

Charter Schools: Funding Tennessee's Authorizers and Schools

November 2014

Tara Bergfeld, Associate Legislative Research Analyst
(615) 401-7885 / tara.bergfeld@cot.tn.gov

Elizabeth Jones, Associate Legislative Research Analyst
(615) 401-7778 / elizabeth.jones@cot.tn.gov

Key Points

Tennessee authorizers are prohibited by state law from withholding any funds from a charter school to cover administrative or other duties unless specified in the charter agreement between the authorizer and charter school.

The total costs incurred by a charter school authorizer are difficult to quantify because only some staff and offices within an authorizing district are dedicated to charter school responsibilities. Authorization costs may vary by authorizer based on several factors, including varying methods of district administration of charter schools, the number of charter schools within the district, the efficiency of each district's central office, and the extent to which an authorizing district aligns with best practices for charter school authorization.

The National Association of Charter School Authorizers (NACSA) and National Alliance of Public Charter Schools (NAPCS) have developed model legislation to guide the creation of charter authorizer funding. This model legislation includes the use of an authorizer fee, which is a predetermined amount of funding retained by the authorizer as compensation for costs associated with authorization, including staff dedicated to oversight of charter schools as well as administrative-related duties performed by a district's central office.

Model legislation from both NACSA and NAPCS advocates public reporting of authorizer expenditures to ensure appropriate use of collected authorizer fees.

Charter schools do not receive funds in the same way as traditional public schools. Like districts, charter schools are funded based on student enrollment. However, charters may not have access to all revenue streams provided to districts.

Currently, there is no formal procedure in place at the state or local level to ensure that authorizing districts pass state and local funds to charter schools in accordance with Tennessee law. Charter schools with concerns regarding state and local funding may bring these to the attention of TDOE's Office of Local Finance or the Director of School Choice.

The Office of Consolidated Planning and Monitoring within TDOE is responsible for ensuring that districts distribute and spend their ESEA dollars in accordance with federal laws and guidelines.

Table of Contents

Section 1: Charter School Authorizer Funding

Charter Schools	1
Charter School Authorizers	2
Authorizer Size	3
Exhibit 1: Authorizer by Size and Type	4
Best Practices for Authorizing	4
Exhibit 2: Alignment of Tennessee Authorizers with NACSA's 12 Essential Practices, 2012-13 School Year	5
Costs Associated with Charter School Authorizing	9
Authorizer Responsibilities	11
Exhibit 3: Application Timeline	14
Authorizer Funding	20
Authorizer Fees	22
Exhibit 4: NACSA's Model Legislation for Charter School Authorizer Funding	22
Authorizer Funding Considerations	23
Exhibit 5: Per-Pupil Authorizer Revenue Examples	23
Authorizer Funding in Other States	24
Exhibit 6: Sources of Authorizer Funding by Authorizer Type	25
Exhibit 7: Charter School Authorizer Funding	26

Section 2: Charter School Funding

State and Local Funding	26
State and Local Revenue for Education	27
Exhibit 8: Fiscal Year 2013 Local Effort and BEP Required Local Match, Sample of Districts	28
Exhibit 9: State BEP Capital Outlay Funding Compared with Capital Outlay and Capital Projects Budget by District Authorizer, 2013-14	28
Calculation of Funds	29
Distribution of Funds	30
Considerations for Charter School Funding	31
Exhibit 10: State of Tennessee Report Card, 2012-13 School Year	32
Accountability for State and Local Funds	33
Federal Funding	34
Exhibit 11: Education Revenue, School Year 2012-13	34
Exhibit 12: Federal Allocations by District, Fiscal Year 2013	38
Special Education	40
Accountability of Federal Dollars	41
Endnotes	41

Appendices

Appendix A: Legislative requests	50
Appendix B: Interviews conducted	52
Appendix C: Charter school authorizing laws by state	54
Appendix D: Definitions	69
Appendix E: Charter school application timeline, 2014-2015	77
Appendix F: State profiles of authorizer funding laws	78

Scope and Methodology

This legislative brief is in response to requests from the Chairs of the House and Senate Education Committees for a review of various issues surrounding charter school authorizer fees. (See [Appendix A: Legislative requests](#).) The brief provides information on charter school authorizing in Tennessee, including a review of national best practices for charter school authorizers, profiles of active Tennessee authorizers, possible funding mechanisms for authorizers, and authorizer tasks and associated costs. Also included is a review of model legislation and considerations related to the implementation of authorizer fees, as well as select profiles of other states' laws related to funding charter school authorizers. This brief does not attempt to calculate the actual costs related to authorizing.

The brief also provides an overview of charter school funding in Tennessee. This includes a description of state and local funds charter schools are entitled to receive according to Tennessee law, as well as a description of how the funds are allocated to charter schools. Also included is a review of the administration and distribution of federal title funds. The brief also provides a summary of the accountability process to ensure charter schools have been funded in accordance with Tennessee and federal law.

In developing this report, OREA staff:

- Interviewed a variety of stakeholders, including school district officials, charter school leaders, Tennessee Department of Education officials, and advocacy groups.
- Reviewed national best practices for charter school authorizing.
- Surveyed legislative staff and reviewed other states' laws and policies pertaining to authorizer funding.

(See [Appendix B: Interviews conducted](#).)

Section 1: Charter School Authorizer Funding

Charter Schools

Charter schools are publicly-funded schools operated by independent governing bodies. By law, charter schools have autonomy in areas such as personnel and salary policies, curriculum and instruction methods, and financial decisions. State laws vary as to which organizations may operate or apply to open a charter school. The most common charter operators are nonprofit boards. In the 2012-13 school year, 42 states and the District of Columbia had laws allowing for charter schools, with charter schools making up 6.3 percent of all public schools.¹

Tennessee law allows for the creation of new charter schools and the conversion of traditional public schools into charter schools.² Charter schools must meet the same performance standards and requirements adopted by the Tennessee State Board of Education (SBOE) for traditional public schools.³ Charter schools are not exempt from federal and state laws, rules, and regulations applying to, but not limited to, special education, immunizations, civil rights, public records, and school safety.⁴ State law prohibits virtual charter schools and the management or operation of charter schools by for-profit corporations.⁵ In exchange for an increased level of autonomy, charter schools face a heightened level of accountability. A Tennessee public charter school must be closed if it is designated a priority

school, and may be closed if the school demonstrates poor academic performance, violates the charter agreement, fails to meet generally accepted standards of fiscal management, or performs an act that would result in initial denial of the school's application.^{6, A}

Eligibility to attend a charter school

If a charter school is authorized by a district, any student who resides within the district may attend the charter school. If applications to the charter school exceed the number of seats available, a lottery shall determine which students attend. Charter schools may also enroll students from other school districts in accordance with their district's out-of-district enrollment policy.

If an existing public school is converted to a charter school, the conversion charter school serves the students zoned to attend the school prior to conversion. If the charter school is in the ASD, students must be zoned to attend or be enrolled in a school that is eligible to be placed in the ASD.

If capacity remains after admitting all students within the zone seeking to attend the school, students living in other school zones may enroll. If applications by out-of-zone students exceed capacity, then enrollment shall be determined by a lottery process.

Source: Tennessee Code Annotated 49-13-106(a) and (b).

Charter School Authorizers

A charter school authorizer is a state-approved entity responsible for oversight of a charter school.⁷ There are several types of authorizing agencies, including independent chartering boards, higher education institutions, local school districts, non-education government entities, not-for-profit organizations, and state education agencies, such as a state department of education; many states have more than one chartering authority in operation. (See [Appendix C: Charter school authorizing laws by state](#).) States may limit what type of charter school each authorizing entity may approve.

Authorizer functions generally fall into four categories:

- Application review
 - Approving or denying applications to open a charter school
- Contract negotiation
 - Drafting and negotiating charter agreements and any fee for service agreements
- Oversight
 - Ensuring academic, organizational, and financial health
- Renewal or closure
 - Renewing contracts with successful charters and closing those that fail to meet academic and financial expectations

In Tennessee, local boards of education, the Achievement School District (ASD), and the SBOE may authorize charter schools.⁸ The majority of charters are authorized by local boards of education.

^A Priority schools are the 5 percent of schools that are the lowest performing academically in the state.

The circumstances under which each entity may act as an authorizer are determined by Tennessee law. A local board of education may authorize any qualified charter school applicant that seeks to be located within the boundaries of the school district.⁹

The ASD may authorize charter schools within the jurisdiction of an existing school district.¹⁰ The ASD may either recruit charter operators to convert an existing traditional public school that has been identified as a priority school or open a new charter school.¹¹ All ASD-authorized charter schools must serve students zoned to attend or enrolled in schools that are eligible to be placed in the ASD.¹² The ASD serves as authorizer of the charter school for the duration of the charter agreement, which is for a period of 10 years.¹³ The charter school may return to school district control at the end of the 10-year charter contract if specific academic goals have been met.^{B,14} (See [Appendix D: Definitions.](#))

The SBOE hears appeals from charter school applicants who have been denied by local boards of education.¹⁵ On review, the SBOE may uphold the district decision to deny the charter application. The SBOE's decision is final.¹⁶ Should the SBOE overturn the district denial, the Board may direct the school district to approve the application, in which case the school district must act as authorizer to the charter school applicant.¹⁷ To date, the SBOE has received 66 appeals. Of those, the Board has affirmed a district's decision to deny an application 45 times, and remanded 21 applications back to the districts for approval.¹⁸

In 2014, Public Chapter 850 expanded the role of the SBOE to allow it to serve as an authorizer in cases where the Board rules in favor of a charter school applicant seeking to open a school in a district with at least one priority school.¹⁹ Prior to this change in law, the SBOE could only act as authorizer if a school district sought to sponsor a charter school.²⁰ The SBOE has not authorized a charter school.

Authorizer Size

The majority of authorizers (90 percent) throughout the nation are local school districts. Of those, 94 percent are classified as small authorizers, overseeing fewer than 10 schools. Metro Nashville, Shelby County, and the ASD are all classified as large authorizers, overseeing 10 or more schools. Hamilton County and Knox County (as of the 2015-16 school year) are small authorizers. Large authorizers, including school districts and other types, make up 10 percent of the total number of all authorizers in the nation, yet oversee 72 percent of all charter schools and 66 percent of students who attend charters.²¹

Charter Schools by Authorizers, SY 2014-15

Metro Nashville Public Schools: 20

Shelby County Schools: 39

Hamilton County Department of Education: 3

Achievement School District: 23

Note: LEAD Middle School and LEAD High School are on separate campuses but operate under one charter agreement. Sources: Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail, Oct. 17, 2014. Stacey Thompson Pera, Charter Planning and Authorization Advisor, Shelby County Schools, e-mail, Oct. 29, 2014. Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014. Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail, Oct. 30, 2014.

^B The ASD opened its first school in the 2012-13 school year.

Best Practices for Authorizing

Best practices inform authorizers about how to adequately review applicants and ensure only high performing charter schools remain open. As of 2014, 15 states and the District of Columbia have standards for authorizers.^{22, c} In Tennessee, only the SBOE is required by state law to adopt national authorizing standards; the other authorizing entities (local school districts and the ASD) are encouraged, but not required, to adopt national authorizing standards for reviewing charter school applications.²³ Nevada and New Mexico require authorizers to develop their own policies and practices based on a review and evaluation of nationally recognized standards. Ohio requires its state department of education to annually rate charter authorizers as “exemplary,” “effective,” or “ineffective” based on adherence to standards developed by national organizations.²⁴

National Association of Charter School Authorizers

Many authorizers, including school districts in Tennessee and the Achievement School District, refer to the National Association for Charter School Authorizers (NACSA) as a reference for quality authorizing standards and practices. NACSA is a membership organization comprised of charter school authorizers, state charter associations, charter management organizations, and state departments of education, education reform groups, and independent charter school consultants. The organization’s board of directors includes representatives from school districts, charter management organizations, charter school authorizers, education research firms, state education agencies, and private foundations.

NACSA annually publishes the *Principles & Standards for Quality Charter School Authorizing*, a resource authorizers may use as a guide when executing their authorizing duties.²⁵ NACSA’s *Index of Essential Practices* lists 12 practices, derived from the *Principles & Standards*, that the organization classifies as the basic minimum practices necessary for quality authorizing.²⁶ Authorizers may measure their current operating practices against those recommended by NACSA to identify areas for improvement. NACSA collects self-reported data from authorizers across the country to assess the percentage that implement some or all of the organization’s essential practices. (See [Exhibit 2.](#))

Exhibit 1: Authorizer by Size and Type

Authorizer Type	Fewer than 10 schools	10 or more schools
Higher Education Institution	74%	26%
Independent Chartering Board	33%	67%
Local School District	94%	6%
Non-Educational Government Entity	33%	67%
Not-For-Profit	39%	61%
State Education Agency	17%	83%

Source: National Association of Charter School Authorizers, *The State of Charter School Authorizing: 2013*, p. 5, <http://www.qualitycharters.org/> (accessed Oct. 7, 2014).

Tennessee Association of Charter School Authorizers

The Tennessee Association of Charter School Authorizers was formed in 2010 to bring together authorizers and other stakeholders across the state with an interest in quality authorizing of charter schools. Membership includes several school districts, including active and potential authorizers, as well as representatives from the Tennessee Department of Education, the Tennessee Charter School Center, the ASD, and the Tennessee School Boards Association. The group is modeled on NACSA standards and principles.

Sources: Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail attachment, Aug. 4, 2014.

^c Some authorizing standards are required by statute to be based on the standards developed by NACSA or similar national charter school organizations.

Exhibit 2: Alignment of Tennessee Authorizers with NACSA's 12 Essential Practices, 2012-13 School Year

Authorizer	MNPS	ASD	MCS^D	HCDE
Type	School District	Independent Chartering Board	School District	School District
Number of Schools	14	3	29	3
NACSA Best Practices				
<i>Application Criteria:</i> Have established, documented criteria for the evaluation of charter applications	Yes	Yes	Yes	Yes
<i>Application Timeline:</i> Publish application timelines and materials	Yes	Yes	Yes	Yes
<i>Applicant Interview:</i> Interview all qualified applicants	Yes	Yes	No	Yes
<i>External Expert Panel:</i> Use expert panels that include external members to review charter applications	Yes	Yes	Yes	No
<i>Five-year Term Length*:</i> Initial charter terms of five years	No	No	No	No
<i>Contract:</i> Sign a performance contract with each school	Yes	Yes	Yes	Yes
<i>Financial Audit:</i> Require and/or examine annual, independent financial audits of its charter schools	Yes	Yes	Yes	Yes
<i>Annual Report to Schools:</i> Provide an annual report to each school on its performance	Yes	Yes	No	No
<i>Renewal Criteria:</i> Have established renewal criteria	Yes	Yes	Yes	Yes
<i>Revocation Criteria:</i> Have established revocation criteria	Yes	Yes	Yes	Yes
<i>Authorizing Staff:</i> Have staff assigned to authorizing within the organization or by contract	Yes	Yes	Yes	No
<i>Mission:</i> Have a published and available mission for quality authorizing	Yes	No	No	No
Total Index Score	11	10	8	7

*Note: *Tennessee Code Annotated* 49-13-104(3) requires charter agreements for an initial period of 10 years.
 Source: National Association of Charter School Authorizers, "State Index Breakdown: Tennessee," <http://public.tableausoftware.com/> (accessed Oct. 8, 2014).

^D Memphis City Schools is now merged with Shelby County Schools. This survey reflects information collected prior to the merging of Memphis City Schools with Shelby County Schools.

Tennessee Authorizers

Tennessee law encourages, but does not require, local school district authorizers to adopt national authorizing standards for use in reviewing charter school applications.²⁷ Each district has the ability to create its own methods for application review and charter school oversight. The following section discusses how each authorizer in Tennessee aligns with NACSA's 12 Essential Practices. (See [Exhibit 2.](#)) All information for the 2013-14 school year is based on the latest data available from the TDOE's annual Report Card. The information below also includes the number of charter schools open in the 2014-15 school year, newly approved charters that will open in the 2015-16 school year, the total number of authorizer-required closures, and dedicated authorizer staff.^E

Metropolitan Nashville Public Schools

Total operating schools 2013-14 SY	156
Total operating charter schools as of 2013-14 SY	17
Percent charter schools	10.8%
Total student population 2013-14 SY	82,806
Total charter school student population 2013-14 SY	4,018
Percent charter school students	4.8%
Total operating charter schools as of 2014-15 SY	20
Newly approved charters to open in the 2015-16 SY	8
Total charter schools closed	4
Authorizing staff	1 dedicated + Innovation Office Director

Note: LEAD Middle School and LEAD High School are on separate campuses but operate under one charter agreement.

Sources: Tennessee Department of Education, "Report Card, 2013-14 – Davidson County," <http://www.tn.gov/education/> (accessed Nov. 4, 2014). Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail, Oct. 17, 2014.

NACSA's 2012-13 review of MNPS found the district employed all but one of the organization's 12 Essential Practices: a five-year term length for all charter school agreements. Tennessee law requires a 10-year initial charter agreement.²⁸ In 2011 NACSA conducted an Authorizer Evaluation to determine how well the district's current operating procedures aligned with NACSA's principles and standards. The analysis covered application decision-making, monitoring operations, performance-based accountability, and school autonomy. Following the evaluation, NACSA awarded MNPS a Performance Management, Replication, and Closure Grant to assist the district in developing its authorizing practices, including performance management frameworks for academic, organizational, and financial requirements for charter schools. The grant also assisted the district to develop a replication application for existing charter operators, construct closure processes and procedures, and create a new contract template.

^E Dedicated authorizer staff is staff that is assigned to authorizing within the district. This does not include staff located outside a district's charter school office that performs tasks related to charter schools.

Shelby County Schools

Total operating schools 2013-14 SY	277
Total operating charter schools as of 2013-14 SY	37
Percent charter schools	13.3%
Total student population 2013-14 SY	149,928
Total charter school student population 2013-14 SY	8,987
Percent charter school students	5.9%
Total operating charter schools as of 2014-15 SY	39
Newly approved charters to open in the 2015-16 SY	9
Total charter schools closed	1
Authorizing staff	3 dedicated + 1 Innovation Office Director + 1 liaison to SCS and ASD charters

Sources: Tennessee Department of Education, "Report Card, 2013-14 – Shelby County," <http://www.tn.gov/education/> (accessed Nov. 4, 2014). Stacey Thompson Pera, Charter Planning and Authorization Adviser, Shelby County Schools, e-mail, Nov. 3, 2014.

NACSA’s 2012-13 review of the former Memphis City Schools found that the district employed eight of the 12 essential practices. The district does not automatically interview applicants, but reserves the right to interview. NACSA calls for authorizers to provide charter schools with a summative report outlining the school’s past performance prior to a charter renewal decision, as well as issue an annual public report on each charter school’s performance. Prior to the merger with SCS, MCS issued an accountability matrix that tracked academic and other compliance measurements to each school. SCS is currently working to construct a performance framework for each school, expected to be complete for the 2015-16 school year.²⁹ NACSA recommends that authorizers have a clear mission for quality authorizing, including a “strategic vision and plan for chartering, including clear priorities, goals, and time frames for achievement.”³⁰ SCS has not published a mission statement for quality authorizing as recommended by NACSA.³¹

Hamilton County Department of Education

Total operating schools 2013-14 SY	78
Total operating charter schools as of 2013-14 SY	3
Percent charter schools	3.8%
Total student population 2013-14 SY	43,531
Total charter school student population 2013-14 SY	706
Percent charter school students	1.6%
Total operating charter schools as of 2014-15 SY	3
Newly approved charters to open in the 2015-16 SY	1
Total charter schools closed	0
Authorizing staff	Assistant Superintendent administers charter school responsibilities

Note: One charter agreement was revoked prior to the opening of the school.
 Sources: Tennessee Department of Education, "Report Card, 2013-14 – Hamilton County," <http://www.tn.gov/education/> (accessed Nov. 4, 2014). Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014, and telephone interview, Aug. 15, 2014. Lee McDade, Assistant Superintendent, Hamilton County Department of Education, e-mail, Sept. 4, 2014, and telephone interview Aug. 15, 2014.

NACSA’s 2012-13 review of the Hamilton County Department of Education found that the district employed seven of the 12 essential practices. Hamilton County uses experts from within the district rather than external panelists to review applications. The district relies on annual TCAP reports to monitor the academic performance of charter schools. The Assistant Superintendent meets with charter schools at least twice each year to discuss their academic performance. Annual financial reports from charter schools are also collected by the district to monitor financial stability. The district does not review charter schools’ financial status or budgets. Duties associated with charter schools are currently performed with existing staff rather than through dedicated charter school staff. HCDE has not developed a mission for quality authorizing as recommended by NACSA.³²

Achievement School District

Total operating schools 2013-14 SY	16
Total operating charter schools as of 2013-14 SY	10
Percent charter schools	62.5%
Total student population 2013-14 SY	4,110
Total charter school student population 2013-14 SY	2,128
Percent charter school students	51.7%
Total operating charter schools as of 2014-15 SY	23
Direct-run	5
Charter-run	18
Total staff	28

Sources: Tennessee Department of Education, "Report Card, 2013-14 – Achievement School District," <http://www.tn.gov/education/> (accessed Nov. 4, 2014). Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Aug. 15, 2014.

NACSA’s 2012-13 review of the ASD found that the district employed 10 of the 12 essential practices. NACSA indicated that the ASD did not include a mission statement in its review; however, the ASD is defined by law as a mechanism to improve the academic outcomes of some of Tennessee’s lowest performing schools.³³ Additionally, the ASD contracted with NACSA to develop its authorizing policies to ensure quality authorizing practices are in place.³⁴

NACSA classifies ASD as an independent chartering board. However, the ASD is a unique entity. While fitting some classifications for an independent chartering board, it operates as a local school district within Tennessee. Throughout this report, the ASD is included as a district unless otherwise noted.

Knox County Schools

Total operating schools 2013-14 SY	89
Total operating charter schools as of 2013-14 SY	0
Percent charter schools	N/A
Total student population 2013-14 SY	59,232
Total charter school student population 2013-14 SY	0
Percent charter school students	N/A
Total operating charter schools as of 2014-15 SY	0
Newly approved charters to open in the 2015-16 SY	1
Total closed	0
Authorizing staff	0 dedicated staff; responsibilities will be spread throughout multiple departments

Sources: Tennessee Department of Education, “Report Card, 2013-14 – Knox County,” <http://www.tn.gov/education/> (accessed Nov. 4, 2014). Knox County Schools, “Charter Schools,” <http://knoxschools.org/> (accessed Oct. 21, 2014). Crystal Hill, Innovation Specialist, Knox County Schools, e-mail, Sept. 10, 2014.

Knox County Schools will open its first charter school in the fall of 2015-16.³⁵

Tennessee State Board of Education

Total operating charter schools as of 2014-15 SY	0
Authorizing staff	1.5

Sources: Dannelle Walker, General Counsel, and Tess Stovall, Coordinator of Charter School Accountability and Policy, Tennessee State Board of Education, interview, Aug. 5, 2014.

The SBOE contracted with NACSA to develop authorizing policies to ensure quality practices.³⁶

Costs Associated with Charter School Authorizing

Every district that authorizes charter schools in Tennessee performs a number of administrative functions related to charter schools.³⁷ Many of these functions are performed for all district schools, both traditional and charter, and a district’s administrative workload will increase as new schools, whether traditional or charter, are opened or added to the district.

Districts use state and local BEP funding to cover the costs of central office administration related to traditional public schools, but are prohibited by state law from withholding any funds for such costs related to charter schools unless specified in the charter agreement.³⁸

According to a 2010 Attorney General opinion:

There is no distinction between approving a charter school application and signing a charter school application. Because approval by the local education agency creates the charter agreement, the local education agency [authorizing district] cannot require further negotiation with the charter school sponsor.³⁹

Initial approval of a charter school application cannot be conditioned on agreeing to an administrative fee. Once a district approves a charter school's application, the district may not require the charter school to enter contract negotiations related to an authorizer or administrative fee. A charter school may refuse to sign a contract that includes a fee and may operate under the approved application.

In FY 2012-13, the statewide rate for district administrative spending was 4.5 percent. This figure represents a district's expenditures for the school board, superintendent's office, and central office.^F While charter-related responsibilities increase the work performed by some district staff, a majority of the district's work remains related specifically to traditional public schools. The majority of work within the central office of the ASD is related to the administration and authorization of charter schools. Additionally, charter schools with the capacity to perform a number of administrative functions using their own staff and resources may place fewer demands on the authorizing district's time and resources. As a result, charter schools' share of central offices expenses may not be proportionate to that of traditional schools.

The total costs incurred by a charter school authorizer are difficult to quantify because only some staff and offices within an

Shelby County Administrative Fee

SCS funds its authorizing duties, including three full time staff members, primarily through existing revenue sources. However, prior to its merger with SCS in 2013, Memphis City Schools began to include a 3 percent administrative fee in its standard charter contract for any new or renewing charter schools to offset costs related to authorizing. As of 2014, six schools had signed the contract and pay an annual 3 percent fee to SCS based on their total state and local per-pupil revenue. All other new charter schools and those eligible to renew since 2010 have not signed the standard contract and instead operate under their approved applications; therefore, they do not pay the administrative fee. The charter schools are operating under their charter school application rather than the signed contract provided by the district. No other district in Tennessee currently has an administrative fee in place.

Source: Alicia Lindsey, Chief Financial Officer, Shelby County Schools, telephone interview, June 20, 2014; Sybille Noble, Director of Contracts Management and Compliance, Shelby County Schools, e-mail, Sept. 3, 2014; Stacey Thompson Pera, Charter Planning and Authorization Advisor, Shelby County Schools, e-mail, Oct. 29, 2014.

^F Central office spending includes "other central office and support services," a TDOE classification which includes spending on additional central office services beyond the fiscal service and personnel expenditures already accounted for separately in the business administration category. These additional services include administrative technology, purchasing, warehousing, planning, research, public information, and other support spending.

authorizing district are dedicated solely to charter school responsibilities. Personnel and office costs that are dedicated to charter school responsibilities are more readily identifiable than costs for personnel and offices whose responsibilities include, but are not limited to, charter schools.⁶

Authorization costs may vary by authorizer based on several factors, including varying methods of district administration of charter schools, the number and type of charter schools within the district, the efficiency of each district's central office, and the extent to which an authorizing district aligns with best practices for charter school authorization.

Given the above limitations, this study does not attempt to quantify the exact cost to each authorizing district for performing authorizing- and administrative-related duties for charters. Instead, this study provides an overview of how Tennessee authorizers are currently performing authorizing functions.

Authorizer Responsibilities

The following section provides an overview of the personnel and duties associated with authorizing. For the purposes of this report, OREA has classified authorizer duties related to charter schools into two categories: authorizing-related duties and administrative-related duties. Authorizing-related duties include application review, contract negotiation, oversight, and renewal or school closure. These regulatory tasks monitor the use of public dollars by charter schools. Administrative-related duties are those functions that are often performed by existing departments within the central office for traditional public schools as well as charter schools. Administrative functions are the costs associated with school operations and management.

The tasks outlined below are either required by Tennessee law or are tasks the district performs to fulfill its statutory obligations as an authorizer. One example of a task required by law is administration of charter school employee benefits. In order to fulfill this requirement, districts maintain records of charter school employees and bill charter schools for various premiums. Districts are also required to renew charter school agreements or close poorly performing charter schools. To carry out this requirement, districts monitor compliance with the charter agreement and Tennessee law.⁴⁰ Tennessee law allows charter schools to contract with authorizing districts or outside vendors for some services (e.g., transportation); however, because the chartering authority is responsible for overseeing charter school accountability and performance, the authorizer must perform some functions related to charter schools (e.g., tracking school performance on required state assessments) as opposed to a fee-for-service agreement with an outside vendor.

Staffing

According to NACSA, authorizing duties are often able to be performed by a “lean staff with expertise in school performance accountability and data analysis, school finance, nonprofit governance and management, and legal compliance.”⁴¹

Nationally, independent charter boards and state education agencies often employ the largest number of staff with an average of 8.2 full-time equivalent staff (FTE) and 5.7 FTE, respectively. The majority of

⁶ As an independent chartering board without the central office staff of a traditional school district, all ASD staff work with charter schools in some capacity.

independent charter boards and state education agencies oversee 10 or more charter schools. Across the nation, local school district authorizers average fewer than three full-time staff and oversee fewer than 10 charter schools.⁴²

To some extent, staffing levels follow a predictable pattern: where charter authorizing is the sole concern, charter offices tend to be larger; where it is one among many priorities, charter offices are smaller.

Source: National Association of Charter School Authorizers, *The State of Charter School Authorizing: 2013*, p. 6, <http://www.qualitycharters.org/> (accessed Oct. 7, 2014).

In Tennessee, ASD, an independent chartering board, oversees 23 charter schools, as of 2014, with 28 staff.⁴³ Local school district authorizers MNPS and SCS oversee 20 and 39 charter schools, respectively, in the 2014-15 school year, with three or fewer dedicated staff each. HCDE currently oversees three charter schools with no dedicated charter staff.⁴⁴

Many of the duties categorized in this report as authorizing-related are performed in MNPS and SCS by a small number of staff within a dedicated office. For the purposes of this study it is assumed that these staff positions are dedicated solely to charter schools, and their salaries and benefits may be identified as costs related to authorizing. These staff members are responsible for communicating directly with the charter schools in their district and coordinating tasks with other departments in the district that provide support for charter school operations. Each of these districts also uses staff throughout the central office to assist with tasks related to authorizing functions.⁴⁵ In HCDE, the Assistant Superintendent administers charter school responsibilities in addition to other district tasks.⁴⁶ Currently, each district covers all staffing costs related to charter schools through their general fund.⁴⁷ The ASD currently funds its central office through Race to the Top funds; however, this grant money expires at the end of the 2014-15 school year.⁴⁸

Most of the staff at the ASD are responsible for authorization, performance monitoring, and oversight for the district's schools. The ASD is currently evaluating its staffing model to determine which positions perform required functions related to authorizing, which perform optional functions that may be covered by additional fee-for-service agreements, and which perform some of both functions. ASD functions and assigned staff are:

- Performance Management of Schools: 12
- Finance: 7
- Operations: 7
- Communications: 2⁴⁹

Authorizing Related Responsibilities

Authorizing responsibilities generally fall into four categories: application review, contract negotiation, oversight, and renewal or closure.

Application Review

Authorizers are responsible for reviewing all charter school applications and deciding whether to approve or deny the creation of a charter school.⁵⁰ Depending on how many applications are received in a review cycle, a district may recruit review teams to assess each application and provide a preliminary

recommendation to the local board of education. Review teams are responsible for evaluating each application’s organizational design and capacity plans in three areas: academics, finances, and operations. Authorizers may charge charter schools an application fee of up to \$500;⁵¹ MNPS, HCDE and SCS charge a \$500 application fee. To date, the ASD has not charged an application fee. In MNPS, this fee is used to compensate application reviewers; in SCS, the fee is sent to the district’s general fund.⁵²

The interview process provides an opportunity for the authorizer to meet members of the potential charter school’s governing board, ask questions, and allow the applicant to clarify and expand upon the application materials. MNPS and ASD complete interviews with every applicant, while SCS and HCDE reserve the right to interview applicants when deemed necessary.^{53, H}

MNPS, SCS, and HCDE use a state-approved scoring rubric to review each charter school application; the ASD developed a separate rubric for scoring its charter school applicants.^I An applicant must meet or exceed the standard in all three areas: academic, operational, and financial; superior performance in one area cannot compensate for weakness in another.

Tennessee Department of Education’s Charter School Application Scoring Rubric:

Rating	Characteristics
Meets or Exceeds Standard	The charter school application reflects a thorough understanding of key issues. It clearly aligns with the mission and goals of the school. The charter school application includes specific and accurate information that shows thorough preparation.
Partially Meets Standard	The charter school application meets the criteria in some aspects, but lacks sufficient detail and/or requires additional information in one or more areas.
Does Not Meet Standard	The charter school application is significantly incomplete; demonstrates lack of preparation; is unsuited to the mission and vision of the district or otherwise raises significant concerns about the viability of the plan or the applicant’s ability to carry it out.

Source: Tennessee Department of Education, “Charter School Application Materials – 2014 Replication Application/Application Supplement Scoring Rubric,” <http://www.tn.gov/education/> (accessed Oct. 8, 2014).

^H As of the 2014-15 application cycle, HCDE has interviewed all applicants.

^I All Tennessee school districts except for the ASD use the same application and scoring rubric. TDOE updates these materials on an annual or bi-annual basis using feedback from active authorizers, past applicants, and other stakeholders.

By law, districts may deny an application based on a finding of substantial negative fiscal impact on the district, or if there are questions about the legal status of the applicant’s employees.⁵⁴ A local board of education may have additional policies in place for evaluating the impact of charters within its district, including strategic location, need for academic improvement, and targeted populations. If the board denies an application, it must state in writing the reasons for denial.⁵⁵

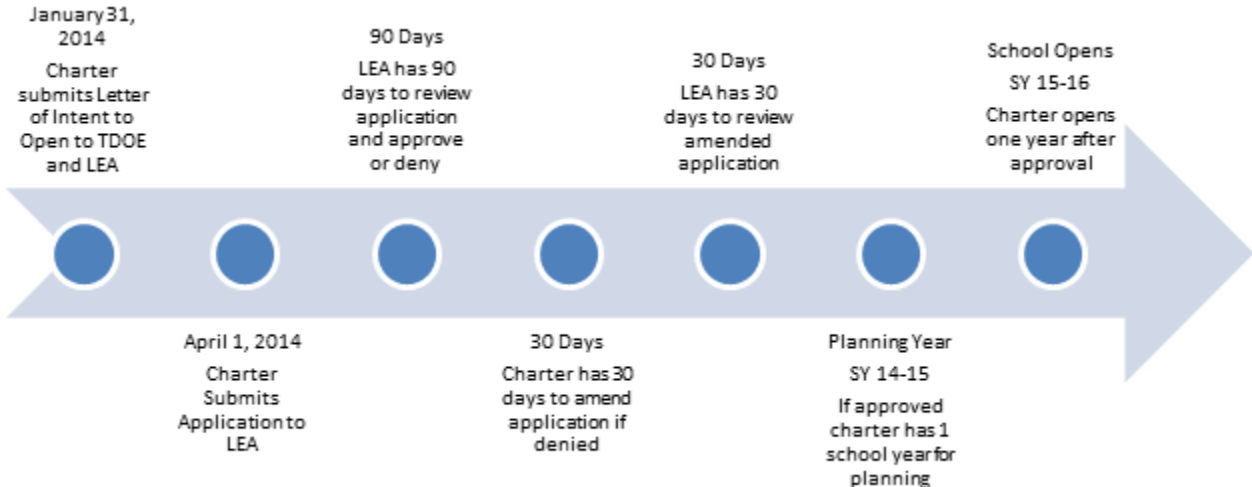
In MNPS, three to four teams each consisting of subject area experts in special education, English language, curriculum and instruction, federal programming, and finance, as well as charter school representatives and external stakeholders with organizational, business, finance, legal, and management expertise review charter school applications. Each team must attend training sessions before they begin reviewing applications. Review teams are responsible for meeting with their team leaders and the Coordinator of Charter Schools to clarify any questions, prepare for the applicant interviews, and discuss the strengths and weaknesses of the application.⁵⁶

SCS has one internal review team comprising department heads from finance, special education, assessment, curriculum and instruction, and other relevant departments. Review team members meet with the district’s charter school staff to discuss the expected number of applications and deadlines.⁵⁷

HCDE’s Assistant Superintendent recruits an internal review team with representatives from relevant departments, such as human resources, special education, curriculum and instruction, and finance to assist in the application review process. The review team meets weekly during the application process.⁵⁸

The ASD recruits contract employees as external application evaluators to review applications and make a recommendation to approve or deny to the ASD leadership team, which makes the final decision. Evaluation teams consist of between four and seven evaluators; each evaluator receives up to five hours in preparation and training. The review process for each application, which includes reviewing application materials, preparing questions, and conducting applicant interviews, is expected to take up to 25 hours. The ASD has developed a different scoring rubric than the one published on TDOE’s website for district authorizers.⁵⁹

Exhibit 3: Application Timeline



Source: Tennessee Department of Education, “Timeline – Letter of Intent to School Opening,” <http://www.tn.gov> (accessed Oct. 13, 2014).

Within 90 days of receipt of the application, the local board of education must vote for final approval or denial of the application.⁶⁰ If the local board of education denies an application, the applicant has 30 days to submit an amended application. The local board then has 30 days to approve or deny the amended application.⁶¹ Should the local board of education deny the amended application, the sponsor may submit an appeal to SBOE within 10 days.^{62, J} SBOE then has 60 days to review the application.⁶³ On review, the SBOE may uphold the district decision to deny the charter application. The SBOE's decision is final.⁶⁴ Should it overturn the district denial, the SBOE may direct the school district to approve the application, in which case the school district must act as authorizer to the charter school applicant.⁶⁵ (See [Appendix E: Charter school application timeline, 2014-15.](#))

In 2014, Public Chapter 850 expanded the role of the SBOE beyond hearing charter schools' appeals. The SBOE will serve as an authorizer in appeals where the board rules in favor of a charter school applicant seeking to open a school in a district with at least one priority school.⁶⁶

Contract Negotiation

Upon approval of the application, the authorizer and the governing body of the charter school sign a binding contract, or charter agreement, that outlines the responsibilities of the charter school governing body and the authorizer.⁶⁷

Charter schools may also negotiate fee-for-service contracts with either the authorizing district or outside vendors for optional services such as transportation, facilities, and school nutrition programs.⁶⁸

Oversight

The authorizer is responsible for ensuring that all charters maintain compliance with state and federal law, all conditions and standards set forth in the charter agreement (e.g., academic performance benchmarks), and acceptable standards of financial management.⁶⁹ Tennessee authorizers may develop their own performance frameworks. Only the SBOE is required by state law to adopt national authorizing standards.⁷⁰ Two Tennessee authorizers (the ASD and MNPS) have created a performance framework to monitor charter schools' performance in the areas of academics, organizational management, and fiscal operations.

Compliance: Charter authorizers are responsible for ensuring that charter schools maintain compliance with:

- The charter agreement drawn between the school and the authorizer
- All applicable federal laws, including civil rights and anti-discrimination statutes
- Tennessee teacher licensing requirements and background checks of all personnel
- State and federal special education service requirements
- Other state and federal regulations related to health and safety, vaccinations, open meetings, public records, student due process rights, parental rights, and instructional time
- Annual training requirements for governing bodies⁷¹

^J If a district denies an application to convert an existing school to a charter school, the applicant may not appeal to the SBOE.

Academic Performance: Charter schools are subject to the same federal and state student assessment accountability laws as traditional public schools. Charter school students' scores on state and federal assessments are included in the district's academic outcomes.⁷²

MNPS uses the same Academic Performance Frameworks for charter schools as it uses for the traditional public schools in the district. Four weighted performance indicators provide the district with an overall view of an individual school's performance:

1. Academic progress (50 percent)
2. Attainment and college readiness (30 percent)
3. Achievement gap (5 percent) – These measures reflect the difference or gap in achievement between subgroups of students that are traditionally disadvantaged and their traditionally non-disadvantaged peers.
4. School culture (15 percent)⁷³

MNPS issues an annual report card to each charter school to notify them of their current status with respect to the renewal of their charter agreement: renew, renew with conditions, or non-renewal based on the school's academic performance, organizational management, and fiscal policies.⁷⁴

SCS and HCDE monitor the academic outcomes of charter schools by examining school performance on mandatory state tests.⁷⁵ SCS is currently developing a new academic performance framework.⁷⁶

ASD requires charter schools to administer formative assessments in addition to mandatory state tests and each charter's own benchmark assessments to evaluate academic achievement.^K The ASD uses its own academic performance framework to conduct bi-annual reviews with each charter school operator and to make decisions regarding charter school replication and replacement.⁷⁷

Organizational Management: Each charter school operates under the management of a governing body responsible for overseeing the school's budget, administration, and academic program.⁷⁸ The governing body must provide annual progress reports and audits to the local school board of the authorizing district and the state Commissioner of Education.⁷⁹ Authorizing districts monitor that the charter school is operating under sound management in areas such as the educational program, governance, student enrollment and recruiting, school environment, and staffing.⁸⁰ MNPS has developed its own set of standards for organizational management, which includes such indicators as the education program, financial health, governance and reporting, and school environment.⁸¹ The ASD also evaluates charter school performance based in part on the charter school's organizational management.⁸²

^K Formative assessments are used to monitor student learning throughout the school year; summative assessments, such as the TCAP, are given at the end of the school year.

Fiscal Management: As a public school, charter schools bear responsibility for the appropriate use and management of public education dollars.⁸³ By approving a charter school, an authorizer is responsible for ensuring that a charter school maintains accurate records and operates the school in a fiscally responsible manner.⁸⁴ Authorizers must collect an annual report and audit from each charter school. The annual report details:

- progress of the school toward achieving goals outlined in its charter
- any information the district must report to the state such as employee salaries, licensure, and highly qualified status
- financial records of the school, including revenues and expenditures⁸⁵

Should an authorizer have reason to believe that a charter school is not in compliance with the financial requirements in state law, the Comptroller of the Treasury may request additional financial documentation.⁸⁶ A charter school found to have operated in a fiscally irresponsible manner may face intervention or charter revocation.⁸⁷

MNPS: The MNPS performance framework includes a financial management component, and the district reviews each charter school's annual audit to assess its financial health. This assessment of a charter school's financial health aligns with the annual audits required of charter schools and is included in the annual report card issued to charter schools.⁸⁸

SCS: Shelby County collects each charter school's annual report and audit and submits these documents to TDOE as required by Tennessee law. The district's finance office reviews each charter school's annual audit.⁸⁹

HCDE: Hamilton County collects each charter school's annual report and audit, and submits these documents to TDOE as required by Tennessee law. The district does not have a financial performance framework in place to monitor the financial status of its charter schools.⁹⁰

ASD: The Achievement School District's performance framework includes academic, financial, and organizational components. The financial review of charter schools follows the same process as academic monitoring.⁹¹ (See "[Oversight – Academic Performance](#).")

Distribution of Funds

The authorizer is also responsible for distributing all applicable federal, state, and local funds to charter schools. Charter schools must receive the same per student state and local funding amount as the authorizing school district, as well as all applicable federal funds. The authorizer must distribute charter schools' funding allotment in no fewer than nine equal payments.⁹²

Intervention

Districts are responsible for monitoring charter school progress and may develop an intervention process.⁹³ Current district policies include school visits, written notification, denial of increased enrollment or expanded grades, and revocation of a charter. If requested, a district may provide assistance to the charter in developing a plan for improvement, though the charter school is ultimately responsible for remedying any problems related to violations or poor academic or financial performance.

Charter renewal or closure

State law requires that charter schools and authorizing school districts enter into 10-year charter agreements.⁹⁴ At the end of this period, an authorizer is responsible for either renewing or closing a school based on past academic performance and financial standing.⁹⁵ A charter school seeking renewal must submit a renewal application to the chartering authority on or before April 1 in the year prior to the expiration of the existing charter agreement. The authorizer is required to rule on or before the following February 1 whether or not to approve or deny the renewal application for another 10-year period.⁹⁶ The renewal application must report on the school's operations for the past nine years, including standardized test scores, financial statements, and performance audits.⁹⁷ One year prior to a charter contract expiring, the authorizer must provide documentation of renewal eligibility to the charter school.⁹⁸

If a charter school fails to maintain the performance goals outlined in the charter agreement or is not operating in a fiscally responsible manner, the authorizer is allowed under state law to revoke a charter and close the school. Charters may also face closure if there have been violations of the charter agreement or if there are significant organizational concerns.⁹⁹

Public Chapter 721 (2014) requires authorizers to close any charter schools labeled “priority” under the state’s accountability system for 2015 or any year thereafter. The Tennessee Department of Education releases the list of priority schools every three years. The list released in 2014 applies to the years 2015 through 2017. Any charter school identified on this list is required to be closed at the end of the school year. This does not apply to schools within the Achievement School District or traditional public schools that have been converted into charter schools; these schools must appear on the priority school list for two consecutive cycles before they may be closed for poor academic performance.¹⁰⁰

Once a charter school is slated for closure, the authorizer must assemble a team to oversee and execute the closure process, which includes notifying current students of the impending closure and identifying other schools they may attend. The authorizer must collect all student and employee records and all financial statements from the charter school, including a final school audit.¹⁰¹ The authorizer must ensure the proper disposition of remaining charter school funds and assets and inform all parties with a vested interest of the forthcoming closure. The authorizer is not responsible for any of the debts incurred by the closing charter school and cannot assume any outstanding debts unless the authorizer was listed along with the governing body of the charter school as a party to any remaining contracts.¹⁰² Should the charter school retain any public dollars at the time of its closure, those funds revert to the authorizing district.¹⁰³ Additionally, the district may have to collect any equipment, such as computers, and materials purchased with federal dollars from charter schools slated for closure.

Administrative-related responsibilities

For the purposes of this report, OREA has categorized as *administrative-related* those responsibilities related to school operations and management that are often performed by existing departments within a district’s central office. Depending on the size and structure of the central office, the departments that carry out these duties may vary from district to district.

Planning, Student Assignment Services, and/or Operations

This administrative function of school districts concerns student enrollment, including zoning, school capacity plans, short-range and long-range planning, personnel and materials allocations to each building, real estate management, and capital improvement planning. Functions related to charter schools may include:

- Projections: collect early enrollment headcounts for each of the charter schools.
- Enrollment verification: ensure every student, including those attending charter schools, receives a letter confirming their fall school enrollment information.
- Demographics: maintain current enrollment figures and building and program capacities for every school in the district, including charters.
- Application review: provide demographic information to application reviewers about a proposed school's location, capacity, intended student population, and impact on the district.
- School Closure: inform via mail all students who attended a closing school of their options for zoned or choice enrollment for the upcoming school year.
- Facilities: maintain list of underutilized or vacant properties that may be available for charters to use, including co-locations or entire buildings. For charter schools that are using district buildings, this department may be responsible for overseeing the lease agreements and providing information on a building's appraisal and maintenance status.
- Data Management: maintain student records within the district and verify ADM reports to the Tennessee Department of Education.¹⁰⁴

Human Resources

This department within school districts is responsible for providing services related to the recruitment, employment, retention, and professional development of district faculty and staff. Charter schools are responsible for providing human resources services to their employees (e.g., determining salaries, hiring and promotion decisions); districts may provide additional services related to human resources to charter schools.¹⁰⁵ Functions related to charter schools may include:

- Complete required reports including training, experience, and salary data required by the Personnel Information Reporting System
- Ensure charter school employees maintain proper licensure and endorsements
- Process background checks and new hire forms
- Provide opportunity for new charter school employees to attend an orientation¹⁰⁶

Benefits

A school district's benefits department is responsible for the enrollment and maintenance of health insurance coverage (such as medical, dental, and vision), life insurance, and retirement for all district employees.¹⁰⁷ Charter school employees are required by state law to participate in the same group insurance plans as other district employees.¹⁰⁸ Charter schools pay for the employer portion of their employee's benefits coverage; the district is responsible for ensuring that all records are up to date and employees are receiving the appropriate coverage. Functions related to charter schools may include:

- Provide benefits enrollment, calculation, and administration
- Address questions and concerns from charter school employees related to their benefits

- Maintain accurate and timely records of all charter school employees
- Provide online enrollment tool and training to staff as necessary
- Bill charter schools for various premiums¹⁰⁹

Finance and Business Office

The finance and business office within school districts is responsible for the district's annual budget and the receipt and distribution of all federal, state, and local education revenue. Functions related to charter schools may include:

- Communicate directly with charters regarding receipt of payments, ADM counts, and BEP estimates, when available
- Submit annually a budget for the upcoming school year as well as an Annual Financial Report Managing ledger
- Collect and review each charter school's Budget and Annual Financial Report for inclusion with the district's submission of Annual Public School Budget Documents and Annual Public School Financial Reports to the Tennessee Department of Education by August 1
- Negotiate and process contracts
- Assist in application reviews for all new charter schools¹¹⁰

Technology

This department is responsible for software development and support, server maintenance, data management, and training for the district. This department may oversee the Student Information System (SIS) used to maintain student attendance, performance, and disciplinary records. Functions related to charter schools may include:

- Provide each charter school with a computer to access the district's SIS
- Train charter school staff for use of the district's SIS
- Secure E-Rate^L pricing for those charter schools that choose to participate
- Maintain data warehouse that allows schools to access various types of reports based on school and student level demographics¹¹¹

Authorizer Funding

Authorizer functions may be funded through a variety of means, including the authorizer's existing budget, a specific state appropriation, a dedicated authorizer fee, or some combination of the three.¹¹²

Whatever the source of funding, these dollars are typically used by authorizers to fund staff positions responsible for overseeing charter schools and, in the case of school district authorizers, coordinating support for charter school operations from other departments in the district. Some authorizers, such as newly created independent chartering boards and state authorizers, may not have the existing staff and infrastructure found within a school district's central office and, thus, may require start-up funding to hire staff and develop the infrastructure necessary to begin operations.¹¹³

^L E-Rate provides discounts to help schools and libraries obtain affordable telecommunications and Internet access.

Existing revenue sources

Some charter authorizers fund all authorization duties through their existing budgets, often assigning charter school-related duties to existing staff members. This method of funding is subject to changes in district leadership and financial priorities each budget cycle; authorizers resistant to charter school expansion may be less inclined to dedicate funds to authorizing duties.¹¹⁴

In Tennessee, school districts currently fund all expenses associated with charter school authorizing through existing revenue sources. Tennessee law requires charter schools to receive all appropriate funds based on 100 percent of state and local funds received by the school district, prohibiting school district central offices from retaining state and local funding to account for any overhead or other costs related to authorizing functions unless specified in the charter agreement between the authorizer and charter school.¹¹⁵

The Achievement School District currently funds the majority of its central office operations through the use of \$22 million in Race to the Top grant funding.¹¹⁶ (See [Appendix D: Definitions.](#)) This grant money expires at the end of the 2014-15 school year.¹¹⁷

State appropriations

States that appropriate funding specifically for charter school authorizers typically direct such funding to statewide authorizing agencies. This funding mechanism provides resources to authorizers without diverting funds from charter schools, but may vary from year to year.¹¹⁸ In Tennessee, the State Board of Education receives state funding appropriated specifically for charter school authorizing functions. SBOE received a state appropriation for FY14-15 to fund additional staff, supplies, and training for authorizing duties.¹¹⁹

Strengths and weaknesses of an authorizer fee

Strengths:

- Directly links the amount of authorizer funding to the number of schools and students an authorizer monitors
- Stable funding mechanism

Weaknesses:

- Diverts per-pupil charter school funding to authorizers, and may provide an inappropriate incentive to approve and keep open poorly performing schools
- May provide too little or too much funding depending on the number of schools the authorizer monitors

Source: National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 2, <http://www.qualitycharters.org/> (accessed July 21, 2014).

Authorizer fee

Some other states allow charter authorizers to collect a fee from authorized charter schools, typically based on a percentage of a specified revenue base, to fund their operations. Currently, 22 states and the District of Columbia permit authorizers to assess such a fee, with fees ranging between 0.5 percent and 15 percent of a charter school's annual per-pupil funding. Six of these states and the District of Columbia allow only non-district authorizers, such as state agencies and not-for-profits to charge such fees. Sixteen states allow school districts to charge an authorizer fee.¹²⁰ These fees generally range from 0.5 percent to 5 percent of per-pupil funding.¹²¹ Tennessee authorizers may not retain any state and local funding to account for any overhead or other costs related to authorizing functions unless specified in the charter agreement between the authorizer and the charter school.¹²²

Authorizer Fees

An authorizer fee is a predetermined amount of funding retained by the authorizer as compensation for costs associated with authorization, including staff dedicated to oversight of charter schools as well as administrative-related duties performed by a district's central office.¹²³

Model Legislation

The National Association of Charter School Authorizers (NACSA) and National Alliance of Public Charter Schools (NAPCS) have developed model legislation to guide the creation of charter authorizer funding. The legislation is designed to create adequate funding for authorizers while also ensuring that authorizers are accountable for using funds responsibly and appropriately.¹²⁴

NACSA advocates for a “hybrid approach” to authorizer funding that includes a state appropriation to each authorizer combined with a percentage of per-pupil revenue deducted from each authorized charter school. This option reduces the amount of per-pupil funding diverted to pay an authorizer fee and, if the state appropriation is not based on the number of schools authorized, may reduce the likelihood that authorizers would approve charter applications for the sole purpose of generating revenue. NACSA states that this method “could fund all authorizers more efficiently by providing a larger base amount [of state appropriations] to new authorizers and a smaller base amount for well-established authorizers ‘of scale.’”¹²⁵

NACSA indicates 3 percent of per-pupil revenues is usually adequate to cover authorizing functions in a school district, based on surveys of authorizers.¹²⁶ NACSA recognizes that authorizers require sufficient resources to carry out the duties associated with providing quality authorization and oversight of charter schools.¹²⁷ The direct costs of dedicated authorizing staff are more easily quantifiable than the indirect costs, which may be distributed across other staff, that a district may incur in ensuring accountability and providing support to charter schools.

NAPCS is a nonprofit organization working to advance the quality and growth of charter schools.¹²⁸ The organization's model charter school law includes a provision for adequate and guaranteed

Exhibit 4: NACSA's Model Legislation for Charter School Authorizer Funding

1. Base the fee structure on a percentage of a specified revenue base (versus a set fee per student or school) as this allows for adjustments with inflation,
2. Consider enforcing a cap on “the total amount of funding available to an authorizer or reducing the percentage of the fee that authorizers are paid once a certain threshold is reached.”
3. Provide a state appropriation to new authorizers to cover first year start-up costs for new responsibilities.
4. Ensure the fee is uniform among all authorizers of the same type. If authorizers are able to set their own fee structure, they may impede charter operators from entering their district if the fee is set too high; on the other hand, charter operators may shop around for the lowest rate if there is not a uniform fee, discouraging quality authorizing.
5. Clearly outline the process and timeline by which authorizers withhold or collect their fees to ensure “sound budgeting and adequate cash flow.”
6. Enforce accountability and transparency by requiring authorizers to report on the amount of authorizer fee revenues collected and how they are spent.
7. Conduct periodic reviews of the authorizer fee rate and process to ensure that the current rate is appropriate.

Source: National Association of Charter School Authorizers, “Charter School Authorizer Funding,” pp. 4-5, <http://www.qualitycharters.org/> (accessed July 21, 2014).

authorizer funding through the implementation of authorizer fees paired with public accountability provisions for authorizers in the form of detailed reports on authorizer expenditures. The organization also draws a distinction between authorizer funding and revenue generated through fee-for-service contracts. The organization recommends that all service contracts between an authorizer and charter schools be kept separate from authorizer fees and supports prohibiting authorizers from requiring that charter schools purchase services from them.¹²⁹

Authorizer Funding Considerations

Per-pupil expenditures: If an authorizer fee is based on a percentage of per-pupil expenditures, the amount of funding generated will vary according to each authorizer’s per-pupil spending. In Tennessee, the revenue that would be raised through an authorizer fee would vary by district. The total amount of revenue received by charter schools is dependent on each district’s level of state and local funding for education.¹³⁰ Exhibit 5 outlines possible per-pupil revenues raised for an authorizer at various fee percentages.

Exhibit 5: Per-Pupil Authorizer Revenue Examples

	MNPS	SCS	ASD MNPS	ASD SCS	HCDE
Charter School PPR FY 2013-14*	\$9,086	\$7,518	\$9,268	\$7,867	\$7,390
Fee Percentage					
0.5%	\$45.43	\$37.59	\$46.34	\$39.34	\$36.95
1.0%	\$90.86	\$75.18	\$92.68	\$78.67	\$73.90
2.0%	\$181.72	\$150.36	\$185.36	\$157.34	\$147.80
3.0%	\$272.58	\$225.54	\$278.04	\$236.01	\$221.70
4.0%	\$363.44	\$300.72	\$370.72	\$314.68	\$295.60
5.0%	\$454.30	\$375.90	\$463.40	\$393.35	\$369.50

Note: *Per-Pupil Funding for Charter Schools Providing Transportation. The ASD per-pupil funding includes the state portion of capital outlay. The per-pupil funding for charters not located within the ASD does not include the state portion of capital outlay. The state portion of capital outlay funding is given directly to non-ASD charter schools by TDOE and is not distributed by the district.

Source: Tennessee Department of Education, “Charter School Application Materials,” <http://www.tn.gov/> (accessed Oct. 13, 2014).

There are many variables that affect the structure of charter school authorizer fees. Best practices would suggest a consideration of authorizers’ other revenue sources, expenditures, required authorizer functions, the allocation method and amount of funding to charter schools, and the method authorizers use to implement oversight duties.¹³¹ The amount of money spent on education varies greatly by state, and, therefore, it is difficult to rely exclusively on another state’s formula.¹³² For example, in FY2012, U.S. Census data reports that D.C. Public Schools spent \$17,468 per-pupil compared to \$8,294 in Tennessee.^{133, 134} A 3 percent fee on per-pupil funding results in approximately \$525 per student in D.C. compared to approximately \$249 in Tennessee.

Implementation: Existing charter agreements may allow the immediate implementation of an authorizer fee, or may require that the fee be delayed until renewal of the charter agreement.

Economies of scale: An authorizer fee links the amount of funding received by an authorizer to the number of schools and students it monitors. Authorizer fee revenues increase as the number of charter schools grows. After a certain number of charter schools have opened, however, each additional charter school will represent only a marginal increase in an authorizer’s workload, especially for authorizers that have already created and filled staff positions solely dedicated to authorizer duties. While each charter school may only represent a marginal increase in work, the continual addition of schools may eventually necessitate additional staff and resources.

Small districts with a limited central office staff may encounter a different problem: the creation of one or two charter schools may not generate enough revenue to adequately cover the costs associated with authorizing. It is for these reasons that NACSA urges policymakers to carefully consider whether funding levels produced by an authorizer fee are appropriate (neither too much nor too little) to the number of schools monitored by the authorizer.¹³⁵

Fee structure: States must determine whether an authorizer fee is based on all revenue (local, state, and federal), or some combination of the three. Additionally, the state must determine how to calculate the fee. Percentage-based fees adjust to cost fluctuations, such as inflation and variations in per-pupil funding and enrollment, whereas a fixed dollar amount does not.¹³⁶ As of June 2014, no state had implemented a flat fee.

New authorizers versus established authorizer: A newly established authorizer may require additional funding until it has approved enough schools to generate sufficient funding.¹³⁷ In addition, newly created authorizers may require start-up funding to develop the necessary infrastructure and systems to begin operations.¹³⁸

Type of authorizer: Each type of authorizer may require different levels of funding to operate. Local school districts have existing staff in place that may be used in addition to a small number of dedicated staff to address charter-related responsibilities. Independent chartering boards, such as the ASD or SBOE, may require a higher level funding because all staff must be hired with the creation of the board.¹³⁹ Each authorizer's needs and expenses may vary, and it may be necessary to evaluate each to set appropriate authorizer fees.

Transparency: Model legislation from both NACSA and NAPCS advocates for public reporting of authorizer expenditures to ensure appropriate use of collected authorizer fees.¹⁴⁰

Types of charter schools: New charter schools may have more difficulty paying an authorizer fee than established charter schools. New charter schools must make numerous initial purchases associated with opening the school, including furniture and materials, and an authorizer fee is an additional cost.¹⁴¹ However, an authorizer fee may be more defensible in such cases, as new charter schools can require more assistance from the authorizer, and authorizers may choose to more closely monitor new charter schools given that they pose the highest risk for failure and closure.¹⁴²

Conversion charter schools may also require heightened involvement from an authorizer, at least during the conversion process. MNPS has hired additional staff to oversee the conversion process. Districts may be able to recruit high quality operators to convert existing schools to charters in exchange for a lower authorizer fee.¹⁴³

Authorizer Funding in Other States

As of 2014, 42 states and the District of Columbia have charter school laws.¹⁴⁴ As of 2013, NACSA reports 58 percent of local school districts utilize funds from authorizer/oversight fees to carry out authorizing functions, while 48 percent are funded from the district's general fund. Authorizers may have more than one source of revenue.¹⁴⁵

States may take into account several factors when determining funding sources for authorizers, including academic performance of a charter school, the type of authorizer, facilities, and student enrollment. In California, authorizers may charge up to 1 percent for the actual costs of oversight or up to 3 percent if the authorizer provides the charter with rent-free facilities.¹⁴⁶ In Florida, charter schools may be charged up to 5 percent of per-pupil funding for up to the first 250 students or 500 students

enrolled in a system of charter schools meeting certain criteria (e.g., all schools located in the same county). Academically high-performing charters pay a reduced rate of 2 percent.¹⁴⁷

States that provide funding for authorizers may provide different amounts depending on the authorizer. In Utah, the state charter school board, similar to the Tennessee State Board of Education, is funded through annual state appropriations, and higher education institutions, which serve as authorizers, may assess an authorizer fee of 3 percent for the first two years; the fee drops to 1 percent in the third year of operation. Local school boards in Utah receive no additional dedicated funding either through state appropriations or an authorizer fee.¹⁴⁸

OREA staff conducted an informal survey of legislative staff in states with an authorizer fee to determine what, if any, issues arose during those states' debates over authorizer funding. Respondents indicated that debate often focused not on *whether* the state should create an authorizer fee but rather *how* that fee amount should be set.

Several states, such as New Mexico and Indiana, monitor the use of funds received by the authorizer through the annual audit or budget process.¹⁴⁹

(See [Appendix C: Charter school authorizing laws by state](#) and [Appendix F: State profiles of authorizer funding laws](#).)

Exhibit 6: Sources of Authorizer Funding by Authorizer Type

	Higher Education Institutions	Independent Charter Boards	Local School Districts	Not-for-Profits	State Education Agencies	Overall
Funding Source						
Oversight fees deducted from charter school revenues	76%	64%	58%	93%	27%	53%
State appropriations for authorizer functions	24%	64%	9%	0%	53%	33%
Regular operating budget of the authorizing office's parent organization	7%	0%	48%	40%	27%	20%
State or federal grants	3%	18%	12%	0%	33%	11%
Foundation grants	0%	27%	1%	7%	7%	15%

Note: Percentages may not equal 100 percent. Authorizers may receive revenue from multiple sources.
 Source: National Association of Charter School Authorizers, *The State of Charter School Authorizing: 2013*, p. 9, <http://www.qualitycharters.org/> (accessed Oct.7, 2014).

Background: Education Funding in Tennessee

State and local funds are the primary sources of revenue for Tennessee schools. In 1992, the Tennessee General Assembly passed the Education Improvement Act, which increased state K-12 education funding and created the Basic Education Program (BEP). The BEP formula calculates state funds to be allocated to individual districts and the amount of funding local systems are required to generate. The BEP is a funding formula, not a spending plan or budget. With certain exceptions, each school district determines how to spend BEP funding.

State and Local Revenue for Education

Authorizers in Tennessee do not have discretion over which funds to allocate to charter schools. Authorizing districts must follow Tennessee law and SBOE rules, which require allocations to charter schools be based on 100 percent of state and local funds received by the school district.¹⁵⁰ Charter schools must receive an amount equal to the per-student state and local funds received by the local school district.¹⁵¹

State Revenue for Education

State revenue sources for education include the state sales tax, mixed drink tax, and cigarette tax. Other state revenue sources include driver education, financed at the state level through fines collected; other state education funds, such as the state's portion of adult education, salary equity funds, Families First, Family Resource Centers, and E-Rate; Career Ladder program; extended contracts; other vocational; and other state grants.

State Revenue Related to Charter Schools

Calculations of funds for charter schools are based on 100 percent of the state revenue received by the authorizing district.¹⁵² Achievement School District (ASD) charter schools receive an amount equal to the per-student state funds received by charter schools in the originating district.^{153, M} The only state dollars that are not included in the per-pupil calculation for charter schools are for district teachers who still receive funding through the Career Ladder Program.^{154, N}

Local Revenue for Education

Half of the local option sales tax revenues received by a school district must be appropriated to education. Other local revenue sources include property taxes, the wheel tax, and the mixed drink tax. Tennessee law prohibits local governments from reducing their budgeted funding for education unless there is a decrease in the school district's student enrollment.¹⁵⁵ Local governments may provide additional funding above the required BEP local match. In fiscal year 2013, each authorizing district received local funds in excess of the required BEP local match.

^M The ASD per-pupil funding includes the state portion of capital outlay. The per-pupil funding for charters not located within the ASD does not include the state portion of capital outlay. The state portion of capital outlay funding is given directly to non-ASD charter schools by TDOE and is not distributed by the district.

^N Career Ladder was a voluntary program under the 1984 Comprehensive Education Reform Act that rewarded teachers with higher pay based in part on classroom observations. Charter school employees who qualify for the Career Ladder program may seek reimbursement for payments through the district.

Districts may also make funding requests to the local funding body for capital projects.¹⁵⁶ While the BEP generates funding for capital outlay, school districts' total capital expenditures typically exceed the amount generated by the BEP, as shown in Exhibit 9.^o

Exhibit 8: Fiscal Year 2013 Local Effort and BEP Required Local Match, Sample of Districts

District	FY 2013 Total Local Effort from District Budget	FY2013 BEP Required Local Match	Percent above BEP Required Local Match
Metro Nashville Public Schools	\$515,892,500	\$273,694,000	88%
Hamilton County Department of Education	\$186,750,845	\$125,750,000	49%
Memphis City Schools	\$410,752,010	\$232,698,000	77%
Shelby County Schools	\$159,268,922	\$99,191,000	61%

Source: Tennessee Department of Education, Charter and ASD Funding Overview FY13, undated.

Exhibit 9: State BEP Capital Outlay Funding Compared with Capital Outlay and Capital Projects Budget by District Authorizer, 2013-14

District	State Funded Portion of BEP Capital Outlay	Capital Outlay and Capital Projects Budget
Metro Nashville Public Schools	\$14,162,799	\$97,007,709
Hamilton County Department of Education	\$9,536,687	\$130,000
Shelby County Schools	\$51,996,919	\$22,648,619

Notes: (1) State BEP capital outlay funding for ASD schools is calculated according to the local school system in which the school is located. For example, BEP capital outlay funding for an ASD charter school in Shelby County would be calculated based on the ADM count for Shelby County Schools.

(2) The capital outlay and capital projects budget is a combination of account codes 76100 capital outlay and 91300 capital projects. This figure does not include account code 82000 debt service.

Source: Tennessee Department of Education, Charter and ASD Funding Overview FY14, undated.

Tennessee Department of Education, 2013-14 Budget Category Expenditures, undated.

Local Revenue Related to Charter Schools

ASD charter schools and charter schools within traditional school districts receive funding from the same local revenue streams.¹⁵⁷ Districts must pass along to charters an amount equal to the local funding generated for all BEP components, including funding in excess of the required local match, with one exception: capital outlay funding. Charter schools receive state and local capital outlay funding generated through the BEP, but districts are not required to share with charter schools any additional capital outlay funding beyond the required BEP local match.¹⁵⁸ The law does not prohibit districts from including charter schools in their capital funding requests to the local funding body; to date, no district has included a charter school in a capital funding request.^{159, P}

^o The formula takes into account a certain cost per square foot, per student based on elementary, middle, or high school. It adjusts for equipment costs, architects' fees, debt retirement, and a building lifespan of 40 years. A district's ADM is applied to the formula to determine the number of square feet per school system to determine the total amount of state funding to be provided.

^P Metro Nashville Public schools transferred ownership of Highland Heights School to the city of Nashville. The Mayor included in the capital budget funds for renovations to the building for KIPP Nashville. KIPP formerly rented the space from MNPS; they now pay rent to the city of Nashville.

Each authorizing district is required to catalog underutilized and vacant properties within the district and provide this information to the Department of Education and the Comptroller of the Treasury.¹⁶⁰ The TDOE then provides this information to all charters within the district and any sponsor seeking to open a charter school within the district.¹⁶¹ Charters may contract with the district to lease facilities.¹⁶² If a charter school chooses to lease a district facility, the district may withhold up to 1 percent of per-pupil funds each year for the first four years of a charter school's operations (no more than \$20,000 annually). These funds provide a financial protection to the district should the charter school close within the first four years and have any outstanding debts related to the facilities agreement. The district is required to remit these funds and any accumulated interest back to the charter school at the beginning of its fifth year of operation.¹⁶³

As of the 2013-14 school year, five charter schools in MNPS and nine charter schools in SCS utilize district facilities in some capacity, either by leasing an entire vacant building or co-locating with another district school.¹⁶⁴ In MNPS, most charter schools utilizing district facilities pay a uniform per-square-foot rate based on independent appraisals of all district facilities.¹⁶⁵ Conversion charter schools utilizing district facilities are granted lower rent rates and are included in the district's capital improvements plan.¹⁶⁶ Schools placed in the ASD are provided existing school buildings and facilities free of charge.¹⁶⁷

Several local district revenue sources are exempt from the calculation of funding for charter schools.¹⁶⁸ These revenue sources are listed below (budget codes used are from the Comptroller's County Uniform Chart of Accounts template, which districts must use to classify sources of revenue):

- 44130 – Sale of Materials and Supplies
- 43517 – Tuition – Other
- 43515 – Tuition – Other State Systems
- 43511 – Tuition – Regular Day Students (Virtual School)
- 44530 – Sale of Equipment
- 44560 – Damages Recovered from Individuals
- 44120 – Lease/Rentals
- 44570 – Contributions and Gifts
- 44170 – Miscellaneous Refunds (P-Card)
- 49900 – Indirect Transfers¹⁶⁹

Calculation of Funds

According to SBOE, "student enrollment (average daily membership) is the primary driver of funds generated by the BEP."¹⁷⁰ ADM is defined in Tennessee law as the product of the number of students enrolled and the "sum of the total number of days enrolled divided by the number of days school is in session during this period as provided in the rules and regulations of the SBOE."¹⁷¹ A district's ADM generates funding through the BEP formula for a variety of components, including positions (e.g., teachers, supervisors, and assistants), supplies, equipment, and textbooks. Each school district is responsible for reporting ADM each month from October through June to the Office of Local Finance within the Department of Education; the Office of Local Finance calculates BEP funds for each school district.

The amount of per-pupil funding a charter school receives from the district may vary depending on whether or not the charter school provides transportation to its students. Charter schools that contract with outside vendors for transportation receive BEP transportation funds; charters contracting with the district or not providing transportation do not receive BEP transportation funds.¹⁷²

ADM Related to Charters

Prior to the beginning of each school year, districts provide charter schools with an estimate of the district's ADM for the coming school year. For existing charter schools, the district estimates the number of students that will be enrolled by using the previous school year's enrollment figures, accounting for any anticipated growth or decline in enrollment. For new charter schools, the district uses the charter school's contract to estimate enrollment.¹⁷³

Discussions with charter school leaders and district officials indicated that the majority of charter school funding concerns arise from ADM-related issues. Because BEP funding is calculated using a district's ADM, it is imperative that districts report accurate enrollment figures for all of their schools, including charter schools. Like all district schools, charter schools are responsible for inputting attendance figures into the district's Student Management System (SMS). Any errors or omissions result in inaccurate reporting and, left uncorrected, will produce improper funding levels for a charter school. For example, before a student can be counted toward the school's overall ADM, the SMS requires that each student have a complete class schedule assigned to him or her as well as a licensed teacher assigned to each one of his or her classes. Students who lack a complete schedule of classes or are enrolled in a class without a licensed teacher will not be included in the school's ADM.¹⁷⁴ District central offices make adjustments as necessary to account for any system or clerical errors in a charter school's ADM.

In order to determine the amount of funding that will be provided to charter schools, districts total their share of state and local funding received through the BEP formula and then divide it by their total ADM count. The resulting figure represents the district's per-pupil revenue amount that will be distributed to charter schools based on each school's anticipated ADM for the upcoming school year.¹⁷⁵ TDOE communicates the estimates for per-pupil-funding to charter schools using the *Per Pupil Funding for the Achievement School District and Charter Schools* guide prepared by TDOE. This document provides charter schools with an overview of all local and state revenue received by the district, the district's estimated ADM, and the anticipated per-pupil funding each charter school is expected to receive for the coming school year.¹⁷⁶

Example:

100 students estimated to be enrolled in a charter school

Calculation of Per-Pupil Revenue is \$8,000 per ADM

$100 \times \$8,000 = \$800,000$ estimated revenue to be transferred from the district's General Fund to the Charter School¹⁷⁷

Distribution of Funds

State BEP payments are made to school districts 10 times per year.¹⁷⁸ Payments are initially based on prior year ADM and adjustments are made throughout the year as current year ADM counts are provided to TDOE. Final BEP allocations are sent to school districts in July of each year.

Distribution of funds related to charter schools

The district is responsible for distributing all funds (state and local) to charter schools with the exception of the state's portion of capital outlay dollars, which the state distributes directly to charter schools.¹⁷⁹ TDOE is responsible for distributing directly to the ASD all state and local funding, including the state portion of capital outlay, for charter schools in the ASD. For a school placed in the ASD, TDOE estimates the amount of local education funding the school would receive and withholds that amount, along with the state funding for that school, from the total state funding sent to the original district.¹⁸⁰ For non-ASD schools, districts are required by law to disburse payments, including all applicable local funding, to charter schools in at least nine equal payments throughout the school year.¹⁸¹

Districts are required to include in annual budgets the per-pupil amount of local funding that will be distributed to charter schools in the forthcoming school year. Initial allocations to charter schools are based on the budgeted figure.¹⁸² If local funds received by the local school district increase or decrease, the BEP formula is adjusted in October, February, and June.¹⁸³ As a charter school loses or gains students throughout the year, their monthly payments are adjusted to reflect actual enrollment.¹⁸⁴ This process reduces the chances that the charter school will have to reimburse the district for overpayments throughout the year; it also provides charter schools with a figure on which to base their budgets.

Considerations for Charter School Funding

OREA discussions with charter school leaders indicated concerns over accurate distribution of state and local funds to charter schools.¹⁸⁵ There is currently no formal process at the state level to determine if charter schools have received all funds to which they are entitled by law.¹⁸⁶ Because charter schools do not receive funds in the same way as traditional public schools, it is difficult to make direct comparisons between the two types of schools to see if charters have been funded accurately. The following section outlines considerations to assist in the analysis of charter school state and local funding.

Funding Individual Schools

Each charter school within an authorizing district receives the same per-pupil base amount (equal to the per-student state and local BEP funds received by the district) multiplied by the charter school's ADM.¹⁸⁷

Example:

Charter School A in Shelby County

$\$7,518$ (per-pupil funding for Shelby County Schools) x 100 students at Charter School A = $\$751,800$

Charter School B in MNPS

$\$9,086$ (per-pupil funding for MNPS) x 100 students at Charter School B = $\$908,600$ ¹⁸⁸

*Note: Per-Pupil Funding for Charter Schools Providing Transportation

The BEP is not a per-pupil funding formula nor is it a per-school funding formula. The BEP is designed to fund at the district level. Districts do not fund their schools on a per-pupil basis. Districts do not create budgets for their traditional public schools using the same per-pupil model used to distribute funds to charter schools.¹⁸⁹ Once a school district receives its allotment of state and local BEP funding,

the district has discretion over the distribution of these funds to schools.¹⁹⁰ Districts retain a portion of total BEP funding to pay for administrative costs (e.g., board of education salaries, benefits and salaries of administrative positions, and district-wide services). The district disburses funding to all schools, taking into account each school’s enrollment, student demographics, and needed improvements (e.g., textbook replacement, facility renovations, technology upgrades), and salaries and benefits of both licensed and non-licensed staff. Districts consider such variables when determining each traditional public school’s budget allotment; thus, traditional public schools with similar enrollment numbers and student demographics may not receive the same amount of funding.¹⁹¹ All charter schools within a district, by contrast, receive the same amount of per-pupil funding; the variance in state and local funding among charter schools in a given district is the result of differences in student enrollment (both number and characteristics of students) and whether or not the charter school provides transportation.¹⁹²

Per-Pupil Revenue versus Per-Pupil Expenditure

District- and school-level expenditures cannot be easily linked to their revenue sources. The BEP generates funds based on components that are necessary to provide a basic level of education. While these components guide the formula, the BEP is not a spending plan, and districts have flexibility in how they use these funds. Expenditures listed within a district budget may be funded through additional revenue sources that a charter school is not required by law to receive, e.g., local capital funds above and beyond the required local match.¹⁹³ Because the level of funding within a district varies from school to school based on a variety of factors, dividing a district’s budget by the total ADM misrepresents the actual expenditures by a district on a school level. Therefore, it is necessary to review both district and charter school revenue sources, as well as expenditures listed in a district’s budget, to understand whether or not charters are funded in compliance with Tennessee law.

TDOE Report Card. TDOE’s annual report card includes the per-pupil expenditure for each district, but this figure does not represent the actual funds due to a charter school.¹⁹⁴

Exhibit 10: State of Tennessee Report Card, 2012-13 School Year

Students & Teachers: State of Tennessee, All Schools	
Teachers	64,112
Administrators	4,928
Students	993,841
English Learner Students	44,508
English Learner Student Percent	4.5%
Economically Disadvantaged Student Percent	58.8%
Students with Disabilities	141,154
Students with Disabilities Percent	14.2%
Per-Pupil Expenditure	\$9,346.30

Tennessee Department of Education, “Report Card, 2013-14,” <http://www.tn.gov/education/> (accessed Nov. 4, 2014).

The use of this per-pupil expenditure to compare charter school funding with funding for traditional public schools is problematic for a few reasons. First, the per-pupil expenditure listed for each district *includes* expenditures that occur at the state level. Each district's proportionate share of TDOE administrative costs (e.g., staff salaries and benefits) and commodities (USDA-purchased foods for the National School Lunch Program) is included in the report card's per-pupil expenditure figure.^Q Second, the per-pupil expenditure listed for each district *does not include* all expenditures at the local level. District expenditures for student body education programs and adult education are not included in the per-pupil expenditure figure.^R Third, the per-pupil expenditure figure on the report card is calculated based on Average Daily Attendance (ADA). ADA is different from Average Daily Membership (ADM), which is used to calculate BEP funding. The federal government requires districts to calculate per-pupil expenditures based on Average Daily Attendance (ADA) as opposed to ADM, resulting in a larger per-pupil expenditure figure than districts actually spend.¹⁹⁵ ADM counts how many students are enrolled in a school while ADA counts how often these students attend school.¹⁹⁶ Because of factors that may result in a student missing school, such as truancy or sick days, ADA results in an overall lower student count than ADM. When per-pupil revenues or expenditures are divided by a district's ADA, it results in a larger figure than if divided by a district's ADM.

Accountability for State and Local Funds

Each authorizing district is required by Tennessee law to include the per-pupil amount of local money it will pass through to charter schools in its annual budget, which is submitted to TDOE for review and approval. Allocations to charter schools are required by state law to be based on that budgeted figure.¹⁹⁷

Currently, there is no formal policy or procedure in place at the state or local level to ensure that authorizing districts pass state and local funds to charter schools in accordance with their annual budget and Tennessee law.¹⁹⁸ Charter schools with concerns regarding state and local funding may bring these to the attention of TDOE's Office of Local Finance or the authorizing district.¹⁹⁹

The governing body of a charter school is required by law to submit an annual audit to the authorizing local board of education, the Commissioner of Education, and the Comptroller of the Treasury.²⁰⁰ This audit is to include all accounts and records, including internal school activity and cafeteria funds, of the school.²⁰¹ The governing board of a charter school is required to submit financial records of the school, including revenues and expenditures, to the sponsor of the school, the chartering authority, and the Commissioner of Education.²⁰² These audits and reports do not include a verification of the distribution of BEP (state and local) funds to charter schools. The documents are intended to provide information to the authorizer and TDOE to show that the charter school's financial operations are in order. Neither the financial records nor the audit ensures that the district appropriated the correct amount of BEP funds to charter schools.

^Q The Food Distribution Program coordinates the distribution of USDA-purchased foods (commodities) to the public and private nonprofit schools and institutions participating in the National School Lunch Program.

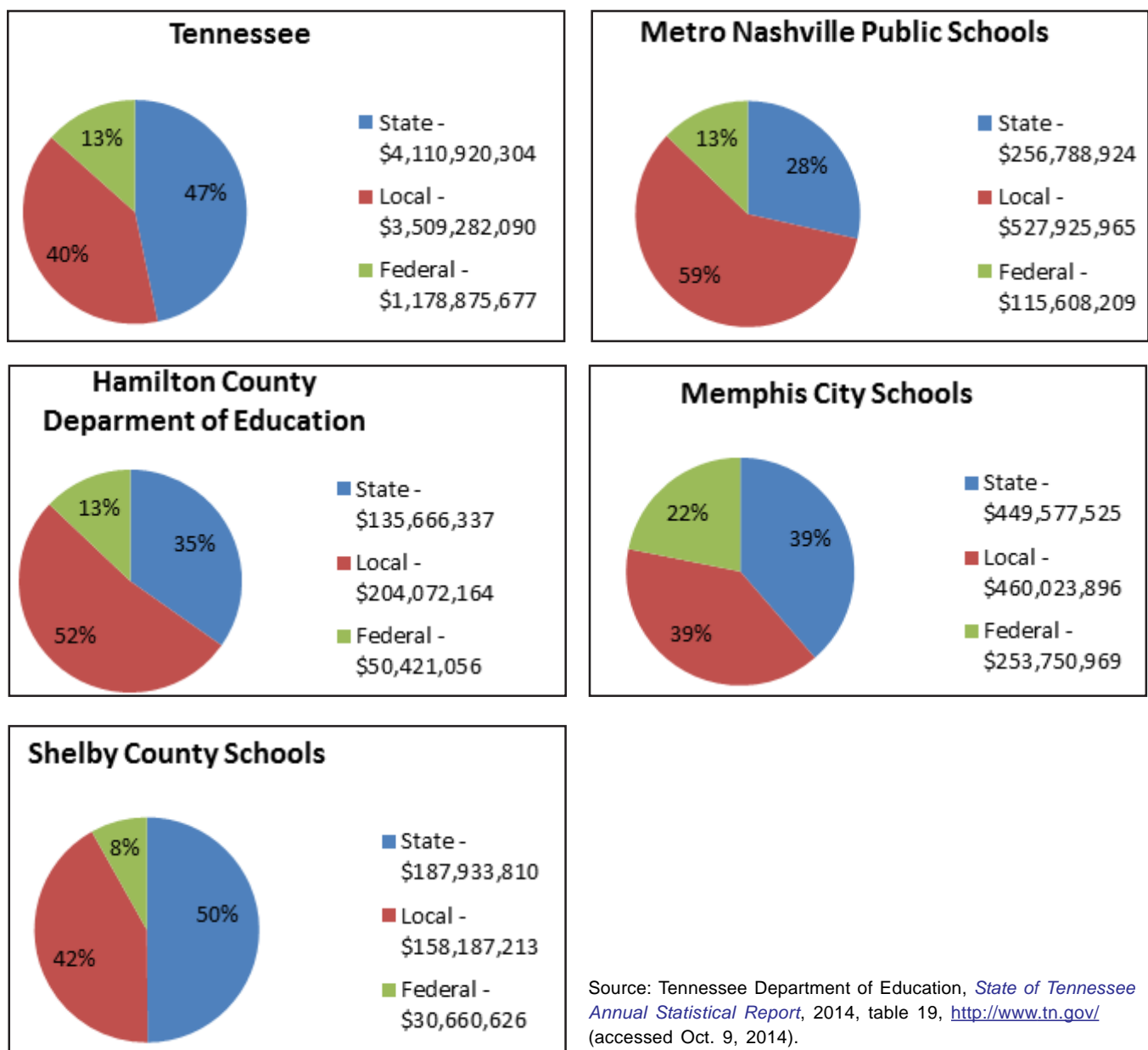
^R The Student Body Educational Program includes activities that provide K-12 students with learning experiences not included in Regular Education, Special Education, or Vocational Education programs, such as band, choir, speech, etc., student-financed and managed activities such as class of 20xx, and club accounts. Also included are school sponsored athletic activities that provide opportunities for students to pursue various aspects of sports involvement.

Federal Funding

According to Tennessee law, charter schools, including those located within the ASD, are entitled to all applicable federal dollars, including Title I and other Elementary and Secondary Education Act (ESEA) funds.²⁰³ These title grants are generally awarded based on the demographics of students and are targeted to improve outcomes for certain student populations and address other educational needs, including low-income students, special education, professional development, and English language learners. Federal funds may flow directly to a school district or they may first pass through TDOE, which is responsible for allocating the funds to school districts. After receiving the federal funds, school districts disburse the funds to individual schools or retain the funds to provide district-wide services and programs in accordance with federal rules and regulations.²⁰⁴ Districts are responsible for ensuring that charter schools receive and spend their federal dollars in accordance with state and federal law.²⁰⁵

Education funding in Tennessee is made up of approximately 13.4 percent federal, 46.7 percent state, and 39.9 percent local revenue sources. These percentages vary by district.²⁰⁶

Exhibit 11: Education Revenue, School Year 2012-13



In addition to federal title grants, several federal competitive grants with specific purposes and eligibility criteria are available to districts and schools.

Charter schools may receive specific federal grants designed to promote the creation and replication of high quality charters.

Overview of Districts' Offices of Federal Programs

Offices of Federal Programs within each authorizing district are responsible for the administration and oversight of federal dollars in schools, both traditional and charter. This includes distributing funds, ensuring that schools are in compliance with federal rules and regulations, and providing training and conducting school visits to provide assistance in how to use federal dollars.²⁰⁷

Funding of Federal Programs Offices and Administration

Federal rules and regulations permit districts to withhold a predetermined amount of money from all federal title funds and grants to cover related administration, distribution, and oversight costs. Administrative set-asides are deducted from the total federal funding received prior to disbursement to individual schools, including charter schools. District administration of federal funds occurs through two mechanisms: consolidated administration and indirect cost rate.²⁰⁸ This is distinct from state and local funding, for which districts may retain a portion of each traditional public school's total BEP funding to pay for administrative costs, but are prohibited from doing so for charter schools unless specified in the charter agreement between the authorizer and charter school.²⁰⁹

Funding of Direct/Programmatic Costs- Consolidated Administration:

Funding for federal program offices is provided by the consolidated administration of No Child Left Behind and ESEA funds, a set-aside to fund direct and programmatic costs associated with the administration of the federal funds. Regulations of federal programs do not provide a specific limit on how much funding may be retained to cover central office administrative duties, only that districts are allowed to set aside what is "reasonable and necessary."²¹⁰

Federal program office positions in SCS, HCDE, and MNPS are funded through a combination of federal funds including ESEA and Race to the Top funds.²¹¹ The ASD has three staff members dedicated to administration of federal funds. The positions are funded through a combination of School Improvement Grant (SIG) dollars, Title I, and Title II.²¹²

Indirect Cost Rate:

The federal government recognizes that many of the costs associated with the administration of federal programs are indirect and difficult to quantify.²¹³ These indirect costs "represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs."²¹⁴ Using a method developed by the U.S. Department of Education (USDOE), TDOE annually calculates the indirect cost rate for each district.²¹⁵ Each district deducts this indirect cost amount from federal funding before allocating funds to schools, including charter schools.²¹⁶

School Improvement Grants: School Improvement Grants (SIGs) provide federal funding to schools with poor academic performance.²¹⁷ SIG grants must be used to implement turnaround strategies,

including converting an existing school into a charter school. In Tennessee, the grants are awarded to schools that have been identified as “priority” under the state accountability system.²¹⁸ The grants are allocated for three-year terms.²¹⁹ (See [Appendix D: Definitions.](#))

Title I: Title I is a federal formula grant designed to provide additional funding to schools to help low-income students meet state academic standards. School districts distribute Title I funds to schools with the highest levels of low-income students. Schools with student populations that are at least 40 percent low-income may operate school-wide Title I programs. Schools not meeting the 40 percent threshold must use the funds to target students who are failing or most at risk of failing to meet state academic standards. School districts must also use Title I funds to provide academic services to eligible children attending private schools.²²⁰ Federal regulations require authorizers to begin providing charter schools with Title I funds in their first year of operation based on projected demographics and enrollment.²²¹

Title I per-pupil allocations vary from school to school within a district depending on the percentage of students in poverty. For example, Title I per-pupil allocations among schools in Shelby County vary because of different levels of student poverty across the district’s schools. A school with 95 percent to 100 percent of students qualifying for Title I will receive a larger per-pupil share than a school with 40 percent to 50 percent of students qualifying. Title I per-pupil allocations among ASD schools are comparable given that all ASD schools have a student poverty level of at least 90 percent.²²²

MNPS provides charter schools with Title I funded services, including:

- Staff support
 - School Improvement Program Facilitator
 - ESEA Grants Specialist
 - ESEA Secretary
- Maintain SharePoint for Title I documentation
- Oversee state monitoring of Title I in schools²²³

SCS provides charter schools with Title I funded services, including:

- Professional development regarding Title I budget preparation and management
- On-site Title I equipment maintenance, upgrades, and repairs
- Title I equipment labeling and inventory
- Coordination of Title I with other programs²²⁴

HCDE provides charter schools with Title I funded services, including:

- ESEA Grants Specialist and Title I Coordinator
- ESEA Budget Manager
- Oversight of state monitoring of Title I in schools
- Professional Development²²⁵

ASD provides charter schools with Title I funded services, including:

- Oversight of state monitoring of Title I schools
- Professional development on federal programs requirements
- Management and training to complete Title I reimbursements
- Maintain Title I documentation

- Oversight of federal dollars and budgeting requirements
- Oversight and management of competitive federal grants²²⁶

Title IIA: Title IIA is a federal formula grant aimed at improving teacher and principal quality. Through the use of these funds, districts provide a variety of professional development programs and instructional coaches.²²⁷

MNPS holds Title IIA funds at the district level in order to provide district-wide professional development services to all schools, including charters. Charters are notified of professional development opportunities, and instructional coaches are available to both district and charter schools. Programs and services offered by MNPS through Title IIA include:

- Instructional coaches (funded through a combination of Title I and Title IIA dollars)
- Professional development
- Instructional designers for technology integration
- Classroom organizational and management program training
- TELL Survey²²⁸

In the past, Memphis City Schools/Shelby County Schools held all Title IIA funds at the district level to provide district-wide professional development services to all schools, including charters. Beginning in the 2014-15 school year, SCS will begin distributing a portion of Title IIA funds to charter schools for use in developing their own professional development programming. SCS will continue to hold Title IIA funding for principal training and curriculum and instruction advisors at the district level. District-wide services will be available to all schools, including charter schools.²²⁹

HCDE holds most Title IIA funding at the district level in order to provide district-wide professional development services, including curriculum assistance, to all schools, including charters. The district distributes to each charter school a portion of Title IIA funding (calculated on a per-pupil basis) that may be used for staff development and conferences.²³⁰

In the Achievement School District, all Title IIA funds are distributed to schools to support school and district level professional development activities. Schools submit monthly reimbursements to receive these funds showing proof of payment and supporting documentation for allowable activities.²³¹

Title III: Title III is a federal formula grant that provides funding for services to English Learner (EL) Students. Title III provides limited funding to districts. Dividing these funds between individual schools may limit the types of programs or services that may be implemented.²³² All authorizing districts (MNPS, SCS, HCDE, and the ASD) have chosen to retain Title III funds at the district level to provide all schools with district-wide services, such as:

MNPS:

- District-level and teacher-level professional development and coaching
- Support and assistance to schools to ensure compliance with Tennessee English Learner state policy requirements
- Facilitating cultural exchanges between school faculties and foreign communities represented in the schools

- Working with foreign communities represented in MNPS
- Working with ethnically diverse parents through Parents as Partners Program²³³

SCS:

- District-wide services and support provided by the Title III Instructional Advisor
- Professional development
- District Title III summer programs for EL students²³⁴

HCDE:

- Professional development
- EL equipment and materials
- Assistance with EL students and services²³⁵

Exhibit 12: Federal Allocations by District, Fiscal Year 2013

FY13	Metro Nashville Public Schools	Hamilton County Department of Education	Memphis City Schools	Shelby County Schools	Achievement School District
Title I-A	\$31,720,516	\$13,429,946	\$55,850,736	\$6,015,494	\$1,287,141
Title II-A	\$3,452,607	\$2,042,243	\$6,554,731	\$893,626	\$98,190
Title III-A	\$1,461,075	\$243,652	\$1,119,125	\$155,736	\$7,536

Source: Tennessee Department of Education, *FY13 Final Allocations*, 2012, <http://tn.gov/education/> (accessed Oct. 8, 2014).

The ASD retains all Title III funds at the district level. Because the district generates less than \$10,000 through Title III, the district works with Shelby County Schools to provide district-wide support and management of reimbursements for allowable purchases.²³⁶

Other Federal Grants

Authorizing districts may include charter schools in their applications for other federal or competitive grants; the Federal Programs office in each authorizing district provides charters with information regarding available grants.²³⁷ Charter schools may also apply for federal or competitive grants independently of the authorizing district.²³⁸ MNPS and ASD provide grant writing services to all schools and teachers, including charter schools and staff.²³⁹

In addition to federal and competitive grants that are available to the district and individual schools, several grants have been developed specifically for charter operators. These grants are provided by the USDOE, private foundations, and nonprofits.²⁴⁰

Charter Schools Program

The USDOE's Charter Schools Program (CSP) was created to increase the level of understanding of charter schools by expanding the number of charter schools and evaluating their effects on students, staff, and parents. The USDOE awards eight competitive grants that are specifically designed for the charter school community. TDOE and specific charter schools in the state have been awarded the CSP State Education Agencies Grant and the CSP Grants for Replications and Expansion of High-Quality Charters.

Charter School Program State Education Agencies Grant (Part of the Charter Schools Program)

In 2008 Tennessee received the CSP State Educational Agencies Grant, which is awarded by the USDOE on a competitive basis to state education agencies. Charter schools apply to the TDOE to receive sub-grants, which are to be used for initial planning and the sharing of best practices.

Tennessee's five-year CSP grant was slated to run through the 2013-14 school year, but the state has received a one-year extension from the federal government. Tennessee's CSP grant will conclude on July 30, 2015.

Replication Grant (Part of the Charter Schools Program)

Replication Grants are awarded directly to charter schools with a record of improving student achievement. These are competitive grants awarded by the USDOE to assist high-quality operators in their efforts to replicate and expand successful charter models. KIPP Foundation received Replication Grants in 2011 and 2012 to expand its network of schools in a number of states, including Tennessee.

Investing in Innovation

The Investing in Innovation Fund (i3), a competitive grant program developed as part of the American Recovery and Reinvestment Act of 2009, provides funding to local educational agencies and partnering nonprofit organizations or a consortium of schools. The purpose of the fund is to support entities with a record of improving student achievement, closing achievement gaps, decreasing drop-out rates, increasing high school graduation rates, or increasing college enrollment and completion rates.

Tennessee's Achievement School District, the Louisiana Recovery School District, and New Schools for New Orleans, were awarded a total of \$33.6 million, of which the ASD received \$2.9 million, from the USDOE and private matching funds to turn around persistently low performing schools. The i3 grant is a five-year grant given to individual schools on a competitive basis. For a charter school to be eligible to receive an i3 award, the school must apply for authorization through the ASD, agree to turn around a school that has been labeled a "priority school," and, if the operator has multiple schools, show demonstrated success of improved academic scores.

In addition to federal grants, private and nonprofit organizations also provide grants to charter schools. Some organizations providing support to Tennessee charter schools include the Charter School Growth Fund, the Tennessee Charter School Center, and Partners for Developing Futures.

Sources: U.S. Department of Education, "Charter Schools Program," <http://www2.ed.gov/>.

U.S. Department of Education, "Charter School Program Grant Competitions," <http://www2.ed.gov/>.

U.S. Department of Education, "Charter Schools Program State Educational Agencies Grant 2009 Awards," <http://www2.ed.gov/>.

U.S. Department of Education, "U.S. Department of Education Announces Grants Totaling More Than \$14.4 Million to Charter School Management Organizations," <http://www.ed.gov/news/>.

U.S. Department of Education, "U.S. Department of Education Announces Grants for \$25 Million to Charter School Management Organizations," <http://www.ed.gov/>.

Tennessee Department of Education, "Charter School Grants," <http://tn.gov/education/>.

U.S. Department of Education, "Charter School Program State Educational Agencies Grant," <http://www2.ed.gov/>.

U.S. Department of Education, "Charter Schools Program Grants for Replication and Expansion of High-Quality Charter Schools," <http://www2.ed.gov/>.

U.S. Department of Education, "Investing in Innovation Fund (i3)," <http://www2.ed.gov/>.

New Schools for New Orleans, "Investing in Innovation," <http://www.newschooolsforneworleans.org/>.

Achievement School District, "The ASD is Investing in Innovation," <http://achievementschooldistrict.org/>.

Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail, Oct. 21, 2014.

Special Education

According to Tennessee law, charter schools are required to admit any eligible student who applies; charter schools cannot discriminate based on disability or a need for special education services.²⁴¹ Charter schools, as part of the authorizing district, are required to provide special education services according to state and federal special education laws.²⁴²

Special education services are funded through a combination of federal Individuals with Disabilities Education Act (IDEA) dollars and state and local BEP dollars, with state and local BEP dollars constituting the majority of funding.²⁴³ Each district's BEP funding amount is based on an ADM count of special education students and their level of services necessary as determined by students' Individualized Education Plans (IEPs).⁵ The IDEA governs how states and public agencies provide special education services to children with disabilities. IDEA part B provides funds to state education agencies, which pass funds on to local school districts.²⁴⁴ In MNPS, IDEA dollars cover approximately 20 percent of the cost of special education services provided by the district.²⁴⁵ The manner in which IDEA funds are allocated to charter schools varies by authorizing district.

Authorizing districts distribute state and local special education dollars to each charter school based on the district's special education ADM. State special education dollars generated through the BEP are not required to be spent specifically on special education services; however, charter schools are responsible for ensuring that all special education students receive the services outlined in their IEPs.²⁴⁶ Charter schools combine IDEA funds with BEP dollars to hire special education teachers and support staff and provide other necessary special education services. Charter schools may contract with an outside vendor or the authorizing district to provide such services.²⁴⁷

MNPS

Metro Nashville distributes to each charter school its allotment of IDEA funds for students that have been assigned an IEP. MNPS is responsible for helping charter schools identify students who may be eligible for special education services and for determining whether an IEP is necessary. Once an IEP has been developed for a student, the charter school becomes responsible for providing services required by the IEP.²⁴⁸

MNPS provides additional services to charter schools funded through set-asides from the district's IDEA dollars. A liaison works full time with charter schools to assist with IEP meetings and ensure that each school remains in compliance with state and federal special education requirements. The district also provides charter schools with a student's IEP record should they transfer to a charter school.²⁴⁹

⁵ Federal law requires that an IEP be developed to guide the educational services provided to each special education student through an ongoing process that includes educators and parents.

SCS

IDEA funds are held at the district level in order to provide intensive special education services to district students in both traditional and charter schools. Charter schools do not contract with the district or outside vendors for these services and instead may access any district-provided intensive services to meet the requirements of students' IEPs. The district also provides the following services to charters:

- Administrative oversight and technical support
- Professional development
- Compliance training
- Psycho-educational assessment
- Related services, such as occupational therapy, physical therapy, speech therapy, and nursing services
- Consultation
- Response to parent complaints to TDOE
- Response to parent complaints to the Office of Civil Rights
- Assistive technology²⁵⁰

HCDE

Hamilton County passes all special education funding, including IDEA funds, through to charter schools. The district provides some services at no cost to charter schools, such as school psychologist, assessment, and speech and language services.²⁵¹

ASD

The ASD distributes IDEA funds to each school based on IEP student counts. ASD operators are responsible for providing appropriate services and special education programming to students zoned to their schools. The ASD monitors its schools, but the district does not provide direct special education services to the schools. The district provides assistance in connecting operators to various means of service access and program guidance for operators through program quality reviews and new school supports.²⁵²

Accountability of Federal Dollars

The Office of Consolidated Planning and Monitoring within TDOE is responsible for ensuring that districts distribute and spend their ESEA dollars in accordance with federal laws and guidelines. Districts submit applications, which include charter schools, for federal title dollars to the TDOE annually. Each district also submits an annual budget that reflects any modifications made to the original application due to changes in actual allocations received from the federal government. All figures related to charter schools are reviewed by TDOE to ensure that the district has planned to allocate funds to all schools appropriately.²⁵³

The Office of Consolidated Planning and Monitoring also conducts district site visits to verify that federal funds are distributed and spent in accordance with federal law and guidelines. Districts with charter schools are among the largest in the state and, because they receive substantial amounts of funding, are monitored annually. Any errors detected by TDOE may require the district to reallocate funds to a charter school. Charter schools with questions or ongoing concerns regarding their share of federal funding may contact the TDOE for assistance in verifying that funds have been distributed appropriately.²⁵⁴

Endnotes

- 1 National Conference of State Legislatures, "Charter Schools," <http://www.ncsl.org/> (accessed Oct. 7, 2014).
- 2 *Tennessee Code Annotated* Title 49, Chapter 13.
- 3 *Tennessee Code Annotated* 49-13-111(2).
- 4 *Tennessee Code Annotated* 49-13-105(b).
- 5 *Tennessee Code Annotated* 49-13-106(c)(2).
- 6 *Tennessee Code Annotated* 49-13-122(c)(1-3).
- 7 *Tennessee Code Annotated* 49-13-104(5)(A).
- 8 *Tennessee Code Annotated* 49-13-104(5).
- 9 *Tennessee Code Annotated* 49-13-104(5)(A) and 49-13-106(a)(1).
- 10 *Tennessee Code Annotated* 49-1-614(c) and 49-13-106(2).
- 11 *Tennessee Code Annotated* 49-1-614(c) and 49-13-106(2).
- 12 *Tennessee Code Annotated* 49-13-106(2).
- 13 *Tennessee Code Annotated* 49-1-614(k).
- 14 *Tennessee Code Annotated* 49-1-614(k)(2).
- 15 *Tennessee Code Annotated* 49-13-108(a)(4)(A).
- 16 *Tennessee Code Annotated* 49-13-108(a)(4)(D) and 49-13-108(a)(4)(E).
- 17 *Tennessee Code Annotated* 49-13-108(a)(4)(D).
- 18 Tess Stovall, Coordinator of Charter School Accountability and Policy, Tennessee State Board of Education, e-mail, Nov. 3, 2014.
- 19 108th Tennessee General Assembly, Public Acts, 2014, Chapter No. 850, an act relative to charter school authorization, <http://www.tn.gov/sos> (accessed Oct. 7, 2014).
- 20 *Tennessee Code Annotated* 49-13-141.
- 21 National Association of Charter School Authorizers, *The State of Charter School Authorizing: 2013*, pp. 4-5, <http://www.qualitycharters.org/> (accessed Oct. 7, 2014).
- 22 Kathy Christie, Maria Millard, Jennifer Thomsen, and Micah Wixon, *Trends in state charter school laws: Authorizers, caps, performance-based closures and virtual schools*, Education Commission of the States, June 2014, p. 2, <http://www.ecs.org/> (accessed Oct. 8, 2014).
- 23 *Tennessee Code Annotated* 49-13-108(f).
- 24 Kathy Christie, Maria Millard, Jennifer Thomsen, and Micah Wixon, *Trends in state charter school laws: Authorizers, caps, performance-based closures and virtual schools*, Education Commission of the States, June 2014, p. 2, <http://www.ecs.org/> (accessed Oct. 8, 2014).
- 25 National Association of Charter School Authorizers, *Principles & Standards for Quality Charter School Authorizing*, 2012, <http://www.qualitycharters.org/> (accessed Oct. 8, 2014).
- 26 National Association of Charter School Authorizers, "Index of Essential Practices," <http://www.qualitycharters.org/> (accessed Oct. 8, 2014).
- 27 *Tennessee Code Annotated* 49-13-108(f).
- 28 *Tennessee Code Annotated* 49-13-104(3).
- 29 Stacey Thompson Pera, Charter Planning and Authorization Advisor, Shelby County Schools, e-mail, June 25, 2014.
- 30 National Association of Charter School Authorizers, *Principles & Standards for Quality Charter School Authorizing*, 2012, p. 10, <http://www.qualitycharters.org/> (accessed Oct. 8, 2014).
- 31 Stacey Thompson Pera, Charter Planning and Authorization Advisor, Shelby County Schools, e-mail, June 25, 2014.
- 32 Lee McDade, Assistant Superintendent, and Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, telephone interview, Aug. 15, 2014.
- 33 *Tennessee Code Annotated* 49-1-614.
- 34 Alex Medler, Vice President of Policy and Advocacy, and Amanda Fenton, Director of State and Federal Policy, National Association of Charter School Authorizers, telephone interview, July 9, 2014.
- 35 Knox County Schools, "Charter Schools," <http://knoxschools.org/> (accessed Oct. 21, 2014).
- 36 Alex Medler, Vice President of Policy and Advocacy, and Amanda Fenton, Director of State and Federal Policy, National Association of Charter School Authorizers, telephone interview, July 9, 2014.
- 37 *Tennessee Code Annotated* 49-13-105(b).
- 38 *Tennessee Code Annotated* 49-13-112(b)(3)(A).
- 39 State of Tennessee, Office of the Attorney General, *Opinion Number 10-45, Execution of Charter School Agreements*, April 9, 2010, <http://www.tn.gov/attorneygeneral/> (accessed Oct. 30, 2014).
- 40 *Tennessee Code Annotated* 49-13-111(d)

- ⁴¹ National Association of Charter School Authorizers, “Charter School Authorizer Funding,” p. 2, <http://www.qualitycharters.org/> (accessed Oct. 21, 2014).
- ⁴² National Association of Charter School Authorizers, *The State of Charter School Authorizing: 2013*, pp. 5-6, <http://www.qualitycharters.org/> (accessed Oct. 7, 2014).
- ⁴³ Marceia Ashe, Public Grants Manager, Achievement School District, e-mail, July 28, 2014; Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Aug. 15, 2014.
- ⁴⁴ Stacey Thompson Pera, Charter Planning and Authorization Advisor, Shelby County Schools, telephone interview Aug. 13, 2014, and e-mail, Oct. 16, 2014; Lee McDade, Assistant Superintendent, Hamilton County Department of Education, e-mail, Sept. 4, 2014, and telephone interview Aug. 15, 2014; Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail, Oct. 17, 2014.
- ⁴⁵ Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail attachment, Aug. 4, 2014; Stacey Thompson Pera, Charter Planning and Authorization Advisor and Charisse Sales, Director, Charter Schools, Shelby County Schools, telephone interview, Aug. 13, 2014.
- ⁴⁶ Lee McDade, Assistant Superintendent, and Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, telephone interview, Aug. 15, 2014.
- ⁴⁷ Alan Coverstone, Executive Director of the Office of Innovation, Metro Nashville Public Schools, e-mail, Oct. 25, 2014; Lee McDade, Assistant Superintendent, Hamilton County Department of Education, e-mail, Oct. 29, 2014; Stacey Thompson Pera, Charter Planning and Authorization Advisor, Shelby County Schools, e-mail, Oct. 29, 2014.
- ⁴⁸ U.S. Department of Education, “Race to the Top Grantee Frequently Asked Questions,” p. 3, <http://www2.ed.gov/> (accessed Oct. 21, 2014).
- ⁴⁹ Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Aug. 15, 2014.
- ⁵⁰ *Tennessee Code Annotated* 49-13-108(a)(2).
- ⁵¹ *Tennessee Code Annotated* 49-13-108(a)(5).
- ⁵² Lee McDade, Assistant Superintendent, Hamilton County Department of Education, e-mail, Oct. 29, 2014; Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Oct. 29, 2014; Alan Coverstone, Executive Director of the Office of Innovation, Metro Nashville Public Schools, e-mail, Oct. 25, 2014; Stacey Thompson Pera, Charter Planning and Authorization Advisor, and Charisse Sales, Director, Charter Schools, Shelby County Schools, telephone interview, Aug. 13, 2014.
- ⁵³ Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail attachment, Aug. 4, 2014; Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Aug. 15, 2014; Stacey Thompson Pera, Charter Planning and Authorization Advisor, Shelby County Schools, e-mail, June 25, 2014; Lee McDade, Assistant Superintendent, Hamilton County Department of Education, e-mail, Sept. 4, 2014.
- ⁵⁴ *Tennessee Code Annotated* 49-13-108(b), 49-13-108(c)(1), and 49-13-108(e).
- ⁵⁵ *Tennessee Code Annotated* 49-13-108(a)(3).
- ⁵⁶ Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail, Aug. 4, 2014.
- ⁵⁷ Stacey Thompson Pera, Charter Planning and Authorization Advisor, and Charisse Sales, Director, Charter Schools, Shelby County Schools, telephone interview, Aug. 13, 2014.
- ⁵⁸ Lee McDade, Assistant Superintendent, and Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, telephone interview, Aug. 15, 2014.
- ⁵⁹ Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Aug. 15, 2014.
- ⁶⁰ *Tennessee Code Annotated* 49-13-108(2).
- ⁶¹ *Tennessee Code Annotated* 49-13-108(3).
- ⁶² *Tennessee Code Annotated* 49-13-108(4)(a).
- ⁶³ *Tennessee Code Annotated* 49-13-108(a)(4)(B).
- ⁶⁴ *Tennessee Code Annotated* 49-13-108(a)(4)(D) and (E).
- ⁶⁵ *Tennessee Code Annotated* 49-13-108(a)(4)(D).
- ⁶⁶ *Tennessee Code Annotated* 49-13-108(a)(4)(E).
- ⁶⁷ *Tennessee Code Annotated* 49-13-110.
- ⁶⁸ *Tennessee Code Annotated* 49-13-112(b)(3)(B) and (D).
- ⁶⁹ *Tennessee Code Annotated* 49-13-107(b)(1-3), 49-13-111(b) and (c), and 49-13-122(c)(1-3).
- ⁷⁰ *Tennessee Code Annotated* 49-13-108(f).
- ⁷¹ *Tennessee Code Annotated* 49-13-105(b)(1-12) and 49-13-111(d).
- ⁷² *Tennessee Code Annotated* 49-13-105(b)(10).

- ⁷³ Alan Coverstone, Executive Director of the Office of Innovation, Metro Nashville Public Schools, e-mail attachment, Aug. 28, 2014.
- ⁷⁴ Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail attachment, Aug. 4, 2014.
- ⁷⁵ Stacey Thompson Pera, Charter Planning and Authorization Advisor, and Charisse Sales, Director, Charter Schools, Shelby County Schools, telephone interview, Aug. 13, 2014; Lee McDade, Assistant Superintendent, and Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, telephone interview, Aug. 15, 2014.
- ⁷⁶ Stacey Thompson Pera, Charter Planning and Authorization Advisor, and Charisse Sales, Director, Charter Schools, Shelby County Schools, telephone interview, Aug. 13, 2014.
- ⁷⁷ Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Aug. 15, 2014.
- ⁷⁸ *Tennessee Code Annotated* 49-13-104(7).
- ⁷⁹ *Tennessee Code Annotated* 49-13-120(a)(1-3) and 49-13-127.
- ⁸⁰ *Tennessee Code Annotated* 49-13-111.
- ⁸¹ Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail attachment, Aug. 4, 2014.
- ⁸² Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Aug. 15, 2014.
- ⁸³ *Tennessee Code Annotated* 49-13-112(a) and 49-13-127.
- ⁸⁴ *Tennessee Code Annotated* 49-13-122(c)(2).
- ⁸⁵ *Tennessee Code Annotated* 49-13-120(a)(1-3) and 49-13-127(b)(2).
- ⁸⁶ *Tennessee Code Annotated* 49-13-127(a).
- ⁸⁷ *Tennessee Code Annotated* 49-13-122(c)(2).
- ⁸⁸ Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail attachment, Aug. 4, 2014.
- ⁸⁹ Stacey Thompson Pera, Charter Planning and Authorization Advisor, and Charisse Sales, Director, Charter Schools, Shelby County Schools, telephone interview, Aug. 13, 2014.
- ⁹⁰ Lee McDade, Assistant Superintendent, and Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, telephone interview, Aug. 15, 2014.
- ⁹¹ Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Aug. 15, 2014.
- ⁹² *Tennessee Code Annotated* 49-13-112(a).
- ⁹³ *Tennessee Code Annotated* 49-13-121(d).
- ⁹⁴ *Tennessee Code Annotated* 49-13-104(3).
- ⁹⁵ *Tennessee Code Annotated* 49-13-122(c)(1-3).
- ⁹⁶ *Tennessee Code Annotated* 49-13-121(b).
- ⁹⁷ *Tennessee Code Annotated* 49-13-121(c).
- ⁹⁸ *Tennessee Code Annotated* 49-13-121(e).
- ⁹⁹ *Tennessee Code Annotated* 49-13-122(c).
- ¹⁰⁰ 108th Tennessee General Assembly, Public Acts, 2014, Chapter No 721, an act relative to public school charters, <http://www.tn.gov/sos/> (accessed Oct. 21, 2014).
- ¹⁰¹ *Tennessee Code Annotated* 49-13-122(g).
- ¹⁰² *Tennessee Code Annotated* 49-13-110 (c)(2).
- ¹⁰³ *Tennessee Code Annotated* 49-13-122(g)(1)(E) and 49-13-110(c)(1).
- ¹⁰⁴ Chris Weber, Director of Student Assignment Services, and Ryan Latimer, Planning Coordinator, Student Assignment Services, Metropolitan Nashville Public Schools, telephone interview, June 18, 2014; Jake Allen, Comprehensive Planning, Shelby County Schools, telephone interview, June 19, 2014.
- ¹⁰⁵ *Tennessee Code Annotated* 49-13-107(b)(12) and 49-13-107(b)(15); Tennessee Department of Education, “New Charter Schools: 2014 Application,” p. 18, <http://www.tn.gov/education/> (accessed October 21, 2014).
- ¹⁰⁶ Trinette Small, Interim Director of Employee Services, Shelby County Schools, telephone interview, July 16, 2014; Craig Ott, Executive Director Human Capital Relations, Metro Nashville Public Schools, telephone interview, July 23, 2014.
- ¹⁰⁷ *Tennessee Code Annotated* 8-35-242(b).
- ¹⁰⁸ *Tennessee Code Annotated* 49-13-119.
- ¹⁰⁹ David Hines, Benefits, Metro Nashville Public Schools, telephone interview, July 29, 2014; Trinette Small, Interim Director of Employee Services, Shelby County Schools, telephone interview, July 16, 2014.
- ¹¹⁰ Chris Henson, Chief Financial Officer, Metro Nashville Public Schools, MNPS Charter Services by Department handout, interview, May 28, 2014; Glenda Gregory, Director of Budgeting and Financial Reporting, Metropolitan Nashville Public Schools, interview, May 28, 2014; Alicia Lindsey, Chief Financial Officer,

- Shelby County Schools, telephone interview, June 20, 2014.
- 111 John Williams, Executive Director, Technology and Information Services, Metropolitan Nashville Public Schools, telephone interview, June 18, 2014.
- 112 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 1, <http://www.qualitycharters.org/>.
- 113 National Association of Charter School Authorizers, "Charter School Authorizer Funding," pp. 2-3, <http://www.qualitycharters.org/>.
- 114 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 2, <http://www.qualitycharters.org/>.
- 115 *Tennessee Code Annotated* 49-13-112(b)(3)(A).
- 116 Nelson Smith, *Redefining the School District in Tennessee*, Thomas B. Fordham Institute, April 2013, p. 6, http://edex.s3-us-west-2.amazonaws.com/publication/pdfs/20130423-Redefining-the-School-District-in-Tennessee-FINAL_7.pdf (accessed Oct. 21, 2014).
- 117 U.S. Department of Education, *Race to the Top Grantee Frequently Asked Questions*, Jan. 31, 2011, Question A-1, p. 3, <http://www2.ed.gov/programs/> (accessed Oct. 23, 2014).
- 118 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 2, <http://www.qualitycharters.org/> (accessed Oct. 23, 2014).
- 119 State of Tennessee, *The Budget: Fiscal Year 2014-2015*, p. B-90, <http://www.tn.gov/finance/> (accessed Oct. 21, 2014).
- 120 National Alliance for Public Charter Schools, "Model Law and State Rankings," <http://www.publiccharters.org/> (accessed Oct. 21, 2014).
- 121 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 2, <http://www.qualitycharters.org/> (accessed Oct. 23, 2014).
- 122 *Tennessee Code Annotated* 49-13-112(b)(3)(A).
- 123 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 1, <http://www.qualitycharters.org/> (accessed July 21, 2014).
- 124 National Alliance for Public Charter Schools, *A New Model Law for Supporting the Growth of High-Quality Public Charter Schools*, June 2009, p. 12, <http://www.publiccharters.org/> (accessed Oct. 21, 2014).
- 125 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 3, <http://www.qualitycharters.org/> (accessed July 21, 2014).
- 126 Alex Medler, Vice President of Policy and Advocacy, and Amanda Fenton, Director of State and Federal Policy, National Association of Charter School Authorizers, telephone interview, July 9, 2014.
- 127 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 1, <http://www.qualitycharters.org/> (accessed July 21, 2014).
- 128 National Alliance for Public Charter Schools, "About Us," <http://www.publiccharters.org/> (accessed Oct. 21, 2014).
- 129 National Alliance for Public Charter Schools, *A New Model Law for Supporting the Growth of High-Quality Public Charter Schools*, June 2009, p. 16 and 38, <http://www.publiccharters.org/> (accessed Oct. 21, 2014).
- 130 *Tennessee Code Annotated* 49-13-112(b)(1).
- 131 National Alliance for Public Charter Schools, *A New Model Law for Supporting the Growth of High-Quality Public Charter Schools*, June 2009, p. 16, <http://www.publiccharters.org/> (accessed Oct. 21, 2014).
- 132 Scott Pearson, Executive Director, DC Public Charter School Board, telephone interview, July 7, 2014.
- 133 Mark Dixon, *Public Education Finances: 2012*, U.S. Department of Commerce, p. 8, <http://www2.census.gov/> (accessed Oct. 21, 2014).
- 134 Tennessee Department of Education, *Report Card, Per Pupil Expenditure for State of Tennessee*, <http://www.tn.gov/education/> (accessed Oct. 23, 2014).
- 135 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 4, <http://www.qualitycharters.org/> (accessed July 21, 2014).
- 136 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 4, <http://www.qualitycharters.org/> (accessed July 21, 2014).
- 137 Scott Pearson, Executive Director, DC Public Charter School Board, telephone interview, July 7, 2014.
- 138 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 3, <http://www.qualitycharters.org/> (accessed July 21, 2014).
- 139 Alex Medler, Vice President of Policy and Advocacy, and Amanda Fenton, Director of State and Federal Policy, National Association of Charter School Authorizers, telephone interview, July 9, 2014.
- 140 National Association of Charter School Authorizers, "Charter School Authorizer Funding," p. 5, <http://www.qualitycharters.org/> (accessed July 21, 2014); National Alliance for Public Charter Schools, *A New Model Law for Supporting the Growth of High-Quality Public Charter Schools*, June 2009, p. 16, <http://www.publiccharters.org/> (accessed Oct. 21, 2014).

- 141 Charlie Friedman, Founder and Head of Schools, Nashville Classical Charter Schools, interview, May 22, 2014.
- 142 Carol Swann, Coordinator of Charter Schools, and Alan Coverstone, Executive Director of the Office of Innovation, Metro Nashville Public Schools, interview, Aug. 28, 2014.
- 143 Carol Swann, Coordinator of Charter Schools, and Alan Coverstone, Executive Director of the Office of Innovation, Metro Nashville Public Schools, interview, Aug. 28, 2014.
- 144 Kathy Christie, Maria Millard, Jennifer Thomsen, and Micah Wixon, *Trends in state charter school laws: Authorizers, caps, performance-based closures and virtual schools*, Education Commission of the States, June 2014, p. 1, <http://www.ecs.org/> (accessed Oct. 8, 2014).
- 145 National Association of Charter School Authorizers, *The State of Charter School Authorizing: 2013*, p. 8, <http://www.qualitycharters.org/> (accessed Oct. 7, 2014).
- 146 California Education Code, Section 47613(b), <http://codes.lp.findlaw.com/> (accessed Oct. 23, 2014).
- 147 Gavin Beagle, Senior Attorney, Education Committee, Florida House of Representatives, e-mail attachment, June 27, 2014.
- 148 National Alliance for Public Charter Schools, "Model Law and State Rankings," <http://www.publiccharters.org/> (accessed Oct. 21, 2014).
- 149 David Craig, Senior Fiscal Analyst I, New Mexico Legislative Education Study Committee, e-mail, June 24, 2014; Chuck Mayfield, Senior Fiscal Analyst, Indiana General Assembly, e-mail, June 25, 2014.
- 150 *Tennessee Code Annotated* 49-13-112(b)(1); Rules of the Tennessee State Board of Education, Chapter 0520-14-01-.03(1)(a), Charter Schools, <http://state.tn.us/sos/> (accessed Oct. 21, 2014).
- 151 *Tennessee Code Annotated* 49-13-112(a).
- 152 *Tennessee Code Annotated* 49-13-112(b)(1); Rules of the Tennessee State Board of Education, Chapter 0520-14-01-.03(1)(a), Allocation of State and Local Funds, effective Aug. 29, 2012, <http://www.tn.gov/sos/> (accessed Oct. 21, 2014).
- 153 Rich Haglund, General Counsel and Chief Operating Officer and General Counsel, Achievement School District, interview, Oct. 16, 2014; Tennessee Department of Education, *Charter and ASD Funding Overview FY14*, <http://tn.gov/education/> (accessed Oct. 17, 2014).
- 154 Glenda Gregory, Director of Budgeting and Financial Reporting, Metro Nashville Public Schools, interview, FY13 Charter School Payments handout, May 28, 2014.
- 155 Tennessee Department of Education, Spring Fiscal Workshops, "Finance Refresher," <http://tn.gov/education/> (accessed Oct. 7, 2014).
- 156 *Tennessee Code Annotated* 49-2-101 and 49-3-1002.
- 157 Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, interview, Oct. 16, 2014; Tennessee Department of Education, *Charter and ASD Funding Overview FY14*, <http://tn.gov/education/> (accessed Oct. 17, 2014).
- 158 *Tennessee Code Annotated* 49-13-112(c)(2).
- 159 Alan Coverstone, Executive Director of the Office of Innovation, and Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, interview, Aug. 8, 2014; Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, e-mail, Oct. 17, 2014; Lee McDade, Assistant Superintendent, Hamilton County Department of Education, e-mail, Oct. 20, 2014; Alicia Lindsey, Chief Financial Officer, Shelby County Schools, e-mail Oct. 21, 2014.
- 160 *Tennessee Code Annotated* 49-13-136(c)(1).
- 161 *Tennessee Code Annotated* 49-13-136(c)(1).
- 162 *Tennessee Code Annotated* 49-13-136(a)(2).
- 163 *Tennessee Code Annotated* 49-13-112(b)(3)(B).
- 164 Tennessee Department of Education, *Metro Nashville Public Schools Vacant and Underutilized Buildings Available for Charter School Use 2013-14*, <http://tn.gov/> (accessed Oct. 7, 2014); Tennessee Department of Education, *Shelby County Schools 2013-2014 20th Day Approximate Classrooms (CR) Available*, <http://tn.gov/education/> (accessed Oct. 7, 2014); Stacey Thompson Pera, Charter Planning and Authorization Advisor, Shelby County Schools, e-mail, Oct. 29, 2014.
- 165 Chris Henson, Chief Financial Officer, Metro Nashville Public Schools, interview, May 28, 2014.
- 166 Alan Coverstone, Executive Director of the Office of Innovation, and Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, interview, Aug. 8, 2014.
- 167 *Tennessee Code Annotated* 49-1-614(f).
- 168 Maryanne Durski, Executive Director, Local Finance, Tennessee Department of Education, interview, June 17, 2014.
- 169 Glenda Gregory, Director of Budgeting and Financial Reporting, Metro Nashville Public Schools, interview, FY13 Charter School Payments handout, May 28, 2014.

- 170 Tennessee State Board of Education, "The Basic Education Program (BEP)," <http://www.tn.gov/> (accessed Oct. 8, 2014).
- 171 *Tennessee Code Annotated* 49-3-302.
- 172 *Tennessee Code Annotated* 49-13-114(a).
- 173 Metro Nashville Public Schools, Charter School Funding Handout, presentation at Charter Financial Meeting, June 2014; Metro Nashville Public Schools, "Charter School Agreement," <http://static.squarespace.com/static/53109614e4b0157db51ae039/t/542c105fe4b0038bc9cde/1412173919181/NP-Contract.pdf> (accessed Oct. 16, 2014).
- 174 Alan Coverstone, Executive Director of the Office of Innovation, and Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, interview, Aug. 8, 2014.
- 175 Metro Nashville Public Schools, Charter School Funding Handout, presentation at Charter Financial Meeting, June 2014.
- 176 Tennessee Department of Education, *Charter and ASD Funding Overview FY14*, <http://tn.gov/education/> (accessed Oct. 8, 2014).
- 177 Metro Nashville Public Schools, Glenda Gregory Charter School Funding Handout, presentation at Charter Financial Meeting, June 2014.
- 178 *Tennessee Code Annotated* 49-3-314(b).
- 179 *Tennessee Code Annotated* 49-13-112(a) and 49-13-112(c)(1).
- 180 Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, interview, October 16, 2014. *Tennessee Code Annotated* 49-1-614(d)(1).
- 181 *Tennessee Code Annotated* 49-13-112(a).
- 182 *Tennessee Code Annotated* 49-13-112(a).
- 183 *Tennessee Code Annotated* 49-13-112(a).
- 184 Alan Coverstone, Executive Director of the Office of Innovation, and Carol Swann, Coordinator of Charter Schools, Metro Nashville Public Schools, interview, Aug. 28, 2014; Metro Nashville Public Schools, Glenda Gregory Charter School Funding Handout, presentation at Charter Financial Meeting, June 2014.
- 185 Chris Reynolds, Chief Executive Officer, LEAD Public Schools, interview, May 21, 2014; Charlie Friedman, Founder and Head of Schools, Nashville Classical, interview, May 22, 2014; Anne Fite, Chief Financial Officer, KIPP Memphis, telephone interview, June 16, 2014; Randy Dowell, Executive Director, KIPP Nashville, interview, May 14, 2014.
- 186 Maryanne Durski, Executive Director, Local Finance, Tennessee Department of Education, interview, June 17, 2014; Brad Davis, Finance Consultant, Tennessee Department of Education, telephone interview, July 14, 2014.
- 187 *Tennessee Code Annotated* 49-13-112(a); Metro Nashville Public Schools, Glenda Gregory, Charter School Funding handout, presentation at Charter Financial Meeting, June 2014; Tennessee Department of Education, *Charter and ASD Funding Overview FY14*, <http://tn.gov/education/> (accessed Oct. 8, 2014).
- 188 Tennessee Department of Education, "Charter and ASD Funding Overview FY14," Per Pupil Funding for Charter Schools Providing Transportation, <http://tn.gov/education/> (accessed Oct. 21, 2014).
- 189 Maryanne Durski, Executive Director, Local Finance, Tennessee Department of Education, interview, June 17, 2014.
- 190 Tennessee Department of Education, Office of Local Finance, *Tennessee Basic Education Program 2.0 Handbook for Computation*, April 2014, <http://www.tn.gov/sbe/> (accessed Oct. 9, 2014); Keith Boring, *Tennessee Basic Education Program*, Offices of Research and Education Accountability, 2011, <http://www.comptroller.tn.gov/> (accessed Oct. 9, 2014).
- 191 Metro Nashville Public Schools, *Fiscal Year 2012-2013 Expenditure Analysis*, pp. 9 and 14-34, <http://onpubliceducation.files.wordpress.com/> (accessed Oct. 13, 2014).
- 192 Tennessee Department of Education, *Charter and ASD Funding Overview FY14*, <http://tn.gov/education/> (accessed Oct. 8, 2014).
- 193 *Tennessee Code Annotated* 49-13-112(c)(2).
- 194 Maryanne Durski, Executive Director, Local Finance, Tennessee Department of Education, e-mail and attachment, May 15, 2014.
- 195 Maryanne Durski, Executive Director, Local Finance, Tennessee Department of Education, interview, June 17, 2014.
- 196 *Tennessee Code Annotated* 49-3-302(1) and 49-3-302(2).
- 197 *Tennessee Code Annotated* 49-13-112(a).
- 198 Maryanne Durski, Executive Director, Local Finance, Tennessee Department of Education, interview, June 17, 2014; Brad Davis, Finance Consultant, Tennessee Department of Education, telephone interview, July 14, 2014.
- 199 Maryanne Durski, Executive Director, Local Finance, Tennessee Department of Education, interview, June 17, 2014.

- 200 *Tennessee Code Annotated* 49-13-127(b)(2).
- 201 *Tennessee Code Annotated* 49-13-127(b)(1).
- 202 *Tennessee Code Annotated* 49-13-120.
- 203 *Tennessee Code Annotated* 49-13-112(a) and 49-1-614(d)(1).
- 204 Debbie Owens, Director of Monitoring, Division of Consolidated Planning and Monitoring, Tennessee Department of Education, interview, June 19, 2014; Dan Killian, IDEA Coordinator, Metro Nashville Public Schools, interview, May 5, 2014; Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014. Alicia Lindsey, Chief Financial Officer, Shelby County Schools, e-mail attachment, July 1, 2014.
- 205 *Tennessee Code Annotated* 49-2-203(b)(15) and 49-13-112(a).
- 206 Tennessee Department of Education, *State of Tennessee Annual Statistical Report*, 2014, Table 19, <http://www.tn.gov/> (accessed Oct. 9, 2014).
- 207 Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, Draft ASD Fee Distinctions, April 2014 handout, interview, April 29, 2014; Alicia Lindsey, Chief Financial Officer, Shelby County Schools, e-mail attachment, July 1, 2014; Chris Henson, Chief Financial Officer, Metro Nashville Public Schools, MNPS Charter Services by Department handout, interview, May 28, 2014; Lee McDade, Assistant Superintendent, Hamilton County Department of Education, e-mail, October 20, 2014.
- 208 Merrie Clark, Federal Programs, and Kay Simpson, Fiscal Manager, Metro Nashville Public Schools, telephone interview, July 23, 2014; Debbie Owens, Director of Monitoring, Division of Consolidated Planning and Monitoring, Tennessee Department of Education, interview, June 19, 2014.
- 209 *Tennessee Code Annotated* 49-13-112(b)(3)(A).
- 210 Merrie Clark, Federal Programs, Kay Simpson, Fiscal Manager, Metro Nashville Public Schools, telephone interview, July 23, 2014; U.S. Department of Education, “Laws & Guidance/Elementary & Secondary Education, Flexibility and Waivers,” <http://www2.ed.gov/>, and “Laws & Guidance/Elementary & Secondary Education, Part B – Flexibility in the Use of Administrative and Other Funds,” <http://www2.ed.gov/> (both accessed Oct. 13, 2014).
- 211 Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014; Merrie Clark, Federal Programs, Kay Simpson, Fiscal Manager, Metro Nashville Public Schools, telephone interview, July 23, 2014.
- 212 Marceia Ashe, Public Grants Manager, Achievement School District, interview July 28, 2014.
- 213 U.S. Department of Education, “Indirect Cost Overview,” <http://www2.ed.gov/> (accessed Oct. 9, 2014).
- 214 U.S. Department of Education, “Indirect Cost Overview,” <http://www2.ed.gov/> (accessed Oct. 9, 2014).
- 215 Debbie Owens, Director of Monitoring, Division of Consolidated Planning and Monitoring, Tennessee Department of Education, interview, June 19, 2014; Tennessee Department of Education, *Year 2003 Indirect Cost Plan Manual*, p.2, <http://tn.gov/education/> (accessed Oct. 13, 2014).
- 216 Merrie Clark, Federal Programs, Kay Simpson, Fiscal Manager, Metro Nashville Public Schools, telephone interview, July 23, 2014.
- 217 Tennessee Department of Education, “School Improvement Grants,” <http://tn.gov/education/> (accessed Oct. 13, 2014).
- 218 U.S. Department of Education, Office of Elementary and Secondary Education, *Guidance on School Improvement Grants, Under Section 1003(g) of the Elementary and Secondary Education Act of 1965, 2010*, pp. 18-19, 22, and 24-27, <https://www2.ed.gov/> (accessed Oct. 9, 2014); Tennessee Department of Education, *School Turnaround in Tennessee's Most Challenged Schools*, 2011, pp. 22 and 24, <http://tn.gov/education/> (accessed Oct. 9, 2014).
- 219 Tennessee Department of Education, *Cohort 3 SIG Awards*, 2013, <http://tn.gov/education/> and *Cohort 2 SIG Awards*, 2012, <http://tn.gov/education/> (both accessed Oct. 8, 2014).
- 220 U.S. Department of Education, “Title I, Part A,” <http://www2.ed.gov/> (accessed Oct. 13, 2014).
- 221 U.S. Department of Education, “Public Charter Schools Program – Sec. 5206. Federal Formula Allocation During First Year and For Successive Enrollment Expansions,” <http://www2.ed.gov/> (accessed Oct. 13, 2014).
- 222 Tennessee Department of Education, *State Report Card 2012-13 – Achievement School District*, <http://tn.gov/> (accessed Oct. 16, 2014); Marjorie Douglas, Grants Compliance, Shelby County Schools, telephone interview, July 14, 2014.
- 223 Merrie Clark, Federal Programs, Metro Nashville Public Schools, Title I and RTTT handout, interview, May 5, 2014.
- 224 Alicia Lindsey, Chief Financial Officer, Shelby County Schools, e-mail attachment, July 1, 2014.
- 225 Lee McDade, Assistant Superintendent, Hamilton County Department of Education, e-mail, Oct. 20, 2014.
- 226 Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Oct. 29, 2014.

- 227 Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014;
- 228 Merrie Clark, Federal Programs, Metro Nashville Public Schools, e-mail, June 2, 2014; Metro Nashville Public Schools, Federal Formula Grants PowerPoint, presentation at Charter Financial Meeting, June 2014.
- 229 Alicia Lindsey, Chief Financial Officer, Shelby County Schools, e-mail attachment, July 1, 2014; Marjorie Douglas, Grants Compliance, Shelby County Schools, telephone interview, July 14, 2014.
- 230 Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014.
- 231 Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Oct. 29, 2014.
- 232 Tennessee Department of Education, *FY13 Final Allocations*, 2012, <http://tn.gov/> (accessed Oct. 8, 2014); Marceia Ashe, Public Grants Manager, and Isabella Wilson, Chief Financial Officer, Achievement School District, telephone interview, July 9, 2014.
- 233 Merrie Clark, Federal Programs, Metro Nashville Public Schools, e-mail, June 2, 2014; Metro Nashville Public Schools, Federal Formula Grants PowerPoint, presentation at Charter Financial Meeting, June 2014.
- 234 Alicia Lindsey, Chief Financial Officer, Shelby County Schools, e-mail attachment, July 1, 2014; Marjorie Douglas, Grants Compliance, Shelby County Schools, telephone interview, July 14, 2014.
- 235 Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014.
- 236 Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Oct. 29, 2014.
- 237 Merrie Clark, Federal Programs, Metro Nashville Public Schools, e-mail, June 2, 2014; Alicia Lindsey, Chief Financial Officer, Shelby County Schools, e-mail attachment, July 1, 2014; Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Sept. 9, 2014; Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014.
- 238 *Tennessee Code Annotated* 49-13-112(e); Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, e-mail, Aug. 15, 2014.
- 239 Merrie Clark, Federal Programs, Metro Nashville Public Schools, interview, May 5, 2014; Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, Draft ASD Fee Distinctions April 2014 handout, interview, April 29, 2014.
- 240 Tennessee Department of Education, "Charter School Grants," <http://tn.gov/education/> (accessed Oct. 13, 2014).
- 241 *Tennessee Code Annotated* 49-13-113, 49-13-105(b)(7), and 49-13-111(a)(4).
- 242 *Tennessee Code Annotated* 49-13-105(b)(7) and 49-13-111(a)(4) in accordance with *Tennessee Code Annotated* Title 49, Chapter 10: Special Education.
- 243 Dan Killian, IDEA Coordinator, Metro Nashville Public Schools, interview, May 5, 2014.
- 244 U.S. Department of Education, "Building the Legacy: IDEA 2004," <http://idea.ed.gov/> (accessed Oct. 17, 2014); United States Department of Education, Office of Special Education and Rehabilitative Services, *Guidance Funds for Part B of the Individuals with Disabilities Education Act*, 2009, p. 7, <http://www2.ed.gov/> (accessed Oct. 8, 2014).
- 245 Dan Killian, IDEA Coordinator, Metro Nashville Public Schools, interview, May 5, 2014.
- 246 *Tennessee Code Annotated* 49-13-105(b)(7).
- 247 *Tennessee Code Annotated* 49-13-112(b)(3)(D).
- 248 Dan Killian, IDEA Coordinator, Metro Nashville Public Schools, interview, May 5, 2014; Chris Henson, Chief Financial Officer, Metro Nashville Public Schools, MNPS Charter Services by Department handout, interview, May 28, 2014.
- 249 Dan Killian, IDEA Coordinator, Metro Nashville Public Schools, interview, May 5, 2014; Chris Henson, Chief Financial Officer, Metro Nashville Public Schools, MNPS Charter Services by Department handout, interview, May 28, 2014.
- 250 Alicia Lindsey, Chief Financial Officer, Shelby County Schools, e-mail attachment, July 1, 2014.
- 251 Christie Jordan, Director, Accounting and Budgeting, Hamilton County Department of Education, per Alecia Shelton, Exceptional Education, e-mail, Aug. 15, 2014.
- 252 Rich Haglund, General Counsel and Chief Operating Officer, Achievement School District, e-mail attachment, Oct. 29, 2014.
- 253 Debbie Owens, Director of Monitoring, Division of Consolidated Planning and Monitoring, Tennessee Department of Education, interview, June 19, 2014.
- 254 Debbie Owens, Director of Monitoring, Division of Consolidated Planning and Monitoring, Tennessee Department of Education, interview, June 19, 2014.



CHAIR
DOLORES GRESHAM
VICE CHAIR
REGINALD TATE
2ND VICE CHAIR
STEVE DICKERSON
RESEARCH ANALYST
MICHAEL T. MAREN
EXECUTIVE ASSISTANT
LINDA KLINGMANN

STATE OF TENNESSEE
SENATE EDUCATION COMMITTEE

308 WAR MEMORIAL BUILDING
NASHVILLE, TENNESSEE 37243
PHONE: (615) 741-3038
FAX: (615) 253-0375

MEMBERS
CHARLOTTE BURKS
STACEY CAMPFIELD
RUSTY CROWE
TODD GARDENHIRE
JOEY HENSLEY
BRIAN KELSEY

Mr. Justin Wilson
Comptroller of the Treasury
State Capitol, First Floor
Nashville, Tennessee 37243

March 25, 2014

Dear Mr. Comptroller,

We wish to request a formal study by the Office of Research and Education Accountability within the Office of the Comptroller surrounding study the current responsibilities and associated costs of authorization and oversight by chartering authorities in Tennessee, and any potential change in policy to include the potential for authorization fees. This study should include evaluation of the quality of oversight and assistance provided to Tennessee charter schools by authorizers according to national best practices.

I would also request that OREA look into receipt of funds by Tennessee charter schools as well as expenditures by the chartering authorities that oversee charter schools while conducting this study. Currently, Tennessee requires chartering authorities to pass through 100 percent of state and local funding, as well as applicable federal funding. Recently, some questions have been raised as to whether charter schools in some districts receive all applicable federal funds on a per-pupil basis, including, but not limited to, Title I and IDEA funds. I would like the OREA study to not only study the pass-through of these funds, but also provide any recommendations on compliance mechanisms, including transparency recommendations surrounding funding streams that could ensure current statute is being followed and that charter school students receive their share of federal funding on an equal basis.

Thank you for your consideration of this request. I would be happy to discuss this matter with you at any time.

Sincerely,

A handwritten signature in black ink, appearing to read "Dolores Gresham".

Senator Dolores Gresham
Chairman, Senate Education Committee

A handwritten signature in black ink, appearing to read "Reginald Tate".

Senator Reginald Tate
Vice Chairman, Senate Education Committee

cc: Dr. Phillip E. Doss

HARRY BROOKS
STATE REPRESENTATIVE
19TH LEGISLATIVE DISTRICT

117 WAR MEMORIAL BUILDING
NASHVILLE, TENNESSEE 37243-0119
(615) 741-6879

E-MAIL:
rep.harry.brooks@capitol.tn.gov

DISTRICT ADDRESS:
6600 WASHINGTON PIKE
KNOXVILLE, TENNESSEE 37918
(865) 687-5987



CHAIRMAN HOUSE EDUCATION COMMITTEE

MEMBER OF:
CALENDAR AND RULES COMMITTEE
CIVIL JUSTICE COMMITTEE
EDUCATION SUB COMMITTEE

House of Representatives State of Tennessee

NASHVILLE

March 17, 2014

Comptroller of the Treasury
State Capitol, First Floor
Nashville, TN 37243-9034

Dear Comptroller Wilson,

Significant progress on the issue of "authorizer fees" was made last year during discussions between various stakeholders from local education agencies and charter school groups. Representatives of these groups are near agreement that these fees are justified, but there is still some discussion that must occur regarding the amount of the fees.

I am requesting that the Offices of Research and Education Accountability conduct a review of the issues surrounding authorizer fees, and if practicable, produce a list of reasonable cost variables associated with authorizer fees. This review will contribute significantly to discussions of this issue and should help us improve the charter school application process.

I am available to provide further details at your request.

Sincerely,

A handwritten signature in cursive script that reads "Harry Brooks".

Harry Brooks

State Representative 19th District

Appendix B: Interviews conducted

Achievement School District:

- Marceia Ashe, Federal Programs Manager
- Rich Haglund, Chief Operating Officer
- Isabella Wilson, Chief Financial Officer

Charter Schools:

- Cameron College Preparatory, LEAD Public Schools, Nashville
- East End Preparatory, Nashville
- Gestalt Public Schools, Memphis
- KIPP Nashville, Nashville
- KIPP Memphis, Memphis
- Nashville Classical, Nashville

Hamilton County Department of Education:

- Dr. Lee McDade, Assistant Superintendent
- Christie Jordan, Director, Accounting and Budgeting

Metro Nashville Public Schools:

- Merrie Clark, Federal Programs
- Hank Clay, Government Relations
- Alan Coverstone, Executive Director of the Office of Innovation
- Amy Frogge, MNPS Board Member
- Glenda Gregory, Director of Budgeting and Financial Reporting
- Chris Henson, Chief Financial Officer
- David Hines, Employee Benefits
- Daniel Killian, IDEA Coordinator
- Ryan Latimer, Planning Coordinator, Student Assignment Services
- Craig Ott, Executive Director, Human Capital Operations
- Will Pinkston, MNPS Board Member
- Chris Weber, Director of Student Assignment Services
- Carol Swann, Coordinator of Charter Schools
- John Williams, Executive Director, Technology and Information Services

Shelby County Schools:

- Jake Allen, Comprehensive Planning
- Frank Cook, Director of Nutrition Finance
- Marjorie Douglas, Director, Federal Programs, Grants and Compliance
- Bradley Leon, Chief of Innovation
- Alicia Lindsey, Chief Financial Officer
- Celia Moore, Director 1, Exceptional Education
- Beth Murphree, Exceptional Children
- Charisse Sales, Director, Charter Schools
- Trinette Small, Interim Director of Employee Services
- Valerie Speakman, General Counsel
- Tony Thompson, Government Relations-Attorney, Shelby County Schools
- Stacey Thompson Pera, Charter Planning and Authorization Advisor, Charter Schools

Tennessee State Board of Education:

- Dannelle Walker, General Counsel
- Tess Stovall, Coordinator of Charter School Accountability and Policy

Tennessee Department of Education:

- Brad Davis, Finance Consultant, Local Finance
- Maryanne Durski, Director of Local Finance
- Debbie Owens, Director of Monitoring, Division of Consolidated Planning and Monitoring
- Chris Steppe, Director, Internal Audit
- Marcy Tidwell, Director of School Choice

Other stakeholders:

- CLASS
- Comptroller's Division of Local Audit
- National Association for Charter School Authorizers
- Students First
- Tennessee Charter School Center
- Tennessee School Boards Association

Other states:

- Colorado Charter School Institute
- DC Public Charter School Board

Appendix C: Charter school authorizing laws by state

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Alabama	No	0	N/A	N/A	N/A
Alaska	Yes	27	Local School Board and State Board of Ed.	All - First the Local Board must approve application then the State Board must approve	<i>All Authorizers:</i> None
Arizona	Yes	534	Arizona State Board for Charter Schools (ASBCS)	All – currently oversees all schools approved by both state entities	<i>ASBCS:</i> Annual appropriation – also allowed to accept gifts/grants
			Local School Board	Schools within geographic boundaries	<i>All Authorizers:</i> Application fee
			State Board of Ed.	All – Currently not authorizing	As a public entity required to report expenditures
			Universities	All	May charge fee for service
			Community Colleges	All	
			Groups of Community Colleges	All	
Arkansas	Yes	32	Local School Board State Department of Ed.	Conversions must be approved by both Local School Board and the State Dept. of Ed. The State Dept. makes final decision for new start-ups, and the State Board of Ed. may review charter decisions made by State Dept. of Ed..	<i>All Authorizers:</i> None – State Dept. of Ed. has allocated 1 position out of existing budget

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
California	Yes	1,065	Local School Board	Schools within geographic boundaries	<p><i>All authorizers:</i> Up to 1% in revenues for the actual costs of oversight or up to 3% of revenues if authorizer is providing substantially rent free facilities</p> <p>Percent charged must cover only actual costs</p> <p>May charge fee for service</p>
			County Board of Ed.	Approval for charters serving county pupils or operating in more than one location within county – must prove students cannot be served by charter operating in one district	
			State Board of Ed.	Charters that will operate in multiple locations throughout state	
				Other: charters may appeal to county and then state board	
Colorado	Yes	186	Local School Board	Any charter with a majority of students residing in district or in contiguous school districts	<p><i>Local School Board:</i> The actual cost of each charter school's per-pupil share of central administrative costs for services actually provided to charters – up to 15% for districts with 500 or fewer students and up to 5% for all other districts</p>
			Charter School Institute – statewide authority	All – except in districts granted “exclusive chartering authority”	<p><i>Institute Authorizer:</i> May retain 3% of per-pupil funding</p>
					<p><i>State Dept. of Ed.:</i> May retain up to 2% of per-pupil funding</p> <p><i>All Authorizers:</i> Must provide itemized accounting of all administrative costs</p>
Connecticut	Yes	17	Local School Board	Local charters	<p><i>All Authorizers:</i> None – State Dept. of Ed. has allocated 1 position out of existing budget</p>
			State Board of Ed.	State and local charters	

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Delaware	Yes	22	Local School Board	All conversions and start-ups	<i>All Authorizers:</i> None
			State Dept. of Ed.	Start-ups	
				Start-ups may apply to either Local Boards or the State Dept. of Ed.	
District of Columbia	Yes	Schools: 57 Campuses: 106	DC Board of Ed.	Now defunct – Public Charter School Board assumed oversight of all charters under board of education	<i>All Authorizers:</i> 0.5% of annual school budget (1 % of annual school budget as of SY 2014-15)
			DC Public Charter School Board	All	
			Council of DC may designate additional authorizers		
Florida	Yes	576	Local School Board	All regular	<i>All Authorizers:</i> Up to 5% of school's per-pupil funding for up to 250 students for certain administrative costs specified in statute High-performing charters – 2% Virtual Schools – up to 5% Fee of actual cost for goods and services May not charge for application review
			State Universities	Lab Schools	
			Community College District Boards of Trustees	Technical Career Centers	
			State Board/Charter School Appeal Commission	Appeals are made to commission – commission makes recommendation to state board – State Board can require authorizer to accept application	

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Georgia	Yes	108	Local School Board	Located within district Charters with defined attendance area	<i>All Authorizers:</i> Up to 3% of state and local charter school funding for administrative costs
			State Charter School Commission	Charters with state-wide attendance Charters with defined attendance area – after denied or not acted upon by local board	
			State Board of Ed.	Reviews and may overrule approval or renewal of a state charter school – hears appeals and serves as authorizer if overturns local board decision	State authorized charters may contract with local boards for administrative or transportation services
Hawaii	Yes	32	State Public Charter School Commission	All – statewide authority	<i>State Commission:</i> Up to 2% of state's appropriation to charter
			Public and Private Postsecondary Institutions, County and State Agencies, and Nonprofits may apply to be authorizers	Cannot be approved before July 1, 2014	<i>Other Authorizers:</i> None
					<i>All Authorizers:</i> Required to publicly report authorizer expenditures May have fee for service contracts

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Idaho	Yes	44	State Charter School Commission	All	<i>State Commission:</i> Each of the school's proportional fee share of all moneys appropriated to the commission plus 15%
			Local School Board	All	<i>All Authorizers:</i> Charters are required to pay an authorizer fee – fee shall not exceed the greater of: All state funds distributed to public schools on a support unit basis divided by the statewide number of students in average daily attendance or the lesser of the result of the calculation multiplied by 4 or 1.5% of the result multiplied by the public charter school's average daily attendance
			State Public College, University, or Community College Accredited, Private, Nonprofit, State-based, Nonsectarian College or University	All	
			State Board of Ed.	Appeals – if denied by authorizer other than Local board – Local Board decisions sent to state commission for appeal Unless it is a petition for approval by a higher ed. authorizer, all non-virtual charters must first apply to Local Board	The charter's board of directors can direct up to 10% of the calculated fee to pay membership fees to an organization that provides support to charter schools
Illinois	Yes	Schools: 58 Campuses: 134	Local School Board	All	<i>Local School Board:</i> None
			State Charter School Commission	After denial by Local Board(s)	<i>State Commission:</i> Up to 3% of revenues from its approved schools Must submit a periodic report on authorizing functions, operating costs, and expenses

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Indiana	Yes	72	Local School Board	All	<i>Local School Board:</i> None
			Public 4 yr. Universities	All	<i>Other Authorizers:</i> Up to 3% of a school's funding
			Mayor of Indianapolis	All	
			State Charter Board	All	
			Nonprofit College/University	All	
					<i>All Authorizers:</i> May charge fee for service via annual service contract May not require charters to purchase services Authorizers must provide annual report of actual costs of services purchased
Iowa	Yes	3	Local School Board State Board of Ed.	All applications must be approved by Local Board and then State Board State Board also hears appeals	<i>All Authorizers:</i> None
Kansas	Yes	15	Local School Board State Board of Ed.	All applications must be approved by Local Board and then State Board	<i>All Authorizers:</i> None
Kentucky	No	0	N/A	N/A	N/A
Louisiana	Yes	105	Local School Board		<i>All Authorizers:</i> 2% of per pupil funding for administrative costs
			State Board of Ed.		
			Local Charter Authorities – includes state entities and higher ed. institutions and nonprofits with educational missions		Each authorizer must provide each charter with a projected budget administrative costs and planned uses for authorizer fee annually Fee for service at actual cost allowed

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Maine	Yes	2	Local School Board or a collaborative of Local School Boards	All – except virtual	<i>All Authorizers:</i> Up to 3% of per pupil allocations
			State Charter School Commission	All Only state commission can approve virtual charters Charters may apply directly to state commission	Authorizers must report to state commissioner Oversight and services provided to charters No detailed expenditures are required to be reported Charters may purchase services – may not be required to do so – must be separate contract
Maryland	Yes	52	Local School Board	All	<i>All Authorizers:</i> None
			State Board of Ed.	Limited – may authorize restructuring of public school as charter	
Massachusetts	Yes	77	State Board of Ed.	All	<i>All Authorizers:</i> None
Michigan	Yes	276	Local School Board	All	<i>All Authorizers:</i> Up to 3% of total state school aid received by charter
			Intermediate School Boards	All	
			Community Colleges	All	
		State Public Universities	All	All public fund expenditures for authorizers are public record (not separate law - same law as other public entities) May charge fee for service May not require charters to purchase service	
			All are subject to review by the State Board of Education		

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Minnesota	Yes	148	Local School Board	All	<i>All Authorizers:</i> Allowed to charge fee
			Intermediate School Boards	All	
			Cooperatives	All	May charge basic fee during planning period
			Nonprofits	All	
			Private Colleges	All	
			Public Colleges/Universities	All	Authorizers must annually submit statement of income and expenditures
			Single-purpose authorizers	All	Fee for service – must be done through bidding process and have separate contract that must be submitted to the state commissioner
Mississippi	Yes	N/A	Mississippi Charter School Authorizer	Applicants in districts rated “D” or “F” may apply directly to authorizer	<i>State Authorizer:</i> Authorizer shall receive 3% of annual per-pupil allocations from state and local funds
				Applicants in other districts must first receive a majority of votes from the local board endorsing the application – then the state authorizer may authorize	A legislative committee annually reports on the sufficiency of charter funding and efficacy of the state formula for authorizer funding Fee for service – no separate contract required
Missouri	Yes	38	Local School Board – only in accredited school districts, then must go to State Board of Ed. for approval	All	<i>All Authorizers:</i> State Dept. of Ed. retains one and five-tenths percent of the amount of state and local funding allocated to the charter school and distributes it to the authorizer. Allows for fee-for-service agreements Does not require public reporting of authorizer expenditures
			Various entities in the Kansas City school district, the St. Louis school district, and unaccredited districts		
Montana	No	0	N/A	N/A	N/A
Nebraska	No	0	N/A	N/A	N/A

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Nevada	Yes	32	Local School Board – if approved by State Dept. of Ed.	All	<p><i>All Authorizers:</i> Up to 2% of total amount apportioned to charter schools 1% if a qualified charter makes request</p> <p>At the end of a school quarter the authorizer may request reimbursement from the charter for the administrative costs of authorizing – includes itemized list of costs</p> <p>May charge fee for service in a separate contract; may not require services to be purchased</p>
			State Public Charter School Authority	All	
			Colleges or Universities in state's higher education system – if approved by State Dept. of Ed.	All	
New Hampshire	Yes	17	Local School Board	Option 1: both approve application – appeals can be brought to State Board	<i>All authorizers:</i> None
State Board of Ed.	Option 2: apply directly to State Board				
	Conversions: approval by Local and State Board after majority of teachers and other administrators in district vote to affirm				
New Jersey	Yes	86	State Commissioner of Ed	All	<i>All Authorizers:</i> None

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
New Mexico	Yes	94	Local School Board	All	<i>All Authorizers:</i> May withhold 2% of the school generated program cost for administrative costs Authorizers must annually provide information on expenditures Charter may contract for services with specific entities
			State Public Education Commission	All	
New York	Yes	209	Local School Board	All – must approve conversions	<i>Local School Board:</i> None
			SUNY	All – if SUNY approves a charter and the Board rejects SUNY can reassert approval and the Board then must approve	<i>SUNY:</i> Funded through two appropriations in the state budget
			State Board of Regents	All – only the Board can officially issue a charter – must approve all decisions made by district or SUNY – including approval of conversions	<i>State Board of Regents:</i> None
North Carolina	Yes	107	North Carolina Charter Schools Advisory Board	All – applicants must be approved by both	<i>All Authorizers:</i> Fee of at least \$500 for applications <i>Other:</i> State provides funding for the Office of Charter Schools at the Dept. of Public Instruction – serves as authorizing staff to the State Board and others
			North Carolina State Board of Ed.		
North Dakota	No	0	N/A	N/A	N/A

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Ohio	Yes	374	Local School Board	Board of the district in which the school will be located	<p><i>All Authorizers:</i> up to 3% of per pupil funding</p> <p>Authorizers may not require the school to purchase services from them</p>
			Board of Ed. of joint vocational school district	If it has a majority of territory in the county in which the school will be located	
			Other Local Boards of Ed. – city, local, village	If it has territory in the same county in which the school will be located	
			Governing board of any education service center	If the school will be located in the territory of the service center or a contiguous county	
			Sponsoring authority appointed by the board of trustees or the board of trustees of a college or university	If the school will serve as the university's teaching demonstration site as approved by the State Board of Education	
			Education non-profits	All	
			Ohio Dept. of Ed.	All	
Oklahoma	Yes	24	Local School Board	All (located within district)	<p><i>All Authorizers:</i> Up to 5% of a school's state aid allocation</p> <p>No requirement for authorizers to publicly report expenditures</p> <p>Requirement for a separate contract for purchased services</p> <p>Authorizer may not require school to purchase services from them</p>
			Technology Center School Districts	All	
			Institutions that are members of the OK state system of higher education	All	
			Federally recognized Indian entities	Schools located within its reservation or treaty area and designed for native language immersion	
			State Board of Ed.	When application is the Office of Juvenile Affairs or has a contract with that office	
			Statewide Virtual Charter School Board	For full-time statewide virtual charter schools	

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Oregon	Yes	123	Local School Board	All	<p><i>All Authorizers:</i> Typically 20% for K-8 and 5% for high schools</p> <p>No requirement for authorizers to publicly report expenditures</p> <p>Does not prohibit authorizers from requiring schools to purchase services from them</p>
			Institution of Higher Education	May hear appeals – if approved it becomes the authorizer	
Pennsylvania	Yes	175	Local School Board - Two or more Local Boards for regional charters	All – appeals heard by state appeals board – appeals process does not apply to districts under the school reform commission (Philadelphia)	<p><i>All Authorizers:</i> None</p>
			State Dept. of Ed.	Virtual Charter Schools	
Rhode Island	Yes	16	State Board of Ed.	Authorizes after approval by Local Board or the state commissioner of elementary and secondary education	None
South Carolina	Yes	55	Local School District	<p>All – Applicants must receive preliminary approval from a state charter school advisory committee</p>	<p><i>Public Charter School District:</i> Up to 2% of total state appropriations</p> <p><i>All Authorizers:</i> Requires that all services purchased from the authorizer must be outlined in the charter contract</p> <p>Authorizers are not required to publicly report expenditures</p>
			Institution of Higher Education – registered with the State Dept. of Ed.		
South Carolina	Yes	55	South Carolina Public Charter School District		
South Dakota	No	0	N/A	N/A	N/A

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Tennessee	Yes	47	Local School Board	All	<i>All Authorizers:</i> None Application fee up to \$500
			Achievement School District	Qualifying Schools	
			State Board of Ed.	Charters sponsored by a local school board Hears appeals	
Texas	Yes	Schools: 280 Campuses: 640	Local School Board	All	None
			State Commissioner	All – must notify the State Board of Ed. of each approved application and the State Board may overturn the decision	State appropriations for the commissioner and State Board for all responsibilities (including charters) and these entities are accountable for use of public funds
Utah	Yes	88	Local School Board	All – subject to State Board of Ed. approval	<i>Local Board:</i> none
			State Charter School Board		<i>Charter School Board:</i> Funded through annual state appropriations
			Designated Higher Education Institutions		<i>Higher Education Institutions:</i> Up to 3% of the revenue the charters receive from the state for the first two years of operations – up to 1% in the following years <i>All Authorizers:</i> Required to publicly report expenditures Charters may contract with authorizers for services – no requirement for separate contracts – law does not prohibit authorizers from requiring charters to purchase services
Vermont	No	0	N/A	N/A	N/A

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Virginia	Yes	4	Local School Board	All – applications must first be reviewed by the State Board of Ed. – only the Local Boards are allowed to approve/authorize applications	<i>All Authorizers:</i> Charter may contract with various entities for service Law prohibits contracts from providing financial incentives or disincentives to the establishment of a charter school
			Opportunity Educational Institution Board	In specific cases may authorize the restructuring of a low-performing traditional public school into a charter school	
Washington	Yes	N/A	Washington Charter School Commission	All	<i>All Authorizers:</i> State Board of Ed. is required to establish a statewide authorizer fee not to exceed 4% - may involve sliding scale to consider a number of factors
			Local School Board	May seek approval to become authorizer from State Board of Ed.	Authorizers must report use of fees to the state board of education Authorizers may have separate contracts for purchased services – may not require charters to purchase services
West Virginia	None	0	N/A	N/A	N/A

State	Charter Laws	Charters 2012-13	Types of Authorizers Allowed	Type of Charter Authorized	Funding Mechanism
Wisconsin	Yes	238	Local School Board		None
			<i>Milwaukee:</i> City of Milwaukee University of Wisconsin – Milwaukee Milwaukee Area Technical College – Local School Board		
			<i>Milwaukee County and adjacent counties:</i> University of Wisconsin – Milwaukee – Local School Board		
			University of Wisconsin - Parkside	One charter school in the Racine School District	
Wyoming	Yes	4	Local School Board		None

*Information compiled by OREA using the following sources:

National Alliance for Public Charter Schools, "Model Law and State Rankings," <http://www.publiccharters.org/> (accessed Oct. 15, 2015).

National Alliance for Public Charter Schools, "The Public Charter Schools Dashboard," <http://dashboard.publiccharters.org/> (accessed Oct. 15, 2015).

Scott Pearson, Executive Director, DC Public Charter School Board, telephone interview, July 7, 2014.

Appendix D: Definitions

Race to the Top: In February of 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA provided \$4.35 billion to establish a Race to the Top Fund. RttT is a federal competitive grant program that awards funds to states implementing educational reforms. Tennessee's RttT reform efforts include:

- higher standards,
- using student data for improved academic instruction,
- effective teachers and principals, and
- turning around persistently low performing schools.¹

Tennessee was awarded \$501 million in federal RttT funds in 2010 in order to implement education reforms throughout the state.² RttT funds were awarded in four-year grant periods. Tennessee's final year of grant funding was for 2013-14.³

First to the Top: The Tennessee General Assembly passed the Tennessee First to the Top Act in January 2010. Among the act's provisions are:

- the creation of the Achievement School District, an organizational unit of the Tennessee Department of Education that may take over persistently failing schools,
- allowing TVAAS (i.e., value-added) data and teacher evaluation scores to be factored into tenure decisions,
- creating a new teacher and principal evaluation system, with the requirement that 50 percent of the evaluation criteria be based on student achievement data,
- requiring teachers and principals to be evaluated annually, and
- allowing local school districts to create their own pay schedules for teachers and principals, subject to state approval.⁴

Tennessee Statewide Accountability System: In 2012, Tennessee was approved to operate under the provisions of an Elementary and Secondary Education Act (ESEA) Flexibility waiver, which awards states flexibility from certain requirements of the federal No Child Left Behind (NCLB) Act. With the use of the waiver, Tennessee has implemented a federally approved accountability system for district and school level academic performance.

District Accountability: The state department of education is responsible for holding districts accountable for achieving district-level Annual Measureable Objectives. Annual Measurable Objectives are targets that are set for student achievement and achievement gap closure. Districts are placed in one of the following categories based on AMO performance: Exemplary, Intermediate, In Need of Improvement, or In Need of Subgroup Improvement. Each category determines the level of oversight a district will receive from the state department of education in developing plans for meeting academic targets.

School Accountability: Schools may be placed in one of the following categories: reward schools, focus schools, or priority schools.

Reward schools: The top 5 percent of schools based on overall academic performance and the top 5 percent of schools based on academic growth.

Focus and Priority Schools: The ESEA waiver requires states to identify priority and focus schools for accountability purposes.⁵ The federal waiver guidelines allow states to award School Improvement Grant (SIG) funds under ESEA section 1003(g) to any priority school implementing a school turnaround model. In Tennessee this includes priority schools in the ASD or an iZone.⁶ SIG funds under ESEA section 1003(a) may be awarded to any priority or focus school.⁷

Focus Schools: At least 10 percent of the Title I schools with the largest achievement gaps in the state are classified as focus schools. A school may be identified as a focus school for the following reasons:

- the school has the largest gaps between the highest-achieving subgroup or subgroups and the lowest-achieving subgroup or subgroups or, at the high school level, has the largest within-school gaps in graduation rates; or
- the school has a subgroup or subgroups with low achievement or, at the high school level, low graduation rates.
- the school is a Title I high school with a graduation rate below 60 percent over a number of years that has not been labeled as a priority school. Federal guidance materials permit state agencies to define the appropriate number of years.⁸

Tennessee requires school districts to submit a plan of improvement to the Department of Education for each focus school within the district. Focus schools are eligible for competitive federal grants funded through School Improvement Grants, Race to the Top funding, and/or state funds.

Priority Schools: At least 5 percent of Title I schools that are the lowest performing in the state. Schools that meet one of the following criteria may be labeled a priority school:

- the school is among the lowest 5 percent of Title I schools in the state based on test scores for the “all students” group and has not improved these scores over a number of years;⁹ federal guidance materials permit state agencies to define the appropriate number of years.¹⁰
- the school is a Title I-participating or Title I-eligible high school with a graduation rate of less than 60 percent over a number of years; or
- the school is a Tier I or Tier II school under the SIG program that is using SIG funds to implement a school intervention model.¹¹

Under Tennessee’s NCLB waiver, there are four possible interventions for priority schools:

1. Placement in the Achievement School District (ASD)
2. Placement in a district-run Innovation Zone (iZone)
3. Approval to implement a SIG turnaround model without entering the ASD or an iZone
4. Undergo a district-led school improvement planning process, subject to ASD intervention in the absence of improved results.¹²

Tennessee’s waiver states that by 2014-15 the bottom 5 percent of schools will be served in one of the first three categories.¹³

Achievement School District (ASD): The Achievement School District (ASD) was created by the Tennessee First to the Top Act of 2010 as a method to turn around the state’s lowest performing schools.¹⁴ The ASD is an organizational unit within the Tennessee Department of Education that provides oversight for the operation of schools assigned to or authorized by the ASD.¹⁵ The ASD may directly operate these schools or may convert them to charter schools.¹⁶ The goal of the ASD is to move its schools from the bottom 5 percent to the top 25 percent in student achievement.¹⁷

ASD Schools SY 2014-15

School	Type	Operator	Location
Corning Achievement Elementary School	Direct Run - Turnaround	ASD	Shelby County
Westside Achievement Middle School	Direct Run – Turnaround	ASD	Shelby County
Frayser Achievement Elementary School	Direct Run – Turnaround	ASD	Shelby County
Cornerstone Prep	Charter - Conversion	Capstone Education Group	Shelby County
Humes Preparatory Academy – Upper School	Charter - Conversion	Gestalt Community Schools	Shelby County
Brick Church College Prep	Charter – Conversion	LEAD Public Schools	Metro Nashville Public Schools
Whitney Achievement Elementary Schools	Direct Run – Turnaround	ASD	Shelby County
Georgian Hills Achievement Elementary School	Direct Run – Turnaround	ASD	Shelby County
Aspire Hanley Elementary School – 1	Charter - Turnaround	Aspire Public Schools	Shelby County
Aspire Hanley Elementary Schools – 2	Charter – Turnaround	Aspire Public Schools	Shelby County
Klondike Preparatory Academy	Charter - Conversion	Gestalt Community Schools	Shelby County
KIPP Memphis Academy Elementary School	Charter – Conversion	KIPP Memphis	Shelby County
KIPP Memphis Preparatory Middle School	Charter - Conversion	KIPP Memphis	Shelby County
Pathways in Education – Memphis in Frayser	Charter – New Start	Pathways in Education	Shelby County
GRAD Academy Memphis	Charter – New Start	Project GRAD	Shelby County
Aspire Coleman Elementary School	Charter – Turnaround	Aspire Public Schools	Shelby County
Lester Prep	Charter – Conversion	Capstone Education Group	Shelby County
Martin Luther King Jr. Prep High – Frayser Campus	Charter – Turnaround	Frayser Community Schools	Shelby County
Freedom Prep Elementary Schools – Westwood Campus	Charter – Conversion	Freedom Prep Academy	Shelby County
Fairley High School	Charter – Turnaround	Green Dot Public Schools	Shelby County
KIPP Memphis University Middle School	Charter – New Start	KIPP Memphis	Shelby County
Pathways in Education – Memphis in Whitehaven	Charter – New Start	Pathways in Education	Shelby County
Promise Academy Spring Hill Elementary School	Charter - Conversion	Promise Academy	Shelby County

Source: Marceia Ashe, Public Grants Manager, Achievement School District, e-mail attachment, July 28, 2014. Achievement School District, “The ASD Portfolio Schools, 2014-2015,” <http://www.asdperformanceandpractice.com/> (accessed Nov. 11, 2014).

Innovation Zone (iZone): iZones were authorized by Tennessee Public Chapter 962 in 2012. The law authorizes districts:

- to develop an iZone for the purpose of monitoring, overseeing and improving schools that are designated as priority schools and approved for inclusion in the iZone by the Commissioner of Education;
- once approved, to establish an iZone office; appoint an office leader with management authority to hire staff for the office as well as appoint a leader for each school placed in the iZone; and
- to grant iZone schools maximum autonomy over financial, programmatic, and staffing decisions.¹⁸

Only districts with multiple priority schools can establish iZones.¹⁹ Metro Nashville Public Schools began its iZone in 2011-12; Memphis City Schools in 2012-13; and Hamilton County in 2013-14.^{20, A}

School Improvement Grants: The School Improvement Grant program was authorized under section 1003(g) of the Elementary and Secondary Education Act. The program provides funding for the purpose of providing assistance to schools identified as in need of improvement, corrective action, or restructuring. The funds are required to be awarded to schools that have been persistently low achieving and demonstrate a commitment to use the funds to improve student academic achievement.

The School Improvement Grants program was expanded under the American Recovery and Reinvestment Act in 2009. Under No Child Left Behind requirements schools in Tier 1 or Tier two are eligible to receive SIG funding. Tennessee had one cohort of schools receiving SIG funds under the original regulation of No Child Left Behind. The final year of grant implementation for cohort 1 was 2012-13. Twelve school districts received SIG funding for individual schools in this cohort.

Under ESEA Flexibility waivers, schools identified as priority schools must implement one of four SIG turnaround models in order to be eligible to receive federal SIG grants:

Transformation:

- replace the principal, incorporate student growth factors in teacher and principal evaluations, reward school staff who have increased student achievement and high school graduation rates, provide ongoing job-embedded professional development, and implement strategies to recruit and retain effective staff;
- implement comprehensive instructional reforms based on data and research, analyze student data to better differentiate instruction;
- increase learning time and promote family and community engagement; and
- provide operational flexibility and sustain support by allowing the school flexibility to implement comprehensive changes in staffing, calendars, time, budgeting, and other elements to improve student achievement and increase high school graduation rates, ensuring the schools receive ongoing, intensive technical assistance and support.²¹

^A Memphis City Schools merged with Shelby County Schools in the 2013-14 school year.

Turnaround:

- replace the principal and grant the new principal flexibility to make operational changes in staffing, calendars, time budgeting, and other areas;
- require all existing staff to reapply for their jobs and rehire no more than 50 percent of them, recruit and retain new staff with the necessary skills to meet the needs of a turnaround school, and provide ongoing job-embedded professional development;
- adopt a new governance structure, such as reporting to a state or district turnaround office;
- implement comprehensive instructional reforms based on data and research, analyze student data to better differentiate instruction;
- establish schedules that increase learning time; and
- provide social-emotional and community-oriented services and support for students.²²

Restart: Convert the school to a charter school or reopen it under a charter school operator, charter management organization, or education management organization. The converted or reopened school must enroll any former student who wishes to attend.²³

Closure: Close the school and enroll former students in other schools within the district with higher achievement scores, which may be charters or new schools for which achievement data is not yet available. The location of these schools should be reasonably close to the closed school.²⁴

Tennessee has had two additional cohorts of schools receiving SIG funds since the implementation of the flexibility waiver.

Cohort 2

District	Total 3-Year Award	School	Turnaround Model Selected
Achievement School District	\$10,395,111	Brick Church College Prep	Restart
		Cornerstone Prep	Restart
		Corning Achievement Elementary	Transformation
		Frayser Achievement Elementary	Transformation
		Gordon Sciences and Arts Academy	Restart
		Westside Achievement Middle	Transformation
Davidson County Schools	\$12,384,213	Bailey Middle	Turnaround
		Buena Vista Elementary Enhanced Option	Turnaround
		Brick Church (Grades 6-8)	Transformation
		Gra-Mar Middle	Transformation
		John Early Paideia Middle Magnet	Turnaround
		Napier Elementary Enhanced Option	Transformation
		Robert Churchwell Museum Magnet Elementary	Turnaround
Memphis City Schools	\$14,744,394	Chickasaw Jr. High	Turnaround
		Fairley Elementary	Transformation
		Ford Rd. Elementary	Transformation
		Geeter Middle	Turnaround
		Hamilton Middle	Turnaround
		Lucie E. Campbell Elementary	Transformation
		Magnolia Elementary	Transformation
State Total	\$37,523,718		

Source: Tennessee Department of Education, *Cohort 2 SIG Awards*, 2012, <http://tn.gov/education/> (accessed Oct. 8, 2014).

Cohort 3

District	Total 3-Year Award	School	Turnaround Model Selected
Achievement School District	\$7,503,603	Aspire Elementary	Restart
		Georgian Hills Achievement Elementary	Transformation
		KIPP Memphis Preparatory Middle	Restart
		Klondike Science and Arts Academy	Restart
		Whitney Achievement Elementary	Transformation
Hamilton County	\$11,309,331	Brainerd High School	Turnaround
		Chattanooga Girls Leadership Academy	Transformation
		Dalewood Middle	Transformation
		Orchard Knob Elementary	Transformation
		Orchard Knob Middle	Transformation
Hardeman	\$1,390,800	Woodmore Elementary	Transformation
		Whiteville Elementary	Transformation
Knox	\$1,504,045	Sarah Moore Greene Magnet Technology Academy	Transformation
		Douglass K-8	Transformation
Shelby County (Formerly Memphis City)	\$5,520,819	Riverview Middle	Turnaround
		Sherwood Middle	Turnaround
		Treadwell Middle	Turnaround
State Total	\$27,228,598		

Source: Tennessee Department of Education, *Cohort 3 SIG Awards*, 2013, <http://tn.gov/education/> (accessed Oct. 8, 2014).

Endnotes

- ¹ State Collaborative on Reforming Education, *Taking Note*, "Race to the Top 101: How Tennessee Won the National Competition and What Happens Next," Aug. 2010, p. 1, <http://www.joomag.com/> (accessed Oct. 15, 2014).
- ² Tennessee Department of Education, "Tennessee First to the Top, Race to the Top 2011-13," <http://www.tn.gov/education/> (accessed Oct. 15, 2014).
- ³ U.S. Department of Education, *Race to the Top Grantee Frequently Asked Questions*, Jan. 2011, p. 3, <http://www2.ed.gov/> (accessed Oct. 15, 2014).
- ⁴ State Collaborative on Reforming Education, *Taking Note*, "Race to the Top 101: How Tennessee Won the National Competition and What Happens Next," Aug. 2010, p. 2, <http://www.joomag.com/> (accessed Oct. 15, 2014).
- ⁵ U.S. Department of Education, ESEA Flexibility, June 2012, p. 2.
- ⁶ Tennessee Department of Education, *2014 School Accountability*, <http://www.tn.gov/> (accessed Oct. 17, 2014).
- ⁷ U.S. Department of Education, ESEA Flexibility, June 2012, p. 2.
- ⁸ U.S. Department of Education, Office of Elementary and Secondary Education, *Guidance on Fiscal Year 2010 School Improvement Grants Under Section 1003(g) of the Elementary and Secondary Education Act of 1965*, Feb. 2011, pp. 3 and 6, <http://www2.ed.gov/> (accessed Oct. 15, 2014).
- ⁹ Ibid.
- ¹⁰ Ibid.
- ¹¹ U.S. Department of Education, ESEA Flexibility, June 2012, p. 6.
- ¹² U.S. Department of Education, *ESEA Flexibility Request*, Nov. 2011, p. 55, <http://www2.ed.gov/> (accessed Oct. 15, 2012).
- ¹³ Ibid., p. 63.
- ¹⁴ Offices of Research and Education Accountability, *The Alignment of Tennessee's Education Initiatives: Public Chapter 529, 2011*, "Tennessee First to the Top: Achievement School District, March 2012, p. 6, <http://www.comptroller.tn.gov/> (accessed Oct. 15, 2014). Shelby County Schools, "Frequently Asked Questions," <http://www.teachmemphis.org/> (accessed Oct. 15, 2014).

- ¹⁵ U.S. Department of Education, *ESEA Flexibility Request*, Nov. 2011, p. 56, <http://www2.ed.gov/> (accessed Oct. 15, 2012).
- ¹⁶ *Ibid.*
- ¹⁷ Achievement School District, <http://achievementschooldistrict.org/> (accessed Oct. 15, 2014).
- ¹⁸ *Tennessee Code Annotated* 49-1-602(c).
- ¹⁹ Rita Fentress, School Improvement, Division of Consolidated Planning and Monitoring, Tennessee Department of Education, interview, June 24, 2013.
- ²⁰ Public Impact, “Metro Nashville Public Schools’ Innovation Zone,” <http://opportunityculture.org/> (accessed Oct. 16, 2014); Shelby County Schools, “Innovation Zone Frequently Asked Questions,” <http://www.teachmemphis.org/> (accessed Oct. 16, 2014); Times Free Press “Educator Ron Clark rouses Chattanooga area teachers for iZone launch,” <http://www.timesfreepress.com/> (accessed Oct. 16, 2014).
- ²¹ U.S. Department of Education, Office of Elementary and Secondary Education, *Guidance on School Improvement Grants Under Section 1003(g) of the Elementary and Secondary Education Act of 1965*, June 2010, pp. 26-31, <https://www2.ed.gov/> (accessed Oct. 16, 2014).
- ²² *Ibid.*, pp. 18-19.
- ²³ *Ibid.*, p. 22.
- ²⁴ *Ibid.*

Appendix E: Charter school application timeline, 2014-2015

Charter school sponsor submits Letter of Intent to local board and TDOE.	January 31, 2014
Sponsor submits application to the local board and TDOE.	April 1, 2014
Local board rules on initial application (within 90 days). <i>If approved, local board signs charter agreement, which includes all elements of the application.</i> <i>If denied, board sends written objective reasons for denial to sponsor.</i>	June 30, 2014
Sponsor submits amended application within 30 days of receipt of grounds for denial.	July 30, 2014
Local board rules on amended application within 30 days. <i>If approved, local board signs charter agreement, which includes all elements of the application.</i> <i>If denied, board sends written objective reasons for denial to sponsor.</i>	August 29, 2014
Sponsor appeals to state board of education within 10 days of final local decision.	September 9, 2014
State board of education or its designee holds a hearing in the school district and rules within 60 days of receipt of the appeal. <i>The state board can affirm the denial by the local board of education or remand the decision with written instructions for the local board approval of the charter.</i>	November 10, 2014*
Planning period.	8 to 13 months
School opens (unless operator chooses to defer opening).	July/August 2015

*November 8, 2014, falls on a Saturday, so the deadline changes, by law, to the following Monday.

Source: Tennessee Department of Education, "Timeline – Letter of Intent to School Opening," <http://www.state.tn.us/> (accessed August 27, 2014).

Appendix F: State profiles of authorizer funding laws

Colorado

In Colorado, local school boards and the Charter School Institute (CSI), an independent statewide authorizing agency, are allowed to authorize charter schools.¹ The authorizer may retain up to 5 percent of each charter school's per-pupil revenues to cover indirect central administrative costs associated with oversight of the school.² The methodology for calculating the fee is based on the number of pupils in the district and specific fixed costs in a district's budget, such as the salaries and benefits for administrative job classifications and support services in the business office. For example, if the total of all applicable line items divided by the district's ADM equals 2.8 percent of the district's budget, the rate for the indirect costs charged to the charter schools would be 2.8 percent of each schools' per-pupil revenue.³ Districts also have the ability to charge charter schools for direct costs associated with authorizing that are not captured in the indirect cost calculation, such as the cost of reviewing applications, negotiating contracts, direct oversight to schools,⁴ and salaries and benefits for the district's charter school office employees.⁵ Districts and charter schools are free to negotiate these rates; state law does not allow the rate to be set higher than 5 percent.⁶ Each district is required by law to provide an itemized accounting to each charter school for the direct costs incurred by the school district.⁷

Number of charter schools in Colorado (2013-14): 200⁸

Locations: 62 cities and towns⁹

Charter school students: 96,000 (11 percent of total K-12 public school enrollment)¹⁰

Authorizers: 2 – local boards of education and statewide Colorado Charter School Institute

Authorizer fee: up to 5 percent of Per-Pupil Revenue for indirect costs; negotiated payments for direct costs related to authorizing and oversight

State Average Per-Pupil Expenditure for FY 2012: \$8,548¹¹

D.C.

The D.C. Public Charter School Board (PCSB), an independent authorizing agency, is the sole authorizer of charter schools in Washington, D.C. Each charter school is its own autonomous school district and receives its local funding directly from the District and federal funds from the U.S. Department of Education.¹² The board previously received its funding from a combination of sources including a 0.5 percent fee on the total per-pupil revenues from charter schools, local government appropriations, federal grants, and philanthropic gifts.¹³ Beginning in FY2015, the PCSB will fully fund its operations with revenue collected from an increased administrative fee of 1 percent of per-pupil revenues.¹⁴ This revised funding mechanism is budgeted to collect approximately \$7.5 million for FY2015. The PCSB is subject to the oversight of the city council as well as annual budget reporting.¹⁵

Number of charter schools in DC: 60 (2012-13)¹⁶

Charter school students: 35,019 (43 percent of total K-12 population)¹⁷

Authorizers: 1 – DC Public Charter School Board¹⁸

Authorizer fee: 1 percent of per-pupil revenue¹⁹

State Average Per-Pupil Expenditure for FY 2012: \$17,468²⁰

Louisiana

In Louisiana, local school boards, a local charter authorizer, and the State Board of Elementary and Secondary Education (BESE) are allowed to authorize charter schools.²¹ The authorizer may withhold 2 percent of the charter school's per-pupil amount, less federal funding received by the charter school, for administrative overhead costs associated with application review, monitoring and oversight of the school, collection and analysis of data, and school performance reporting.²² In addition, the State Department of Education may withhold one quarter of 1 percent of state funds for certain charter schools that were once under the authority of the Recovery School District to cover administrative costs incurred for providing financial oversight and monitoring.^{23, 24} Prior to each fiscal year, the chartering authority is required by law to provide a projected budget detailing anticipated administrative overhead costs and planned uses for fees charges for such costs. Ninety days following the end of the fiscal year, the chartering authority must provide an itemized accounting of all administrative overhead costs as well as an itemized accounting of the actual cost of each purchased service provided to the charter school.²⁵

Number of charter schools in Louisiana: 117²⁶

Locations: 19 parishes²⁷

Charter school students: 59,251²⁸

Authorizers: local school boards, local charter authorizers, State Board of Elementary and Secondary Education²⁹

Authorizer fee: 2 percent of a charter school's state and local per-pupil revenue (does not include federal funds)³⁰

State average Per-Pupil Expenditure for FY 2012: \$11,379³¹

Florida

In Florida, local school boards and state universities may serve as authorizers.³² Authorizing is primarily conducted by local school boards. Two higher education institutions are currently serving as authorizers.³³ The authorizer may withhold an administrative fee of up to 5 percent from a charter's total operating budget based on weighted full time equivalent (FTE) students. This fee may be withheld for the first 250 students enrolled in the charter school. An authorizer may withhold up to 5 percent of funds for the first 500 students enrolled within a system of charter schools if the system meets certain criteria.³⁴ If a charter school or system meets the criteria for being "high-performing," the administrative fee is 2 percent or less of the operating budget. Additionally, when 75 percent or more students enrolled are exceptional the fee is based on unweighted FTE students rather than weighted FTE students.³⁵ Florida has no requirements for the public reporting of authorizer expenditures.³⁶

Number of charter schools in Florida (2013-14): 623³⁷

Locations (2013-14): 44 school districts³⁸

Charter school students (2013-14): 229,233 or 15 percent of students in grades K-12³⁹

Authorizers: 2 – local school boards and state universities⁴⁰

Authorizer fee: up to 5 percent based on the first 250 students enrolled in a school or the first 500 students enrolled in a system; up to 2 percent for high performing charter schools and charter systems⁴¹

State average Per-Pupil Expenditure for FY 2012: \$8,372⁴²

Endnotes

- ¹ Colorado Department of Education, “District and Authorizer Info,” <http://www.cde.state.co.us/> (accessed July 8, 2014). See also Colorado Charter School Institute, “Colorado Charter School Institute at a Glance,” <http://www.csi.state.co.us/> (accessed July 8, 2014).
- ² Colorado Department of Education, “Colorado Charter Schools Frequently Asked Questions – How is a charter school funded?,” <http://www.cde.state.co.us/> (accessed July 8, 2014).
- ³ Josh Abram, Senior Fiscal Analyst, Colorado Legislative Council, telephone interview, June 24, 2014; Ann Kurtz, Chief Financial Officer, Colorado Charter School Institute, telephone interview, June 25, 2014.
- ⁴ Colorado Revised Statute, 22-30.5-111.5 (g), <http://www.lexisnexis.com/>.
- ⁵ Ann Kurtz, Chief Financial Officer, Colorado Charter School Institute, telephone interview, June 25, 2014.
- ⁶ Colorado Revised Statute, 22-30.5-111.5(4)(b), <http://www.lexisnexis.com/>; Colorado Revised Statute, 22-30.5-111.5(5)(b), <http://www.lexisnexis.com/>.
- ⁷ Colorado Revised Statute, 22-30.5-111.5(8), <http://www.lexisnexis.com/>.
- ⁸ Colorado League of Charter Schools, “Charter School Facts,” <http://www.coloradoleague.org/> (accessed Oct. 13, 2014).
- ⁹ Colorado League of Charter Schools, “Infographics,” <http://www.coloradoleague.org/> (accessed Oct. 13, 2014).
- ¹⁰ Colorado League of Charter Schools, “Charter School Facts,” <http://www.coloradoleague.org/> (accessed Oct. 13, 2014).
- ¹¹ U.S. Department of Commerce, Economics and Statistics Administration, *Public Education Finances: 2012 – 2012 Census of Governments*, May 2014, p. 8, <http://www2.census.gov/> (accessed Oct. 13, 2014).
- ¹² District of Columbia Public Charter School Board, “Facts about DC Public Charter School Board and Charter Schools: October 2013,” p. 2, <http://www.dcpccb.org/> (accessed July 10, 2014).
- ¹³ Council of the District of Columbia, Public Charter School Board – Budget Oversight Documents, “FY14-15 Overall Budget,” <http://dccouncil.us/> (accessed July 10, 2014); Scott Pearson, Executive Director, DC Public Charter School Board, telephone interview, July 7, 2014.
- ¹⁴ Council of the District of Columbia, Public Charter School Board – Budget Oversight Documents, “FY14-15 Overall Budget,” <http://dccouncil.us/> (accessed July 10, 2014).
- ¹⁵ Scott Pearson, Executive Director, DC Public Charter School Board, telephone interview, July 7, 2014; Council of the District of Columbia, Public Charter School Board – Budget Oversight Documents, “FY14-15 Overall Budget,” <http://dccouncil.us/> (accessed July 10, 2014).
- ¹⁶ District of Columbia Public Charter School Board, “Facts about DC Public Charter School Board and Charter Schools: October 2013,” p. 1, <http://www.dcpccb.org/> (accessed Oct. 16, 2014).
- ¹⁷ District of Columbia Public Charter School Board, “Facts about DC Public Charter School Board and Charter Schools: October 2013,” p. 2, <http://www.dcpccb.org/> (accessed Oct. 16, 2014).
- ¹⁸ District of Columbia Public Charter School Board, “Facts about DC Public Charter School Board and Charter Schools: October 2013,” p. 2, <http://www.dcpccb.org/> (accessed Oct. 16, 2014).
- ¹⁹ Council of the District of Columbia, Public Charter School Board – Budget Oversight Documents, “FY14-15 Overall Budget,” <http://dccouncil.us/> (accessed July 10, 2014).
- ²⁰ U.S. Department of Commerce, Economics and Statistics Administration, *Public Education Finances: 2012 – 2012 Census of Governments*, May 2014, p. 8, <http://www2.census.gov/> (accessed Oct. 13, 2014).
- ²¹ Louisiana Revised Statutes 17-3973(3).
- ²² Louisiana Revised Statutes 17-3995(4)(a)(i).
- ²³ Louisiana Revised Statutes 17-3973(2)(b)(vii).
- ²⁴ Louisiana Revised Statutes 17-3995(4)(a)(ii).
- ²⁵ Louisiana Revised Statutes 17-3995(4)(c).
- ²⁶ Louisiana Department of Education, Louisiana Believes, *Expanding Quality Options, Louisiana Type 2, 4, and 5 Charter Schools, 2013-2014 Annual Report*, Dec. 2013, p. 4, <https://www.louisianabelieves.com/> (accessed Oct. 13, 2014).
- ²⁷ Ibid.
- ²⁸ Ibid., p. 7.
- ²⁹ Louisiana Revised Statutes 17-3973(3).
- ³⁰ Louisiana Revised Statutes 17-3995(4)(a)(i).

- ³¹ U.S. Department of Commerce, Economics and Statistics Administration, *Public Education Finances: 2012 – 2012 Census of Governments*, May 2014, p. 8, <http://www2.census.gov/> (accessed Oct. 13, 2014).
- ³² Florida Statute 1002.33(5)(a)1.
- ³³ National Association of Charter School Authorizers, “Florida Charter Authorizers,” <http://www.qualitycharters.org/> (accessed Oct. 13, 2014).
- ³⁴ Gavin E. Beagle, Senior Attorney, Education Committee, Florida House of Representatives, e-mail attachment, June 27, 2014.
- ³⁵ Ibid.
- ³⁶ Ibid.
- ³⁷ Florida Consortium of Public Charter Schools, *2014 Fact Sheet*, <http://floridacharterschools.org/> (accessed Oct. 13, 2014).
- ³⁸ Ibid.
- ³⁹ Ibid.
- ⁴⁰ Florida Statute 1002.33(5)(a)1.
- ⁴¹ Gavin E. Beagle, Senior Attorney, Education Committee, Florida House of Representatives, e-mail attached document, June 27, 2014.
- ⁴² U.S. Department of Commerce, Economics and Statistics Administration, *Public Education Finances: 2012 – 2012 Census of Governments*, May 2014, p. 8, <http://www2.census.gov/> (accessed Oct. 13, 2014).



OFFICES OF RESEARCH AND EDUCATION ACCOUNTABILITY
Phillip Doss, Director
Suite 1700, James K. Polk Building ■ 505 Deaderick Street
Nashville, Tennessee 37243 ■ (615) 401-7866
www.comptroller.tn.gov/orea

