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2 Councilmember Elissa Silverman
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Councilmember David Grosso

5 A BILL
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7 IN THE COUNCIL FOR THE DISTRICT OF COLUMBIA
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10 To amend the District of Columbia School Reform Act of 1995 to define a conflicting interest
11 transaction for public charter schools; allow an eligible chartering authority to require the
12 production of financial books and records of certain vendors that contract with public
13 charter schools; to establish violation of such conflict of interest provisions as fiscal
14 mismanagement; and to define the circumstances under which a nonprofit corporation
15 that operates a public charter school shall be involuntarily dissolved.
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17 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
18 act may be cited as the "Public Charter School Fiscal Transparency Amendment Act of 2015".
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20 Sec. 2. The District of Columbia School Reform Act of 1995, approved April 26, 1996
21 (110 Stat. 1321; D.C. Official Code § 38-1800.01 *et seq.*), is amended as follows:

22 (a) Section 2204(c)(1) (D.C. Official Code § 38-1802.04(c)(1)) is amended by adding a
23 new subparagraph (C) to read as follows:

24 "(C) Conflicting interest transactions for public charter schools

25 "(i) A contract or transaction between a public charter school and
26 an entity with a potential or actual conflict of interest shall not be void or voidable solely due to
27 the conflict of interest or due to the presence or participation of the entity at a meeting of the
28 board of directors of the school at which the contract or transaction is authorized if:

29 "(I) The material facts as to potential or actual conflict of
30 interest are disclosed or are known to the members entitled to vote or the board of directors of

the public charter school before the contract is authorized, approved or ratified by the public charter school, and the members or board in good faith authorize the contract or transaction by the affirmative votes of a majority of the disinterested members or directors; and

“(II) The contract or transaction is fair as to the charter school as of the time it is authorized, approved, or ratified by the board of directors or the members.

“(ii) An entity has a potential or actual conflict of interest with a public charter school for purposes of this section if one or more of the entity’s members, directors, officers, key leadership, or employees is:

“(I) A director, member, officer, member of key leadership or member of a designated body of the public charter school, or a family member of one or more of the public charter school’s members, directors, members of a designated body of the school, officer, or key leadership;

“(II) A founder or former Board member of the public charter school;

“(III) Another entity in which one or more of its members, directors, members of a designated body of the school, officers, key leadership, or family member (of one or more of its members, directors, members of a designated body, officer, key leadership) holds a similar position or has a financial interest; or

“(IV) Another entity in which a founder or former Board member is a member, director, officer, key leader, or has a financial interest.

“(iii) Common or interested members or directors may be counted in determining the presence of a quorum at a meeting of the members or of the board that

authorizes a contract or transaction specified in subsection (a) of this section.

“(iv) Disclosure to or knowledge by the board of directors and members entitled to vote of the material facts as to the relationship or interest as to the contract or transaction, and the board’s or members’ good faith authorization of the contract or transaction by the affirmative votes must be documented in board meeting and members meeting minutes. If a contract is approved with an entity with an actual or potential conflict of interest, the public charter school shall report the conflict to the Public Charter School Board within 15 days.

“(v) For purposes of this subparagraph, the term “family member” means any person who is legally or biologically related to the Board member or their spouse or domestic partner.”.

(b) Section 2211(a)(2) (D.C. Official Code § 38-1802.11(a)(2)) is amended to read as follows:

“(a)(2) Production of books and records. An eligible chartering authority may require any of the following entities to produce any book, record, paper, or document, if the eligible chartering authority determines that such production is necessary for the eligible chartering authority to carry out its functions under this subchapter:

“(A) A public charter school to which the eligible chartering authority has granted a charter; and

“(B) An organization that has a contract to provide management or educational services to a public charter school to which the eligible chartering authority has granted a charter, when:

“(i) The annual value of the payments to the organization is equal to or exceeds 10% of the school’s annual revenue; or

77 “(ii) The total revenues of the organization derived from any public
78 charter schools in the District exceeds 25% of the organization’s total revenues.

79 “(C) Following the effective date of the Public Charter School Fiscal
80 Transparency Amendment Act of 2015, all contracts entered into by public charter schools shall
81 comply with this subsection.”.

82 (c) Section 2213(b) (D.C. Official Code § 38-1802.04(c)(1)) is amended by adding a new
83 subparagraph (C) to read as follows:

84 “(C) Pattern of Fiscal Mismanagement. The eligible chartering authority
85 may consider, among other financial considerations, a public charter school’s failure to follow
86 this section as fiscal mismanagement.”.

87 Sec. 3. Fiscal impact statement.

88 The Council adopts the fiscal impact statement in the committee report as the fiscal
89 impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act,
90 approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

91 Sec. 4. Effective date.

92 This act shall take effect following approval of the Mayor (or in the event of veto by the
93 Mayor, action by the Council to override the veto), and 30-day period of Congressional review
94 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
95 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.22(c)(1)), and publication in the District of
96 Columbia Register.