

**First Regular Session
Sixty-eighth General Assembly
STATE OF COLORADO**

REENGROSSED

*This Version Includes All Amendments
Adopted in the House of Introduction*

LLS NO. 11-0055.01 Julie Pelegrin

SENATE BILL 11-069

SENATE SPONSORSHIP

Hudak, Bacon, Guzman

HOUSE SPONSORSHIP

Massey,

Senate Committees

Education
Finance

House Committees

A BILL FOR AN ACT

101 **CONCERNING EDUCATIONAL MANAGEMENT ORGANIZATIONS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Under the bill, an educational management organization (EMO) that chooses to contract with a school district, a board of cooperative services, or a charter school (a local education provider) to operate a public school in the state must obtain certification from the department of education (department) by filing an application and paying a certification fee. Certification will be valid for 5 years and may be renewed. If the department denies certification, the EMO may reapply

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

SENATE
3rd Reading Unamended
March 14, 2011

SENATE
Amended 2nd Reading
March 11, 2011

after curing the defect that resulted in denial or appeal the denial to the state board. An EMO cannot contract to operate a public school in the state unless it is certified by the department. If an EMO is already operating in the state on the effective date of the bill, the EMO must apply for certification within a specified period and obtain certification prior to renewing the contract. The department will revoke an EMO's certification if the state board requires a school operated by the EMO to restructure or close.

The state board of education (state board) will adopt rules specifying:

- ! The applications for certification and recertification and the amounts of the certification and recertification fees;
- ! The criteria for granting certification, which at a minimum will include demonstration of success in operating schools, use of good practices with regard to personnel and financial management, and compliance with statutory and regulatory requirements; and
- ! The reporting requirements for EMOs.

The charter school and charter authorizer standards review committee will submit its recommendations concerning the rules to the state board. The department will compile the reports received from EMOs and post them on the department's web site.

The bill limits the terms of a contract between an EMO and a local education provider and requires the contract to include certain terms. A contract between an EMO and a local education provider cannot exceed 2 years and is subject to annual review. The contract must allow the local education provider to terminate the contract and cannot prohibit the local education provider from entering into a contract with another EMO. The provisions of the bill will apply to an EMO contract entered into or renewed on or after the effective date of the bill. Any existing EMO contract will be subject to renewal within 2 years after the bill takes effect.

A local education provider that contracts with an EMO must review the EMO's performance at least annually. If the EMO is not performing satisfactorily, the local education provider must require the EMO to submit and implement a plan of corrective action. A contract that does not comply with the requirements in the bill is void and unenforceable. The bill does not apply to contracts that are in existence as of the effective date of the bill, but it does apply when the contract is renewed.

If a charter school contracts with an EMO, the charter school must submit specified information regarding the EMO and the contract to its charter authorizer. If a charter school's charter contract specifies an EMO with which the charter school is contracting, the charter school may choose to terminate or not renew the contract, and the charter school need

only amend its contract to reflect the change and notify its authorizer.

If a local education provider contracts with an EMO, it must ensure that the local education provider, the EMO, and the contract comply with the provisions of the bill.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** The introductory portion to 22-30.5-104.5 (3) and
3 22-30.5-104.5 (3) (f), Colorado Revised Statutes, are amended, and the
4 said 22-30.5-104.5 (3) is further amended BY THE ADDITION OF THE
5 FOLLOWING NEW PARAGRAPHS, to read:

6 **22-30.5-104.5. Charter school and charter authorizer**
7 **standards review committee - creation - duties - repeal.** (3) On or
8 before August 1, 2011, the committee shall complete its work and submit
9 recommendations to the state board and the education committees of the
10 house of representatives and the senate, or any successor committees,
11 concerning the following issues related to standards for charter schools
12 and charter school authorizers, including standards for individual schools
13 and ~~charter~~ EDUCATIONAL management organizations:

14 (f) Ethical issues, including but not limited to excess benefits,
15 executive compensation, nepotism, and conflicts of interest in charter
16 school governance; and

17 (h) WHETHER THE EDUCATIONAL MANAGEMENT ORGANIZATIONS
18 OPERATING IN THE STATE SHOULD BE SUBJECT TO STATE-LEVEL
19 REGULATION; AND

20 (i) BEST PRACTICES FOR CONTRACTING WITH EDUCATIONAL
21 MANAGEMENT ORGANIZATIONS.

22 **SECTION 2.** 22-30.5-103, Colorado Revised Statutes, is
23 amended BY THE ADDITION OF A NEW SUBSECTION to read:

1 **22-30.5-103. Definitions.** As used in this part 1, unless the
2 context otherwise requires:

3 (3.5) "EDUCATIONAL MANAGEMENT ORGANIZATION", COMMONLY
4 REFERRED TO AS AN "EDUCATION SERVICES PROVIDER", MEANS A
5 NONPROFIT, NOT-FOR-PROFIT, OR FOR-PROFIT ENTITY, OTHER THAN A
6 CHARTER SCHOOL, THAT CONTRACTS WITH A SCHOOL DISTRICT, THE STATE
7 CHARTER SCHOOL INSTITUTE, A BOARD OF COOPERATIVE SERVICES, OR A
8 CHARTER SCHOOL TO DIRECTLY OPERATE ONE OR MORE PUBLIC SCHOOLS.

9 **SECTION 3.** Part 1 of article 2 of title 22, Colorado Revised
10 Statutes, is amended BY THE ADDITION OF A NEW SECTION to
11 read:

12 **22-2-140. Educational management organizations - report.**

13 (1) ON OR BEFORE JANUARY 15, 2012, AND ON OR BEFORE JANUARY 15
14 EACH YEAR THEREAFTER, THE DEPARTMENT SHALL POST ON ITS WEB SITE
15 A REPORT CONCERNING EDUCATIONAL MANAGEMENT ORGANIZATIONS,
16 WHICH REPORT SHALL SPECIFY, BUT NEED NOT BE LIMITED TO, THE
17 FOLLOWING INFORMATION:

18 (a) THE NAME OF EACH EDUCATIONAL MANAGEMENT
19 ORGANIZATION THAT OPERATED IN THE STATE IN THE PREVIOUS CALENDAR
20 YEAR;

21 (b) WITH REGARD TO EACH EDUCATIONAL MANAGEMENT
22 ORGANIZATION, THE NAME OF THE PUBLIC SCHOOLS OPERATED BY THE
23 EDUCATIONAL MANAGEMENT ORGANIZATION, IDENTIFYING FOR EACH
24 PUBLIC SCHOOL:

25 (I) EITHER THE SCHOOL DISTRICT OF WHICH IT IS A PART OR THAT
26 IT IS AUTHORIZED BY THE STATE CHARTER SCHOOL INSTITUTE; AND

27 (II) THE NUMBER OF STUDENTS ENROLLED IN THE PUBLIC SCHOOL.

1 (2) FOR PURPOSES OF THIS SECTION, "EDUCATIONAL MANAGEMENT
2 ORGANIZATION" SHALL HAVE THE SAME MEANING AS PROVIDED IN
3 SECTION 22-30.5-103 (3.5).

4 **SECTION 4. Safety clause.** The general assembly hereby finds,
5 determines, and declares that this act is necessary for the immediate
6 preservation of the public peace, health, and safety.