new)

8 Sec. 27A-10.15. Closure financial accountability.

9 (a) Every charter operator shall maintain, while its
10 charter is in effect, one or more of the following financial
11 instruments to secure closure obligations:

12 (1) an escrow account held in a financial institution
13 in this State in the name of the charter school, funded in
14 cash;

15 (2) a surety bond or irrevocable letter of credit
16 issued by a financial institution authorized to do
17 business in this State; or

18 (3) a segregated reserve fund reflected on the charter
19 school's audited financial statements and held in a manner
20 acceptable to the authorizer.

21 A charter operator in operation on the effective date of
22 this amendatory Act of the 104th General Assembly must comply
23 with this Section within 2 fiscal years after the effective
24 date of this amendatory Act of the 104th General Assembly.

25 (b) The closure security under subsection (a) for a

1 charter school in operation for at least one fiscal year must
2 equal 3 months of the charter school's average operating
3 expenditures based on its last audited fiscal year. If the
4 closure security is below the required amount, the authorizer
5 may require a remediation plan to reach compliance within 2
6 fiscal years. Failure to timely comply is grounds for
7 suspension of enrollment growth and may be considered in a
8 charter renewal determination.

9 For a charter operator in operation for less than one
10 fiscal year, the closure security must equal 3 months of the
11 charter school's projected annual budget, as approved by the
12 charter's authorizer. The closure security for such a charter
13 operator must be established and funded to at least 50% of the
14 required amount, based on the charter operator's projected
15 budget, at the time the charter is granted or, for a charter
16 granted before the effective date of this amendatory Act of
17 the 104th General Assembly, within 30 days after the effective
18 date of this amendatory Act of the 104th General Assembly and
19 must reach the full required amount by the end of the charter's
20 second full fiscal year.

21 (c) Closure security shall be used, in priority order, to
22 pay:

23 (1) the direct costs of transitioning students, such
24 as transportation, records transfer, and student placement
25 assistance, incurred by the authorizer or receiving school
26 district;

1 (2) any outstanding payroll for employees for time
2 worked through the closure date, including legally
3 required benefits, and severance if contractually required
4 under the charter operator's collective bargaining
5 agreements or employment contracts;

6 (3) any costs reasonably incurred for the storage or
7 transfer of student records and special education
8 documents required to ensure continuity of services;

9 (4) any costs to return public assets to the
10 authorizer or otherwise account for disposition of public
11 assets purchased with public funds;

12 (5) any reasonable administrative costs incurred by
13 the authorizer or the State Board to supervise and execute
14 the closure and student transition; and

15 (6) any costs related to emergency expenditures not
16 created by the negligence or mismanagement of the charter
17 operator and agreed to by the authorizer.

18 Closure security may not be used to pay any preexisting,
19 unrelated debt of the charter operator that is not connected
20 to the operating obligations to students, employees, or public
21 property, except as permitted under this subsection.

22 Any remaining closure security funds after satisfaction of
23 the obligations described in this subsection shall be returned
24 to the authorizer and shall remain public funds in accordance
25 with State and federal law.

26 (d) A charter operator must provide the authorizer and the

1 State Board written notice of the charter operator's intent to
2 close a charter school no fewer than 90 days before the planned
3 closure and must provide immediate notice upon any involuntary
4 closure action, insolvency event, or cessation of operations.

5 Within 30 days after a closure event, the authorizer shall
6 publish a closure action statement that lists amounts from the
7 closure security disbursed and the uses.

8 (e) Failure to maintain closure security as required under
9 this Section is a basis for:

10 (1) the authorizer to withhold a portion of per-pupil
11 payments until compliance is achieved; and

12 (2) consideration in denying a charter renewal or
13 revoking the charter or ineligibility to operate
14 additional charter campuses.

15 For purposes of this Section, the State Board may act in
16 its regulatory oversight capacity for all authorizers and in
17 its capacity as an authorizer for charter schools it directly
18 authorizes under this Article.

19 If the closure security is insufficient to cover the costs
20 of a closure event as set forth in subsection (c), the
21 authorizer or the State Board may:

22 (1) bring a civil action against the charter operator
23 to recover the unpaid amounts; and

24 (2) seek to impose a lien on any property owned by the
25 charter operator that is located in this State to secure
26 recovery.

1 In cases in which a closure results from gross negligence,
2 willful misconduct, or intentional misappropriation of public
3 funds by the charter operator or its officers or directors,
4 the authorizer or State Board may seek recovery from
5 individual officers, directors, or persons who knowingly
6 caused the gross negligence, willful misconduct, or
7 intentional misappropriation, including civil penalties not to
8 exceed \$50,000 per violation and reasonable attorney's fees.

9 (f) Upon closure, any public assets purchased with public
10 funds shall be returned to the authorizer or otherwise
11 disposed of in accordance with applicable State and federal
12 law governing property acquired with public funds. Proceeds
13 from any sale of such assets shall be applied first to
14 outstanding obligations to students and employees, and then to
15 the reimbursement of public funds.

16 (g) The State Board shall adopt rules to implement this
17 Section within one year after the effective date of this
18 amendatory Act of the 104th General Assembly, including
19 acceptable forms of closure security, procedures for claims on
20 closure security, and documentation standards for authorizers
21 to approve closure security.

22 (105 ILCS 5/27A-10.20 new)

23 Sec. 27A-10.20. Financial distress; charter school
24 financial intervention.

25 (a) If an authorizer determines that a charter school is

1 in financial distress, the authorizer may require the charter
2 operator to submit a financial remediation plan for approval
3 within 30 days after that determination. The remediation plan
4 shall include, at a minimum:

5 (1) current cash-flow projections;

6 (2) corrective actions to address identified
7 deficiencies;

8 (3) a timeline for achieving fiscal stability; and

9 (4) enhanced financial-reporting requirements as
10 specified by the authorizer.

11 Failure to timely submit a remediation plan or implement
12 an approved remediation plan constitutes grounds for financial
13 intervention under subsection (b).

14 (b) If the authorizer determines that (i) the charter
15 school has failed to implement an approved remediation plan or
16 (ii) the financial distress presents an immediate risk to
17 students, employees, or public funds, the authorizer may
18 initiate financial intervention.

19 (c) The authorizer may exercise authority, limited to
20 financial matters, over the charter school, including:

21 (1) approval and oversight of expenditures and
22 disbursements;

23 (2) oversight of payroll, benefits, and required
24 employee payments;

25 (3) reviewing, modifying, or terminating any vendor
26 contracts necessary to ensure fiscal stability;

1 (4) protection, inventory, and preservation of public
2 assets; and

3 (5) ensuring compliance with financial reporting and
4 audit requirements.

5 (d) Financial intervention under this Section is temporary
6 and may not exceed 180 days, except that the authorizer may
7 extend the intervention once for good cause. The intervention
8 shall terminate upon a determination by the authorizer that
9 fiscal stability has been restored or upon charter revocation,
10 surrender, nonrenewal, or closure.

11 (e) Prior to initiating financial intervention, the
12 authorizer shall provide written notice to the charter
13 operator describing the basis for the intervention and provide
14 an opportunity to respond, except in cases in which immediate
15 action is required to protect students or public funds.

16 (f) An authorizer's exercise of authority under this
17 Section:

18 (1) does not constitute operation or management of the
19 charter school;

20 (2) does not create financial or legal liability for
21 the authorizer or its members; and

22 (3) shall be deemed an oversight and regulatory
23 function for purposes of immunity under Section 27A-7.10.

24 (g) Financial intervention under this Section does not
25 preclude charter revocation, nonrenewal, or closure and may be
26 used to stabilize operations pending an orderly closure

1 pursuant to this Article, consistent with paragraph (2) of
2 subsection (c) of Section 27A-9.

3 Section 97. Severability. The provisions of this Act are
4 severable under Section 1.31 of the Statute on Statutes.

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.