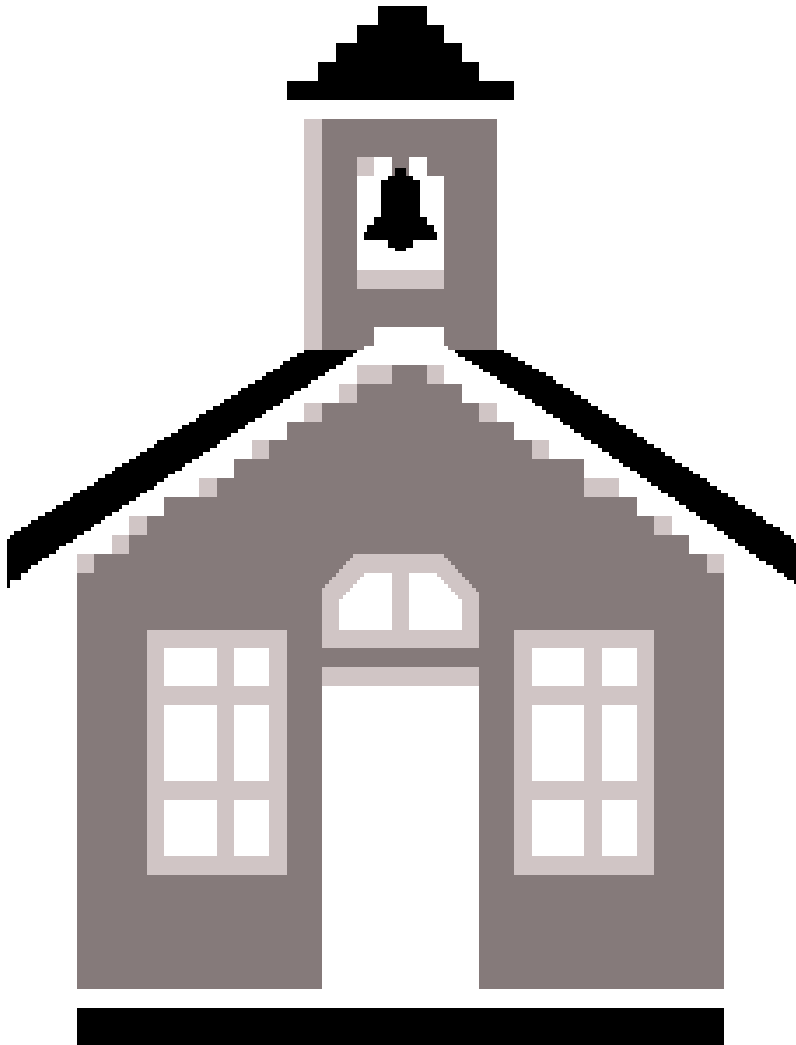


Charter Schools in Tennessee?



**A Legislative Staff Briefing Paper by
The Office of Education Accountability
Comptroller of the Treasury
April 2002**



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Executive Summary

Charter schools are semiautonomous public schools founded by parents, educators, community groups, or private organizations that operate under written contracts with the state, district, or other entity. Charter schools are exempt from most state and local rules and regulations that govern regular public schools—in exchange, charter schools must agree to the terms of the charter, which includes educating students to an agreed standard. If the school does not perform as outlined in the agreement then it can be closed. Charter schools offer another alternative to traditional public schools, and educators and policymakers have debated the effect that charters can have on students, teachers, and school systems for the past decade.

Since Minnesota enacted the first charter school legislation in 1991, charter schools have multiplied substantially, although they still make up only a small portion of public schools across the U.S. By the start of the 2001 fall semester, 37 states, the District of Columbia, and Puerto Rico had enacted charter school legislation and 2,343 charter schools were serving over 500,000 students across the country.

This Office of Education Accountability briefing paper seeks to provide lawmakers with general information on charter school programs in other states, as well as provide a guide to essential components of charter school legislation. Research about charter schools reveals the following:

- **States with charter school legislation are eligible for additional federal funding for use in creating or improving charter schools.** The Elementary and Secondary Education Act (ESEA) provides \$300 million in grants for charter school programs to state education agencies and charter school sponsors in fiscal year 2002. It also provides \$150 million for credit enhancement initiatives to assist in meeting charter school facilities needs. State education agencies, local school districts, and private groups are eligible to apply for these grants. (See page 2.)
- **States that have charter school legislation will have an additional option under the accountability portions of the ESEA for Title I schools designated as failing.** The recently reauthorized ESEA contains provisions for an accountability system for schools that accept Title I funds, which may include some charter schools that are designed specifically for at-risk populations. If Title I schools do not achieve adequate yearly progress, as defined by federal law, states could be required to provide options for alternative governance, which could include state takeover or reopening as a charter school. (See page 2.)
- **Limited research indicates charter schools in other states have shown both successful and unsuccessful results.** Studies in both Texas and California have shown that charter schools targeting at-risk students tend to improve academic achievement more than either charter schools serving a more general population or more traditional public schools. Comparisons of other charter schools' academic performance to that of conventional public schools found some to be similar, some less effective, and some more effective.

Charter schools may also impact their surrounding school districts. A U.S. Department

of Education study found positive effects on programming in nearby traditional public schools in 61 percent of districts included in the study. However, the study also found that 45 percent of the districts surveyed indicated redirection of funding to charter schools had a negative impact on conventional district schools' budgets. (See pages 2-5.)

- **The U.S. Department of Education outlines several policy areas that should be addressed by any charter school legislation, such as charter development, charter school legal status, fiscal concerns, students, teachers, instruction, and accountability and oversight.** (See pages 6-14.)
- **Some states' experiences point to a need to carefully and adequately define the state's responsibility for monitoring, oversight, and technical support of charter schools as early as possible in the process.** States with several years of charter school experience have encountered some problems with charter school operation, including mismanagement of funds. In addition, several states have recently closed charter schools because of poor academic performance. Some states with charter school legislation have had to amend their charter school laws or levy sanctions because of inadequate oversight or to address performance or fiscal management issues. In particular, the recent difficulties documented in an Ohio audit of the state's charter schools may be instructive for other states considering charter school legislation. (See pages 5, 8, 10, and 12.)
- **Tennessee state law allows for alternatives to traditional public schools, but apparently does not qualify the state for federal funds targeted to charter schools.** *TCA* §49-3-365 allows for the creation of "break-the-mold" schools. These schools are similar to charter schools in that they are "entitled to the same financial aid support services as public schools" and they "shall not be subject to the rules and regulations or policies of either the state board of education or the local board of education." Since fall of 2001, Hamilton County has operated all 17 of its high schools as break-the-mold schools, using a five-year, privately funded grant. According to Tennessee's Department of Education staff, the state has attempted to access federal funding for charter schools using this statute in the past, but was unsuccessful.

In addition, *TCA* §49-1-207 allows the "Commissioner of Education to authorize up to eight (8) school systems or any part thereof to operate as alternative education programs which emphasize school-based decision making." With approval from the LEA, a superintendent or principal may apply for a grant of up to \$50,000 per school district to plan and execute alternative education programs. According to Department of Education staff, currently no schools operate under this statute.

Also, *T.C.A.* 49-2-210 allows a local board of education to initiate a program of school-based decision making, designating areas, such as management, curriculum, classroom management, professional development, and budget, to be decided at the school by school personnel. The law allows the board to permit such decisions to vary from board policies. (See pages 14-15.)

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Introduction

Charter schools are semiautonomous public schools founded by parents, educators, community groups, or private organizations that operate under written contracts with the state, district, or other entity. Charter schools are exempt from most state and local rules and regulations that govern regular public schools—in exchange, charter schools must agree to the terms of the charter, which includes educating students to an agreed standard. If the school does not perform as outlined in the agreement, it can be closed. Charter schools offer another alternative to traditional public schools, and educators have debated the effect that charters can have on students, teachers, and school systems for the past decade. (See Appendix A for a table displaying the two sides of the charter school debate.)

Since Minnesota enacted the first charter school legislation in 1991, charter schools have multiplied substantially, although they still make up only a small portion of public schools across the U.S. By the start of the 2001 fall semester, 37 states, the District of Columbia, and Puerto Rico had enacted charter school legislation and 2,343 charter schools were serving over 500,000 students across the country. (See Appendix B.)¹

Tennessee, Kentucky, West Virginia and Alabama are the only southern states without laws allowing charter schools. The states with the largest numbers of charter schools are Arizona (437), California (350), Texas (219), Michigan (188), and Florida (182). No charter schools operate in New Hampshire or Wyoming.² Mississippi, which had chartered only one school, repealed its charter school law in July 2001 and passed legislation extending the repeal to 2004.³

Tennessee's General Assembly has been debating charter school legislation since the mid-1990s. In 2002, legislators in Tennessee, Iowa, Maryland, and Vermont are considering legislation to create charter schools. This paper summarizes the federal role in charter schools; reviews national and state research concerning charter schools, and recommends essential components of charter school legislation.

The Federal Role in Charter Schools

The federal government generally has been supportive of charter schools under both Democratic and Republican administrations. Beginning in 1995, the U.S. Congress made start-up money available for charter schools through the Public Charter Schools Program (PCSP) in the Elementary and Secondary Education Act (ESEA). Congress reauthorized the PCSP in 1998 with the passage of the Charter School Expansion Act. Eligibility for

¹ "Overview of Charter Schools," WestEd and the U.S. Department of Education, www.uscharterschools.org, accessed March 1, 2002.

² "Charter Schools Quick Facts," Education Commission of the States, www.ecs.org, accessed January 5, 2002.

³ Christine L. Smith, *Focus on Charter Schools: 2000 and 2001 Legislative Actions in SREB States*, Southern Regional Education Board, April 2001.

subgrants was expanded to include mature charter schools, which could apply for funds to disseminate promising school practices.⁴

States with charter school legislation are eligible for additional federal funding for use in creating or improving charter schools. ESEA provides \$300 million in grants for charter school programs to state education agencies and charter school sponsors in fiscal year 2002. It also provides \$150 million for credit enhancement initiatives to assist in meeting charter school facilities needs. State education agencies, local school districts, and private groups are eligible to apply for these grants. A variety of other federal funds are available through technology, school reform, and improvement grants as well as grants for programs targeting underserved and special needs populations.⁵

States that have charter school legislation will have an additional option under the accountability portions of the ESEA for Title I schools designated as failing. The recently reauthorized ESEA contains provisions for an accountability system for schools that accept Title I funds, which may include some charter schools that are designed specifically for at-risk populations. (See Appendix C.) The initial part of the plan is divided into three two-year phases: (phase 1) failure to make adequate yearly progress, (phase 2) school improvement, and (phase 3) corrective action. After five years of failing to make adequate yearly progress, a school will be in the second year of corrective action. One of the required activities for that year is to plan and prepare for the next phase, called “alternative governance,” which begins after six years of inadequate progress. Schools that fail to make adequate yearly progress after six years must provide options for alternative governance, which could include state takeover or reopening as a charter school.⁶

According to the Department of Education, Tennessee has approximately 37 schools that will enter the first year of corrective action based on the federal legislation. Department staff predict that Tennessee likely will have some schools entering alternative governance in 2005. Consequently, Tennessee has three years to plan and prepare multiple options for these schools or discontinue the use of Title I funds in the state’s public school system.⁷

Research on Charter Schools

Because most states have had charter schools only for a few years, there has been no research on the long-term impacts of charter schools. Research on the short-term impacts of charter schools also presents a number of problems, including:

- the wide variety of charter school programs among states and the wide variety of individual schools within states;

⁴ SRI International, *Evaluation of the Public Charter Schools Program: Year One Evaluation Report*, 2000, U.S. Department of Education, Document # 2001-06, p. i.

⁵ “Accessing Federal Programs,” WestEd and the U.S. Department of Education, www.charterschools.org, accessed March 4, 2002.

⁶ Handout from the Tennessee Department of Education, Distributed to the Ad-Hoc Committee on Charter Schools, February 20, 2002.

⁷ Telephone Interview with Jeff Roberts, Deputy Commissioner, Tennessee Department of Education, March 1, 2002.

- the lack of data spanning several years; and
- the absence of a true control group to compare with charter schools.

Despite these limitations, some studies have produced findings on the potential benefits and pitfalls of charter schools. The U.S. Department of Education began a four-year research effort on charter schools in 1995, and in 2001 the RAND Institute released an evaluation of all research on charter schools published up to that time. Other state-level studies have also examined the effects of charter schools, including their impact on student achievement. This section provides an overview of current research.

National Studies

U.S. Department of Education

In 1995 the U.S. Department of Education began the National Study of Charter Schools,⁸ a four-year effort to assess the impact of the charter school movement. This research has produced a series of reports focusing on various issues. The U.S. Department released research examining the impact of charter schools on existing school districts in June 2001. This report, which evaluated the effects of charter schools in Arizona, California, Colorado, Massachusetts, and Michigan, found that 61 percent of districts initiated new programs, implemented new schooling structures, and/or opened new non-charter specialty schools in response to the opening of a charter school inside the district. New programs included art and music classes, extended kindergarten classes, character education, specialized curriculum, and programs for at-risk or gifted students. New schooling structures ranged from multi-age classrooms to block scheduling to a student advisory system. The specialty schools created by school districts varied considerably as well. One district created a school for gifted students while another created a school for dropouts. A third created pilot schools to implement new education philosophies. Several districts created “back to the basics” schools focusing on core subject material. Four superintendents reported that they worked with community groups to create new charter schools in their districts.

Interviews and surveys of district personnel indicated that the opening of charter schools, and the resulting loss of some state funding for traditional schools, had a negative effect on school budgets in 45 percent of districts studied. In extreme cases, these effects included staff layoffs and school closings. Researchers found these effects were most common when district enrollment was already declining and charters were granted by an entity other than the school district. Districts tended to view charter schools as an opportunity if the district was large, had increasing enrollment, and had sole authority to grant charters. Conversely, small districts with declining enrollments viewed charter schools as a challenge, especially if entities other than the district had the authority to grant charters.

⁸ John Ericson and Debra Silverman, U.S. Department of Education, Office of Educational Research and Improvement, National Study of Charter Schools, “Challenge and Opportunity: The Impact of Charter Schools on School Districts,” June 2001, p. 10-33.

RAND Institute

In 2001, the RAND Institute published an expansive review of all published research on vouchers and charter schools. The book, *Rhetoric vs. Reality: What We Know and What We Need to Know About Vouchers and Charter Schools*, examines the effects of charter schools on academic achievement, choice, access, integration, and civic socialization. When assessing studies of academic achievement at charter schools in Michigan, Texas, and Arizona, the authors found mixed results:

- In Michigan, researchers studied charter schools during their first two years of operation and found them to be on par with conventional public schools in fourth grade accountability standards, but less effective in grade seven.
- A Texas study found that charter schools targeting at-risk students were more effective than conventional public schools. Other charter schools were less effective.
- The Arizona study looked at a more mature charter school system, having been in place since 1994. The results showed charter schools to be more effective in raising reading scores than other public schools, but math scores were about the same.
- It should be noted that Arizona's law allows for the conversion of existing private and public schools to charter school status. To the extent that experience is relevant to effectiveness, states that allow the conversion of existing schools to charter schools may see better results than those who rely on new start-ups to build their charter sector.⁹

The goals of public education are not limited to academic achievement. Historically, one goal has been integration of students racially, ethnically, and socio-economically. Studies of the racial composition of charter schools have revealed that, although many charter schools are racially integrated, some have racial compositions that differ from surrounding schools.

- In North Carolina, a 1997-98 study showed that most of the 34 charter schools in the state were within the demographic range of local public schools. However, 10 had higher proportions of minorities and five had lower proportions of minorities.
- In Arizona, a study compared enrollments of charter schools in Phoenix with that of the nearest public school. In 17 of 55 schools, white enrollment in the charter school was higher by 20 percent. One school had lower white enrollment by 20 percent.¹⁰
- In contrast, a 1997 study in Colorado found that only one of the state's 24 charter schools fell outside the public school range of minority enrollment.

Charter school supporters claim that charter schools are one means of meeting the needs of disadvantaged student populations. Charter school laws in Florida, Cleveland, and Milwaukee focus on low-income or low-performing students. Some other state charter

⁹ Brian P. Gill, P. Michael Timpane, Karen E. Ross, Dominic J. Brewer, *Rhetoric vs. Reality: What we Know and What We Need to Know About Vouchers and Charter Schools*, (Santa Monica, CA: RAND Publishing, 2001, pp. 91-97.

¹⁰ *Ibid.*, pp. 157-184.

school laws target at-risk students. Of the 27 states with charter schools in 1998-99, 11 had charter school sectors that served a population with substantially lower income than the state's public school population. Six states had charter school populations with higher income than the state's public school population. Nationally, the proportion of students eligible for free and reduced-price lunch was 39 percent in charter schools and 37 percent in traditional public schools.¹¹ Studies in Massachusetts, Michigan, Texas, and Arizona have found the parents of children in charter schools to be more satisfied in a variety of areas than those in a comparison group of local public school parents or compared to their previous experiences with a traditional public school.¹²

State Studies

Two states have published significant research on their charter programs since the RAND review. As with previous research, these studies reveal the potential for both positive and negative outcomes from charter schools.

California

California measures school performance on its academic performance index (API), a score based on student performance on the Stanford Achievement Test. A higher API indicates students have learned more. California State University researchers examined API growth in charter schools and traditional public schools from 1999 to 2001. The researchers found that average API scores in charter schools increased slightly faster than in traditional schools. Charter schools with at least 75 percent of students qualifying for free and reduced-price meals had the greatest impact. In these schools, the average API grew by 28.1 percent from 1999 to 2001. In traditional public schools, average API grew by only 23.8 percent during that time.¹³

Ohio

A 2002 audit of the Ohio Department of Education (ODE) revealed major problems in the department's oversight of charter schools. The audit found many charter schools were unable to meet the needs of students with special needs because of unfamiliarity with state and federal law.¹⁴ Other schools experienced problems procuring adequate facilities or transportation services. The failure rate of Ohio charter schools in 2000-01 was 8.7 percent, more than twice the national average.¹⁵ In one extreme case, two schools operated by High Life closed in November and December 2000 with a combined debt of more than \$2.5 million.¹⁶ The audit concluded that many of the problems experienced by Ohio charter schools were due to "ODE's lack of involvement," and recommended greater support, oversight, and technical assistance from the state level.¹⁷

¹¹ Ibid., p. 153.

¹² Ibid., pp. 115-137.

¹³ Simeon Slovacek, Antony Kunnan, and Hae-Jin Kim, "California Charter Schools Serving Low-SES Students: An Analysis of the Academic Performance Index," California State University-Los Angeles, March 11, 2002.

¹⁴ Jim Petro, Ohio State Auditor, "Ohio Department of Education Community Schools Operational Review," February 7, 2002, pp. 1-13 – 1-14.

¹⁵ Ibid., pp. 1-24.

¹⁶ Ibid., pp. 1-2.

¹⁷ Ibid., pp. 1-3 – 1-4.

What Should Charter School Legislation Include?

According to the Education Commission of the States (ECS), laws regarding charter schools vary widely and can be defined using a range from “strong” to “weak.” The variables within the range are dictated by the amount of control given to the local school district and to the charter school itself. The strength of the law increases with the amount of control given to the charter school. States with weak laws place the majority of control regarding the charter contract with the school district. According to this criterion, Arizona has the strongest charter school legislation in the country and Mississippi has the weakest. Mississippi recently repealed its charter school law. North Carolina is the southern state with the strongest laws, ranking 12th out of 20 states with strong charter school legislation.¹⁸

The U.S. Department of Education outlines several policy areas that should be addressed by any charter school legislation:

- Charter development,
- Charter school legal status,
- Fiscal concerns,
- Students,
- Teachers,
- Instruction, and
- Accountability and oversight.¹⁹

The following discussion includes broad questions regarding these subjects and options for addressing them in charter school legislation. Appendix D provides a comprehensive list of specific policy questions that correspond with these issues and Appendices B and E present information on how other states’ legislation has addressed these policy areas.

Who would be eligible to apply for a charter?

Thirty-six states allow existing public schools to convert to charter schools and also allow for new charter schools to be created “from scratch.” **Conversion charter schools**, some argue, do not have high start-up costs, though “start from scratch” proponents argue that new school cultures and more innovative ideas are more common in new charter schools than in their conversion counterparts.

In states where interested parties can create new charter schools, most legislation limits **who can organize charter schools**. Language defining eligible applicants varies widely from any person or group in Illinois to one or more licensed teacher in Minnesota. Ten states do not specify who may apply to open a charter school.²⁰ A few states permit **for-profit groups** to establish charter schools to avoid start-up costs and preliminary

¹⁸ Kathy Anthes, Todd Ziebarth, “Collection of Charter School *ECS StateNotes*: Charter School Equity”, www.ecs.org, Education Commission of the States, May 1999, accessed January 8, 2002.

¹⁹ “Overview of Charter Schools,” WestEd and the U.S. Department of Education, www.uscharterschools.org, accessed March 1, 2002.

²⁰ Kathy Anthes, Todd Ziebarth, “Collection of Charter School *ECS StateNotes*: Charter School Basics”, www.ecs.org, Education Commission of the States, May 1999, accessed January 8, 2002.

planning issues. However, most states exclude for-profit and religious-based groups from operating charter schools.

Some states with charter school legislation require community support on applications or require that certified teachers or administrators be a part of the application process. These states have argued that licensed teachers and administrators are better qualified to organize a new school. Opponents argue that charter schools should encourage innovation and fresh ideas and should not be limited to one type of educator.

What would be the legal status of the charter schools?

The **legal status** of a charter school is another issue that state legislation must grapple with. Many states (18) place charter schools within an existing district, though some states establish independent school districts for charter schools. Teacher salaries, contracts, and benefits (and in some cases, collective bargaining agreements that are tied to salaries and contracts) in these cases would fall under district policy. Ten states choose to grant independent status to charter schools. Teachers' salaries, contracts, and benefits (and in some cases, collective bargaining agreements) are dictated by the charter school. Some states argue that charter schools should be a part of existing public school districts because public funding is used to establish and maintain them.

What would be the process for charter approval?

According to the U.S. Department of Education, "states are working toward increasing the avenues available to charter applicants either by expanding the types of agencies that can authorize a charter or by loosening limits on the numbers of charter schools permitted."²¹ **Sponsoring bodies** approve the charter contracts and are accountable for the charter school's performance. States have chosen from three models when determining language about the sponsoring body for a charter school:

1. **Single sponsor** – usually the local education agency or the state department of education
2. **Two sponsors concurring** – usually the state department of education upon approval by the local school board (or the other way around)
3. **Multiple potential sponsors** – usually any of the following: state department of education, local school board, universities, or a state board designated for charter schools.

Single sponsor legislation often results in few charter school approvals because local education agencies have little incentive to promote competition in their own districts. However, proponents of single sponsor legislation argue that local education agencies are the most qualified to manage schools and the LEAs are more capable of understanding the needs of the local community. Other proponents argue that the state department is the appropriate sponsoring agency because it does not have a conflict of interest in the development of charter schools in a given LEA. A lawsuit in Ohio addresses the complexity of this issue: "The lawsuit, according to the Dayton Daily News, alleges that the state education officials have not enforced state laws governing charter schools and

²¹ Office of the Under Secretary, U.S. Department of Education, *Evaluation of the Public Charter Schools Program: Year One Evaluation Report*, 2000, p. iv.

that operation of the schools violates the Ohio constitution because the schools are not administered by local elected school boards. Currently, the suit is still pending.”²²

Two sponsors can also limit charter school approvals for the same reason. However, proponents argue that the state department and local school board can act as checks on each other and improve communication if they are both involved in the charter decisions. The Ohio charter schools audit continues: “Because of [the Ohio Department of Education’s] lack of involvement in the Community School Program, significant systemic problems have developed. Increasingly, community schools have exhibited problems that may have been avoided through greater [Ohio Department of Education] involvement in the funding and technical assistance process.”²³

Legislation allowing for multiple chartering authorities usually results in more charter school approvals; if a charter is denied by one entity, the interested party can always apply to another sponsoring agency. Proponents in favor of university sponsors argue that universities are a natural locale for education reform and new initiatives. Some states with multiple sponsors legislation have established a commission or board designed to oversee the charter schools, an attractive option for some states that want more accountability for the charters.

Another important aspect of charter school legislation is whether there should be an **appeals process** for charter school applications. Twenty-two states have appeals processes for applicants. Proponents argue that a good appeals process will allow for fair hearings on charter proposals and eliminates individual bias. Opponents state that appeals processes are long and expensive, and the legislative language surrounding the sponsoring body’s role should be adequate to provide for a fair application process that wouldn’t need an appeal. In addition, if multiple sponsors are allowed by legislation, the interested group can apply to another sponsor if they are turned down.

How would charter schools be funded?

The American Federation of Teachers Educational Foundation conducted the *National Charter School Finance Study* for the U.S Department of Education in 1998-99.²⁴ The study examined laws, regulations, and state practices governing charter school finance in 23 states and two cities. Systems included in the study had at least one year of experience developing and implementing financial practices regarding charter schools. Analysis of the data led researchers to the following conclusions:

- In general, charter schools and school districts receive the same base funding.
- Per-pupil funding is the foundation of charter school base funding. (See Appendix E.)
- Charter schools use a diverse financing system of multiple state and federal revenue sources.

²² Petro, Ohio Audit.

²³ Ibid.

²⁴ F. Howard Nelson, Edward, Muir, Rachel Drown, *Venturesome Capital: State Charter School Finance Systems: National Charter School Finance Study*, (American Federation of Teachers Educational Foundation and U.S. Department of Education,) December 2000, contract number ED98-CO-0029.

- Most states fund all charter schools at the same level despite the fact that upper grades cost more than lower ones, which discourages organizers from opening charter high schools.
- Most states base funding for charter schools serving special education and at-risk students on the district or state public school average and not on the specific needs of the population of the charter school, which discourages the opening of charter schools to serve at-risk or special education populations.
- Charter schools do not receive additional funds for items such as facilities, special needs populations, and transportation in many states.
- About half of the states in the study provide advance payments to charter school to help with cash flow issues.

When determining financial language in legislation, legislators first must consider whether charter schools will receive funding directly from the state (to promote greater autonomy) or from the local district or another sponsoring agency (to provide greater oversight).

In addition, because per-pupil funding is the basis of charter school funding, legislation should outline the details of the **per-pupil funding formula**. Options include: requiring the state to set the per-pupil level for charter schools; equating charter school per-pupil expenditures to the district average; creating a set percent based on the district average for charter school per-pupil expenditures; or allowing the local education agency and the charter school to negotiate the per-pupil expenditure.²⁵

Eight states provide **start-up or planning grants** for charter schools to overcome what some charter school applicants have described as “the most difficult obstacle...in the creation of a charter school.”²⁶ Opponents argue that all schools can raise funds through other methods and that charter schools should not be given special funding opportunities that would not be available to all public schools.

Three states provide **temporary financial assistance to the existing district** for loss of students to charter schools. The Indianapolis Public School (IPS) Board recently passed a resolution asking state officials to freeze the number of charter schools. Faced with a projected loss of as much as \$9 million to charter schools, IPS officials remain supportive of charter schools but “want lawmakers to fix a funding formula that siphons district dollars to newly created charters.”²⁷ A bill before the legislature in Massachusetts would place a moratorium on commonwealth charter schools after one year unless the state auditor determines that granting new charters would not harm the state and local districts

²⁵ Education Commission of the States, National Conference of State Legislatures, and the U.S. Department of Education, *The Charter School Roadmap*, September 1998, www.ed.gov/pubs/Roadmap/title.html (accessed March 25, 2002).

²⁶ Ibid.

²⁷ Kim L. Hooper, “IPS asks Governor to Freeze Charters,” *The Indianapolis Star*, March 26, 2002, accessed April 1, 2002, www.indystar.com.

ability to adequately fund traditional public schools.²⁸ Other states have opted not to provide assistance, mainly because of cost.

A few states have restricted **fundraising** for charter schools by arguing that replicating best practices from a charter school with unlimited funds in a public school without unlimited funds would be difficult if not impossible. Proponents of no restrictions on fundraising for charter schools argue that charter schools, without district support often struggle with start-up costs, facilities costs, and non-instructional costs such as custodial work or school lunches.

Transportation costs create additional financial considerations for legislators. In states where only conversion schools are allowed (and no start-up charter schools are allowed), transportation is not as big a problem because the previous public school's transportation system usually carries over to the charter school. Some states have required districts to provide transportation for charter school students, while others have not required transportation to be addressed at all in charter school applications, assuming that the transportation will be provided by the sponsoring agency. See Appendix E for information on how other states' legislation addresses financial issues.

Ohio experienced a series of financial problems with its charter school system, and an audit released in that state in February 2002 illustrates the importance of strong legislation surrounding financial concerns and charters. The audit found that many charter schools had to close in Ohio because of debt issues resulting from taxes, employee benefits, loans, supplies, and more.²⁹ Several other charter schools came into debt because of lower than projected enrollments. Additional funding issues in Ohio include:

- [The Ohio Department of Education] does not administer or monitor its state and federal grants in a consistent manner;
- [The Ohio Department of Education] has not determined a consistent method to measure instructional opportunity and does not conduct sufficiently frequent full-time equivalent audits;
- Annual full-time equivalent audits have resulted in the identification of large overpayments to community schools, usually because of insufficient documentation to support special education weighted amounts;
- Several community schools exhibited poor financial management controls. Some fiscal officers are not appropriately qualified to manage community schools' finances; and
- Approximately 38 percent of second year community schools closed FY 1999-00 with an ending fund deficit.³⁰

²⁸ House Bill 4876, The 182nd General Court of the Commonwealth of Massachusetts, 2002.

²⁹ Petro, Ohio Audit.

³⁰ Ibid.

How much autonomy would charter schools have?

While 20 states grant charter school automatic **waivers** from state education laws, rules, and regulations for the length of the charter—which can be up to five years—such a blanket exception is troublesome to many groups in Tennessee. Specifically, the State Board of Education is concerned that without any restrictions, students may be at risk during the initial charter period. The *Year One Evaluation Report* of the PCSP found that “in general, charter authorizers that are not LEAs (e.g., agencies like state boards of education, institutions of higher education, and special chartering boards) allow charter schools greater flexibility and autonomy.”³¹

States allowing charter schools to be free from virtually all district and state requirements argue that eliminating this bureaucracy allows for better innovation and creativity by teachers and staff. Opponents argue that waivers eliminate accountability. In some states, waivers extend to fiscal autonomy as well, with proponents arguing that the charter schools must be able to use funds as they see best without restrictions by the state, district, or other education agency. Other states have required that the state maintain a degree of control of charter school budgeting to ensure oversight and prevent mismanagement.

Finally, all 37 states with charter school laws require that charter schools use the state’s **standards and assessments** to compare charters to regular public schools. Some charter school advocates argue that the charter school should be allowed to establish its own standards and assessments that would be compatible to the charter school mission.

Who would attend charter schools?

Several states require charter schools to establish specific **admissions requirements** to ensure that charter schools do not pull only the brightest students away from traditional public schools. Such legislation includes an emphasis on serving students in specific populations such as at-risk, high poverty, low-achieving, and students with special needs.

Twenty-five states limit the number of charter schools and students. Placing **legislative caps on the number of charter schools or students** served by charter schools allows states to closely monitor charter schools; however, charter school advocates argue that legislative caps can hamper innovation. If caps were to be implemented, state governments must determine whether the cap should be statewide by total number, total number allowed in a given district, or total number of students statewide or by district who can attend charter schools.

Who would teach in charter schools?

The majority of states (22) require charter school teachers to be **certified**, though some states allow alternative certification programs for charter school teachers and five states do not require teacher certification at all. Ten states require a ratio of certified to non-certified teachers.

³¹SRI International, *Evaluation of the Public Charter Schools Program*, p. iv.

Twenty states have granted a **leave of absence** to teachers—usually just a couple of years—during which time the teacher may return to the public school system. Other states do not, stating that working in a charter school should be done at the teacher’s own risk. In 33 states, teachers in all charter schools have **equal access to the state’s teacher retirement system**. In the other four states, teachers in only certain types of charter schools have access to the state retirement benefits or it is negotiated during the chartering process. Additional issues concerning teacher groups include salary schedules, collective bargaining rights, and protection of tenure status.

What would the state’s role be for monitoring, oversight, and technical assistance?

The majority of states (35) require charter schools to produce **annual reports** highlighting academic progress, and some states also require an annual financial audit that can be used to monitor the use of public funds. The State Board of Education of California reduced funding to 46 charter schools in March 2002, after audit findings indicated that the schools had not followed state spending guidelines.

Proponents of charter school annual reports argue that the state must mandate some accountability measure for charter schools and the legislature and the public need to be aware of the effects of public dollars in the charter school system. Opponents argue that annual reports are burdensome and inhibit the innovation that is the basis of the charter school movement. Auditing issues that should be addressed in legislation include:

- Whether charter schools are subject to audits;
- If so, who is responsible for performing the audit?
- If an audit is done, to whom is it submitted?

A March 2002 *Progress Report* released by the Office of Program Policy Analysis and Government Accountability of the Florida Legislature, recommended that the Florida Department of Education “develop key indicators and specific measures of charter school financial performance to help school districts and charter school governing boards monitor and respond to changes in charter schools’ financial conditions.”³²

All states with charter school legislation outline grounds for the **revocation** of the charters before the charter term is over, usually based on mismanagement of funds or inadequately performing the charter’s mission. In addition, most states have established **term limits** for charters—usually from three to five years, but they can be up to 15 years.

Many states (17) with charter school legislation clearly outline the **renewal** requirements for charter schools, arguing that the renewal application based on statutorily defined criteria provides a means of accountability that is consistent for every charter school evaluation. Opponents argue that the sponsoring agency should evaluate the individual charter school, or that an evaluation agency (e.g., the department of education or a body established to oversee charter schools) should grant renewals based on a case-by-case

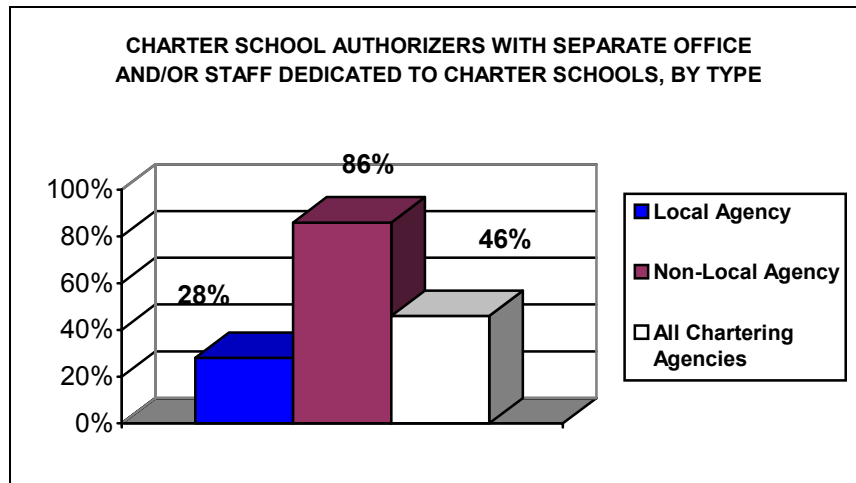
³² Florida Office of Program Policy Analysis and Government Accountability, “Charter School Management Strengthened, But Improved Academic Accountability Needed,” *OPPAGA Progress Report*, Report Number 02-22, March 2002, p. 4.

basis. Several states allow for appeals on renewals and outline this process in legislation. Ohio failed to outline renewal procedures in its charter school legislation, and the state is now struggling to provide renewal information to charter schools as it enters its last year under contract with several schools.³³

Some states require the state department of education to provide **technical assistance** to charter schools, while others have found that technical assistance providers come forward whether or not the state department provides it. Proponents of a state technical assistance mandate say that charter schools need extra assistance, particularly at the start-up, and that a state technical assistance system is another way to monitor the effectiveness of charter schools. Opponents argue that technical assistance provided by the state department is just another form of bureaucracy and that technical assistance providers will emerge whether the department provides it or not.

A recent study of charter school programs across the nation found that many states have established offices or dedicated staff to charter schools. The following graph illustrates the percent of chartering authorities that have created a separate office and or dedicate full-time staff to the oversight of charter schools.

Exhibit 1



Source: 2000 Evaluation of the Public Charter School Program: Year One Report, p. 55.

A few states include sunset provisions for charter school legislation because of the lack of research on the effectiveness of charter schools. Other states do not place limits on the **duration of charter school programs**; they argue that each charter school will be judged based on its successes and failures and that eliminating the entire charter school system would not be a good solution.

³³ Petro, Ohio Audit.

The Ohio charter schools audit found that lack of oversight was a significant problem because of weak language in the legislation. Oversight for the Community School Program in Ohio has not been statutorily defined and is not carried out in a comprehensive manner.³⁴

The Ohio audit also concluded:

- Oversight for the Community School Program has not been statutorily defined and is not carried out in a comprehensive manner;
- The Ohio Revised Code (ORC) does not include provisions for several aspects of charter termination or failure;
- Several areas of deficiency in ORC compliance indicated a limited understanding of statutory requirements for community school operators, particularly in the areas of record keeping and financial management;
- Identified weaknesses in ORC exempt areas indicate a need for greater structure or training in exempt areas;
- The Ohio Department of Education has not adequately planned for the development of the community schools program or developed standard policies and procedures for contracting, funding, monitoring, or evaluating its community schools.³⁵

Public School Alternatives in Tennessee

Tennessee law currently allows for alternatives to the traditional public school system. *TCA* §49-3-365 allows for the creation of “break-the-mold” schools. Although “entitled to the same financial aid support services as public schools,” these schools “shall not be subject to the rules and regulations or policies of either the state board of education or the local board of education.” Plans for break-the-mold schools must be submitted and approved by the commissioner of education. Once approved, such school may be discontinued for failure to perform according to the approved plan or for failure to perform in areas of student achievement or fiscal management or for violation of law.

This legislation was passed in the 1992, as a part of the Education Improvement Act. “Schools were to be established in conformance with any federal program guidelines so as to be eligible to participate in the federal program.” However, according to Department of Education staff, the state has tried to use this legislation to access federal charter school funds, but was unsuccessful. Apparently, this statute is not specific enough in terms of the role of the local school board to be eligible for federal grants.

Despite the unavailability of federal charter school funds, Hamilton County applied for and received break-the-mold status for all 17 district high schools in the spring of 2001. These schools opened at the start of the current school year and are currently operating under this statute.³⁶ Hamilton County received a five-year grant in the amount of

³⁴ Ibid.

³⁵ Ibid.

³⁶ Phone interview with Jeff Roberts, Deputy Commissioner of Education, February 25, 2002.

\$8 million from the Carnegie Foundation to operate the Schools for a New Society program in these schools.³⁷

In addition, *TCA* §49-1-207 allows the “Commissioner of Education to authorize up to eight (8) school systems or any part thereof to operate as alternative education programs which emphasize school-based decision making.” With approval from the LEA, a superintendent or principal may apply for a grant of up to \$50,000 per school district to plan and execute an alternative education program. The commissioner is given the authority to waive rules and regulations, including reporting requirements and premium teacher salaries, at his/her discretion for implementation of an alternative plan under this statute. The statute specifies that no plan approved under this section shall reduce the amount of funding received by an LEA. According to Department of Education staff, this program has not yet been funded and currently there are no schools operating under this statute.³⁸

Also, *T.C.A.* 49-2-210 allows a local board of education to initiate a program of school-based decision making, designating areas, such as management, curriculum, classroom management, professional development, and budget, to be decided at the school by school personnel. The law allows the board to permit such decisions to vary from board policies.

The General Assembly has considered charter school legislation in Tennessee since the early 1990s. In September 1997, the State Board of Education (SBOE) developed the Straw Model: Provisions for Charter School Legislation. (See Appendix F.) The purpose of this model was to stimulate discussion about charter schools and to potentially provide a guide for the drafting of charter school legislation. The document includes a definition and purpose of charter school, as well as lists of charter sponsors; groups allowed to apply; admission requirements; personnel policies; funding and accountability requirements, including an annual financial audit by an outside certified public accountant; charter components; and grounds for termination or renewal of a charter.

In conclusion, limited research shows that charter schools can encourage innovation within school districts and have a positive impact on academic achievement in certain populations. However, other states’ experiences illustrate the possible problems that can arise when creating a new and separate public school sector. Legislators should use all available information to be aware of the issues, alternatives, and consequences associated with each element of any charter school legislation under consideration.

³⁷ Phone interview with Janet Qualls in the Hamilton County Superintendents Office, March 5, 2002.

³⁸ Phone Interview with Steve Minton, Assistant Commissioner, Division of Curriculum and Instruction, Department of Education, March 12, 2002.

Appendix A

Two Sides to the Charter School Debate

In Favor of Charter Schools	Opposed to Charter Schools
Charter schools provide families with public school choice options. Parents have the ability to choose the school best suited for their children.	Charter schools, because of their small size and limited numbers, provide only some families with public school choice options, thereby raising issues of fairness and equity.
Charter schools can act as laboratories of reform, identifying successful practices that could be replicated by traditional district public schools.	Why can't reforms be tried in existing public schools as pilot programs?
Through school choice, competition within the public school system is created, pressuring school districts to reassess their educational practices.	Charter schools have an unfair advantage when competing against district public schools since they tend to be smaller and free from regulations. Charter schools have access to additional federal funds and other revenue sources.
Charters will lead to overall systemic reform through the pressure and competition of the choice mechanism.	Charters are too limited in scope to adequately pressure the entire school system.
Charter schools, unlike traditional public schools, are held accountable. If charters do not perform, they are not renewed.	Charters are not as accountable as they are freed from rules and regulations intended to ensure quality in public education. When charter schools close, students must be moved to other schools, which interrupts the educational process. Documented cases exist of charter schools closing for failure to adequately educate students—as a result, those students' credits may not be transferable to a regular public school—they must begin that school year over again.
Charter schools, like public schools, must educate at-risk populations, including minorities and special education students. Some charter schools are specifically designed for these populations.	Some charter schools “cream-skim,” or design their schools so that only higher achieving students attend. Although charter schools are technically required to accept all populations, they sometimes “counsel out” special education students. Many charter schools do not provide special education services, instead contracting those out to the regular public schools experienced in providing such services.
Charter schools can educate students better than regular public schools with fewer dollars.	If charter schools operate with fewer dollars, it is partly because public schools are required to provide certain costly items. For example, many charters do not provide transportation, which public schools must provide, thus raising costs.

Appendix B

State Charter School Program Characteristics as of Fall 2001

STATE	Year Legislation Passed	Number of Charter Schools	Students in Charter Schools	Rank on Strong to Weak Scale	Chartering authority*	Eligible Applicants for Charter	Appellate Authority	Waiver Status	Requires Certified Teachers	State Technical Support	Report to State on Effectiveness
Arizona	1994	437	69,884	1s	LSB, SBOE or CSB	public body, private person or organization	SBOE, CSB	automatic w/ exceptions	no	yes	no
Delaware	1995	11	4,335	2s	LSB or SBOE	any non-sectarian, non-home based person or entity	no	automatic w/ exceptions	yes	yes	yes
Minnesota	1991	75	9,600	3s	LSB, PIHE, PC w/ SBOE approval	one or more licensed teacher	SBOE	automatic	yes	no	no
District of Columbia	1996	41	10,356	4s	DCBOE and DCCSB	not specified	no	automatic	no	no	no
Michigan	1993	188	61,148	5s	LSB, IBOE, or PIHE w/ SBOE review	any person or legal entity	referendum or ACA	case-by-case	yes w/ exceptions	yes	yes
Indiana	2001	planning 1	0	6s	LSB, PIHE, or City Executive	non-profit group or entity, not in home	CSRP	automatic	yes	yes	yes
Massachusetts	1993	43	13,911	7s	SBOE or LSB, SBOE & teachers union	non-profit group with at least 2 teachers or 10 parents	SBOE	automatic state only	yes	yes	yes
Florida	1996	182	38,313	8s	LSB	private, parochial and home schools excluded	SBOE w/ LEA consent	automatic w/ exceptions	yes	yes	yes
Colorado	1993	89	24,352	9s	LSB	not specified	SBOE	negotiated	yes w/ exceptions	yes	yes
New York	1998	32	7,008	10s	LSB, SBOR or UNYBOT	teachers, parents, community res., or school admin.	no	automatic	70%	no	yes

STATE	Year Legislation Passed	Number of Charter Schools	Students in Charter Schools	Rank on Strong to Weak Scale	Chartering authority*	Eligible Applicants for Charter	Appellate Authority	Waiver Status	Requires Certified Teachers	State Technical Support	Report to State on Effectiveness
California	1992	350	134,425	11s	LSB or County BOE	not specified	SBOE	automatic state, neg. local	yes	no	yes
North Carolina	1996	96	20,259	12s	LSB or UNC w/ SBOE approval	person, group, non-profit organization	SBOE	automatic state, neg. local	50-75%	yes	yes
Pennsylvania	1997	77	26,749	13s	LSB	religious and for-profit groups excluded	SCSAB	automatic w/ exceptions	75%	yes	yes
Ohio	1997	68	15,278	14s	Specified LSB, JVB or SBOE	not specified	ACA	automatic w/ exceptions	yes	yes	yes
Missouri	1998	22	4,838	15s	KC, SL LSB or PTEP	not specified	SBOE, Judicial review	automatic	80%	no	yes
Oregon	1999	17	998	16s	LSB	not specified	SBOE	automatic	50%	yes	no
New Jersey	1996	55	13,652	17s	Commissioner of ED	teachers, parents, group with parents or teachers	DOE	case-by-case	yes	yes	yes
Wisconsin	1993	96	12,866	18s	LSB or Milwaukee IHE	not specified	SDOE	automatic state only	yes w/ exceptions	no	no
Texas	1995	219	53,263	19s	LSB or SBOE	parents, teachers, schools, IHE, GE, or non-profit org	no	automatic	no	no	no
New Mexico	1993	21	3,287	20s	LSB	not specified	SBOE	negotiated	yes	yes	no
Illinois	1996	28	5,110	18w	LSB	any person or group	SBOE	automatic	no w/ restrictions	yes	yes
Georgia	1993	46	24,999	17w	LSB and SDOE	private for-profit, religious and home schools excluded	SBOE	automatic w/ exceptions	no	yes	yes

STATE	Year Legislation Passed	Number of Charter Schools	Students in Charter Schools	Rank on Strong to Weak Scale	Chartering authority*	Eligible Applicants for Charter	Appellate Authority	Waiver Status	Requires Certified Teachers	State Technical Support	Report to State on Effectiveness
Oklahoma	1999	10	1,559	16w	LSB or VTSD	any person or organization	resubmit, arbitration	automatic w/ except.	yes w/ exceptions	yes	yes
South Carolina	1996	8	595	15w	LSB	parents, teachers or community residents	SBOE	automatic	75-90%	yes	yes
Louisiana	1995	26	5,925	14w	LSB	group including at least three teachers	SBOE	automatic	75%	yes	yes
Idaho	1998	11	1,350	13w	LSB	for-profit entities excluded	Non-binding hearing	automatic	yes	yes	yes
Connecticut	1996	16	2,445	12w	LSB & SBOE or SBOE	any person or group	no	specified in charter	50%	yes	yes
Nevada	1997	9	1,636	11w	SBOE then LEA	committee with at least three certified teachers	SBOE, Judicial review	negotiated	70%	no	no
Utah	1998	9	587	10w	SBOE	person, group or legal entity	no	case-by-case	yes w/ exceptions	yes	no
Wyoming	1995	0	0	9w	LSB	not specified	no	case-by-case	yes	no	no
New Hampshire	1995	0	0	8w	LSB & SDOE	non-profit group with at least 2 teachers or 10 parents	SBOE, not binding	automatic	50%	no	no
Alaska	1995	15	1,965	7w	LSB & SBOE	not specified	no	rules specified, neg. others	yes	yes	no
Hawaii	1994	22	3,087	6w	SBOE	public school, community or public school program	no	automatic	yes	yes	no

STATE	Year Legislation Passed	Number of Charter Schools	Students in Charter Schools	Rank on Strong to Weak Scale	Chartering authority*	Eligible Applicants for Charter	Appellate Authority	Waiver Status	Requires Certified Teachers	State Technical Support	Report to State on Effectiveness
Arkansas	1995	6	1,806	5w	LSB & SBOE	public school, GE, IHE or tax exempt non-sect. org.	SBOE	specified in charter	yes w/ exceptions	yes	yes
Rhode Island	1995	6	823	4w	LSB or CESE then SBOR	schools, school personnel, PIHE, est. non-profits	no	specified in charter	yes	no	no
Virginia	1998	6	768	3w	One or more LSB	not specified	no	case-by-case	yes	yes	yes
Kansas	1994	28	2,389	2w	LSB w/ SBOE review	any person or group	no	specified in charter	yes	yes	yes
Mississippi	1997	1	334	1w	LSB & SBOE	existing public school	no	automatic	yes	yes	yes

*SBOE-state board of education, SDOE-state department of education, CSB-charter school board, PIHE-public institution of higher learning, IHE-institution of higher learning, LSB-local school board, SBOR-state board of regents, CESE- Commissioner of Elementary and Secondary Education, CSRP-charter school review panel, GE-governmental entity, VTSD-vocational-technical school district PTEP-public teacher education program, UNYPOT-University of NY board of trustees, JVB- joint vocational board, UNC- University of North Carolina, KC- Kansas City, SL-St. Louis.

Source: *Collection Of Charter School ECS StateNotes*, "State and School Information," www.charterschools.org, 2001, accessed March 1, 2002, and *Indiana Code Title 20, Chapter 5.5*.

Appendix C

**CONSEQUENCES OF NOT MAKING ADEQUATE YEARLY PROGRESS
FOR TITLE I SCHOOLS
IN
NO CHILD LEFT BEHIND**

<p>First Year of Not Making Adequate Yearly Progress</p> <p>No Action</p>	<p>THESE ARE THE TWO CONSECUTIVE YEARS OF NOT MAKING ADEQUATE PROGRESS THAT TRIGGER SCHOOL IMPROVEMENT.</p>
<p>After First Year of Not Making Adequate Progress (Beginning Year 2)</p> <p>No Action</p>	
<p>After Second Year of Not Making Adequate Progress (Beginning Year 3)</p> <p><u>School Improvement 1</u> Public School Choice Revise School Improvement Plan with Outside Expert Peer Review of Plan Technical Assistance (LEA Responsibility) Parent Notification</p>	
<p>After Third Year of Not Making Adequate Progress (Beginning Year 4)</p> <p><u>School Improvement 2</u> Public School Choice Technical Assistance (LEA Responsibility) Supplemental Services Parent Notification</p>	

After Fourth Year of Not Making Adequate Progress (Beginning Year 5)

Corrective Action 1

Public School Choice

Technical Assistance (LEA Responsibility)

Supplemental Services

Implement Corrective Action

- Replace relevant school staff
- New curriculum
- Significantly decrease management authority at school
- Appoint outside expert
- Extend school day or year
- Restructure internal organization

Public Notification and Dissemination

After Fifth Year of Not Making Adequate Progress (Beginning Year 6)

Corrective Action 2

Public School Choice

Technical Assistance (LEA Responsibility)

Supplemental Services

Continue to implement Corrective Action

Public Notification and Dissemination

Prepare a Plan and Make Necessary Arrangements for Alternative Governance

After Sixth Year of Not Making Adequate Yearly Progress (Beginning Year 7)

Alternative Governance

Public School Choice

Technical Assistance (LEA Responsibility)

Supplemental Services

Implement Alternative Governance

- Reopen as charter
- Replace all or most relevant school staff
- Contract with private management
- State take over
- Any other major restructuring

Prompt Notification of Affected Teachers and Parents

Source: Tennessee Department of Education, February 2002.

Appendix D

Questions for legislators to consider when determining charter school legislation

Establishment of charter school:

- Does the law allow existing public schools to convert to charter status?
- Does the law allow for the creation of start-up charter schools?
- Are the charter schools considered part of the school district or legally independent?

Students:

- Is there a cap on the number of charter schools or students?
- Does the law specify the charter schools or students that must be given preference during the application process?
- Does the law include provisions to ensure equal access to charter schools?

Sponsoring body:

- Who can approve charter schools?
- Does the law specify who may operate charter schools?

Financial issues:

- Through whom does the charter school receive its funding?
- How is the per-pupil funding level for a charter school determined?
- Are there any restrictions on charter schools' financial operations?
- Does the law provide for facilities funds or other facilities assistance to charter schools?
- Does the law provide for start-up or planning grants?
- Does the law specify who will provide transportation to charter schools?

Teachers and staff:

- Does the law require charter school teachers to be certified?
- Who sets the teachers' salaries?
- Does the law require school districts to allow teachers to take a leave of absence from a regular public school to teacher in a charter school?
- Do teachers in the state's charter schools have equal access to the public school teachers' retirement system?
- Does the law require that charter schools be bound by school districts' collective bargaining agreements?

Accountability and oversight:

- Are the state's academic performance standards and assessments applied to charter schools?
- What rules are waived for charter schools?
- Does the law require charter schools to submit annual reports?
- Does the law list grounds for termination of a school charter?
- Does the law specify the renewal terms for charters?
- Does the law provide for an appeal in the charter renewal process?
- Does the law require the state education agency or another entity to report to the legislature on the effectiveness of charter schools?
- Does the law specify audit requirements and who will receive the audit?

Appendix E

State Charter School Funding

STATE	State Budgetary Restrictions	Annual Financial Accountability	Funding Entity	Funding Formula	Transportation Funding Source
Alaska	none	report	district	district per-pupil average less admin. share	not specified
Arizona	none	audit	district	state formula	state
Arkansas	none	audit	state or district	state average daily membership formula	not specified
California	none	audit	state or district	district average per-pupil	not specified
Colorado	none	audit	district	85%-95% per-pupil, based on district average	not specified
Connecticut	none	audit	state or district	110% district per-pupil average or negotiated w/ LEA	district
Delaware	none	audit	state & district	state formula, district average per-pupil	state
District of Columbia	none	audit	mayor	D.C. per-pupil formula	fare reduction
Florida	none	audit	district	95% per-pupil, based on district average	school
Georgia	specified in charter	audit	district	negotiated chartering body	not specified
Hawaii	statutory	report	state	state per-pupil formula	not specified
Idaho	specified in charter	audit	state	state per-pupil formula	state
Illinois	none	audit	district	75%-125% district per-capita student tuition	district
Indiana	none	report	state and district	state per-pupil formula	school
Kansas	statutory	none	district	district discretion	district
Louisiana	statutory	report	state or district	district per-pupil average	not specified
Massachusetts	depends on charter type	audit	district	negotiated with LEA or sending district	school
Michigan	none	report	chartering body	district per-pupil average w/ cap	not specified
Minnesota	none	audit	state	state per-pupil, local \$ does not follow student	state
Mississippi	statutory	report	district	state per-pupil formula	not specified
Missouri	none	report	district	state per-pupil formula less revenue bond debt share	state
Nevada	statutory	report	state	state per-pupil formula	not specified
New Hampshire	none	audit	district	minimum 80% district per-pupil average	not specified
New Jersey	none	audit	district	90% state minimum per-pupil	district
New Mexico	none	report	district	98% district average per-pupil	not specified
New York	none	audit	district	two-thirds per-pupil funding	not specified

STATE	State Budgetary Restrictions	Annual Financial Accountability	Funding Method	Funding Formula	Transportation Funding Source
North Carolina	none	report	state & district	district average per-pupil	school
Ohio	none	audit	state	county formula plus business costs	district
Oklahoma	none	report	district	at least 95% average daily expenditure	school
Oregon	statutory	audit	district	80%-95% average daily membership	district
Pennsylvania	none	report	district	70%-82% district per-pupil average	district
Rhode Island	specified in charter	report	state & district	district average per-pupil less 5% for district admin.	not specified
South Carolina	specified in charter	report	district	district per-pupil average	school
Texas	specified in charter	report	state or district	district average per-pupil or negotiated w/ LEA	school
Utah	statutory	audit	state & district	averages 75% per-pupil state funding	not specified
Virginia	statutory	report	district	state per-pupil formula	not specified
Wisconsin	specified in charter	report	chartering body	state per-pupil formula	not specified
Wyoming	specified in charter	none	negotiated	negotiated	not specified

Source: Collection Of Charter School ECS StateNotes, and Indiana Code Title 20, Chapter 5.5.

Appendix F

STRAW MODEL: PROVISIONS FOR CHARTER SCHOOLS LEGISLATION

**State Board of Education
September 1997**

Introduction

This straw model is intended to stimulate discussion among Board members regarding proposed legislation relating to charter schools. To date, the State Board of Education has not introduced nor recommended charter school legislation. One outcome of the Board's discussion may be a decision to provide a guide such as this to be used in drafting legislation or in considering legislation drafted by others.

Definition

A charter school is a non-sectarian school operating under contract with a public entity to provide an alternative program of education within the public education system. The charter is a contract that spells out the terms of operation. Charter schools must admit students on a non-discriminatory basis and may not charge tuition. Charter schools are a part of the state's program of public education.

Purpose

A charter school is intended to:

1. Improve student learning by creating schools with rigorous academic standards.
2. Create innovative learning opportunities and experiences for all students, with special emphasis on opportunities for students who are educationally disadvantaged or at risk.
3. Provide parents and students with expanded choices of educational opportunities.
4. Provide teachers a vehicle to establish schools with innovative methods of instruction, school structure and management.
5. Encourage parental and community involvement.
6. Provide greater accountability to parents and the public.

7. Make the school the unit of improvement and provide opportunities for innovation, research, development and evaluation in such areas as curriculum, governance, parent involvement and fiscal accountability.

Sponsor

The organizers of a charter school may apply to and the school may be sponsored by the board of a local school district or the Commissioner of Education upon approval of the State Board of Education.

1. The organizers of a charter school will submit an application to the local school board for approval. If the school board approves the application, the local board is the sponsor.
2. In the event that the school board does not approve a charter, the organization may then submit a proposal to the Commissioner of Education. The Commissioner will forward a recommendation for approval or non-approval to the State Board of Education. If the State Board of Education approves the application, the Commissioner is the sponsor.

Charter School

A charter school proposal may be submitted by:

1. Groups of parents, teachers, or community members.
2. An existing public school.
3. The board of a local school district.
4. A public college or university or a non-sectarian private college or university.
5. A business or industry.
6. Any combination of the above.

Admission Requirements

Charter schools will be open to any student residing in the state.

1. The charter school must use non-discriminatory criteria for admissions in accordance with applicable state and federal law.

2. Charter schools may not limit admission to students on the basis of intellectual ability, measure of achievement or aptitude or athletic ability.
3. Charter schools may target specific student populations identified as at-risk academically.
4. The charter school will enroll eligible students who submit a timely application. If the number of applications exceeds the capacity, all applicants will have an equal chance of being admitted.
5. No student will be required to attend a charter school. If an existing public school is converted to a charter school, accommodations must be made to facilitate the transportation of said students to other schools within the district.

Personnel

The charter school will select its teachers and other personnel. No teacher employed by a local school district will be required to teach in a charter school and accommodations must be made to facilitate the transfer of said teachers to other schools within the district.

1. Personnel in a charter school sponsored by a local school board will remain employees of the local school district for purposes of salary, benefits, and retirement.
2. Personnel teaching in a public school district may take leave to teach in a charter school sponsored by the Commissioner of Education. Such teachers will remain eligible for the state retirement system.
3. Personnel in a charter school will have the rights of teachers in public education to organize and bargain collectively. They may remain in the bargaining unit of the local school district, they may establish their own unit affiliated with a state and national professional organization, or they may establish a separate local professional organization.
4. Personnel in a charter school will be subject to the appropriate licensure standards as required of other public school employees, except that twenty-five percent of the administrators and teachers in a charter school need not be subject to licensure standards.
5. Teachers in charter schools will be eligible to participate in the state retirement system on the same basis as teachers in other public schools.

Funding

Funding will be neither a financial incentive nor a financial disincentive to the establishment of a charter school. A charter school will be accountable to the public for the expenditure of public funds.

1. The charter school will receive federal, state, and local funding on the same basis as provided to other public schools.
2. The charter school will receive funding for special education students in proportion to the number of students served.
3. The charter school will receive Title I funding for eligible students in proportion to the number of students served.
4. The charter school will be eligible to receive other aid in the form of state and federal grants as though it were a school district.
5. The state will establish a charter school revolving loan fund to provide loans to charter schools for start-up expenditures.
6. A school district may lease space or sell services to a charter school.
7. The charter school will be permitted to negotiate with third party providers for the purchase of goods and services.
8. The school district will provide transportation or a proportionate share of state and local transportation funds for pupils who reside in the district and who are enrolled in a charter school. Districts may provide transportation for nonresident students, or the charter school may receive a proportionate share of state and local transportation funds and arrange for its own transportation services.

Accountability

Charter schools will be held accountable for student performance, expenditure of public funds and compliance with applicable laws and regulations. They will be monitored at least annually by the sponsoring agency. Specifically, a charter school will be held accountable for the following:

1. The charter school will demonstrate success in meeting its own distinctive goals as set forth in its charter.
2. The charter school will demonstrate success in student achievement using assessments required of other students statewide.
3. The charter school will use public funds responsibly and report their use in accordance with generally accepted accounting principles.
4. The charter school will comply with applicable laws and regulations.

The Charter Document

The organizers of a charter school shall submit a proposed charter to the sponsoring agency for approval. The proposed charter will set forth the following:

1. A detailed plan for education, including the mission, goals, objectives, and strategies for improving student learning.
2. Performance criteria to be used to measure student learning and achievement of state goals.
3. Student admissions procedures, including the ways by which the school will achieve socio-economic, racial and ethnic diversity, and student dismissal procedures.
4. A plan for the governance, administration, and operation of the charter school including the composition of the governing board, the manner in which the board will be selected, and provisions for involvement of parents, professional educators, and community members in the governance and operation of the charter school.
5. Facilities that will house the charter school and under what terms and conditions they are to be provided.
6. The services to be provided by the local school district and the services to be provided by third parties.
7. The procedures to be followed to ensure the health and safety of students and staff.

8. An explanation of the relationship that will exist between the charter school employees and the local school district.
9. The arrangements for covering personnel for health, retirement and other benefits.
10. A financial plan including a proposed budget, the manner in which the funds will be managed, and the audit procedures.
11. An agreement to provide an annual report to parents, community, and sponsoring agency indicating demographic information about the student body, staff credentials, student turnover rate, educational program, student performance on state assessments, sources of revenue, and financial accounting of expenditures.
12. A plan for evaluating the effectiveness of the school and progress made toward achieving the charter school goals.
13. A copy of the proposed by-laws of the charter school.

Requirements for Public Education

The charter school will meet the following requirements:

1. The charter school will meet all applicable state and local health, safety and civil rights requirements.
2. The charter school will comply with state requirements regarding minimum length of school year, compulsory attendance, student records, and uniform testing.
3. The school will not be affiliated with a nonpublic sectarian school or religious institution. The school will be nonsectarian in its programs, admission policies, employment practices and all other operations.
4. The school will not charge tuition or fees beyond those allowed in the regular K-12 public education system.
5. The school will not discriminate on the basis of race, creed, disability, gender or national origin.
6. The governing entity of the charter school will contract for an annual financial audit by a certified public accountant in accordance with generally accepted accounting principles. Said audit will examine the validity and integrity of data reported to the state for revenue purposes and internal controls of the charter school.

Term of Contract, Termination and Renewal

Charters will be granted for a term of five years. During the term of the agreement, the sponsor may act to terminate the agreement on any of the following grounds:

1. Failure to meet the requirements for student performance stated in the agreement.
2. Failure to meet generally accepted standards of fiscal management.
3. Violation of law.
4. Other good cause shown.

At the end of the term, the sponsor may renew the charter for an additional five-year term. Conditions of renewal include a positive evaluation of the following:

1. Student performance.
2. Fiscal management.
3. Compliance with the terms of the charter agreement.
4. Progress toward the stated mission of the school.

When a charter is not renewed or is terminated, the charter school shall be dissolved.

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