

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 3643</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>10458</b>
<b>Author:</b>	<b>Rep. Dills</b>
<b>Date:</b>	<b>2/28/2022</b>
<b>Impact:</b>	<b>No Impact</b>

**Research Analysis**

The committee substitute for HB 3643 updates requirements for virtual charter school governing boards that contract with educational management organizations (EMOs), creates new transparency requirements for state funds appropriated to charter schools that contract with EMOs, and creates new regulations for EMOs. Lastly, the measure authorizes the State Board of Education to demand repayment of any monies illegally expended by an educational management organization, and authorizes the SDE to withhold any unreturned amount from state funding allocations.

More specifically, the measure requires these virtual charter school boards to:

- Have a parent or guardian of a student on their board
- Meet at least one time per month
- Adopt a charter that complies with charter school compliance laws
- Appoint an encumbrance clerk and treasurer who must receive at least 8 hours of training from the State Auditor, and continuing education
- Submit copies of any contracts between the board and the EMO to the State Department of Education
- Be subject to the same conflict of interest requirements as a member of a local school board
- Board members may not be appointed by anyone affiliated with the EMO

The measure also requires:

- All state funds to remain public funds, and be subject to audit. The funds shall not be converted to private funds except those which are used for expenses and paid to the EMO pursuant to the terms of the contract in accordance with state law and IRS requirements.
- The EMO to provide invoices and other documentation to the SDE, or overseeing entity, if any discrepancy is found.
- A pre-approved auditor to verify the charter school and EMO are complying with the terms of their contract in the third year of their contract term.
- Property purchased with public funds to remain property of the charter school.

The measure prohibits EMOs from:

- Managing or controlling the governing board of a virtual charter school.
- Employing a school superintendent who is also an owner of the EMO
- Employing legal counsel who also represents the governing board
- Requesting public employees perform duties for the EMO

- Co-mingling funds with other school districts

Prepared By: Emily Byrne

**Fiscal Analysis**

The measure in its current form will not result in a negative fiscal impact on the state budget or appropriations. However, it may have a minimal impact on the district-level as formula allocations are adjusted.

Prepared By: Cole Stout

**Other Considerations**

None.