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Overview of Charter Schools in California

PRESENTED TO:

Charter Task Force
Hon. Tony Thurmond, State Superintendent of
Public Instruction



LEGISLATIVE ANALYST'S OFFICE

Origin of Charter Schools in California

California Established Charter Schools in 1992

- The state created charter schools to offer parents an alternative to traditional public schools and encourage local leaders to explore innovative educational programs.

Charter Schools Must Meet Three Basic State Requirements

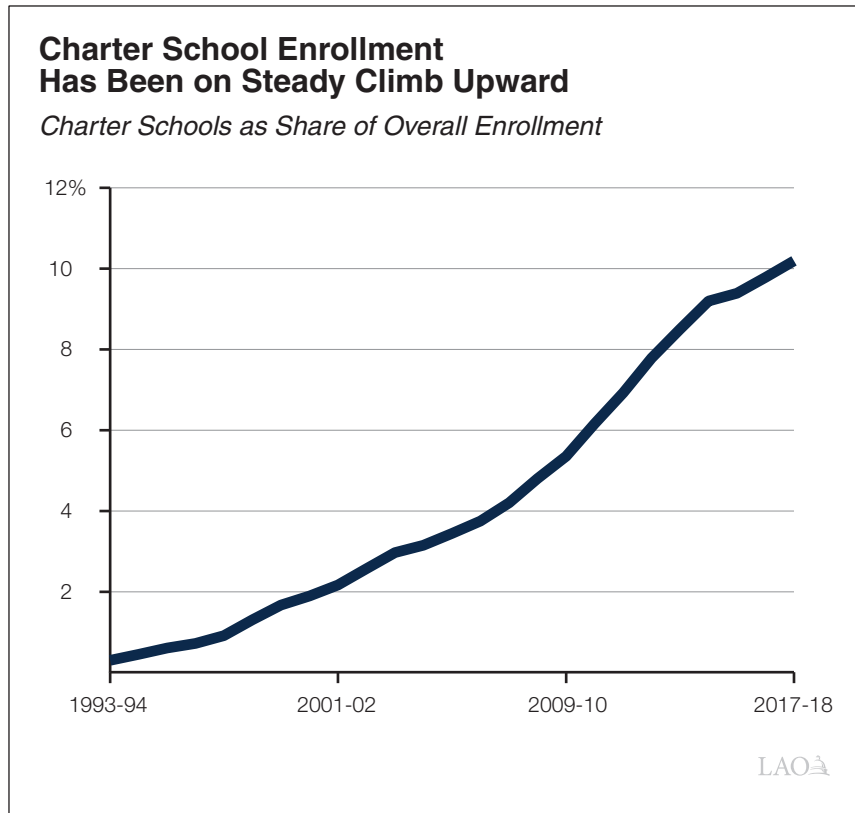
- All charter schools must: (1) provide nonsectarian instruction, (2) charge no tuition, and (3) admit all interested California students up to school capacity.

Charter Schools Are Held Accountable to Local Charter

- To both open and be renewed, a charter school in California must have an approved charter that sets forth a comprehensive vision for the school.
- Charter schools are exempt from many state laws and regulations that apply to traditional public schools.



Charter School Enrollment in California



Notable Growth in Enrollment

- In 2017-18, California had 1,254 charter schools serving about 630,000 students (10.2 percent of public school students). Ten years earlier, the state had 682 charter schools serving about 260,000 students (4.2 percent).



Characteristics of Charter Schools in California

Charter Schools Tend to Be Small

- The median charter school enrolls about 250 students whereas the median noncharter public school enrolls about 525 students.

Charter Schools Are Concentrated in Some Urban Areas

- The Bay Area, Los Angeles County, and San Diego County account for more than 60 percent of all charter schools in the state.

Most Charter Schools Are Start-Ups

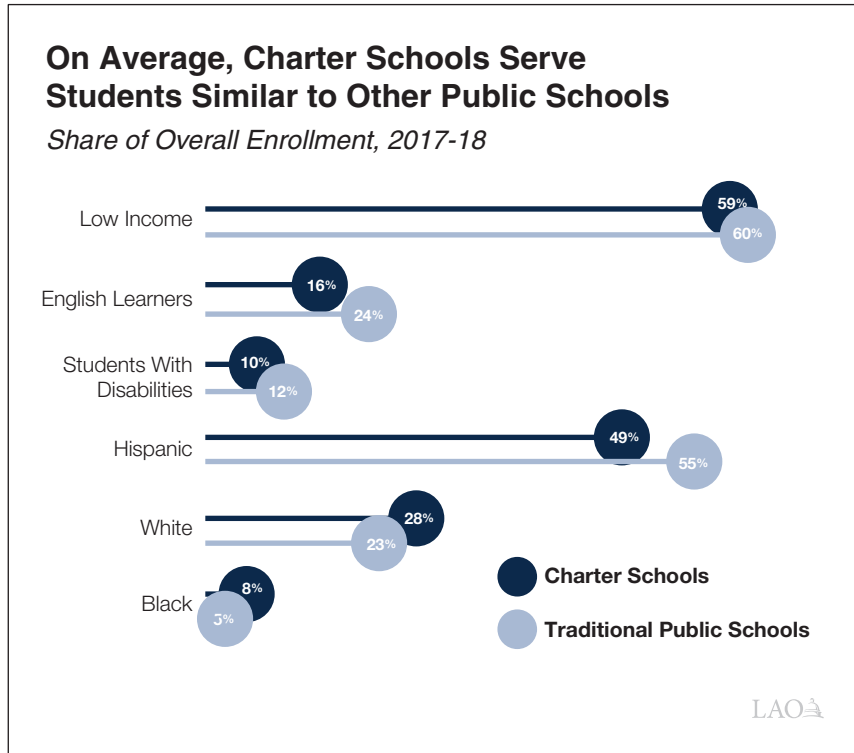
- About 85 percent of charter schools are newly created start-up whereas 15 percent are conversions of existing public schools.

Most Charter Schools Are Classroom Based

- About 80 of charter schools offer traditional classroom-based instruction whereas the remainder offer some form of independent study.



Characteristics of Charter School Students in California



Charter School Petitions and Authorizers in California

Interested Groups Initiate Petition Process

- Petitions must set forth a comprehensive vision for the school, including: its educational program, student discipline policy, employee policies, governance structure, and fiscal plans.
- Petitions must be signed by a certain share of interested teachers or parents.

California Has Three Allowable Types of Charter Authorizers

- In most cases, an interested group submits its petition to the school district where the charter school will be located. Districts authorize 86 percent of active charter schools.
- Under certain conditions, a group may submit a petition to the county office of education (COE) or directly to the State Board of Education (SBE). COEs authorize 12 percent of active charter schools and SBE authorizes 2 percent.
- Initial authorization is for a period of up to five years.

Variation Exists in Charter Schools Per Authorizer

- More than half of authorizers in California oversee one charter school.
- Los Angeles Unified and San Diego Unified oversee more than one-quarter of all charter schools in the state.

Under Certain Conditions, an Authorizer Can Reject a Petition

- An authorizer may deny a petition for five reasons: (1) insufficient signatures, (2) the proposed school violates one of the three basic state requirements, (3) the petition does not include a reasonably comprehensive vision for the school, (4) the proposed educational program is unsound, or (5) petitioners are unlikely to successfully implement their program.



Ongoing Oversight of Charter Schools

Authorizers Are Responsible for Ongoing Oversight

- At a minimum, each authorizer must fulfill five basic responsibilities: (1) identify a contact person at the charter school; (2) visit the charter school at least annually; (3) ensure the charter school completes all required reports, including the Local Control and Accountability Plan; (4) monitor the charter school's finances; and (5) notify the SBE if a charter is renewed, revoked, or the school closes.
- Authorizers typically charge a fee of up to 1 percent of charter school revenue to cover the cost of their oversight activities.

Charter Schools Must Be Renewed

- At the end of a charter's initial authorization period, the authorizer must decide whether to renew the charter. Charters typically must be renewed every five years.
- The criteria for the renewal progress generally is similar to that for approving a new charter, with the exception that charter schools seeking renewal must demonstrate a minimum level of academic performance.
- These minimum performance standards have not been updated to reflect changes to the state's assessment and accountability system.



Charter School Funding

As With Districts, Charter Schools Are Mostly Supported by the Local Control Funding Formula (LCFF)

- **Base funding** is generated by all students, with rates varying by grade span.
- **Supplemental funding** is generated by English learner and low-income (EL/LI) students.
- **Concentration funding** is generated by districts/charter schools serving large shares of EL/LI students.
- Unlike for districts, concentration funding is capped for charter schools. It is capped at the lower of: the share of EL/LI students the charter school serves or the share its authorizing district serves. (We estimate the cap reduced charter school funding by \$82 million in 2018-19.)

Charter Schools Received \$6.6 Billion From LCFF in 2018-19

- Charter schools receive 10.5 percent of total LCFF funding.

Charter Schools Also Tend to Receive Some Categorical Funding

- Major categorical programs include special education, after school programs, school meals programs, and the mandates block grant.
- For the mandates block grant, charter schools receive roughly half the per-student funding rate as school districts.
- Historically, charter schools have tended to have lower participation in categorical programs than school districts.



Charter School Facilities

Charter Schools Have Three Options for Obtaining Facilities

- About half of charter schools occupy facilities provided by their authorizing district, typically paying either nominal or below-market rent.
- Most remaining charter schools occupy privately leased facilities, often paying market-rate rent.
- A relatively small share of charter schools have constructed their own facilities.

Charter Schools Often Cover Facility Costs From Operating Budgets

- Charter schools are unable to authorize local bonds for school facilities.
- The state and federal governments provide some funding to help charter schools with their facility costs. The California School Finance Authority administers these programs.



Charter School Facilities

(Continued)

| Key Charter School Facility Developments | |
|---|--|
| Year | Development |
| 1992 | The state enacts the California Charter Schools Act, which authorizes charter schools but makes no specific provision for their facilities. Initially, many charter schools are conversions of district schools and remain in their existing facilities. |
| 1998 | An increasing share of charter schools are start-ups rather than conversions of existing schools. Chapter 34 (AB 544, Alpert) gives charter schools the right to occupy unused district facilities at no charge, provided the charter schools agree to maintain the facilities. |
| 2000 | Voters approve Proposition 39, which requires school districts to provide charter schools with facilities that are “reasonably equivalent” to those occupied by district students. Charter schools in these facilities must pay a pro-rata share of their districts’ annual facility costs. The measure also lowers the vote threshold for districts to pass local facility bonds. |
| 2001 | Chapter 892 (SB 740, O’Connell) establishes the Charter School Facility Grant Program for charter schools that enroll or are located in the attendance area of an elementary school where at least 70 percent of students are low income. Eligible schools are reimbursed for up to 75 percent of lease and other qualifying facility expenditures incurred in the prior year but are capped at \$750 per student. As part of an agreement to offset the cost of the program, the legislation also reduces general purpose funding for certain nonclassroom-based charter schools. |
| 2002 | Chapter 935 (AB 15, Goldberg) creates the Charter School Facilities Program, which provides state funding for charter schools to build their own facilities. (Voters approve funding for the program through statewide bond measures on the 2002, 2004, 2006, and 2016 ballots.) |
| 2005 | The California School Finance Authority begins making grants under the Charter School Facilities Incentive Grant program. This federally funded program provides qualifying charter schools with funding for leases, construction, renovation, and other facility costs. |
| 2012 | Chapter 38 (SB 1016, Committee on the Budget) requires school districts selling or leasing surplus property to offer that property to interested charter schools before any other party and caps the sale or lease price through a formula. These provisions sunset on July 1, 2016. |
| 2013-2018 | Trailer bills make various changes to the Charter School Facility Grant program: shifting administration from the California Department of Education to the California School Finance Authority, reducing the threshold for qualifying schools from 70 percent to 55 percent low-income students, increasing the maximum per-student grant amount, and capping growth in applicable lease costs. |



Charter School Legislation

Major Statutory Changes to Charter School Operations

| Year | Legislation | | Change |
|------|-------------|--|---|
| | Chapter | Bill | |
| 1998 | 34 | (AB 544, Lempert) | Clarified criteria for approving or denying charter petitions. Allowed charter schools to appeal a rejected petition to the COE or SBE. Authorized SBE to grant and revoke charters under specified conditions. |
| 1999 | 162 | (SB 434, Johnston) | Required independent study programs run by charter schools to provide a minimum number of instructional minutes. |
| 2000 | 160 | (SB 326, Lewis) | Allowed charter schools to appeal a revoked charter to the COE or SBE. |
| 2001 | 344 | (SB 675, Poochigan) | Required charter schools to submit annual financial and compliance reports to CDE in addition to their authorizer. |
| 2001 | 892 | (SB 740, O'Connell) | Authorized the SBE to reduce funding for nonclassroom based charter schools that spend too little on instruction. |
| 2002 | 1058 | (AB 1994, Reyes) | Increased financial reporting requirements for charter schools. Limited ability of charter schools to locate anywhere in the state. |
| 2003 | 892 | (AB 1137, Reyes) | Required charter schools seeking renewal to meet schoolwide minimum academic performance standards. |
| 2012 | 576 | (AB 1290, Alquist) | Required charter schools seeking renewal to meet minimum academic performance standards for student subgroups. |
| 2013 | 49 | (SB 91, Committee on Budget and Fiscal Review) | Required charter schools to develop Local Control and Accountability Plans similar to those required of districts and COEs. |
| 2018 | 291 | (AB 406, McCarty) | Prohibited for-profit organizations from operating charter schools. |
| 2019 | 3 | (SB 126, Leyva) | Explicitly subjected charter schools to open meetings, public record, and conflicts-of-interest requirements previously applied to districts and other local governments. |

COE = county office of education; SBE = State Board of Education; and CDE = California Department of Education.



Charter School Policy Issues

Several Issues for the State to Consider

- Have charter schools generated overall improvement in California's public school system?
- Is California's district-centered system for providing charter school authorization and oversight the most cost-effective approach?
- Is the way California supports charter schools in finding and funding their facilities cost-effective?
- Are special education costs distributed equitably among charter schools and school districts?
- How could performance expectations for charter renewal be aligned with the state's new assessment and accountability system?

