

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019**

**SENATE BILL 522
RATIFIED BILL**

AN ACT TO ALIGN THE SELECTION OF INNOVATIVE SCHOOLS WITH THOSE IDENTIFIED BY THE STATE BOARD OF EDUCATION FOR COMPREHENSIVE SUPPORT AND IMPROVEMENT, TO EXPAND OPTIONS FOR THE INNOVATIVE SCHOOL DISTRICT, TO REQUIRE LOCAL BOARDS OF EDUCATION TO INFORM BOARDS OF COUNTY COMMISSIONERS OF ACADEMIC PROGRESS, TO REQUIRE FURTHER STUDY OF REFORMS FOR ASSISTANCE TO LOW-PERFORMING SCHOOLS, TO ELIMINATE THE CAP ON LOCAL BOARDS OF EDUCATION THAT CAN PARTICIPATE IN THE ADVANCED TEACHING ROLES PILOT PROGRAM, AND TO EXEMPT ADVANCED TEACHING ROLES SCHOOLS FROM CLASS SIZE REQUIREMENTS.

The General Assembly of North Carolina enacts:

PART I. INNOVATIVE SCHOOL DISTRICT

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

"Article 7A.

"North Carolina Innovative School District and Innovation Zones.

"§ 115C-75.5. Definitions.

The following definitions apply in this Article:

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



* S 5 2 2 - V - 7 *

3. ~~One of the models established in G.S. 115C-105.37B for continually low performing schools had not been adopted for that school for the immediately prior school year.~~
- b. ~~The school received a school performance score in the lowest ten percent (10%) of all schools that include all or part of grades kindergarten through fifth in the prior school year and has been designated by the local board of education for consideration by the State Board of Education as an innovative school.~~ A school with a school performance score in the lowest-performing five percent (5%) of all schools meeting the following criteria:
 - a. Receives funds under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended.
 - b. Is governed by a local board of education subject to this Article.
 - c. Is not one of the following types of schools:
 1. An alternative school.
 2. A cooperative innovative high school.
 3. A school that was in its first or second year of operation in the previous school year.
 4. A newcomers school. For the purposes of this subdivision, a newcomers school is a school in which at least ninety percent (90%) of its students are enrolled for no more than one year on the basis of their status as recently arrived English language learners.

...

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

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

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

- (1) Qualifying list. – In the first school year in which a school has been identified as a qualifying school based on data from the previous school year, the school shall be placed on the ISD qualifying list. By November 15, the ISD Superintendent shall notify the superintendent and local board of education of that school's status and provide that school's performance data, considerations for improvement, and any additional information deemed necessary by the

ISD Superintendent. The local board of education shall notify parents of students enrolled in the qualifying school by electronic mail or the parents' preferred method of written communication of (i) the school's status, (ii) potential impacts of the designation, including becoming an innovative school, (iii) plans for improvement of the school, and (iv) any additional information deemed necessary by the local board of education.

(2) Watch list. – If a school that was on the qualifying list in the prior school year remains a qualifying school in the next school year, the school shall be placed on the ISD watch list. By November 15, the ISD Superintendent shall notify the superintendent and local board of education of that school's status and provide that school's performance data, considerations for improvement, and any additional information deemed necessary by the ISD Superintendent. The local board of education shall notify parents of students enrolled in the qualifying school by electronic mail or the parents' preferred method of written communication of (i) the school's status, (ii) potential impacts of the designation, including becoming an innovative school, (iii) plans for improvement of the school, and (iv) any additional information deemed necessary by the local board of education.

(3) Warning list. – If a school that was on the watch list in the prior school year remains a qualifying school in the next school year, the school shall be placed on the ISD warning list. A school shall remain on the ISD warning list until it is either (i) no longer a qualifying school or (ii) is transferred to the ISD. By November 15, the ISD Superintendent shall notify the superintendent and local board of education of that school's status and provide that school's performance data, considerations for improvement, and any additional information deemed necessary by the ISD Superintendent. The local board of education shall do the following:

a. For any qualifying school that is in its first year on the warning list, the local board of education shall hold a public hearing with a minimum of 10 days' notice that meets the following requirements:

1. The local board of education shall provide direct notice of the public hearing to parents of students, employees assigned to that school, and the ISD Superintendent.

2. At the public hearing, the local board of education shall share potential impacts of the designation, including becoming an innovative school, plans for improvement of the school, and any additional information deemed necessary by the ISD Superintendent.

3. The ISD Superintendent shall be provided the opportunity to present at the public hearing, including information about (i) the ISD selection process, (ii) potential impacts of the designation as an innovative school, (iii) potential resources, strategies, and partners for comprehensive support and improvement that can assist in plans for improvement of the school, and (iv) any additional information deemed necessary by the ISD Superintendent.

b. For any qualifying school that was on the warning list during the previous school year, the local board of education shall notify parents of students enrolled in the qualifying school by electronic mail or the parents' preferred method of written communication of (i) the school's status, (ii) potential impacts of the designation, including becoming an

innovative school, (iii) plans for improvement of the school, and (iv) any additional information deemed necessary by the local board of education.

- c. Present information at a regularly scheduled public meeting of the board of commissioners of the county in which the local school administrative unit is located on the school's performance while on an ISD list and efforts by the local board of education to improve the school's performance. The board of commissioners shall provide an opportunity for the presentation and shall notify the board of education of the public meeting at which the presentation shall occur. The local board of education shall provide notice of the date and time of the public meeting at which the presentation will occur to the ISD Superintendent 10 days prior to the meeting and provide the opportunity to the Superintendent to present as part of the presentation at the public meeting.

(b1) Support Process. – The State Board of Education shall ensure that qualifying schools identified for any ISD list are engaged in strategies in compliance with federal and State law for comprehensive support and improvement. The State Board of Education may establish criteria for the selection of independent turnaround school consultants in a pay-for-performance model to provide direct support for qualifying schools. The ISD Superintendent shall monitor those schools and assist local boards of education in identifying funding, strategies, and partners for comprehensive support and improvement efforts.

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

~~(c) Local Board Response. — Upon notification by the ISD Superintendent of selection by the State Board of Education of the qualifying school as a prospective innovative school, the local board of education shall determine whether to (i) close the selected qualifying school or (ii) transfer the school into the ISD. The local board shall not be required to undertake the study required by G.S. 115C-72 before closing the school. Before the adoption of a resolution, the local board of education shall provide for a public hearing in regard to the proposed transfer or closure, at which hearing the public shall be afforded an opportunity to express their views. No later than February 1, the local board of education shall adopt a resolution either (i) consenting to transfer of the selected qualifying school to the ISD as an innovative school or (ii) closing that school at the conclusion of that school year. The State Board of Education may delay the transfer of a selected school to the ISD for one year only upon the recommendation of the ISD Superintendent.~~
Selection Process. – A school shall be selected by the State Board as an innovative school beginning with the next school year if it meets the following criteria:

- (1) The school was on the ISD warning list in the previous school year.
- (2) The school remains a qualifying school in the current school year based on data from the previous school year.
- (3) The school is one of the lowest five schools that meet the criteria in both subdivision (1) and subdivision (2) of this subsection, as measured by school performance scores.

(c1) Voluntary Selection. – If fewer than five schools are selected pursuant to subsection (c) of this section in any given year, a local board of education, upon the recommendation of the ISD Superintendent, may request that the State Board of Education select a qualifying school

under the control of that local board as an innovative school, provided that no more than five schools are selected that year in total.

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

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

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

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

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

- (1) The entity has a record of results in improving performance of ~~persistently~~ low-performing schools or improving performance of a substantial number of ~~persistently~~ low-performing students within a school or schools operated by the entity in this State or other states.
- (2) The entity has a credible and specific plan for dramatically improving student achievement in a low-performing school and provides evidence that the entity, or a contractual affiliate of such an entity, is either currently operating a school or schools in this State that provide students a sound, basic education or demonstrating consistent and substantial growth toward providing students a sound, basic education in the prior three school years.

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

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

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

- (1) G.S. 115C-218.20 (Civil liability and insurance requirements).
- (2) G.S. 115C-218.25 (Open meetings and public records).
- (3) G.S. 115C-218.30 (Accountability; reporting requirements to State Board of Education).
- (4) G.S. 115C-218.50 (Charter school nonsectarian).

- (5) G.S. 115C-218.55 (Nondiscrimination in charter schools).
- (6) G.S. 115C-218.60 (Student discipline).
- (7) G.S. 115C-218.65 (North Carolina School Report Cards).
- (8) G.S. 115C-218.75 (General operating requirements).
- (9) G.S. 115C-218.85 (Course of study requirements).

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

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

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

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

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

- (1) In addition to the transfer of funds as provided in G.S. 115C-75.10, the local board of education shall be responsible for facility and capital expenditures at the qualifying school.
- (2) All IS operators and local boards of education shall enter into an occupancy agreement establishing the terms of occupancy for the IS operator not otherwise addressed in statute. If the parties are unable to reach agreement, either party may petition the State Board of Education to resolve any issues in dispute.
- (3) The IS operator shall have first priority in use of the facility for any purpose related to the operation of the innovative school. The local board of education may allow use of the facility by governmental, charitable, civic, or other organizations for activities within the community and may retain any funds received for such use for any time the IS operator has not provided written notice to the local board of its use of the facility during that time for a purpose related to the operation of the innovative school.

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

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

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

- (1) Facility and capital expenditures.
- (2) Transportation services.
- (3) Services for Children with Disabilities.

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

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

(h) Innovative School Employees. – The IS operator shall select and hire the school principal for an innovative ~~school~~ school in collaboration with the ISD Superintendent. Within the limits of the school budget, the IS operator or its designee shall select staff members in accordance with guidance from the ISD Superintendent. Before finalizing staffing recommendations, the IS operator and the ISD Superintendent or the Superintendent's designee shall interview all existing staff members at the qualifying school and review student growth and performance data for those staff members for whom it is available. Notwithstanding Article 21A of this Chapter, the IS operator and the ISD Superintendent shall be permitted to examine personnel files of existing staff members for the qualifying school. The IS operator shall have the authority to decide whether any administrator, teacher, or staff member previously assigned to a qualifying school selected to become an innovative school shall continue as an employee of the innovative school. Any such employees retained shall become employees of the ~~ISD~~. An ISD, unless the IS operator is another local board of education, in which case the employee may become an employee of that board of education with approval of the ISD Superintendent. Except as otherwise provided in this subsection, an employee hired to work in an innovative school shall be an employee of the ISD, and the employees shall be under the exclusive control of the ISD. All employees of the ISD shall be eligible for enrollment in the Teachers' and State Employees' Retirement System of North Carolina, the State Health Plan, and other benefits available to State employees. The IS operator shall provide funds to the ISD in an amount sufficient to provide salary and benefits for employees of the ISD working in the innovative school based on the terms of employment established by the IS operator. If a teacher at a qualifying school selected to become an innovative school has career status under G.S. 115C-325 prior to employment to teach at that innovative school, the teacher may return with career status to a public school in the local school administrative unit where the innovative school is located upon the end of employment at the innovative school, if an appropriate position is available. If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers in accordance with G.S. 115C-325(e)(2).

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

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

- (1) Continue the employee's employment with the local board of education.
- (2) Dismiss the employee due to a reduction in force as provided in Article 22 of this Chapter.
- (3) Dismiss the employee as otherwise provided in Article 22 of this Chapter.

(k) Liability Insurance. – The IS operator shall maintain reasonable amounts and types of liability insurance as established by the State Board of Education. No civil liability shall attach

to the State Board of Education, the Department of Public Instruction, the ISD Superintendent, or a local board of education or to any of their members or employees, individually or collectively, for any acts or omissions of the IS operator.

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

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

"§ 115C-75.10. Innovative schools funds.

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

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

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

- a. An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the innovative school was located for each child attending the innovative school except for the allocations for (i) children with disabilities, (ii) children with limited English proficiency, and (iii) transportation. The State Board of Education shall provide the allocation for transportation to the local school administrative unit in which the innovative school is located.
- b. An additional amount for each child attending the innovative school who is a child with disabilities.
- c. An additional amount for children with limited English proficiency attending the innovative school, based on a formula adopted by the State Board of Education.

(2) The local school administrative unit in which the innovative school is located shall transfer to the ISD for the innovative school an amount equal to the per pupil share of the local current expense fund of the local school administrative unit for the fiscal year. The per pupil share of the local current expense fund shall be transferred to the ISD for the innovative school within 30 days of the receipt of monies into the local current expense fund. The local school administrative unit and ISD may use the process for mediation of differences between the State Board of Education and a charter school provided in G.S. 115C-218.95(d) to resolve differences on calculation and transference of the per pupil share of the local current expense fund. The amount transferred under this subsection that consists of revenue derived from supplemental taxes shall be transferred only to an innovative school located in the tax district for which these taxes are levied and in which the student resides. The local school administrative unit shall also provide the ISD with all of the following information within the 30-day time period provided in this subsection:

- a. The total amount of monies the local school administrative unit has in each of the funds listed in G.S. 115C-426(c).
- b. The student membership numbers used to calculate the per pupil share of the local current expense fund.
- c. How the per pupil share of the local current expense fund was calculated.

- d. Any additional records requested by the ISD from the local school administrative unit in order for the ISD to audit and verify the calculation and transfer of the per pupil share of the local current expense fund.

(c) Funding Memorandum of Understanding. – The IS operator, in ~~consultation~~ collaboration with the ISD Superintendent, may enter into a funding memorandum of understanding with the local board of education of the local school administrative unit where the innovative school is located for all student support and operational services and instructional services to be provided by the local board of education in the same manner and degree as in the prior school year or funding in an amount equivalent to the amount the local board of education would have expended on those services if provided. For the purposes of this subsection, student support and operational services include cafeteria services, custodial services, broadband and utilities, and student information services, and instructional services include alternative education, special education services, test administration services, textbooks, technology, media resources, instructional equipment, and other resources. The IS operator and local board of education shall finalize the funding memorandum of understanding within 30 days of the initial request for the memorandum by the IS operator. If the parties have not completed the funding memorandum of understanding within 30 days, the State Board of Education shall resolve any issues in dispute.

(d) The ISD may seek, manage, and expend federal money and grants, State funding, municipal funding, and other funding with the same authority as a local school administrative unit, including decisions related to allocation of State funds among innovative schools, and shall be considered a local school administrative unit for all federal funding purposes.

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

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

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

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

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

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

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

- (1) Early termination of contract based on performance. – If, during the five-year contract, the innovative school's annual percentage growth does not exceed the average annual percentage growth of other qualifying schools for three consecutive years, the State Board of Education, upon the recommendation of the ISD Superintendent, may terminate the contract at the conclusion of the academic year and select another IS operator in accordance with

- G.S. 115C-75.8 to assume the remainder of the five-year contract and any occupancy agreements or memorandums of understanding with the local board of education at the beginning of the next academic year.
- (2) Nonrenewal of contract based on performance. – If, by the end of the five-year contract, the innovative school's average annual percentage growth during the term of the contract does not exceed the average annual percentage growth of other qualifying schools during the same term, the State Board of Education shall not renew the contract of the IS operator and develop a transition plan to return the school to the local school administrative unit.
 - (3) State Board of Education optional extension of contract for three years. – If, by the end of the five-year contract, the innovative school remains a qualifying school but has exceeded the average annual percentage growth of other qualifying schools and has shown growth over the term of the contract, the State Board of Education, upon the recommendation of the ISD Superintendent in his or her discretion, may continue the contract with the IS operator for an additional three-year term. The ISD Superintendent and IS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ISD at the conclusion of the three-year extension of the contract. If the State Board of Education does not elect to continue the contract, the State Board of Education may do any of the following:
 - a. Select another IS operator for a three-year contract.
 - b. Close the school as provided in subdivision (2) of this subsection.
 - c. Develop a transition plan to return the school to the local school administrative unit for the next school year.
 - (4) IS operator option to extend contract for three years. – If, by the end of the five-year contract, the innovative school receives a grade of C or higher under G.S. 115C-12(9)c1., the IS operator shall have the option to extend the contract for another three-year term. The ISD Superintendent and IS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ISD at the conclusion of the three-year extension of the contract. Options at the conclusion of the contract shall include the following:
 - a. Conversion to charter. – If, in the development of the transition plan, a local board of education indicates by resolution to the State Board of Education that the local board of education elects to not receive the transfer of the innovative school back to the local school administrative unit, the IS operator may apply to convert the school to a charter school under Article 14A of this Chapter. If a charter is awarded, the charter board of directors may request to use the facility as provided in G.S. 115C-218.35. If the IS operator does not seek conversion to a charter school or fails to receive a charter, the State Board of Education may close the school as provided in subdivision (2) of this subsection.
 - b. Alternate as operator or return to local school administrative unit. – If the IS operator does not elect to continue the contract, the State Board of Education may select another IS operator for a three-year contract or may develop a transition plan to return the school to the local school administrative unit for the next school year.
 - (5) Termination of contract on other grounds. – The State Board of Education, upon the recommendation of the ISD Superintendent, may terminate a

contract with an IS operator at any time during the contract for financial mismanagement, noncompliance with federal or State laws, failure to comply with the terms of the contract, or evidence of criminal activity. The State Board of Education shall develop a transition plan to return the school to the local school administrative unit. ~~The ISD is authorized to act as a temporary IS operator during the transition period, if necessary.~~

(b) An innovative school shall remain under the supervision of the ISD for no more than eight years.

(c) The State Board of Education shall make all decisions related to contracts for IS operators no later than May 1, except as provided in subdivision (5) of subsection (a) of this section.

"§ 115C-75.13. Innovation zones.

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

The State Board of Education shall grant, upon recommendation of the ISD Superintendent, such requests for the creation of an innovation zone. The State Board of Education shall also authorize the local board of education the flexibility to operate the schools within the innovation zone with the same exemptions from statutes and rules as a charter school authorized under Article 14A of this Chapter and with exemptions from local board of education policies as needed to ensure autonomy under the guidance of the innovation zone office for financial, programmatic, staffing, and time allocation decisions.

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

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

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

- (1) Early termination of innovation zone based on performance. – If, during the five-year period, the average of the annual percentage growth of the schools within the innovation zone does not exceed the average annual percentage growth of other ~~continually~~ low-performing schools for three consecutive years, the State Board of Education, upon the recommendation of the ISD

Superintendent, may terminate the innovation zone at the conclusion of the academic year.

- (2) Nonrenewal of innovation zone based on performance. – If, by the end of the five-year period, the average annual percentage growth of the schools within the innovation zone over the five-year period does not exceed the average annual percentage growth of other ~~continually~~ low-performing schools during the same term, the State Board of Education shall not permit the local board of education to continue the innovation zone.
- (3) State Board of Education optional extension of innovation zone for three years. – If, by the end of the five-year period, the schools within the innovation zone remain ~~continually~~ low-performing schools but have exceeded the average annual percentage growth of other ~~continually~~ low-performing schools, the State Board of Education, upon the recommendation of the ISD Superintendent in his or her discretion, may allow continuation of the innovation zone for an additional three years.
- (4) Local board of education option to extend innovation zone for three years. – If, by the end of the five-year period, the schools within the innovation zone receive a grade of C or higher under G.S. 115C-12(9)c1., the local board of education shall have the option to extend the innovation zone for another three years.

~~(d) A low performing school in an innovation zone, created as provided in clause (ii) of subsection (a) of this section, shall become an innovative school if that low performing school does not exceed expected growth in the last two years of the five consecutive years in the innovation zone."~~

SECTION 1.(b) G.S. 115C-429(a) reads as rewritten:

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

SECTION 1.(c) For the purposes of this subsection, a qualifying school is as defined by G.S. 115C-75.5(5), as amended by this act. Notwithstanding G.S. 115C-75.7, as amended by this act, the State Board of Education shall select the following schools to become innovative schools:

- (1) The lowest scoring qualifying school in the State identified based on the school performance score calculated from data for the 2019-2020 school year to become an innovative school in the 2021-2022 school year.
- (2) The lowest scoring qualifying school in the State identified based on the school performance score calculated from data for the 2020-2021 school year to become an innovative school in the 2022-2023 school year.

SECTION 1.(d) The State Board of Education shall select all innovative schools, as required by G.S. 115C-75.7(a), as amended by this act, no earlier than the 2022-2023 school year for inclusion in the Innovative School District beginning with the 2023-2024 school year, unless a local board of education requests selection prior to that year.

SECTION 1.(e) The State Superintendent of Education and the ISD Superintendent shall jointly study the following and report on any recommendations and suggested legislative changes to the Joint Legislative Education Oversight Committee no later than March 15, 2020:

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

SECTION 1.(f) Section 8 of S.L. 2016-110, as amended by Section 7.26E(f) of S.L. 2017-57 and Section 27(b) of S.L. 2018-145, reads as rewritten:

"**SECTION 8.** This act is effective when it becomes law and supervision of innovative schools by the Innovative School District shall begin with the 2018-2019 school year. In the discretion of the State Board of Education (i) the ISD Superintendent may not be required during the 2017-2018 school year to recommend qualifying schools for inclusion in the ISD for the 2018-2019 school year and (ii) the time line for selection of innovative schools for the 2018-2019 school year provided in G.S. 115C-75.7 may be varied, but in no event may the local board of education's decision occur later than April 1, 2018. ~~The State Board of Education may select up to five qualifying schools to transfer to the ISD beginning with the 2018-2019 school year but shall have selected five qualifying schools for transfer to the ISD no later than the 2020-2021 school year.~~"

PART II. ELIMINATE THE CAP ON LOCAL BOARDS OF EDUCATION THAT CAN PARTICIPATE IN THE ADVANCED TEACHING ROLES PILOT PROGRAM AND EXEMPT PARTICIPATING SCHOOLS FROM CLASS SIZE REQUIREMENTS

SECTION 2.(a) Section 8.7(c) of S.L. 2016-94, as amended by Section 2.6 of S.L. 2018-97, reads as rewritten:

"**SECTION 8.7.(c)** Selection by State Board of Education. – By December 15, 2016, the State Board of Education shall review the initial proposals submitted by local boards of education. The State Board shall review additional, subsequent proposals submitted by local boards of education in accordance with requirements set by the State Board. ~~The State Board shall select a maximum of 10 local school administrative units to participate in the pilot as follows:~~

- ~~(1) Up to five local school administrative units with an average daily membership (ADM) equal to or less than 4,000.~~
- ~~(2) Up to three local school administrative units with an ADM of 4,001 to 20,000.~~
- ~~(3) Up to two local school administrative units with an ADM of 20,001 or more."~~

SECTION 2.(b) Sections 7.15(a) and 7.15(b) of S.L. 2017-57 are repealed. Section 8.7(i) of S.L. 2016-94, as it existed immediately before its repeal under Section 7.15(a) of S.L. 2017-57, is reenacted.

SECTION 2.(c) If House Bill 966, 2019 Regular Session, becomes law, then this section is repealed.

PART III. EFFECTIVE DATE

SECTION 3. This act is effective when it becomes law. Section 1 applies beginning with schools identified as qualifying schools for the 2019-2020 school year, based on data from the 2018-2019 school year.

In the General Assembly read three times and ratified this the 30th day of October, 2019.

s/ Philip E. Berger
President Pro Tempore of the Senate

s/ Tim Moore
Speaker of the House of Representatives

Roy Cooper
Governor

Approved _____m. this _____ day of _____, 2019