



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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<b>Bill Number:</b>	S. 0126	Introduced on January 10, 2023
<b>Author:</b>	Hembree	
<b>Subject:</b>	Charter School Accountability Act	
<b>Requestor:</b>	Senate Education	
<b>RFA Analyst(s):</b>	Bryant	
<b>Impact Date:</b>	March 21, 2023 - Updated for Additional Agency Response	

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### **Fiscal Impact Summary**

This bill makes changes to the South Carolina Charter Schools Act of 1996 and renames it as the Charter School Accountability Act. The bill revises the definition of a “sponsor” as it relates to charter schools and requires sponsors to adopt and implement policies, procedures, and practices that ensure good governance and accountability and are consistent with the charter school sponsor’s powers and duties as a Local Education Agency (LEA). The bill also replaces references to the South Carolina Public Charter School District with a sponsor or charter school governing board. Additionally, the bill revises the criteria for the voluntary termination of sponsor contracts by charter schools and provides procedures and requirements for charter schools to transfer to other sponsors. The bill expands oversight duties of the S.C. Department of Education (SCDE) relating to charter school sponsors and requires the State Board of Education to develop an application process for new sponsors and charter schools.

SCDE anticipates that the expanded oversight responsibilities of this bill will require the agency to provide training and support to statewide charter school authorizers and traditional school districts that authorize charter schools within their districts. SCDE indicates it will require 1.0 additional FTE with annual salary and fringe benefits of \$106,000 beginning in FY 2023-24 to develop an application and approval process for new sponsors and provide the requisite training to ensure that charter school authorizers are able to fully function as LEAs. SCDE reports that the agency will request a General Fund appropriation increase to fund the expenses.

This bill will have no expenditure impact on the three charter school districts since the districts indicate that they can manage the provisions of the bill within existing appropriations.

This bill will have no expenditure impact on the Administrative Law Court (ALC). The agency indicates that it will be able to review charter transfer decisions and sanctions against sponsors using existing resources and staff.

The overall expenditure impact of this bill on local school districts is undetermined and will vary. SCDE surveyed the seventy-three regular school districts regarding the expenditure impact of this bill and received responses from fifteen districts. Based on the information provided, thirteen of the responding districts indicate that the bill will have no expenditure impact since they either have no charter schools within their district or can manage the provisions of the bill

with existing appropriations. However, several districts note that this impact could change if the district sponsors a charter school. One responding district indicates that the expenditure impact is currently undetermined but will be equal to the cost of providing oversight to the charter schools that would have otherwise been used for the regular school district. The one remaining responding district indicates it will require 1.0 additional FTE with annual salary and fringe benefits of \$150,000 beginning in FY 2023-24 to review, monitor, and report the information required by the bill.

*This impact statement has been updated to include responses from SCDE and the local school districts.*

## **Explanation of Fiscal Impact**

### **Updated for Additional Agency Response on March 21, 2023**

### **Introduced on January 10, 2023**

#### **State Expenditure**

This bill makes changes to the South Carolina Charter Schools Act of 1996 and renames it as the Charter School Accountability Act. The bill revises the definition of a “sponsor”, as it relates to charter schools, to specify that only public or independent institutions of higher learning registered with SCDE as of July 1, 2022, or approved by an application process developed by the State Board of Education after July 1, 2022, may serve as charter school sponsors.

The bill requires charter school sponsors to adopt and implement policies, procedures, and practices that ensure good governance and accountability and are consistent with sponsor’s powers and duties as an LEA. A charter school sponsor must submit a report on the performance of each of its sponsored charter schools and its own performance as a sponsor to the State Board of Education each year prior to June 30th.

The bill also removes references to the South Carolina Public Charter School District and replaces it with a sponsor or charter school governing board and makes certain provisions related to the removal of a member of a sponsor or charter school governing board applicable to all sponsor and charter school governing boards. Any vacancies in the membership of any governing board as a result of removal by the Governor must be filled in the manner provided in the bylaws of the charter school or its sponsor.

Additionally, the bill revises the criteria for the voluntary termination of sponsor contracts by charter schools and provides procedures and requirements for charter schools to transfer to other sponsors. A charter school may voluntarily terminate its charter and contract with its sponsor before the expiration of the ten-year term of the contract by a majority vote of the charter school board. For a charter school to transfer its charter to another sponsor, it must obtain the approval of its current sponsor and the proposed new sponsor pursuant to certain specified procedures. The final decision of the current sponsor is appealable to the ALC.

The bill further expands oversight duties of the SCDE relating to charter school sponsors. SCDE must fulfill all the duties of the State Education Agency (SEA) for each sponsor and provide

technical assistance, oversight, and guidance to sponsors to ensure their compliance with LEA responsibilities. Sanctions issued by the SCDE against a sponsor may be appealed to the ALC and must be stayed pending resolution of the appeal. SCDE must also annually review the policies, procedures, and performance of each sponsor to ensure compliance with state and federal laws and regulations.

Lastly, the bill requires the State Board of Education to develop an application process for new sponsors and charter schools to include a timeline for the submission of applications that will allow for final decisions to be issued consistent with budget and funding needs.

**S.C. Department of Education.** SCDE anticipates that the expanded oversight responsibilities of this bill will require the agency to provide training and support to statewide charter school authorizers and traditional school districts that authorize charter schools within their districts. SCDE's Office of School Transformation will need to develop an application and approval process for new sponsors, provide technical assistance, oversight, and guidance to sponsors on their role as an LEA, and review and revise the policies, procedures, and performance of each sponsor to ensure compliance with the provisions of the bill, state regulations, and other state and federal law. SCDE indicates it will require 1.0 additional FTE with annual salary and fringe benefits of \$106,000 beginning in FY 2023-24 to develop an application and approval process for new sponsors and provide the requisite training to ensure that charter school authorizers are able to fully function as LEAs. SCDE reports that the agency will request a General Fund appropriation increase to fund the expenses. *This section of the impact statement has been updated to include a response from SCDE.*

**Charter School Districts.** The South Carolina Public Charter School District indicates it will require 1.0 additional FTE with annual salary and fringe benefits of \$91,000 beginning in FY 2023-24 to assist the agency in meeting the compliance requirements outlined in the bill. However, the agency anticipates that the cost of hiring a compliance coordinator will be managed within existing appropriations. The Charter Institute at Erskine indicates this bill will have no expenditure impact since the agency can manage the provisions of the bill with existing appropriations. Limestone Charter Association indicates this bill will have no expenditure impact. The agency reports that it is currently implementing policies, procedures, and practices that ensure good governance and accountability and that it is consistent with those standards as an LEA. Limestone Charter Association anticipates that it will manage any additional costs with existing appropriations.

**Administrative Law Court.** This bill will have no expenditure impact on the ALC. The agency indicates that it will be able to review charter transfer decisions and sanctions against sponsors using existing resources and staff.

#### **State Revenue**

N/A

#### **Local Expenditure**

The overall expenditure impact of this bill on local school districts is undetermined and will vary. SCDE surveyed the seventy-three regular school districts regarding the expenditure impact of this bill and received responses from fifteen districts. Based on the information provided, thirteen of the responding districts indicate that the bill will have no expenditure impact since they either have no charter schools within their district or can manage the provisions of the bill with existing appropriations. However, several districts note that this impact could change if the district sponsors a charter school. One responding district indicates that the expenditure impact is currently undetermined but will be equal to the cost of providing oversight to the charter schools that would have otherwise been used for the regular school district. The one remaining responding district indicates it will require 1.0 additional FTE with annual salary and fringe benefits of \$150,000 beginning in FY 2023-24 to review, monitor, and report the information required by the bill. *This section of the impact statement has been updated to include responses from the local school districts.*

### **Local Revenue**

N/A

### **Introduced on January 10, 2023**

#### **State Expenditure**

This bill makes changes to the South Carolina Charter Schools Act of 1996 and renames it as the Charter School Accountability Act. The bill revises the definition of a “sponsor”, as it relates to charter schools, to specify that only public or independent institutions of higher learning registered with SCDE as of July 1, 2022, or approved by an application process developed by the State Board of Education after July 1, 2022, may serve as charter school sponsors.

The bill requires charter school sponsors to adopt and implement policies, procedures, and practices that ensure good governance and accountability and are consistent with sponsor’s powers and duties as an LEA. A charter school sponsor must submit a report on the performance of each of its sponsored charter schools and its own performance as a sponsor to the State Board of Education each year prior to June 30th.

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Additionally, the bill revises the criteria for the voluntary termination of sponsor contracts by charter schools and provides procedures and requirements for charter schools to transfer to other sponsors. A charter school may voluntarily terminate its charter and contract with its sponsor before the expiration of the ten-year term of the contract by a majority vote of the charter school board. For a charter school to transfer its charter to another sponsor, it must obtain the approval of its current sponsor and the proposed new sponsor pursuant to certain specified procedures. The final decision of the current sponsor is appealable to the ALC.

The bill further amends certain duties of the SCDE to include provisions concerning charter school sponsors. SCDE must fulfill all the duties of the State Education Agency (SEA) for each sponsor and provide technical assistance, oversight, and guidance to sponsors to ensure their compliance with LEA responsibilities. Sanctions issued by the SCDE against a sponsor may be appealed to the ALC and must be stayed pending resolution of the appeal. SCDE must also annually review the policies, procedures, and performance of each sponsor to ensure compliance with state and federal laws and regulations.

Lastly, the bill requires the State Board of Education to develop an application process for new sponsors and charter schools to include a timeline for the submission of applications that will allow for final decisions to be issued consistent with budget and funding needs.

**S.C. Department of Education.** The expenditure impact of this bill on the SCDE is pending, contingent upon a response.

**Charter School Districts.** The South Carolina Public Charter School District indicates it will require 1.0 additional FTE with annual salary and fringe benefits of \$91,000 beginning in FY 2023-24 to assist the agency in meeting the compliance requirements outlined in the bill. However, the agency anticipates that the cost of hiring a compliance coordinator will be managed within existing appropriations. The Charter Institute at Erskine indicates this bill will have no expenditure impact since the agency can manage the provisions of the bill with existing appropriations. Limestone Charter Association indicates this bill will have no expenditure impact. The agency reports that it is currently implementing policies, procedures, and practices that ensure good governance and accountability and that it is consistent with those standards as an LEA. Limestone Charter Association anticipates that it will manage any additional costs with existing appropriations.

**Administrative Law Court.** This bill will have no expenditure impact on the ALC. The agency indicates that it will be able to review charter transfer decisions and sanctions against sponsors using existing resources and staff.

**State Revenue**

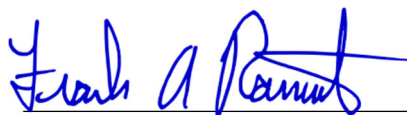
N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director