

Article 7A.

North Carolina Innovative School District and Innovation Zones.

§ 115C-75.5. Definitions.

The following definitions apply in this Article:

- (1) Innovative school. – A qualifying school selected by the State Board of Education under the supervision of the North Carolina Innovative School District.
- (2) Reserved.
- (3) Innovative school operator or IS operator. – An entity selected by the State Board of Education upon the recommendation of the ISD Superintendent to operate an innovative school. Except as otherwise provided in this Article, the Department of Public Instruction may not be selected as an IS operator.
- (4) ISD Superintendent. – The superintendent of the ISD appointed by the Superintendent of Public Instruction in accordance with G.S. 115C-75.6.
- (4a) North Carolina Innovative School District or ISD. – The statewide school unit established pursuant to this Article.
- (5) Qualifying school. – A low-performing school, as defined in G.S. 115C-105.37, that meets one of the following criteria:
 - a. The school earned an overall school performance score in the lowest five percent (5%) of all schools in the prior school year that meet all of the following requirements:
 1. The school includes all or part of grades kindergarten through fifth.
 2. The school did not exceed growth in at least one of the prior three school years and did not meet growth in at least one of the prior three school years.
 3. One of the models established in G.S. 115C-105.37B for continually low-performing schools had not been adopted for that school for the immediately prior school year.
 - b. The school received a school performance score in the lowest ten percent (10%) of all schools that include all or part of grades kindergarten through fifth in the prior school year and has been designated by the local board of education for consideration by the State Board of Education as an innovative school. (2016-110, s. 1; 2016-126, 4th Ex. Sess., s. 14; 2017-57, ss. 7.26(e), 7.26E(a), (f); 2018-5, s. 7.20(a).)

§ 115C-75.6. North Carolina Innovative School District.

(a) There is established the North Carolina Innovative School District (ISD) under the administration of the State Board of Education and the Superintendent of Public Instruction. The ISD shall assume the supervision, management, and operation of elementary and secondary schools as innovative schools as provided in this Article. For the purposes of federal law and administration of State law, the ISD shall be considered a local school administrative unit.

(b) Repealed by Session Laws 2016-126, s. 15.

(c) The Superintendent of Public Instruction shall appoint a superintendent to serve as the executive officer of the ISD. The ISD Superintendent shall serve at the pleasure of the Superintendent of Public Instruction at a salary established by the Superintendent of Public Instruction within the funds appropriated for this purpose. The ISD Superintendent shall have qualifications consistent with G.S. 115C-271(a) and report directly to the Superintendent of Public Instruction.

(d) By January 15 annually, the State Board of Education, Superintendent of Public Instruction, and the ISD Superintendent shall report to the Joint Legislative Education Oversight Committee on all aspects of operation of the ISD, including the selection of innovative schools and their progress. (2016-110, s. 1; 2016-126, 4th Ex. Sess., s. 15; 2017-57, ss. 7.26E(a), (f).)

§ 115C-75.7. Selection of innovative schools.

(a) State Board Selection. – The State Board of Education is authorized to select, upon the recommendation of the ISD Superintendent, no more than five qualifying elementary schools to transfer to the ISD as innovative schools. The five qualifying schools selected for inclusion in the ISD should represent geographic diversity, including urban and rural schools. The State Board of Education shall select no more than one qualifying school per local school administrative unit, unless the local board of education consents.

(b) Selection Process. – The selection of qualifying schools shall be based on an analysis of performance over the most recent three-year period. Prior to recommendation of selection of a qualifying school, the ISD Superintendent shall conduct an evaluation of the school to determine the factors contributing to the school's performance and shall confer with the school principal, local board of education members, the local school superintendent, and the local board of county commissioners to share the findings of the evaluation. The school selection process shall also include a public hearing to allow for parent and community input. The ISD Superintendent shall evaluate and identify the qualifying schools to recommend for selection as prospective innovative schools no later than October 15 prior to the initial school year in which the school may operate as an innovative school and shall notify the local boards of education where prospective innovative schools are located by that date. The State Board of Education shall select the prospective innovative schools no later than December 15.

(c) Local Board Response. – Upon notification by the ISD Superintendent of selection by the State Board of Education of the qualifying school as a prospective innovative school, the local board of education shall determine whether to (i) close the selected qualifying school or (ii) transfer the school into the ISD. The local board shall not be required to undertake the study required by G.S. 115C-72 before closing the school. Before the adoption of a resolution, the local board of education shall provide for a public hearing in regard to the proposed transfer or closure, at which hearing the public shall be afforded an opportunity to express their views. No later than February 1, the local board of education shall adopt a resolution either (i) consenting to transfer of the selected qualifying school to the ISD as an innovative school or (ii) closing that school at the conclusion of that school year. The State Board of Education may delay the transfer of a selected school to the ISD for one year only upon the recommendation of the ISD Superintendent.

(d) Public Notification. – The list of qualifying schools and selected innovative schools shall be made publically available on a Web site maintained by the ISD.

(e) Waivers for Innovative Schools. – The ISD Superintendent may request a waiver from the State Board of Education of State Board of Education rules, regulations, policies, and procedures, or the provisions of this Chapter for innovative schools; however, innovative schools

shall be required to comply with, at a minimum, the statutory requirements for charter schools as provided in Article 14A of this Chapter. The goal for each waiver shall be improvement of student performance. All innovative schools shall comply with all applicable constitutional and statutory nondiscrimination requirements. Notwithstanding G.S. 115C-105.26, the State Board of Education may grant a requested waiver of State laws or rules for an innovative school pursuant to this subsection, except for a waiver of State laws or rules applicable to children with disabilities and any of the other requirements set forth in this subsection. (2016-110, s. 1; 2017-57, ss. 7.26E(a), (f).)

§ 115C-75.8. Selection of IS operators.

(a) The State Board of Education may select an IS operator for a prospective innovative school by January 15 and shall select an IS operator for a prospective school no later than February 15.

(b) Upon the recommendation of the ISD Superintendent, the State Board of Education shall only select an entity to contract as an IS operator if that entity demonstrates one of the following:

- (1) The entity has a record of results in improving performance of persistently low-performing schools or improving performance of a substantial number of persistently low-performing students within a school or schools operated by the entity in this State or other states.
- (2) The entity has a credible and specific plan for dramatically improving student achievement in a low-performing school and provides evidence that the entity, or a contractual affiliate of such an entity, is either currently operating a school or schools in this State that provide students a sound, basic education or demonstrating consistent and substantial growth toward providing students a sound, basic education in the prior three school years.

(b1) In the event that no entity demonstrates the qualifications required by subsection (b) of this section, the ISD is authorized to act as an IS operator for one academic year and the State Board shall select an entity in accordance with subsection (b) of this section to assume management beginning with the next academic year. If the State Board has not been able to select an entity demonstrating the required qualifications by the third year of management of the school by the ISD, the ISD shall remain the operator of the school until the end of the fifth year and shall develop a transition plan to return the school to the local school administrative unit.

(c) The selected IS operator is encouraged to hold public informational sessions and other outreach to the community, prospective innovative school, and local board of education of a prospective innovative school prior to a local board's adoption of the resolution required by G.S. 115C-75.7(c).

(d) The contract between the State Board of Education and IS operator shall require, as a minimum, that the IS operator meet the same requirements as established for charter schools in the following statutes:

- (1) G.S. 115C-218.20 (Civil liability and insurance requirements).
- (2) G.S. 115C-218.25 (Open meetings and public records).
- (3) G.S. 115C-218.30 (Accountability; reporting requirements to State Board of Education).
- (4) G.S. 115C-218.50 (Charter school nonsectarian).
- (5) G.S. 115C-218.55 (Nondiscrimination in charter schools).

- (6) G.S. 115C-218.60 (Student discipline).
- (7) G.S. 115C-218.65 (North Carolina School Report Cards).
- (8) G.S. 115C-218.75 (General operating requirements).
- (9) G.S. 115C-218.85 (Course of study requirements). (2016-110, s. 1; 2017-57, ss. 7.26E(a), (f); 2018-5, s. 7.20(c).)

§ 115C-75.9. Management of innovative schools.

(a) Direct Management by IS Operator. – An innovative school shall be subject to direct management by an IS operator selected by the State Board of Education, upon the recommendation of the ISD Superintendent, for a five-year contract. In the event that temporary management is necessary due to contract termination, lack of a qualified IS operator under G.S. 115C-75.8(b1), or other unforeseen emergency, the ISD is authorized to act as an IS operator.

(b) Role of IS Operator. – The IS operator shall be authorized to have a direct role in making decisions about school finance, human capital, and curriculum and instruction for the innovative school while developing the leadership capacity in such schools.

(c) Assignment to Innovative Schools. – All innovative schools shall remain open to enrollment in the same manner with the same attendance zone as prior to becoming an innovative school. If a local board of education's reassignment of students within the local school administrative unit due to student population changes or openings or closures of other schools impacts the innovative school, the IS operator may appeal to the ISD Superintendent and request a hearing before the State Board of Education regarding the reassignment. Notwithstanding G.S. 115C-366, the State Board of Education shall, after hearing from both the local board of education and IS operator, determine whether the reassignment of students impacting the innovative school may proceed.

(d) Facility and Capital Expenditures. – Facility and capital expenditures shall be provided as follows:

- (1) In addition to the transfer of funds as provided in G.S. 115C-75.10, the local board of education shall be responsible for facility and capital expenditures at the qualifying school.
- (2) All IS operators and local boards of education shall enter into an occupancy agreement establishing the terms of occupancy for the IS operator not otherwise addressed in statute. If the parties are unable to reach agreement, either party may petition the State Board of Education to resolve any issues in dispute.
- (3) The IS operator shall have first priority in use of the facility for any purpose related to the operation of the innovative school. The local board of education may allow use of the facility by governmental, charitable, civic, or other organizations for activities within the community and may retain any funds received for such use for any time the IS operator has not provided written notice to the local board of its use of the facility during that time for a purpose related to the operation of the innovative school.

For the purposes of this subsection, facility and capital expenditures include routine maintenance and repair, and capital expenditures include building repair and maintenance, furniture, furnishings, and equipment.

(e) Transportation. – The local board of education shall provide transportation of all students assigned to the innovative school in the same manner as provided for other schools in the local school administrative unit in that school year.

(f) Memorandums of Understanding for Alternate Arrangements. – Notwithstanding this section, the IS operator, in consultation with the ISD Superintendent, may elect to enter into a memorandum of understanding for alternate arrangements with the local board of education to address any of the following:

- (1) Facility and capital expenditures.
- (2) Transportation services.
- (3) Services for Children with Disabilities.

If the IS operator elects to use a memorandum of understanding for alternate arrangements, the IS operator and local board of education shall finalize the memorandum of understanding within 30 days of the initial request by the IS operator. If the parties have not completed the memorandum of understanding within 30 days, the State Board of Education shall resolve any issues in dispute.

(g) Student Records. – The local board of education shall make available in a timely fashion all student records to the innovative school at no cost for all students of that school.

(h) Innovative School Employees. – The IS operator shall select and hire the school principal for an innovative school. Within the limits of the school budget, the IS operator or its designee shall select staff members in accordance with guidance from the ISD Superintendent. Before finalizing staffing recommendations, the IS operator and the ISD Superintendent or the Superintendent's designee shall interview all existing staff members at the qualifying school and review student growth and performance data for those staff members for whom it is available. Notwithstanding Article 21A of this Chapter, the IS operator and the ISD Superintendent shall be permitted to examine personnel files of existing staff members for the qualifying school. The IS operator shall have the authority to decide whether any administrator, teacher, or staff member previously assigned to a qualifying school selected to become an innovative school shall continue as an employee of the innovative school. Any such employees retained shall become employees of the ISD. An employee hired to work in an innovative school shall be an employee of the ISD, and the employees shall be under the exclusive control of the ISD. All employees of the ISD shall be eligible for enrollment in the Teachers' and State Employees' Retirement System of North Carolina, the State Health Plan, and other benefits available to State employees. The IS operator shall provide funds to the ISD in an amount sufficient to provide salary and benefits for employees of the ISD working in the innovative school based on the terms of employment established by the IS operator.

(i) Criminal History Checks. – The State Board of Education shall require applicants for employment with the ISD to be checked for criminal histories using the process provided in G.S. 115C-332. The State Board of Education shall provide the criminal history it receives to the ISD Superintendent and IS operator.

(j) Employees of Local Board of Education. – The transfer of a qualifying school shall be deemed a reorganization of the local school administration unit resulting in a reduction in force. If an employee is not given the option to continue as an employee for the innovative school, the local board of education may, in its discretion, do any of the following:

- (1) Continue the employee's employment with the local board of education.
- (2) Dismiss the employee due to a reduction in force as provided in Article 22 of this Chapter.
- (3) Dismiss the employee as otherwise provided in Article 22 of this Chapter.

(k) Liability Insurance. – The IS operator shall maintain reasonable amounts and types of liability insurance as established by the State Board of Education. No civil liability shall attach to the State Board of Education, the Department of Public Instruction, the ISD Superintendent, or a

local board of education or to any of their members or employees, individually or collectively, for any acts or omissions of the IS operator.

(l) School Nutrition Program. – The innovative school shall participate in the National School Lunch Program, as provided in G.S. 115C-264.

(m) Cooperation with ISD Superintendent. – The local board of education shall cooperate with the ISD Superintendent in carrying out his or her powers and duties as necessary in accordance with this Chapter. (2016-110, s. 1; 2017-57, ss. 7.26E(a), (f); 2017-102, s. 48(i); 2018-5, s. 7.20(b).)

§ 115C-75.10. Innovative schools funds.

(a) Funding Allocation Selection. – State and local funding for an innovative school shall be allocated as provided in subsection (b) or subsection (c) of this section. The IS operator shall select one of the allocation methods as the method to be used for the innovative school.

(b) Designated Funding. – Funding shall be allocated to the ISD for the innovative school by the State Board of Education and local board of education as follows:

- (1) The State Board of Education shall allocate the following to the ISD for each innovative school:
 - a. An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the innovative school was located for each child attending the innovative school except for the allocations for (i) children with disabilities, (ii) children with limited English proficiency, and (iii) transportation. The State Board of Education shall provide the allocation for transportation to the local school administrative unit in which the innovative school is located.
 - b. An additional amount for each child attending the innovative school who is a child with disabilities.
 - c. An additional amount for children with limited English proficiency attending the innovative school, based on a formula adopted by the State Board of Education.
- (2) The local school administrative unit in which the innovative school is located shall transfer to the ISD for the innovative school an amount equal to the per pupil share of the local current expense fund of the local school administrative unit for the fiscal year. The per pupil share of the local current expense fund shall be transferred to the ISD for the innovative school within 30 days of the receipt of monies into the local current expense fund. The local school administrative unit and ISD may use the process for mediation of differences between the State Board of Education and a charter school provided in G.S. 115C-218.95(d) to resolve differences on calculation and transference of the per pupil share of the local current expense fund. The amount transferred under this subsection that consists of revenue derived from supplemental taxes shall be transferred only to an innovative school located in the tax district for which these taxes are levied and in which the student resides. The local school administrative unit shall also provide the ISD with all of the following information within the 30-day time period provided in this subsection:

- a. The total amount of monies the local school administrative unit has in each of the funds listed in G.S. 115C-426(c).
- b. The student membership numbers used to calculate the per pupil share of the local current expense fund.
- c. How the per pupil share of the local current expense fund was calculated.
- d. Any additional records requested by the ISD from the local school administrative unit in order for the ISD to audit and verify the calculation and transfer of the per pupil share of the local current expense fund.

(c) Funding Memorandum of Understanding. – The IS operator, in consultation with the ISD Superintendent, may enter into a funding memorandum of understanding with the local board of education of the local school administrative unit where the innovative school is located for all student support and operational services and instructional services to be provided by the local board of education in the same manner and degree as in the prior school year or funding in an amount equivalent to the amount the local board of education would have expended on those services if provided. For the purposes of this subsection, student support and operational services include cafeteria services, custodial services, broadband and utilities, and student information services, and instructional services include alternative education, special education services, test administration services, textbooks, technology, media resources, instructional equipment, and other resources. The IS operator and local board of education shall finalize the funding memorandum of understanding within 30 days of the initial request for the memorandum by the IS operator. If the parties have not completed the funding memorandum of understanding within 30 days, the State Board of Education shall resolve any issues in dispute.

(d) The ISD may seek, manage, and expend federal money and grants, State funding, municipal funding, and other funding with the same authority as a local school administrative unit, including decisions related to allocation of State funds among innovative schools, and shall be considered a local school administrative unit for all federal funding purposes. (2016-110, s. 1; 2017-57, ss. 7.26E(a), (f); 2018-5, s. 38.8(c).)

§ 115C-75.11. Accountability and governance for innovative schools.

(a) The IS operator shall set clear goals related to higher academic outcomes for students, safe and positive learning environments for children, parent and community engagement, and the efficient and effective use of taxpayer dollars, empower and equip teachers and school leaders to meet the goals, and hold such teachers and school leaders accountable to meet the goals. The IS operator shall apply to the ISD Superintendent for appropriate waivers for the innovative school pursuant to G.S. 115C-75.7(e).

(b) The IS operator shall select, approve, or remove the school principal of an innovative school that it is managing in accordance with this Article.

(c) The IS operator shall enter into an agreement with the school principal regarding specific goals for the innovative school related to higher academic outcomes for students, safe and positive learning environments for children, parent and community engagement, and the efficient and effective use of taxpayer dollars. The agreement shall be made publicly available on the ISD Web site.

(d) An innovative school shall not be included in any State evaluation or performance models used for the local school administrative unit in which the school is located but shall be

considered a part of the ISD for all evaluation purposes. (2016-110, s. 1; 2017-57, ss. 7.26E(a), (f).)

§ 115C-75.12. Term of supervision for an innovative school.

(a) An innovative school shall remain under the supervision of the ISD for a minimum of five consecutive years through a contract with an IS operator. The following shall apply to the term of a contract with an IS operator of an innovative school:

- (1) Early termination of contract based on performance. – If, during the five-year contract, the innovative school's annual percentage growth does not exceed the average annual percentage growth of other qualifying schools for three consecutive years, the State Board of Education, upon the recommendation of the ISD Superintendent, may terminate the contract at the conclusion of the academic year and select another IS operator in accordance with G.S. 115C-75.8 to assume the remainder of the five-year contract and any occupancy agreements or memorandums of understanding with the local board of education at the beginning of the next academic year.
- (2) Nonrenewal of contract based on performance. – If, by the end of the five-year contract, the innovative school's average annual percentage growth during the term of the contract does not exceed the average annual percentage growth of other qualifying schools during the same term, the State Board of Education shall not renew the contract of the IS operator and develop a transition plan to return the school to the local school administrative unit.
- (3) State Board of Education optional extension of contract for three years. – If, by the end of the five-year contract, the innovative school remains a qualifying school but has exceeded the average annual percentage growth of other qualifying schools and has shown growth over the term of the contract, the State Board of Education, upon the recommendation of the ISD Superintendent in his or her discretion, may continue the contract with the IS operator for an additional three-year term. The ISD Superintendent and IS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ISD at the conclusion of the three-year extension of the contract. If the State Board of Education does not elect to continue the contract, the State Board of Education may do any of the following:
 - a. Select another IS operator for a three-year contract.
 - b. Close the school as provided in subdivision (2) of this subsection.
 - c. Develop a transition plan to return the school to the local school administrative unit for the next school year.
- (4) IS operator option to extend contract for three years. – If, by the end of the five-year contract, the innovative school receives a grade of C or higher under G.S. 115C-12(9)c1., the IS operator shall have the option to extend the contract for another three-year term. The ISD Superintendent and IS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ISD at the conclusion of the three-year extension of the contract. Options at the conclusion of the contract shall include the following:

- a. Conversion to charter. – If, in the development of the transition plan, a local board of education indicates by resolution to the State Board of Education that the local board of education elects to not receive the transfer of the innovative school back to the local school administrative unit, the IS operator may apply to convert the school to a charter school under Article 14A of this Chapter. If a charter is awarded, the charter board of directors may request to use the facility as provided in G.S. 115C-218.35. If the IS operator does not seek conversion to a charter school or fails to receive a charter, the State Board of Education may close the school as provided in subdivision (2) of this subsection.
 - b. Alternate as operator or return to local school administrative unit. – If the IS operator does not elect to continue the contract, the State Board of Education may select another IS operator for a three-year contract or may develop a transition plan to return the school to the local school administrative unit for the next school year.
- (5) Termination of contract on other grounds. – The State Board of Education, upon the recommendation of the ISD Superintendent, may terminate a contract with an IS operator at any time during the contract for financial mismanagement, noncompliance with federal or State laws, failure to comply with the terms of the contract, or evidence of criminal activity. The State Board of Education shall develop a transition plan to return the school to the local school administrative unit. The ISD is authorized to act as a temporary IS operator during the transition period, if necessary.

(b) An innovative school shall remain under the supervision of the ISD for no more than eight years.

(c) The State Board of Education shall make all decisions related to contracts for IS operators no later than May 1, except as provided in subdivision (5) of subsection (a) of this section. (2016-110, s. 1; 2017-57, ss. 7.26E(a), (f); 2018-5, s. 7.20(d).)

§ 115C-75.13. Innovation zones.

(a) If a local board of education transfers a qualifying school to the ISD, the local board of education may ask the State Board of Education to be allowed to create an innovation zone (i) for up to three continually low-performing schools within its local school administrative or (ii) if the local school administrative unit has more than thirty-five percent (35%) of the schools identified in the unit as low-performing, for all of the low-performing schools located in the unit.

The State Board of Education shall grant, upon recommendation of the ISD Superintendent, such requests for the creation of an innovation zone. The State Board of Education shall also authorize the local board of education the flexibility to operate the schools within the innovation zone with the same exemptions from statutes and rules as a charter school authorized under Article 14A of this Chapter and with exemptions from local board of education policies as needed to ensure autonomy under the guidance of the innovation zone office for financial, programmatic, staffing, and time allocation decisions.

(b) The innovation zone created by a local board of education must include all of the following:

- (1) Development of a clear and specific plan for improving schools within the innovation zone.

- (2) Establishment of an innovation zone office with a leader recommended by the ISD Superintendent to be appointed by the local board of education and approved by the State Board of Education to govern and lead the schools in the innovation zone.
 - (3) Attraction of high-quality staff at schools in the innovation zone through the use of incentives, favorable working conditions, and development of partnerships to develop human capital.
 - (4) Accountability for those schools based on established benchmarks and goals for student achievement and for support services provided by the local school administrative unit based on metrics established by the innovation zone office for effective and efficient delivery.
 - (5) Support for those schools by the innovation zone office to ensure priority in services from the local school administrative unit, pursuit of outside funding, and technical support, including support from external partners.
- (c) A local board of education may maintain an innovation zone created as provided in subsection (a) for up to five consecutive years. The State Board of Education may terminate the innovation zone as follows:
- (1) Early termination of innovation zone based on performance. – If, during the five-year period, the average of the annual percentage growth of the schools within the innovation zone does not exceed the average annual percentage growth of other continually low-performing schools for three consecutive years, the State Board of Education, upon the recommendation of the ISD Superintendent, may terminate the innovation zone at the conclusion of the academic year.
 - (2) Nonrenewal of innovation zone based on performance. – If, by the end of the five-year period, the average annual percentage growth of the schools within the innovation zone over the five-year period does not exceed the average annual percentage growth of other continually low-performing schools during the same term, the State Board of Education shall not permit the local board of education to continue the innovation zone.
 - (3) State Board of Education optional extension of innovation zone for three years. – If, by the end of the five-year period, the schools within the innovation zone remain continually low-performing schools but have exceeded the average annual percentage growth of other continually low-performing schools, the State Board of Education, upon the recommendation of the ISD Superintendent in his or her discretion, may allow continuation of the innovation zone for an additional three years.
 - (4) Local board of education option to extend innovation zone for three years. – If, by the end of the five-year period, the schools within the innovation zone receive a grade of C or higher under G.S. 115C-12(9)c1., the local board of education shall have the option to extend the innovation zone for another three years.
- (d) A low-performing school in an innovation zone, created as provided in clause (ii) of subsection (a) of this section, shall become an innovative school if that low-performing school does not exceed expected growth in the last two years of the five consecutive years in the innovation zone. (2016-110, s. 1; 2017-57, ss. 7.26E(a), (f).)

