

1 STATE OF OKLAHOMA

2 1st Session of the 57th Legislature (2019)

3 COMMITTEE SUBSTITUTE

4 FOR

5 HOUSE BILL NO. 1395

6 By: Dills

7 COMMITTEE SUBSTITUTE

8 An Act relating to school financial disclosures;  
9 amending Section 5, Chapter 367, O.S.L. 2012, as last  
10 amended by Section 1, Chapter 293, O.S.L. 2015 (70  
11 O.S. Supp. 2018, Section 3-145.3), which relates to  
12 powers and duties of the Statewide Virtual Charter  
13 School Board; subjecting virtual charter school to  
14 same financial reporting requirements as school  
15 districts; authorizing financial, program or  
16 compliance audits; requiring virtual charter school  
17 to use the Oklahoma Cost Accounting System; requiring  
18 governing body of virtual charter school be  
19 responsible for policies; subjecting governing body  
20 to same conflict of interest mandates as school board  
21 members; requiring compliance with instruction and  
22 continuing education requirements; mandating at least  
23 an annual report of virtual charter school funding  
24 and performance; prescribing report to be published  
on website; defining term; mandating disclosure of  
financial details when school contracts with an  
educational management organization; specifying  
information to be disclosed; directing reporting of  
certain contracts; providing for contract information  
to be reported; requiring State Department of  
Education to include appropriate reporting codes;  
withholding payment of State Aid until information is  
reported; providing for codification; and declaring  
an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. AMENDATORY Section 5, Chapter 367, O.S.L.  
2 2012, as last amended by Section 1, Chapter 293, O.S.L. 2015 (70  
3 O.S. Supp. 2018, Section 3-145.3), is amended to read as follows:  
4 Section 3-145.3 A. Subject to the requirements of the Oklahoma  
5 Charter Schools Act, the Statewide Virtual Charter School Board  
6 shall:  
7 1. Provide oversight of the operations of statewide virtual  
8 charter schools in this state;  
9 2. Establish a procedure for accepting, approving and  
10 disapproving statewide virtual charter school applications and a  
11 process for renewal or revocation of approved charter school  
12 contracts which minimally meet the procedures set forth in the  
13 Oklahoma Charter Schools Act;  
14 3. Make publicly available a list of supplemental online  
15 courses which have been reviewed and certified by the Statewide  
16 Virtual Charter School Board to ensure that the courses are high  
17 quality options and are aligned with the subject matter standards  
18 adopted by the State Board of Education pursuant to Section 11-103.6  
19 of this title. The Statewide Virtual Charter School Board shall  
20 give special emphasis on listing supplemental online courses in  
21 science, technology, engineering and math (STEM), foreign language  
22 and advanced placement courses. School districts shall not be  
23 limited to selecting supplemental online courses that have been  
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1 reviewed and certified by the Statewide Virtual Charter School Board  
2 and listed as provided for in this paragraph; and

3 4. In conjunction with the Office of Management and Enterprise  
4 Services, negotiate and enter into contracts with supplemental  
5 online course providers to offer a state rate price to school  
6 districts for supplemental online courses that have been reviewed  
7 and certified by the Statewide Virtual Charter School Board and  
8 listed as provided for in paragraph 3 of this subsection.

9 B. Each statewide virtual charter school which has been  
10 approved and sponsored by the Board or any virtual charter school  
11 for which the Board has assumed sponsorship of as provided for in  
12 Section 3-145.5 of this title shall be considered a statewide  
13 virtual charter school and the geographic boundaries of each  
14 statewide virtual charter school shall be the borders of the state.

15 C. Each statewide virtual charter school approved by the  
16 Statewide Virtual Charter School Board shall be eligible to receive  
17 federal funds generated by students enrolled in the charter school  
18 for the applicable year. Each statewide virtual charter school  
19 shall be considered a separate local education agency for purposes  
20 of reporting and accountability.

21 D. As calculated as provided for in Section 3-142 of this  
22 title, a statewide virtual charter school shall receive the State  
23 Aid allocation and any other state-appropriated revenue generated by  
24 students enrolled in the virtual charter school for the applicable

1 year, less up to five percent (5%) of the State Aid allocation,  
2 which may be retained by the Statewide Virtual Charter School Board  
3 for administrative expenses and to support the mission of the Board.  
4 A statewide virtual charter school shall be eligible for any other  
5 funding any other charter school is eligible for as provided for in  
6 Section 3-142 of this title. Each statewide virtual charter school  
7 shall be considered a separate local education agency for purposes  
8 of reporting and accountability.

9 E. A virtual charter school shall be subject to the same  
10 reporting requirements, financial audits, audit procedures and audit  
11 requirements as a school district. The State Department of  
12 Education or State Auditor and Inspector may conduct financial,  
13 program or compliance audits. A virtual charter school shall use  
14 the Oklahoma Cost Accounting System (OCAS) to report financial  
15 transactions to the State Department of Education.

16 F. A virtual charter school governing body shall be responsible  
17 for the policies that govern the operational decisions of the  
18 virtual charter school. The governing body of a virtual charter  
19 school shall be subject to the same conflict of interest  
20 requirements as a member of a local school board including, but not  
21 limited to, Sections 5-113 and 5-124 of this title. Members of the  
22 governing body of a virtual charter school shall be subject to the  
23 same instruction and continuing education requirements as a member  
24 of a local school board and pursuant to Section 5-110 of this title,

1 complete twelve (12) hours of instruction within fifteen (15) months  
2 of appointment to the governing body, and pursuant to Section 5-  
3 110.1 of this title, attend continuing education.

4 G. Students enrolled full-time in a statewide virtual charter  
5 school sponsored by the Statewide Virtual Charter School Board shall  
6 not be authorized to participate in any activities administered by  
7 the Oklahoma Secondary Schools Activities Association. However, the  
8 students may participate in intramural activities sponsored by a  
9 statewide virtual charter school, an online provider for the charter  
10 school or any other outside organization.

11 ~~F.~~ H. The decision of the Statewide Virtual Charter School  
12 Board to deny, nonrenew or terminate the charter contract of a  
13 statewide virtual charter school may be appealed to the State Board  
14 of Education within thirty (30) days of the decision by the  
15 Statewide Virtual Charter School Board. The State Board of  
16 Education shall act on the appeal within sixty (60) days of receipt  
17 of the request from the statewide virtual charter school applicant.  
18 The State Board of Education may reverse the decision of the  
19 Statewide Virtual Charter School Board or may remand the matter back  
20 to the Statewide Virtual Charter School Board for further proceeding  
21 as directed.

22 I. The State Superintendent of Public Instruction shall not  
23 less than annually report to the State Board of Education at a  
24 regular meeting the academic performance, revenues and expenditures

1 of statewide virtual charter schools, the status of compliance for  
2 reporting administrative fees and other requirements and publish the  
3 report on the Department website.

4 SECTION 2. NEW LAW A new section of law to be codified  
5 in the Oklahoma Statutes as Section 5-200 of Title 70, unless there  
6 is created a duplication in numbering, reads as follows:

7 A. As used in this section, "educational management  
8 organization" means a for-profit or nonprofit organization that  
9 receives public funds to provide administration and management  
10 services for a charter school, statewide virtual charter school or  
11 traditional public school.

12 B. Any charter school, statewide virtual charter school or  
13 traditional public school that enters into a contract with an  
14 educational management organization shall provide details for all  
15 financial transactions expended by the organization on behalf of the  
16 school, including all information required by Section 5-135.4 of  
17 this title, such that the State Department of Education may provide  
18 to the public an affirmation and financial disclosure statement to  
19 identify potential conflicts of interest and fully and completely  
20 disclose the material facts about any actual or potential conflicts  
21 of interest which includes the amount of compensation and wages  
22 received by each school superintendent, administrator, manager,  
23 owner and board member for the compensation, wages and gifts  
24 received either directly or indirectly from the management contract,

1 the contracted charter management organization or the educational  
2 management contract, as applicable.

3 C. A charter school, statewide virtual charter school or  
4 traditional public school shall report any contract for  
5 administrative fees for the purpose of providing administrative,  
6 managerial or operational services, regardless of how calculated,  
7 which are paid to a nonprofit or for-profit corporation, individual  
8 or any entity regardless of legal form or taxable status. The  
9 report of contracts for administrative fees shall include the name  
10 of the person or entity with which the school has contracted, the  
11 amount to be paid for the services and details about the services to  
12 be provided. The Department shall include appropriate codes within  
13 the Oklahoma Cost Accounting System (OCAS) to account for these  
14 administrative fees and shall include the administrative fees in the  
15 calculation of administrative costs as set forth in subsection D of  
16 Section 18-124 of this title. Failure to comply with this provision  
17 shall result in the withholding of State Aid until the detailed  
18 report of contracts for administrative fees is submitted to the  
19 Department.

20 SECTION 3. It being immediately necessary for the preservation  
21 of the public peace, health or safety, an emergency is hereby  
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1 declared to exist, by reason whereof this act shall take effect and  
2 be in full force from and after its passage and approval.

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