



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB5063

Introduced 2/10/2026, by Rep. Aarón M. Ortíz

SYNOPSIS AS INTRODUCED:

105 ILCS 5/27A-3
105 ILCS 5/27A-9.5 new
105 ILCS 5/27A-10.15 new
105 ILCS 5/27A-10.20 new

Amends the Charter Schools Law of the School Code. Provides that upon approval of a charter renewal by an authorizer, the charter operator shall execute the renewal agreement no later than 90 days after the date of the authorizer's final renewal approval. Provides that a charter school that is deemed nonrenewed is ineligible to receive any payments from a school district. Provides that a charter operator that fails to execute a renewal agreement within a specified period may not continue to operate the charter school beyond the expiration of the existing charter term and is subject to closure procedures. Requires every charter operator to maintain closure security. Provides that failure to maintain closure security is a basis for the authorizer to withhold a portion of per-pupil payments until compliance is achieved and for consideration in denying a charter renewal or revoking the charter or ineligibility to operate additional charter campuses. Provides that if the closure security is insufficient to cover the costs of a closure event, the authorizer or the State Board of Education may bring a civil action against the charter operator to recover the unpaid amounts and seek to impose a lien on any property owned by the charter operator to secure recovery. Provides that if an authorizer determines that a charter school is in financial distress, the authorizer may require the charter operator to submit a financial remediation plan within 30 days. Provides that if the authorizer determines that the charter school has failed to implement an approved remediation plan or the financial distress presents an immediate risk to students, employees, or public funds, the authorizer may initiate financial intervention by appointing an independent fiscal manager approved by the authorizer and the State Board. Allows the fiscal manager to exercise authority limited to financial matters. Provides that financial intervention is temporary and may not exceed 180 days, except that the authorizer may extend the intervention once for good cause. Makes other changes. Effective immediately.

LRB104 18287 LNS 31727 b

A BILL FOR

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. This Act may be referred to as the Charter
5 School Closure Financial Accountability Law.

6 Section 5. Findings. The General Assembly finds and
7 declares all of the following:

8 (1) Public funds and public property provided to
9 charter schools must be protected and used for students'
10 education.

11 (2) Charter schools in this State may close during a
12 school year, and when they do there is a risk that
13 students, employees, and public assets will suffer harm
14 while the charter operator faces no meaningful financial
15 accountability.

16 (3) Current law and administrative guidance address
17 closure procedures but do not uniformly require a
18 prefunded financial mechanism sufficient to cover
19 transition costs, severance, and the return of publicly
20 funded property.

21 (4) It is, therefore, necessary to require charter
22 operators to maintain closure reserves, require return of
23 public assets purchased with public funds, provide

1 remedies to recover costs incurred by authorizers and
2 students' home districts, and impose penalties for
3 mid-year abandonment that is negligent or in bad faith.

4 Section 10. The School Code is amended by changing Section
5 27A-3 and by adding Sections 27A-9.5, 27A-10.15, and 27A-10.20
6 as follows:

7 (105 ILCS 5/27A-3)

8 Sec. 27A-3. Definitions. For purposes of this Article:

9 "At-risk pupil" means a pupil who, because of physical,
10 emotional, socioeconomic, or cultural factors, is less likely
11 to succeed in a conventional educational environment.

12 "Authorizer" means an entity authorized under this Article
13 to review applications, decide whether to approve or reject
14 applications, enter into charter contracts with applicants,
15 oversee charter schools, and decide whether to renew, not
16 renew, or revoke a charter.

17 "Closure event" means any termination, revocation,
18 nonrenewal, or voluntary cessation of operations of a charter
19 school resulting in the charter school's permanent cessation
20 of instruction to enrolled pupils outside the normal
21 end-of-school-year phase-out.

22 "Closure security" means a financial instrument listed
23 under subsection (a) of Section 27A-10.15.

24 "Financial distress" means one or more of the following

1 conditions, as determined by an authorizer based on documented
2 evidence:

3 (1) failure to timely meet payroll, benefits, or other
4 operating obligations;

5 (2) material audit findings indicating insolvency,
6 negative cash flow, or substantial doubt as to a charter
7 school's ability to continue as a going concern;

8 (3) default or imminent default on debt or lease
9 obligations;

10 (4) failure to maintain required closure security or
11 other financial reserves required under this Article;

12 (5) evidence of misuse or misappropriation of public
13 funds; or

14 (6) any financial condition that poses an imminent
15 risk to the continued operation of a charter school or to
16 the orderly transition of enrolled pupils.

17 "Financial intervention" means a temporary, limited
18 assumption of financial oversight authority by an authorizer
19 for the purpose of stabilizing a charter school and protecting
20 students, employees, and public assets.

21 "Local school board" means the duly elected or appointed
22 school board or board of education of a public school
23 district, including special charter districts and school
24 districts located in cities having a population of more than
25 500,000, organized under the laws of this State.

26 "Public assets" means equipment, furniture, books,

1 instructional technology, real estate, or any other real
2 property purchased or leased with public funds or purchased
3 with funds subject to public oversight.

4 "State Board" means the State Board of Education.

5 "Union neutrality clause" means a provision whereby a
6 charter school agrees: (1) to be neutral regarding the
7 unionization of any of its employees, such that the charter
8 school will not at any time express a position on the matter of
9 whether its employees will be unionized and such that the
10 charter school will not threaten, intimidate, discriminate
11 against, retaliate against, or take any adverse action against
12 any employees based on their decision to support or oppose
13 union representation; (2) to provide any bona fide labor
14 organization access at reasonable times to areas in which the
15 charter school's employees work for the purpose of meeting
16 with employees to discuss their right to representation,
17 employment rights under the law, and terms and conditions of
18 employment; and (3) that union recognition shall be through a
19 majority card check verified by a neutral third-party
20 arbitrator mutually selected by the charter school and the
21 bona fide labor organization through alternate striking from a
22 panel of arbitrators provided by the Federal Mediation and
23 Conciliation Service. As used in this definition, "bona fide
24 labor organization" means a labor organization recognized
25 under the National Labor Relations Act or the Illinois
26 Educational Labor Relations Act. As used in this definition,

1 "employees" means non-represented, non-management, and
2 non-confidential employees of a charter school.

3 (Source: P.A. 103-175, eff. 6-30-23; 103-416, eff. 8-4-23;
4 103-605, eff. 7-1-24.)

5 (105 ILCS 5/27A-9.5 new)

6 Sec. 27A-9.5. Charter renewal; timely execution; funding
7 consequences.

8 (a) This Section applies to all charter renewals approved
9 on or after the effective date of this amendatory Act of the
10 104th General Assembly.

11 (b) Upon approval of a charter renewal by an authorizer,
12 the charter operator shall execute the renewal agreement no
13 later than 90 days after the date of the authorizer's final
14 renewal approval.

15 (c) Failure of a charter operator to execute an approved
16 renewal agreement within the 90-day period shall constitute:

17 (1) a refusal of the renewal by the charter operator;
18 and

19 (2) a nonrenewal of the charter for all purposes under
20 this Article, without further action required by the
21 authorizer.

22 (d) A charter school that is deemed nonrenewed under
23 subsection (c) is ineligible to receive any payments from a
24 school district, including a school district organized under
25 Article 34, after the expiration of the existing charter term,

1 including, but not limited to:

2 (1) per-pupil tuition or payments;

3 (2) supplemental, categorical, or grant funding
4 administered by the district; and

5 (3) any pass-through or discretionary funds controlled
6 by the district.

7 The school district shall cease payments upon expiration
8 of the charter term if a renewal agreement has not been
9 executed as required by subsection (b).

10 (e) A charter operator's refusal to execute a renewal
11 agreement under subsection (b) due to disagreement with the
12 terms approved by the authorizer, including labor-related,
13 governance, or accountability provisions, may not delay, toll,
14 or suspend the 90-day execution requirement under subsection
15 (b) or the funding consequences under subsection (d).

16 (f) A charter operator that fails to execute a renewal
17 agreement within the period specified in subsection (b) may
18 not continue to operate the charter school beyond the
19 expiration of the existing charter term and is subject to the
20 closure procedures under this Article.

21 (g) At the time an authorizer grants approval of a charter
22 renewal, the authorizer shall provide written notice to the
23 charter operator of the execution deadline under subsection
24 (b) and the funding consequences of a failure to execute under
25 subsection (d).

26 (h) Nothing in this Section shall be construed to impair

1 the rights of employees or labor organizations under the
2 Illinois Educational Labor Relations Act.

3 (105 ILCS 5/27A-10.15 new)

4 Sec. 27A-10.15. Closure financial accountability.

5 (a) Every charter operator shall maintain, while its
6 charter is in effect, one or more of the following financial
7 instruments to secure closure obligations:

8 (1) an escrow account held in a financial institution
9 in this State in the name of the charter school, funded in
10 cash;

11 (2) a surety bond or irrevocable letter of credit
12 issued by a financial institution authorized to do
13 business in this State; or

14 (3) a segregated reserve fund reflected on the charter
15 school's audited financial statements and held in a manner
16 acceptable to the authorizer and the State Board.

17 A charter school in operation on the effective date of
18 this amendatory Act of the 104th General Assembly must comply
19 with this Section within 2 fiscal years after the effective
20 date of this amendatory Act of the 104th General Assembly.

21 (b) The closure security under subsection (a) for a
22 charter school in operation for at least one fiscal year must
23 equal 3 months of the charter school's average operating
24 expenditures based on its last audited fiscal year. If the
25 closure security is below the required amount, the authorizer

1 shall require a remediation plan to reach compliance within 2
2 fiscal years. Failure to timely comply is grounds for
3 suspension of enrollment growth and may be considered in a
4 charter renewal determination.

5 For a charter school in operation for less than one fiscal
6 year, the closure security must equal 3 months of the charter
7 school's projected annual budget, as approved by the charter's
8 authorizer. The closure security for such a charter school
9 must be established and funded to at least 50% of the required
10 amount, based on the charter school's projected budget, at the
11 time the charter is granted or, for a charter granted before
12 the effective date of this amendatory Act of the 104th General
13 Assembly, within 30 days after the effective date of this
14 amendatory Act of the 104th General Assembly and must reach
15 the full required amount by the end of the charter's second
16 full fiscal year.

17 (c) Closure security shall be used, in priority order, to
18 pay:

19 (1) the direct costs of transitioning students, such
20 as transportation, records transfer, and student placement
21 assistance, incurred by the authorizer or receiving school
22 district;

23 (2) any outstanding payroll for employees for time
24 worked through the closure date, including legally
25 required benefits, and severance if contractually required
26 under the charter school's collective bargaining

- 1 agreements or employment contracts;
2 (3) any costs reasonably incurred for the storage or
3 transfer of student records and special education
4 documents required to ensure continuity of services;
5 (4) any costs to return public assets to the
6 authorizer or otherwise account for disposition of public
7 assets purchased with public funds; and
8 (5) any reasonable administrative costs incurred by
9 the authorizer or the State Board to supervise and execute
10 the closure and student transition.

11 Closure security may not be used to pay any preexisting,
12 unrelated debt of the charter operator that is not connected
13 to the operating obligations to students, employees, or public
14 property, except as permitted under this subsection.

15 (d) A charter operator must provide the authorizer and the
16 State Board written notice of the charter operator's intent to
17 close a charter school no fewer than 90 days before the planned
18 closure and must provide immediate notice upon any involuntary
19 closure action, insolvency event, or cessation of operations.

20 Within 30 days after a closure event, the authorizer shall
21 publish a closure action statement that lists amounts from the
22 closure security disbursed and the uses.

23 (e) Failure to maintain closure security as required under
24 this Section is a basis for:

- 25 (1) the authorizer to withhold a portion of per-pupil
26 payments until compliance is achieved; and

1 (2) consideration in denying a charter renewal or
2 revoking the charter or ineligibility to operate
3 additional charter campuses.

4 If the closure security is insufficient to cover the costs
5 of a closure event as set forth in subsection (c), the
6 authorizer or the State Board may:

7 (1) bring a civil action against the charter operator
8 to recover the unpaid amounts; and

9 (2) seek to impose a lien on any property owned by the
10 charter operator that is located in this State to secure
11 recovery.

12 In cases in which a closure results from gross negligence,
13 willful misconduct, or intentional misappropriation of public
14 funds by the charter operator or its officers or directors,
15 the authorizer or State Board may seek recovery from
16 individual officers, directors, or persons who knowingly
17 caused the gross negligence, willful misconduct, or
18 intentional misappropriation, including civil penalties not to
19 exceed \$50,000 per violation and reasonable attorney's fees.

20 (f) Upon closure, any public assets purchased with public
21 funds must be returned to the authorizer or disposed of
22 according to procedures established by the State Board or the
23 authorizer. Proceeds from any sale of such assets shall be
24 applied first to outstanding obligations to students and
25 employees, and then to the reimbursement of public funds.

26 (g) The State Board shall adopt rules to implement this

1 Section within 180 days after the effective date of this
2 amendatory Act of the 104th General Assembly, including
3 acceptable forms of closure security, procedures for claims on
4 closure security, and documentation standards for authorizers
5 to approve closure security.

6 (105 ILCS 5/27A-10.20 new)

7 Sec. 27A-10.20. Financial distress; charter school
8 financial intervention.

9 (a) If an authorizer determines that a charter school is
10 in financial distress, the authorizer may require the charter
11 operator to submit a financial remediation plan for approval
12 within 30 days after that determination. The remediation plan
13 shall include, at a minimum:

14 (1) current cash-flow projections;

15 (2) corrective actions to address identified
16 deficiencies;

17 (3) a timeline for achieving fiscal stability; and

18 (4) enhanced financial-reporting requirements as
19 specified by the authorizer.

20 Failure to timely submit a remediation plan or implement
21 an approved remediation plan constitutes grounds for financial
22 intervention under subsection (b).

23 (b) If the authorizer determines that (i) the charter
24 school has failed to implement an approved remediation plan or
25 (2) the financial distress presents an immediate risk to

1 students, employees, or public funds, the authorizer may
2 initiate financial intervention by appointing an independent
3 fiscal manager approved by the authorizer and the State Board.

4 (c) The fiscal manager may exercise authority, limited to
5 financial matters, over the charter school, including:

6 (1) approval and oversight of expenditures and
7 disbursements;

8 (2) oversight of payroll, benefits, and required
9 employee payments;

10 (3) reviewing, modifying, or terminating any vendor
11 contracts necessary to ensure fiscal stability;

12 (4) protection, inventory, and preservation of public
13 assets; and

14 (5) ensuring compliance with financial reporting and
15 audit requirements.

16 The fiscal manager may not exercise authority over
17 curriculum, instruction, educational programming, or personnel
18 matters unrelated to financial administration.

19 (d) Financial intervention under this Section is temporary
20 and may not exceed 180 days, except that the authorizer may
21 extend the intervention once for good cause. The intervention
22 shall terminate upon a determination by the authorizer that
23 fiscal stability has been restored or upon charter revocation,
24 surrender, nonrenewal, or closure.

25 (e) Prior to initiating financial intervention, the
26 authorizer shall provide written notice to the charter

1 operator describing the basis for the intervention and provide
2 an opportunity to respond, except in cases in which immediate
3 action is required to protect students or public funds.

4 (f) An authorizer's exercise of authority under this
5 Section:

6 (1) does not constitute operation or management of the
7 charter school;

8 (2) does not create financial or legal liability for
9 the authorizer or its members; and

10 (3) shall be deemed an oversight and regulatory
11 function for purposes of immunity under Section 27A-7.10.

12 (g) Financial intervention under this Section does not
13 preclude charter revocation, nonrenewal, or closure and may be
14 used to stabilize operations pending an orderly closure
15 pursuant to this Article.

16 Section 97. Severability. The provisions of this Act are
17 severable under Section 1.31 of the Statute on Statutes.

18 Section 99. Effective date. This Act takes effect upon
19 becoming law.