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Overview of Charter School Proposals

LEGISLATIVE ANALYST'S OFFICE

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Hon. Susan Bonilla, Chair





Charter Schools in California



Charter Schools Are Part of the Public School System but Operate With Considerable Autonomy

- Charter schools are exempt from most parts of the state Education Code. Most charter school activities are governed by the terms of their local charter.
- All charter schools receive oversight from an authorizer, which is usually the school district where the charter school is located. The authorizer may close a charter school that fails to meet the terms of its charter.



The Number of Charter Schools Has Grown Rapidly in Recent Years

- Number of schools has increased about 10 percent per year over the past decade.
- In 2011-12, there were 1,018 charter schools serving 438,000 students (about 7 percent of the state's K-12 enrollment).



Charter School Operational Funding



Charter Schools Receive Funding From Three Major Sources

- **General Purpose Entitlements.** Unrestricted funding of about \$5,700 per student provided in lieu of the revenue limit funding school districts receive.
- **Categorical Block Grant.** Unrestricted funding of about \$400 per student provided in lieu of certain categorical programs that school districts apply for separately.
- **Other Categorical Funding.** Restricted funding charter schools receive if they participate in various other programs. (Since 2009, some of this funding has become unrestricted.)



On Average, Charter Schools Receive About \$400 Less Per Student (7 Percent Less) Than Their School District Peers



Governor's Proposed Funding Formula Would Affect Charter School Funding

- The Governor's proposed Local Control Funding Formula would eliminate the existing charter school funding structure and establish a new funding mechanism for both school districts and charter schools.



Charter School Facility Funding



Charter Schools Receive Limited Funding for Facilities

- Charter schools are unable to authorize local bonds for school facilities.
- Charter schools lack legal tools, such as eminent domain and exemption from zoning requirements, that school districts sometimes use to help them in providing facilities.
- Some charter schools can access grant funding for facility costs.



Charter Schools Offer Two General Modes of Instruction

- ☑ ***Classroom-Based.*** A classroom-based charter school has at least 80 percent of its instructional time take place in a traditional school site under the immediate supervision of a credentialed teacher.
- ☑ ***Nonclassroom-Based.*** A nonclassroom-based charter school conducts at least 20 percent of its instruction through various forms of independent study (such as distance learning or home study).
- ☑ ***Most Charter Schools Are Classroom-Based.*** Of the 1,018 charter schools in California, roughly 75 percent are classroom-based and roughly 25 percent are nonclassroom-based.



Funding for Nonclassroom-Based Charter Schools



Background

- Nonclassroom-based charter schools must apply to the State Board of Education (SBE) for a funding determination every two to five years.
- To receive full funding, a nonclassroom-based charter school must: (1) spend at least 80 percent of its budget on instruction and instruction-related services, (2) spend at least 40 percent of its budget on certificated staff salary and benefits, and (3) maintain a student teacher ratio of 25-1 (or the ratio of the largest school unified district in the county, whichever is higher).
- Most schools receive 100 percent funding.



Governor's Proposal

- Eliminates requirement to receive a funding determination every two to five years. Instead, schools would only need a determination in their first and third years.
- In future years, schools would only need a new determination in limited circumstances. (For example, if an audit identified a problem with the charter school's finances.)



Funding for Nonclassroom-Based Charter Schools

(Continued)



Concerns With Existing Process

- Personnel-related requirements restrict program flexibility.
- Significant penalties are imposed for small changes in spending.



Concerns With Governor's Proposal

- Does not address problems with existing funding determination process.
- Charter school operations may change significantly after three years.



Reject Governor's Proposal

- Continue requiring a funding determination every two to five years.



Refine Existing Funding Determination Process

- Eliminate the requirements related to certificated staff salary and student-teacher ratio (but retain the instruction-related expenditure requirement).
- Established graduated funding reductions, such that a charter school's funding reduction is proportional to the extent it misses the spending threshold.



Charter School Facility Grant Program (FGP)



Background

- The FGP provides facility funding for charter schools serving a high concentration of low-income students.
- Qualifying schools can receive up to \$750 per unit of average daily attendance (ADA) or 75 percent of facility costs, whichever is lower.
- The ADA generated through independent study—known as nonclassroom-based ADA—is ineligible to generate any funding.
- In 2012-13, \$92 million was appropriated for the program, which represents the final year of a planned increase in funding established by the Legislature five years ago.



Governor's Proposal

- Allows all types of ADA—both classroom and nonclassroom-based—to generate funding for the FGP.
- Provides that nonclassroom-based schools may only receive funding for the portion of their facilities used for direct student instruction or instructional support.
- Allows initial funding to be released based on prior-year data and current-year estimates and requires a portion of funding be released annually by August 31. (Current law requires a portion of funding be released by October 1.)



Adopt Governor's Basic Approach to Expanding FGP . . .

- Funding is likely available to expand the FGP as the Governor proposes.
- Many nonclassroom-based charter schools have notable facility costs.



Charter School FGP

(Continued)



... But Consider Alternatives to Proposed Formula

- The Governor's proposal would require the state to distinguish instructional space from noninstructional space, which would involve additional time and documentation.
- As an alternative approach, the Legislature could allow nonclassroom-based schools to receive funding for all facility space but set a lower funding rate for nonclassroom-based ADA.
- Recommend collecting additional information from participating schools to develop a more refined cost-based approach in the future.



Adopt Governor's Approach for Earlier Release of Funds ...

- Use of prior-year data and current-year estimates would permit earlier release of funds.
- Charter schools likely need to make lease payments during the first part of the fiscal year.



... But Establish Specific Payment Schedule in Statute

- Recommend the Legislature require the release of 50 percent of FGP funding by the end of August, 25 percent by the end of February, and 25 percent by the end of July following the close of the fiscal year.



Transfer Administration of Two Programs



Background

- The FGP provides facility funding to charter schools serving high numbers of low-income students.
- The Charter School Revolving Loan Fund (RLF) provides low-interest loans to new charter schools for startup costs.
- The FGP and RLF are administered by the California Department of Education (CDE).
- The state has four other programs that provide facility assistance or loans to charter schools. These programs are administered by the California School Finance Authority (CSFA) within the Treasurer's Office.



Governor's Proposal

- Transfers administration of FGP and RLF from CDE to CSFA.



Recommend Adopting Governor's Proposal to Transfer Programs to CSFA

- The FGP and RLF are similar to other programs administered by CSFA. (The FGP also shares a funding cap with another program administered by CSFA.)
- The CSFA has been successful running its four programs.



School District Surplus Property



Background

- State law establishes procedures for school districts to sell or lease surplus property.
- In 2012-13, charter schools have first call on school district surplus property designed for instructional use.
- Regardless of whether a charter school or another entity purchases the surplus property, a school district must use proceeds for capital outlay or maintenance.
- A school district with no major deferred maintenance requirements can use proceeds for one-time general operating expenses if it agrees to forfeit eligibility for state construction and modernization funding for at least five years.
- Legislation adopted in 2009 permits a school district selling property purchased entirely with local funds to use proceeds for one-time general operating expenses without forfeiting eligibility for construction and modernization funds. This provision expires on January 1, 2014.



Governor's Proposal

- Extends for five years the requirement to offer surplus property to charter schools.
- Permanently extends the exception for use of proceeds purchased with local funds.



School District Surplus Property (Continued)

Adopt Governor's Proposal to Provide Charter Schools First Call on Surplus Property . . .

. . . But Modify in the Following Ways:

- Require the charter school to use the purchased or leased property continuously for instructional activities or support.
- Require that before the property may be sold or used for any other purpose, it must be offered for sale or lease to the school district that provided the property, followed by any interested charter schools.
- Limit the price paid by a school district to the cost of acquisition, adjusted for inflation and construction.
- Require charter schools to use proceeds from the sale or lease of surplus property for capital outlay or maintenance costs.
- Require charter schools to maintain compliance with the Field Act (standards for earthquake resistant buildings) for property that is compliant when the charter school takes possession.

Reject Governor's Proposal to Make Permanent Certain Exceptions for Use of Proceeds From Surplus Property Sales



Delegation of State Board Oversight



Background

- The SBE authorizes 33 charter schools that have (1) successfully appealed a local decision to deny their charter petition or (2) met the criteria to operate on a statewide basis.
- Existing law allows SBE to delegate the oversight of these charter schools to CDE or to a school district or county office of education in the county where the charter school is located.
- Currently, all oversight responsibilities are delegated to CDE.



Governor's Proposal

- Allows SBE to delegate oversight to any school district or county office of education in the state. (Retains the option for SBE to continue delegating oversight responsibilities to CDE.)



Recommend Adopting Governor's Proposal

- For charter schools located in smaller counties, the options for delegating oversight within the county may be very limited.
- Allowing SBE to delegate beyond the county boundaries could improve the prospects for quality oversight.



Petitions for Countywide Charter Schools



Background

- Most charter schools in California are authorized and monitored by the school district in which they reside.
- If a charter school organization is able to demonstrate that it cannot accomplish its educational mission if limited to a single district, it may apply for recognition as a countywide or statewide charter school.
- When a statewide charter school establishes multiple sites, each site is tracked as a separate school. For example, the state gives each site a separate accountability score.
- When a countywide charter school establishes multiple sites, the sites are tracked collectively. For example, a countywide charter school receives one accountability score from the state.



Governor's Proposal

- Allows countywide charter schools, with the consent of their authorizer, to establish sites as individual schools (similar to the current practice for statewide charter schools).



Recommend Adopting Governor's Proposal

- Although countywide charter schools are operated by a single entity, individual sites may serve different grade spans or student populations. In these cases, it is reasonable to track the sites as separate schools.
- A few programs—notably the federally funded charter school startup grant—require sites to be established as separate schools to qualify for funding.