

# **Legislative Regulation Review Committee**

2011-022a

State Board of Education

**THE OPERATION OF CHARTER SCHOOLS**

STATE OF CONNECTICUT  
**REGULATION**  
of  
State Department of Education  
Name of Agency

\_\_\_\_\_  
Concerning

\_\_\_\_\_  
Subject Matter of Regulations  
Operation of a Charter School

The Regulations of Connecticut State Agencies are amended by adding Sections 10-66mm-1 to 10-66mm-7, inclusive, as follows:

**Operation of a Charter School**

**(NEW) Sec. 10-66mm-1. Definitions**

As used in sections 10-66mm-1 to 10-66mm-7, inclusive, of the Regulations of Connecticut State Agencies:

- (1) "Affiliated" means being united, connected, allied, associated, or attached in any manner.
- (2) "Charter management organization" has the same meaning as provided in Section 10-66aa of the Connecticut General Statutes.
- (3) "Charter school" has the same meaning as provided in Section 10-66aa of the Connecticut General Statutes.
- (4) "Governing board" means governing council of a charter school and any committee established by two or more governing councils pursuant to Section 10-66ee of the Connecticut General Statutes as a result of cooperative arrangements.
- (5) "Related party" means being affiliated, principal owner or manager, spouse, child, parent, sibling and other parties that have significant influence over the management or operating policies or have an ownership interest in one or more of the transacting parties.
- (6) "Transfer" means any act that passes an interest or control of any unsecured, noninterest bearing state or federal funds between charter schools and from a charter school to a charter management organization.

**(NEW) Sec. 10-66mm-2. Disclosure of Board Members and Management Personnel**

- (a) A charter school shall disclose to the Commissioner of Education the name, position and address of any person who sits as a member on the governing board of a charter school including, but not limited to, a contractor, employee or volunteer. The Commissioner of Education shall prescribe the format for the disclosure of information. The charter school shall disclose the information not later than fourteen days from the appointment, designation or election of the person to the governing board.
- (b) A charter management organization affiliated with a charter school shall disclose to the Commissioner of Education the name, position and address of any person who sits as a member on the governing board of a charter school including, but not limited to, a contractor, employee or volunteer. The Commissioner of Education shall prescribe the format for the disclosure of information and the disclosure shall be made not later than fourteen days from the appointment, designation or election to the governing board.
- (c) A charter school and charter management organization shall disclose to the Commissioner of Education the name, position, duties of the position and address of any person they share in a management position including, but not limited to, a contractor, employee or volunteer. The Commissioner of Education shall prescribe the format for the disclosure of information and the disclosure shall be made not later than fourteen days from the first day of shared service.

**(NEW) Sec. 10-66mm-3 Prohibition of Sharing Board Members**

- (a) A charter school shall not share board members with other charter schools in any manner allowing such board members to participate in any offices or activities of the governing board.
- (b) A charter school shall not share board members with any affiliated charter management organization in any manner allowing such board members to participate in the offices or activities of the charter management organization.

- (c) An affiliated charter management organization operating a charter school shall not share board members with other charter schools or affiliated charter management organizations in any manner allowing such members to participate in the offices or activities of the charter school or the charter school management organization.

**(NEW) Sec. 10-66mm-4 Prohibition of Transfer of State and Federal Funds**

- (a) A charter school shall not enter into any agreement whatsoever resulting in the transfer of any unsecured, noninterest bearing state or federal funds to another charter school.
- (b) A charter school shall not enter into any agreement whatsoever resulting in the transfer of any unsecured, noninterest bearing state or federal funds to any charter management organization.
- (c) A charter school that has entered into a cooperative arrangement pursuant to Section 10-66ee of the Connecticut General Statutes may make payments in a timely manner to another charter school or a charter management organization for reasonable and necessary costs and expenses expressed in the cooperative arrangement.

**(NEW) Sec. 10-66mm-5 Direct and Indirect Costs**

- (a) Allowable direct costs incurred by a charter school or an affiliated charter management organization means those costs specifically identified with or charged to the operation of a particular project, program or activity of the charter school or charter management organization. The allowable direct costs incurred shall be reasonable and necessary to the operation of such project, program or activity..
- (b) Allowable indirect costs incurred by a charter school or affiliated charter management organization means those costs identified with or charged to the operation of common or joint activity but cannot be identified with or charged directly to a specific final cost objective of the project, program or activity of the charter school or charter management organization. The allowable indirect costs incurred shall be reasonable and necessary to the operation of such project, program or activity. .
- (c) Related party transactions must be documented by a charter school or charter management organization. The transactions are allowable if the costs incurred are (1) limited to the actual cost of goods or services; (2) applicable, appropriate and necessary to the transaction; and (3) do not exceed the fair market rate or value that a prudent person in a non-related party transaction would incur under the circumstances prevailing at the time.

**(NEW) Sec. 10-66mm-6 Calculation of Per Pupil Service Fees**

- (a) The method used to calculate an affiliated charter management organization's per pupil service fee shall be defined in the agreement between the charter school and the charter management organization. Any per pupil fee shall be based upon the number of students enrolled and attending the charter school as of October 1<sup>st</sup> of the current school year.
- (b) Related parties shall not include mark-ups, profits or rates of return in their calculation of fees under subsection (a) of this section.

**(NEW) Sec. 10-66mm-7 Collection of Private Donations**

- (a) A charter management organization may collect private donations for distribution to charter schools.
- (b) A charter management organization shall keep records of all donations received, accepted and disbursed to charter schools.

STATEMENT OF PURPOSE: Section 15 of Public Act 10-111, requires the State Board of Education to adopt regulations on or before July 1, 2011. The regulations must:

- (1) Prohibit a charter school and any affiliated charter management organization operating such charter school from sharing board members with other charter schools and such charter management organizations.
- (2) Require the disclosure of sharing management personnel.
- (3) Prohibit unsecured, noninterest bearing transfers of state and federal funds between charter schools and from charter schools to charter management organizations.
- (4) Define allowable direct or indirect costs and the methodology to be used by charter management organizations to calculate per pupil service fees.
- (5) Permit charter management organizations to collect private donations for purposes of distributing to charter schools.

The establishment of the proposed regulations will ensure that the SBE meet the requirements of the law. The regulations will ensure the relationships between charter schools and any affiliated charter management organizations operating such charter schools provide financial and managerial accountability.

**CERTIFICATION**

Be it known that the foregoing (check one)  Regulations  Emergency Regulations  
 are (check all that apply)  Adopted  Amended as hereinabove stated  Repealed  
 by the aforesaid agency pursuant to section(s) 10-66mm of the *General Statutes*  
 and/or Public Act number(s) 10-111(15)

(If applicable) after publication of notice of intent in the *Connecticut Law Journal* on 1/4/2011,

(If applicable) and the holding of an advertised public hearing on 1/18 and 1/24, 2011;

WHEREFORE, the foregoing regulations are hereby (check all that apply)

Adopted  Amended as hereinabove stated  Repealed

**EFFECTIVE:** (check one, and complete as applicable)

When filed with the Secretary of the State

OR  (insert date) \_\_\_\_\_

In Witness Whereof:	DATE <u>10/28/11</u>	SIGNED (Head of Board, Agency or Commission) 	OFFICIAL TITLE, DULY AUTHORIZED Commissioner of Education
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APPROVED by the Attorney General as to legal sufficiency in accordance with CGS Section 4-169, as amended

DATE	SIGNED (Attorney General or AG's designated representative) 	OFFICIAL TITLE, DULY AUTHORIZED
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Or  DEEMED APPROVED by the Attorney General in accordance with CGS Section 4-169, as amended, due to failure to give notice to the agency of any legal insufficiency within thirty (30) days of the receipt of the proposed regulation.

DATE <u>11/1/11</u>	SIGNED (Head of Board, Agency or Commission) <u>Joseph Rubin</u>	OFFICIAL TITLE, DULY AUTHORIZED ASSOC. ATTY. GENERAL
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(For Regulation Review Committee Use ONLY)

- Approved  Rejected without prejudice  
 Approved with technical corrections  Disapproved in part, (Indicate Section Numbers disapproved only)  
 Deemed approved pursuant to CGS 4-170(c) as amended

By the Legislative Regulation Review Committee in accordance with CGS Section 4-170, as amended	DATE	SIGNED (Administrator, Legislative Regulation Review Committee)
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Two certified copies received and filed and one such copy forwarded to the Commission on Official Legal Publications in accordance with CGS Section 4-172, as amended.

DATE	SIGNED (Secretary of the State)	BY
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**INSTRUCTIONS**

- All regulations proposed for adoption, amendment or repeal, *except* emergency regulations, must be presented to the Attorney General for his/her determination of legal sufficiency. (See CGS Section 4-169.)
- After approval by the Attorney General, original and eighteen (18) copies of all regulations proposed for adoption, amendment or repeal must be presented to the standing Legislative Regulation Review Committee for its action. (See CGS Section 4-170.)
- Each proposed regulation must be in the form intended for publication and each section must include the appropriate regulation section number and section heading. (See CGS Section 4-172.)
- New language added to an existing regulation must be in underlining or CAPITAL LETTERS, as determined by the Regulation Review Committee. (See CGS 4-170(b).)
- Language to be deleted must be enclosed in brackets [ ]. (See CGS 4-170(b).)
- A new regulation or new section of a regulation must be preceded by the word "(NEW)" in capital letters. (See CGS Section 4-170(b).)
- The proposed regulation must have a statement of its purpose following the final section of the regulation. (See CGS Section 4-170(b).)
- Additional information regarding rules and procedures of the Legislative Regulation Review Committee can be found on the Committee's web site: <http://www.cga.ct.gov/lrr/>.
- A copy of the Legislative Commissioners' Regulations Drafting Manual is located on the LCO website at <http://www.cga.ct.gov/lco/LCODraftRegu.asp>.