

Alameda Unified School District

Scenario #2

Exploring charter school options

June 2, 2009





From meeting one: AUSD will soon face a financial crisis

- AUSD has made more than \$7 million in cuts over the last seven years
- Three threats face the district:
 - 1) continued unreliability of state funding;
 - 2) declining enrollment;
 - 3) expiration of parcel taxes in 2011-2012, representing \$7.3 million loss in funding



From meeting one: AUSD is already lean

- Teachers salaries rank 14th of 16 local districts
- Administrative costs rank 17th out of 17 local districts
- Expenditures for employee benefits rank 10th out of 17 local districts



From meeting one: What cuts would be next?

- Close schools
 - Cut programs
 - Increase class size
- would require modification of contract with AEA,
our teachers

*Community must be informed about the situation and come
together to find solutions*

Charter schools may represent one such opportunity

What are charter schools?

Charter schools are *public* schools with a different governance structure.

- Open to the public
- Tuition-free
- Required to participate in state tests
- Employ credentialed teachers¹
- Do not discriminate²

¹ Under Law, charter schools are required to employ credentialed teachers in core and college preparatory classes.

² Under Law, charter schools cannot discriminate on the basis of disability, race, color, gender, national origin, religion or ancestry.

Why do some families, teachers and principals and districts embrace charter schools?

- More flexibility on curriculum, budget and staffing
- More freedom to innovate and offer unique approaches to education
- Ability to make quick and effective changes to meet a student's need
- High level of accountability with review and renewal mandatory every 5 years
- Engaged teachers and families who are empowered to make important decisions to benefit students
- According to a 2007 USC field study charter school parents cited "challenging curriculum and individualized student attention as key reasons for their high level of satisfaction."

Source: California Charter Schools Association;

Why do some families, teachers and principals and districts oppose charter schools?

- Can negatively impact revenue for the central office and, in some cases, other schools
- Not all charters are great schools -- depends on the model, the resources available, good planning and a match with community demand
- Since all charters are schools of choice, a few have been known to “skim” more able learners or avoid educating certain students
- Charter funding options have become more complex
- Facilities issues often arise
- Individual charters acting alone can negatively impact system-wide planning and adjustment to demographic changes



Our guiding question for this workshop:

Is it in AUSD's best interests to leverage the advantages while reducing the possible liabilities of expanding charter schools in Alameda?

A possible answer

- Use charter schools to create new, high-demand programs to redistribute and stabilize enrollment, and to improve academic success
 - Develop programs based on high community demand
 - Locate new, “high-draw” schools in underutilized facilities
 - Establish a choice system of both neighborhood and specialized schools to ensure the desired program diversity

What is a “high-demand” charter school?

Example one: High Tech High, San Diego



<http://www.hightechhigh.org/schools/HTH/>

- Highlights 08-09
- Eight schools (five high schools, two middle schools, and one elementary school)
- Approximately 2500 students
- Approximately 300 employees
- 100 percent of graduates have been accepted to college, 80% to four-year institutions
- \$57 million in real estate holdings
- Annual operating budget: approximately \$23 million
- Opened first two statewide charter high schools in 2007 with plans to open additional statewide schools in coming years
- Operates its own Graduate School of Education (GSE), the nation's first graduate school offering Master's in Teacher Leadership and School Leadership embedded within a K-12 learning community

Example two: University High School, Fresno

UNIVERSITY HIGH SCHOOL



The Highest-Performing High School in the Central Valley



MISSION: University High School provides an accelerated college preparatory education with a special focus on music. Students receive a strong foundation in music and in the liberal arts and sciences in a small school environment while benefiting from the opportunities available on a large public university campus.



- Accomplishments 2008-2009
- Situated on the CSU Fresno campus
- 379 students enrolled
- Certified Charter School by the California Charter School Association
- 45th best public high school in the nation, as ranked by U.S. News & World Report.
- 10th best charter school in the nation, as ranked by U.S. News & World Report.
- U.S. Academic Decathlon National Small School Champion (3rd consecutive year)

<http://www.csufresno.edu/univhigh/accomplishments.shtml>

AUSD could move toward a “system-wide” approach in two ways

Option	Authorizer	Pros	Cons	Other	Examples
<p>Conversion to a charter district -- all schools would become charters</p>	<p>California Superintendent of Public Instruction and State Board of Education</p>	<p>All schools converted at the same time</p> <p>Consistent governance from school to school</p> <p>Encourages super lean central office</p>	<p>Requires state level approval</p> <p>Requires agreements with nearby districts</p> <p>Represents a huge change to orchestrate</p> <p>May diminish state funding overall</p>	<p>More than 50% of district teachers required to support conversion</p> <p>No current all-charter districts exist with more than 2 schools</p>	<p>Kings River-Hardwick Union Elementary School District (1 school)</p>
<p>Create a “portfolio” of schools that include mix of non-charter and charter conversions and/or new schools</p>	<p>AUSD School Board</p>	<p>Decision is local</p> <p>Planned and paced conversion creates less conflict</p> <p>Conversion schools funded at same rate as when they were district schools (SB 319)</p>	<p>Involved process required at each school (>50% of a school’s teachers)</p> <p>Requires careful attention to curriculum to ensure access to appropriate courses and preparation for postsecondary options</p>	<p>Option to convert or create new schools</p> <p>Outside model providers prefer new schools.</p> <p>Conversions favor home grown models</p>	<p>Campbell Union Elementary School District</p> <p>Cambrian Elementary School District</p>

An all-charter district conversion requires both internal and external alignment

Home District

- >50% of district teachers' support required
- State Board of Education looks for strong support from community and administration

Neighboring Districts

- Agree to provide alternatives for students who do not wish to attend charter schools
- Agree to provide alternatives for teachers who do not wish to attend charter schools

We currently do not think this option is viable for Alameda. However... by approving charters one by one over time, it is possible to become a district of *nearly* all charter schools if it was to our advantage.

Case Example: Cambrian Elementary School District in West San Jose

Drivers of Change

- Declining enrollment in district due to lack of choice
- More autonomy desired at each school site

Process & Decision

- Decided all-charter district possibly too difficult and increases scrutiny
- Local CTA collaborated on agreement — school charters honored labor contracts and Ed Code personnel sections
- Order of school conversions based on principal, staff, and community support

Org. Structure

- 1 by 1 conversions to schools highly dependent on the district for their services, governance, finances, etc.
- One school retained as a traditional district school

Outcomes

- Enrollment and district increased using a student lottery
- Funding increased — charter status moved them from below the state average to the average
- Parents loved the change; they were the most involved advocates of the conversion

Charter school funding scenarios

- AUSD current funding under revenue limit \$78,763,745
- All charter district funded as revenue limit \$65,259,649
- All charter district funded as block grant \$70,673,341
- All charter district funded as conversion \$61,647,304

When individual schools are chartered, there are two ways to create them from existing schools

Conversion

- >50% of teachers required to support conversion
- Funding likely to remain at same level as when it was a district school
- School maintains legal right to current facility for 1 year

New/Re-start

- >50% of teachers or parents at “new school” required to support school development
- Funding determined by state annually; previous school not taken into account
- Facility location determined by school board

These two options have different allocation formulas, but critical charter autonomies are the same for both.

The decision-making authority of individual charter schools is defined by four variables

- ① Staff employed by the school district v. by the charter school
- ② Locally funded through the district v. direct funded by the state
- ③ Part of the school district legal structure v. independent 501(c)3
- ④ Governed by the school district board v. independent board of 501(c)3

**These elements are defined by the charter
of each school**

There are many variables to consider with a one-by-one approach to charters

- What are the system goals and how do they align with individual school goals?
 - How and who decides which schools?
 - What are the tradeoffs of a mixed model?
- Who will be the charter developers?
 - Teachers/parents?
 - District administration?
 - Charter Management Organizations, Universities, or other outside developers?
- How much variety and flexibility does the Alameda community seek and why?

One-by-One Possibility

- 2008-09 AUSD base revenue limit
 - \$5,627 per ADA
- 2008-09 estimated conversion Charter rate under SB 319 (applies to conversions)
 - \$5,033 per ADA
- 2008-09 General Purpose Block Grant rates (applies to all charters except conversions)
 - K-3 – \$5,452 per ADA
 - 4-6 – \$5,536 per ADA
 - 7-8 – \$5,698 per ADA
 - 9-12 – \$6,607 per ADA

Note: The funding models referenced above are derived from different components; therefore, rates are not comparable.



Is it Fiscally Prudent to Pursue Charters 1 by 1?

- We believe so, but a more detailed analysis depends on variables that change year-to-year.
- The question is better answered *after* the Superintendent and Board of Education have listened to the desires of AUSD employees, families and community members and have created their draft of their vision, goals, core strategies and priorities.
- Once the Master Plan is drafted, then a fiscal analysis will yield better accuracy and identify key decisions and adjustments.
- With a plan in hand, we can make decisions based on better numbers, though the variability of the state economic situation and state budget projections in the out years will require us to adjust our plan annually.
- A plan with broad community support will also attract funding from public and private sources interested in supporting our efforts



Addendum

People use “dependent” and “independent” when describing charter school relationships with their districts

- A district treats a *dependent* charter like any another program — as a part of the district. The charter is included in all reporting, including the District’s audit report and fiscal year financial statements. However, funding for the charter school must be maintained for the use of the charter school students.
- An *independent* charter maintains complete autonomy as a separate entity. It maintains its own set of financial statements and audit, including its own governance, student services, curriculum, and fiscal responsibilities.
- NOTE: These are descriptive terms in general use, but do not appear in charter legislation.

Q: What's the allocation to charter schools?

A: That depends. Here's why.

- The State Superintendent calculates the amount of the Charter School General Purpose Block Grant at K-3, 4-6, 7-8 and 9-12.
- A "dependent" charter is typically funded locally
- Funds often come from the authorizing district, but are accounted for separately (although sometimes they are funded directly by the state)
- An "independent" charter is always directly funded by the state
- Each charter must notify chartering agency by June 1 of each year
- Once the school has chosen direct or local funding, its selection is used for all other federal and state allocations and Lottery funding

How do charters get their funds?

How flexible are they?

- The General Purpose Block Grant and the Categorical Block Grant for charter schools come directly from the SPI. The funding will either go directly to the charter school or the authorizing agency.
 - Charter school funding is to be spent on charter school students and tracked separately to be able to demonstrate the actual expenditures of the charter school
- E.C. 47633(2)(c) and E.C. 47634.1 state that both of these funding sources may be used for any purpose determined by the governing board of the charter school. As a result, the funds are unrestricted to the charter school.
- Funds are %100 flexible.



How do charters get their funds?

- Charter schools can apply for other state resources such as K-3 Class Size Reduction (CSR) and the Quality Education Investment Act (QEIA) that are deemed to be outside of the categorical block grant. The charter school must comply with all statutory requirements of such programs when funding is received.
- Charter schools are eligible to receive federal funds such as Child Nutrition, Title I, and Title II. All federal money received by a charter school must be expended on eligible students and allowable costs as prescribed by the grantor.
- Lottery is another funding source that charter schools receive automatically similar to school districts, which must also be spent according to the regulations

What is the Fiscal Impact if the Charter is Dependent? Or Independent?

- The oversight responsibility of the authorizing agency is the same whether it is dependent or independent.
- Two areas must be monitored; fiscal and academic.
- Oversight fees are determined by statute. As an independent charter the District has the ability to assess a 1% to 3% oversight fee, not to exceed actual cost of conducting the oversight duties.
- If facilities are provided rent-free, up to 3% can be assessed. The oversight fee is based on current fiscal year General Purpose Block Grant and Categorical Block Grant.

What About Start-up Funds? How Much?

- The Charter School Revolving Fund Loan (Loan) of up to \$250,000 is available to charter schools.
 - The Loan is available to any charter school that is not a conversion charter and has not completed its first full term of its initial charter.
 - The Loan must be used for initial expenses incurred by the charter school as they set up to carry out their approved charter, not for operational costs (i.e., salaries, benefits, etc.).
 - After the first fiscal year of the Loan, the State Controller will deduct payments from the regular apportionments due to the charter school to repay the charter school's obligation.

What About Start-up Funds? How Much?

- In the area of facilities, charter schools have several funding sources available to help defray the costs of facilities.
 - Proposition 1D passed in November 2006 and included funds for charter schools
 - The State Treasurer's California School Finance Authority offers a grant program for charter school facilities
 - SB 740 Grants provides up to \$750 per ADA for facility rental for any charter school serving students consisting of at least 70% free and reduced priced meals

Critical topics for discussion regarding AUSD charter schools fall into three categories

Community

- How will the community perceive this shift?
- What are the implications of schools no longer being “neighborhood schools” and students from outside the district boundaries being allowed to enroll?
- Is philanthropic funding/private funding for schools attractive to the community?
- Is the community willing to take a strong political stance on the benefits of choice and charters? Does it need to?
- Does the community seek innovation in the schools?

Economic

- How can we ensure financial sustainability with a charter model?
- Will the charter model attract additional funding?
- Will any funding be lost through the shift to charter?

Organizational

- Will the sufficient number of teachers support this change?
- What role will the district play in providing services to the schools?
- How decentralized will district operations be?
- How will employees perceive this change?
- How will the balance of power shift and what are the implications of that shift?
- Will there be higher employee turnover during the change?
- Do we have organizational capacity at the district to undertake this conversion while continuing to effectively educate students?
- Do we bring in outside providers to operate the schools? E.g. KIPP, Aspire, Green Dot

District oversight will vary greatly depending on charter agreements

- Charter authorizer is required to:
 - a) Visit school once annually
 - b) Oversee annual financial reports (ADA, etc.)
 - c) Make renewal decisions
 - d) “Ensure they abide by the law”
- Any responsibilities in excess of this are defined by the charter
- OUSD has 4 FTEs in the charter school office, with 32 charter schools in the district
 - Charter school office scale dependent on # charter schools not # students in charter schools
 - Critical capabilities include 1) Fiscal/ADA function which is very complicated and most important from the perspective of compliance. Recommendation that this is owned by 1 dedicated person. 2) Liaison to service the schools, evolve with the landscape, be forward thinking about relationships, coordinate across district departments, 3) Non-dedicated functions include legal and facilities capacity



What if we converted all our schools to charters?

- If the AUSD converted all of its schools to charter status, then the AUSD has the following choices:
 - Fund all of its charter schools at the traditional base revenue limit model, or
 - Fund all of its charter schools at the amount of actual unrestricted revenues expended per unit of ADA for that school in the year prior to its conversion to, and operation as, a charter school, or
 - Fund all of its charter schools under the General Purpose Block Grant by grade level spans based on statewide averages

AUSD current funding under Revenue Limit

		Rates	Prior ADA	08/09
Revenue Limit	BRL/ADA	\$5,408	\$9,599	\$51,911,392
K-3 CSR	Per K-3	\$1,071		\$2,872,000
State Lottery	Per ADA	\$121		\$1,346,000
State ROP				\$1,366,894
State Other				\$7,346,106
Federal-SP ED				\$1,697,330
Federal- Other				\$4,625,670
Local-SELPA				\$5,408,643
Local Other				\$1,389,710
CAT FLEX- Adult Ed				\$800,000
TOTAL REVENUES				\$78,763,745

All charter district funded as Revenue Limit

		Rates	Prior ADA	08/09
Revenue Limit	BRL/ADA	\$5,408	\$9,595	\$51,889,760
K-3 CSR	Per K-3	\$1,071		\$2,872,000
State Lottery	Per ADA	\$121		\$1,346,000
State ROP				\$1,366,894
State Other				\$7,346,106
Less: State funds not available to charters				(\$5,576,491)
Federal- Other				\$4,625,670
Local Other				\$1,389,710
TOTAL REVENUES				\$65,259,649

All charter district funded as General Purpose Block Grant

	Charter Block Grant Rates	Current ADA	08/09
General Purpose Block Grant	By grade level	\$9,550	\$56,218,057
Categorical Block Grant	\$423		\$4,144,700
In Lieu Economic Impact Aid			\$1,209,990
K-3 CSR			\$2,871,994
Lottery			\$1,155,550
Other State			\$7,346,106
Less: State funds not available to charters			(\$5,576,491)
Federal- Other			\$4,625,670
Local Other			\$1,389,710
TOTAL REVENUES			\$70,673,341

All charter district funded as Conversion

	Conversion Charter Rate	Current ADA	08/09
Conversion Model Funding	\$5,033	\$9,550	\$48,065,150
K-3 CSR			\$2,871,994
Lottery			\$1,155,550
Other State			\$7,346,106
Less: State funds not available to charters			(\$5,576,491)
Federal- Other			\$4,625,670
Local Other			\$1,389,710
TOTAL REVENUES			\$61,647,304