



Sen. Celina Villanueva

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1 AMENDMENT TO SENATE BILL 3391

2 AMENDMENT NO. _____. Amend Senate Bill 3391 by replacing
3 everything after the enacting clause with the following:

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

1 closure procedures but do not uniformly require a
2 prefunded financial mechanism sufficient to cover
3 transition costs, severance, and the return of publicly
4 funded property.

5 (4) It is, therefore, necessary to require charter
6 operators to maintain closure reserves, require return of
7 public assets purchased with public funds, provide
8 remedies to recover costs incurred by authorizers and
9 students' home districts, and impose penalties for
10 mid-year abandonment that is negligent or in bad faith.

11 Section 10. The School Code is amended by changing Section
12 27A-3 and by adding Sections 27A-9.5, 27A-10.15, and 27A-10.20
13 as follows:

14 (105 ILCS 5/27A-3)

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

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

19 "Authorizer" means an entity authorized under this Article
20 to review applications, decide whether to approve or reject
21 applications, enter into charter contracts with applicants,
22 oversee charter schools, and decide whether to renew, not
23 renew, or revoke a charter.

24 "Charter holder" means the entity that has entered into a

1 charter agreement with an authorizer under this Article and is
2 legally responsible for the operation of the charter school,
3 including any subcontracted educational management
4 organization.

5 "Charter school" means a school operated under an
6 agreement between an authorizer and a charter holder.

7 "Closure event" means any termination, revocation,
8 nonrenewal, or voluntary cessation of operations of a charter
9 school resulting in the charter school's permanent cessation
10 of instruction to enrolled pupils that occurs during the
11 school year.

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

14 "District policy" means any policy provisions that are
15 required in an agreement entered into by an authorizer.

16 "Financial distress" means one or more of the following
17 conditions, as determined by an authorizer based on documented
18 evidence:

19 (1) failure to timely meet payroll, benefits, or other
20 operating obligations;

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

24 (3) default or imminent default on debt or lease
25 obligations;

26 (4) failure to maintain required closure security or

1 other financial reserves required under this Article;

2 (5) evidence of misuse or misappropriation of public
3 funds; or

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

7 "Financial intervention" means a temporary, limited
8 assumption of financial oversight authority by an authorizer
9 for the purpose of stabilizing a charter school and protecting
10 students, employees, and public assets.

11 "Local school board" means the duly elected or appointed
12 school board or board of education of a public school
13 district, including special charter districts and school
14 districts located in cities having a population of more than
15 500,000, organized under the laws of this State.

16 "Public assets" means equipment, furniture, books,
17 instructional technology, real estate, or any other real or
18 personal property purchased or leased with public funds or
19 purchased with funds subject to public oversight.

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

21 "Union neutrality clause" means a provision whereby a
22 charter school agrees: (1) to be neutral regarding the
23 unionization of any of its employees, such that the charter
24 school will not at any time express a position on the matter of
25 whether its employees will be unionized and such that the
26 charter school will not threaten, intimidate, discriminate

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

19 (Source: P.A. 103-175, eff. 6-30-23; 103-416, eff. 8-4-23;
20 103-605, eff. 7-1-24.)

21 (105 ILCS 5/27A-9.5 new)

22 Sec. 27A-9.5. Charter renewal; timely execution; funding
23 consequences.

24 (a) This Section applies to all charter renewals approved
25 on or after the effective date of this amendatory Act of the

1 104th General Assembly.

2 (b) For an initial agreement, no public funds may be
3 disbursed to a charter holder unless and until a charter
4 agreement has been fully executed by both the charter holder
5 and the authorizer.

6 After the initial agreement, the charter holder and the
7 authorizer shall negotiate the terms of the charter renewal
8 agreement within 90 days after the authorizer's passage of a
9 renewal resolution consistent with applicable State law and
10 district policy. In no circumstance may the charter holder
11 operate under an expired agreement at the start of a school
12 year that begins more than 90 days after the authorizer's
13 passage of the renewal resolution. No public funds may be
14 distributed after 90 days until an agreement is reached.

15 A charter operator's refusal to execute a charter renewal
16 agreement that incorporates requirements of State law or duly
17 adopted district policy constitutes grounds for nonrenewal or
18 revocation.

19 (105 ILCS 5/27A-10.15 new)

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

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

24 (1) an escrow account held in a financial institution
25 in this State in the name of the charter school, funded in

1 cash;

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

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

8 A charter holder in operation on the effective date of
9 this amendatory Act of the 104th General Assembly must comply
10 with this Section within 2 fiscal years after the effective
11 date of this amendatory Act of the 104th General Assembly.

12 (b) The closure security under subsection (a) for a
13 charter school in operation for at least one fiscal year must
14 equal 3 months of the charter school's average operating
15 expenditures based on its last audited fiscal year. If the
16 closure security is below the required amount, the authorizer
17 shall require a remediation plan to reach compliance within 2
18 fiscal years. Failure to timely comply is grounds for
19 suspension of enrollment growth and may be considered in a
20 charter renewal determination.

21 For a charter holder in operation for less than one fiscal
22 year, the closure security must equal 3 months of the charter
23 school's projected annual budget, as approved by the charter's
24 authorizer. The closure security for such a charter holder
25 must be established and funded to at least 50% of the required
26 amount, based on the charter holder's projected budget, at the

1 time the charter is granted or, for a charter granted before
2 the effective date of this amendatory Act of the 104th General
3 Assembly, within 30 days after the effective date of this
4 amendatory Act of the 104th General Assembly and must reach
5 the full required amount by the end of the charter's second
6 full fiscal year.

7 (c) Closure security shall be used, in priority order, to
8 pay:

9 (1) the direct costs of transitioning students, such
10 as transportation, records transfer, and student placement
11 assistance, incurred by the authorizer or receiving school
12 district;

13 (2) any outstanding payroll for employees for time
14 worked through the closure date, including legally
15 required benefits, and severance if contractually required
16 under the charter holder's collective bargaining
17 agreements or employment contracts;

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

21 (4) any costs to return public assets to the
22 authorizer or otherwise account for disposition of public
23 assets purchased with public funds;

24 (5) any reasonable administrative costs incurred by
25 the authorizer or the State Board to supervise and execute
26 the closure and student transition; and

1 (6) any costs related to emergency expenditures not
2 created by the negligence or mismanagement of the charter
3 holder and agreed to by the authorizer.

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

8 Any remaining closure security funds after satisfaction of
9 the obligations described in this subsection shall be returned
10 to the authorizer and shall remain public funds in accordance
11 with State and federal law.

12 (d) A charter operator must provide the authorizer and the
13 State Board written notice of the charter operator's intent to
14 close a charter school no fewer than 90 days before the planned
15 closure and must provide immediate notice upon any involuntary
16 closure action, insolvency event, or cessation of operations.

17 Within 30 days after a closure event, the authorizer shall
18 publish a closure action statement that lists amounts from the
19 closure security disbursed and the uses.

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

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

24 (2) consideration in denying a charter renewal or
25 revoking the charter or ineligibility to operate
26 additional charter campuses.

1 For purposes of this Section, the State Board may act in
2 its regulatory oversight capacity for all authorizers and in
3 its capacity as an authorizer for charter schools it directly
4 authorizes under this Article.

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

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

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

13 In cases in which a closure results from gross negligence,
14 willful misconduct, or intentional misappropriation of public
15 funds by the charter operator or its officers or directors,
16 the authorizer or State Board may seek recovery from
17 individual officers, directors, or persons who knowingly
18 caused the gross negligence, willful misconduct, or
19 intentional misappropriation, including civil penalties not to
20 exceed \$50,000 per violation and reasonable attorney's fees.

21 (f) Upon closure, any public assets purchased with public
22 funds shall be returned to the authorizer or otherwise
23 disposed of in accordance with applicable State and federal
24 law governing property acquired with public funds. Proceeds
25 from any sale of such assets shall be applied first to
26 outstanding obligations to students and employees, and then to

1 the reimbursement of public funds.

2 (g) The State Board shall adopt rules to implement this
3 Section within one year after the effective date of this
4 amendatory Act of the 104th General Assembly, including
5 acceptable forms of closure security, procedures for claims on
6 closure security, and documentation standards for authorizers
7 to approve closure security.

8 (105 ILCS 5/27A-10.20 new)

9 Sec. 27A-10.20. Financial distress; charter school
10 financial intervention.

11 (a) If an authorizer determines that a charter school is
12 in financial distress, the authorizer may require the charter
13 operator to submit a financial remediation plan for approval
14 within 30 days after that determination. The remediation plan
15 shall include, at a minimum:

16 (1) current cash-flow projections;

17 (2) corrective actions to address identified
18 deficiencies;

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

20 (4) enhanced financial-reporting requirements as
21 specified by the authorizer.

22 Failure to timely submit a remediation plan or implement
23 an approved remediation plan constitutes grounds for financial
24 intervention under subsection (b).

25 (b) If the authorizer determines that (i) the charter

1 school has failed to implement an approved remediation plan or
2 (2) the financial distress presents an immediate risk to
3 students, employees, or public funds, the authorizer may
4 initiate financial intervention by appointing an independent
5 fiscal manager approved by the authorizer.

6 (c) The fiscal manager may exercise authority, limited to
7 financial matters, over the charter school, including:

8 (1) approval and oversight of expenditures and
9 disbursements;

10 (2) oversight of payroll, benefits, and required
11 employee payments;

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

14 (4) protection, inventory, and preservation of public
15 assets; and

16 (5) ensuring compliance with financial reporting and
17 audit requirements.

18 The fiscal manager may not exercise authority over
19 curriculum, instruction, educational programming, or personnel
20 matters unrelated to financial administration.

21 (d) Financial intervention under this Section is temporary
22 and may not exceed 180 days, except that the authorizer may
23 extend the intervention once for good cause. The intervention
24 shall terminate upon a determination by the authorizer that
25 fiscal stability has been restored or upon charter revocation,
26 surrender, nonrenewal, or closure.

1 (e) Prior to initiating financial intervention, the
2 authorizer shall provide written notice to the charter
3 operator describing the basis for the intervention and provide
4 an opportunity to respond, except in cases in which immediate
5 action is required to protect students or public funds.

6 (f) An authorizer's exercise of authority under this
7 Section:

8 (1) does not constitute operation or management of the
9 charter school;

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

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

14 (g) Financial intervention under this Section does not
15 preclude charter revocation, nonrenewal, or closure and may be
16 used to stabilize operations pending an orderly closure
17 pursuant to this Article.

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

20 Section 99. Effective date. This Act takes effect upon
21 becoming law.".