

CHARTER SCHOOLS

In 1992 California became the second state in the nation to enact charter legislation granting local school and county boards of education the ability to grant "charters." These charters began with up to a 5-year contract between the granting agency and charter school operator, delineating mutually agreed upon goals and operating procedures.

A charter school represents a public school, which inherently cannot charge tuition or implement discriminatory admissions criteria. Charter schools can provide instruction for grades Kindergarten through 12 and are exempt from most laws governing school districts, except where specified by law. There is no uniform curriculum, charter school operator, or building size/condition requirements delineated in the Education code. As such, charter schools are able to incorporate different and innovate teaching strategies housed within a range of physical school settings.

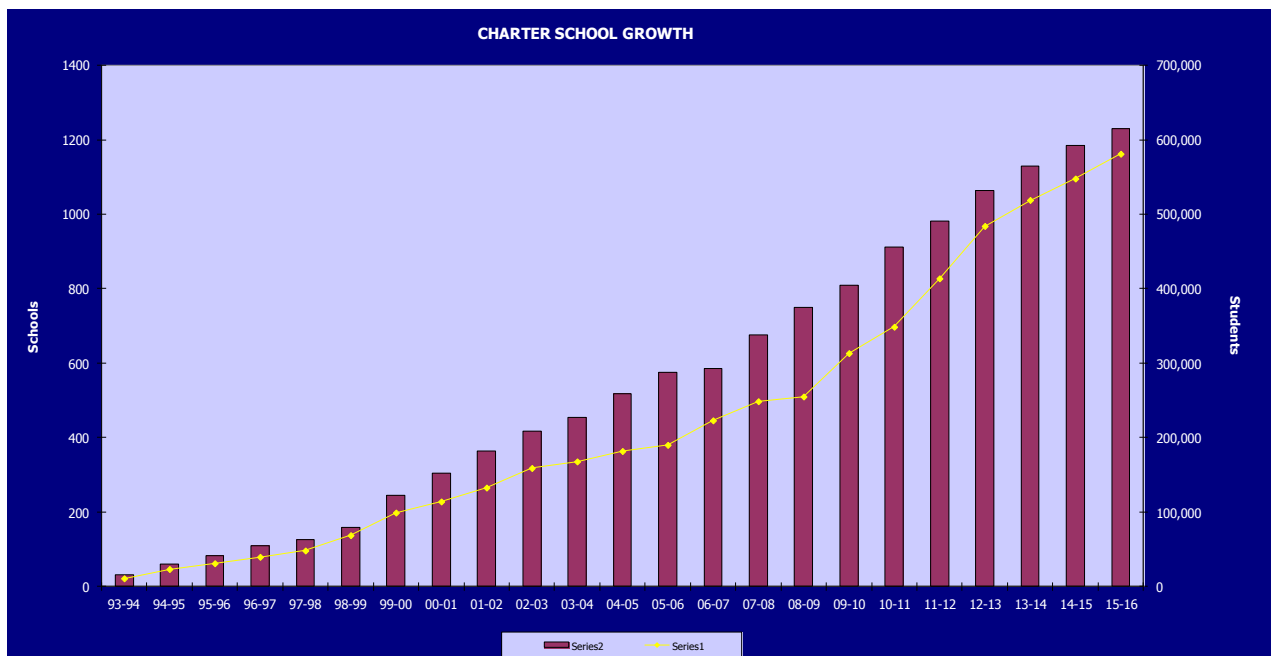
While charter schools operate independently from local school districts, they are required to participate in the statewide assessment test (STAR) and the High School Exit Exam (CAHSEE). These test scores are used to generate the Academic Performance Index (API) which, when combined with periodic visits/reviews from the local charter-granting agency, enables the local agency to gauge a charter school's performance, and determine whether to renew or revoke charters.

In California, there are two types of charter schools, start-ups and conversions. As the name suggests, start-ups are new charter schools while conversions represent conversions from traditional public schools to charter schools. A private school cannot be converted into a charter school. Conversion schools require a petition with at least 50% of teacher's signatures, while start-ups require either 50% of the teachers' signatures "meaningfully interested" in teaching at the proposed charter school or 50% of the parents' signatures of pupils expected to enroll at the school. The overwhelming majority (80%) of charter schools represent start-up schools.

Enrollment/Growth Trends

According to the National Alliance for Public Charter Schools, 80 new charter schools opened in California the 2015-2016 school year with a total of 581,100 students enrolled, a 6.7% increase in enrollment over the previous year. In the 2015-2016 year, California had the highest number of charter schools of any state in the country with 1,230 charter schools. Additionally, Los Angeles County had the largest growth, with 27 new charter schools, followed by the North Coast & Bay Area region with 21 new charters opened. The CCSA estimated that for the 2014-2015 school year, there were approximately 158,000 students on charter school waiting lists.

The chart below provides a snapshot of charter school growth trends within the state of California. As shown in the chart, both the number of charter schools and student enrollment is steadily increasing. For reference, between 2000 and 2010, 607 new charter schools opened, increasing enrollment by approximately 234,700 students. In 2011 there were 982 charter schools in California with an enrollment of 370,000 students. As previously mentioned, for the 2015-2016 school year, California had 1,230 charter schools with more than 581,100 students, representing a 6.7% increase in enrollment. While it appears that this upward trend will continue, it should be noted that there is a cap on the number of charter schools permitted. During the 2003/2004 fiscal year, the state capped the number of schools at 750; however, this can increase by 100 schools for each subsequent year. The cap on the number of charter schools for the 2015-2016 school year was at 1,950, and the cap is raised by 100 schools each year.



According to the California Department of Education, Los Angeles County has an enrollment of 1,539,260 students and LAUSD has 646,683 students as of the 2015-2015 school year. LAUSD has a total of 1,274 schools and 211 charter schools, which accounts for approximately 16.5 % of LAUSD schools and 17% of the California’s charter schools.

Performance

A June 2008 EdSource study reviewed both charter and traditional public school performance on achievement tests at the elementary, middle, and high school levels. It found that, on average, charter middle schools outperformed non-charter middle schools on all measures by substantial margins. Charter elementary schools had lower API scores, on average, than their non-charter

peers. However, when non-classroom-based charters were excluded from the analysis, the difference in API scores was no longer statistically significant.

More recently, the California Charter School Association noted that in the 2012-2013 school year, charters in LAUSD achieved an average API of 807. The association also asserted that in 2013 charter schools in LAUSD outperform traditional public schools in terms of average API scores, at every grade level and with every traditionally underserved group of students. Starting in 2014, the State suspended the API Index, and a reconstituted API will resume in the 2015-2016 school year, incorporating the new Common Core tests and Smarter Balanced assessments.

The 2013 Stanford CREDO Charter School Performance Study yielded the following major findings for charter school performance:

- Progress in the charter school sector has been slow and steady, so the average charter school student gains 8 more days of learning in reading compared to their local Typical Public School (TPS) options and makes the same learning gains in math as their TPS counterparts. These results improve on the performance reported in the 2009 CREDO study.
- The fraction of charter schools that outperform their local TPS alternatives is 25% of charter schools in reading and 29% in math. This marks an improvement since 2009 when 17% of charter schools outperformed their local TPS in math. The fraction that performed worse declined slightly in math (31% down from 37% in 2009) and in reading accounted for 19% of charter schools.
- Despite these improvements, there remain worrying numbers of charter schools whose learning gains are either substantially worse than the local alternative or are insufficient to give their students the academic preparation they need to continue their education or be successful in the workforce.
- Charter school students have markedly different learning gains across the 27 states, even after taking into consideration differences in student characteristics.
- As a group, the charter schools that were studied in the 2009 study showed modest improvements relative to TPS in the intervening years. The rise was aided by the closure of poorly performing charter schools and by declining performance of the TPS comparisons over the same period. New schools in these same states entered the analysis with performance that looked similar to the original group of schools in the previous study.

Charter School Funding

Charter schools are eligible to receive state and local funds and up until the current school year the funding came from three main sources: 1) General Purpose Entitlement Funds, 2) Charter School Categorical Block Grant Funds, and 3) Funds provided in Lieu of Economic Impact Aid. These sources are presented as "automatic" funding sources used for the operation of the school. In addition, state lottery funding for charter schools is considered an "automatic funding source" to the extent that you only need to report your school's ADA to the California Department of Education.

In school year of 2013-2014 several funding statutes in the State of California changed and the State has implemented a new funding structure that will be phased in over the next few years. The initial legislation that started the change was the passage of Proposition 30 in the November 2012 election. This proposition was passed with 55% of the vote and was designed to bring California an additional \$5.4 billion dollars in the 2012-2013 school year and \$6.2 billion in the 2013-2014 school year. These funds are provided to the schools in an effort to make up for funding cuts since the 2008-2009 school year when education budgets were slashed in order to accommodate the decline from the financial crisis that started in 2008. (See chart below)

HISTORICAL FUNDING OF CHARTER SCHOOL GENERAL PURPOSE ENTITLEMENT RATES									
Year	Grade Level								
	K-3		4-6		7 & 8		9-12		
	\$/ADA	% Chg	\$/ADA	% Chg	\$/ADA	% Chg	\$/ADA	% Chg	
1999-00	\$3,811		\$3,862		\$3,970		\$4,608		
2000-01	\$4,232	11.0%	\$4,289	11.1%	\$4,409	11.1%	\$5,117	11.0%	
2001-02	\$4,419	4.4%	\$4,477	4.4%	\$4,601	4.4%	\$5,340	4.4%	
2002-03	\$4,512	2.1%	\$4,578	2.3%	\$4,705	2.3%	\$5,463	2.3%	
2003-04	\$4,540	0.6%	\$4,606	0.6%	\$4,733	0.6%	\$5,506	0.8%	
2004-05	\$4,724	4.1%	\$4,793	4.1%	\$4,934	4.2%	\$5,732	4.1%	
2005-06	\$4,970	5.2%	\$5,040	5.2%	\$5,182	5.0%	\$6,019	5.0%	
2006-07	\$5,343	7.5%	\$5,423	7.6%	\$5,579	7.7%	\$6,471	7.5%	
2007-08	\$5,587	4.6%	\$5,671	4.6%	\$5,834	4.6%	\$6,772	4.7%	
2008-09	\$5,457	-2.3%	\$5,540	-2.3%	\$5,702	-2.3%	\$6,619	-2.3%	
2009-10	\$5,047	-7.5%	\$5,121	-7.6%	\$5,271	-7.6%	\$6,135	-7.3%	
2010-11	\$5,081	0.7%	\$5,157	0.7%	\$5,321	0.9%	\$6,153	0.3%	
2011-12	\$5,077	-0.1%	\$5,153	-0.1%	\$5,306	-0.3%	\$6,148	-0.1%	
2012-13	\$5,076	0.0%	\$5,153	0.0%	\$5,308	0.0%	\$6,141	-0.1%	

Source: California Department of Education

On July 1, 2013, Governor Brown signed school funding legislation that increased resources to the state's neediest students and restored local control over how money is spent on schools. The new legislation, called the Local Control Funding Formula (LCFF), replaced California's complex finance system for K-12 schools. Under the legislation, districts receive a per-pupil base grant; a supplemental grant based upon the number of students who are English learners, students from low-income families and/or foster youth; and an additional concentration grant for districts with more than 55% of this targeted population. Under the new system, Local Education Agencies (LEAs) and charter schools are placed in the same funding system.

The new system began implementation with the 2013-2014 school year, when all schools received a significant increase in funds with the neediest students and districts receiving enhanced aid under the legislation. The budget included \$2.1 billion for first-year implementation of these reforms for local education agencies (LEAs). When fully implemented over the estimated eight-year phase in, it is projected that the formula will spend 84 cents of each dollar on base grants for every district, 10 cents in supplemental funding for every English

learner, student from a low income family or foster child in a district and 6 cents for those districts have a particularly high concentration of these students.

By shifting funds from “categorical” grants-money tied to complex state mandates that limit how schools can use the funds, to the new per-pupil base, supplemental and concentration grants, the legislation increases local control while enhancing transparency and accountability. Each school district, charter school and County Office of Education will produce a Local Control And Accountability Plan (LCAP) that will set annual goals and describe how the local agency would use available resources.

Program Changes

Under LCFF, most revenue restrictions and categorical grants are eliminated. Below is a summary of some of the changes that will take place over the next several years:

In	Out
Revenue Limits/GPBG	Special Education
Most Flex/Freeze Sate Categoricals	Mandates
Charter School Block Grants	Senate Bill 740 Facility Grants
In Lieu of Economic Impact Aid (EIA)	Lottery
K-3 Charter School Revenue as “add-on”	ASES
CTE as “add-on”	Nutrition
TIIG- Frozen	Federal Programs
Transportation- Frozen	Common Core Grants

The main eligibility criteria include the charter and a school’s reporting of average daily attendance (ADA) to the California Department of Education (CDE). Per Article 1, Section 11960 of the Education Code, ADA is calculated by dividing a charter school’s total number of pupil-days of attendance by the number of taught calendar days.

As outlined in Senate Bill 91, Chapter 49, Section 42238.02, 5(d), for the 2013-2014 fiscal year, the Superintendent will compute a grade span adjusted base grant equal to the total of the following amounts:

Average Funding Rates	Rates	Add-ons
Base Average	\$7,356	
- K-3	\$6,845	\$712
- 4-6	\$6,947	
- 7-8	\$7,154	
- 9-12	\$8,289	\$215
Supplemental (20%)	\$1,529	
Concentration (50%)	\$3,822	

In general, funding targets under the LCFF consist of:

- **Grade span specific base grants** that reflect adjustments for grades K-3 lower class sizes (\$712) and grades 9-12 career technical education (\$215);
- **Supplemental grants** equal to 20% of the adjusted base grants multiplied by the LEA's unduplicated percentage of English learners, free and reduced-price meal eligible, and foster youth students;
- **Concentration grants** equal to 50% of the adjusted base grants multiplied by an LEA's percentage of unduplicated pupils over 55%;
- A necessary small school allowance for any qualifying school; and
- Two add-ons equal to the amounts LEAs received in 2012-2013 for the Targeted Improvement Block Grant and Home-To-School Transportation programs.

Funding Targets

The calculation of LCFF funding in the 2013-2014 and throughout the phase-in is based on an LEA's prior year funding (funding floor) as well as its LCFF target amount. In most cases, an local education agencies' (LEA's) funding floor consists of their 2012-2013 deficated revenue limit, including basic aid fair share reductions, and charter general purpose funding (including the charter school categorical block grants) divided by 2012-2013 average daily attendance (ADA), multiplied by current year ADA, plus the sum of any applicable categorical program funding.

Actual funding in the 2013-2014 and subsequent years is based on the difference between the LEAs funding floor and its LCFF target (the LCFF gap). For the 2013-2014 fiscal year, LEAs will receive their funding floor amount plus a portion of their LCFF gap. Each fiscal year thereafter, an LEA's funding amount will be based on recalculation of its LCFF target and its funding floor including any prior year transition funding converted to a per-ADA value and then adjusted for current year ADA. The State Department of Finance estimates that portion of the gap that will be funded will be 11.78% in 2012-2013, 16.49% in 2014-2015, and 18.69% in 2015-2016.

Economic Impact Aid (EIA)

LCFF funding calculations are based on the 2012-2013 funding amount for EIA program folded into the LCFF, plus additional transitional funds. The LCFF provides LEAs with funding without reference to past categorical programs thus the portion of LCFF funding attributable to 2012-2013 funding will not separately be identified and will not be subject to EIA spending requirements. However, for supplemental and concentration grants, LEAs will be required to improve services for students in proportion to the number of high need students (low-income students, English learners, and foster youth) who generated the additional funds. The State Board of Education will adopt regulations regarding how such expenditure of funds will be managed to demonstrate compliance. Additionally, any EIA carryover funds must be used as originally purposed for English learners and educationally disadvantaged youth.

Local Control and Accountability Plans (LCAP)

As previously mentioned, under the new system, LEAs will be given significant discretion on how to spend apportioned funds. As part of this flexibility, the LCFF will require LEAs to prepare Local Control and Accountability Plans (LCAPs), which describe how they intend to meet annual goals for all pupils, with specific activities to address state and local priorities identified. The governing board of each LEA shall adopt an LCAP on or before July 1, 2014. The law requires the State Board of Education (SBE) to adopt the LCAP template for LEA use before March 31, 2013. LCAPs will not replace the federal requirements related to Local Educational Agency Plans (LEAPs) required under the federal Elementary and Secondary Education Act. However, the LCAP template will be developed in such a manner that meets both the LCAP requirements and the federal requirements.

Implications for Charter Schools

New charter schools should stand to benefit under LCFF as they will start with local district equivalent funding including K-3 Class Size Reduction, Target Instructional Improvement Grants (TIIG), transportation, adult education and regional occupation centers/programs (ROC/P). Also new school location will impact funding as starting funding depends on the average of the local district. Below is a chart of the estimated difference in funding based on location.

Scenario for new school (75% High Need)	Estimated 2013-14 Funding per pupil
Prior Law New School	6,238
LCFF New in Torrance Unified	6,780
LCFF New in LAUSD	7,751

There are concerns over the exclusion of some programs (such as TIIG and Home to School Transportation) from the base formula and how these omissions will retain inequalities. Below is a summary of the key charter category exclusions:

Excluded Categoricals	Per Charter ADA
Target Instructional Improvement Grants (TIIG)	\$171
Home to School Transportation	\$ 70
TOTAL	\$241

Federal Funds

Title I, Part A (No Child Left Behind) provides Federal financial assistance, through State Educational Agencies (SEAs), to Local Educational Agencies (LEAs) to meet the educational needs

of children who are failing or are most at risk of failing to meet a State's challenging content and student performance standards in schools with high concentrations of children from low-income families. In general, when allocating Title I, Part A funds, SEAs and LEAs must treat public charter schools in a manner consistent with the Title I statute and regulations and take all reasonable steps to ensure that public charter schools receive their full allocations.

Funds are used to support effective, research-based educational strategies that close the achievement gap between high-and low-performing students and enable the students to meet the state's challenging academic standards. Title I-funded schools are either targeted assistance schools or school-wide program schools. This funding is only available to children eligible for the free and reduced price meals program. The formulas to determine the amount of funding are complicated and vary.

Charter Schools Facilities Funding Program

One of the special state funding sources is the Charter School Facilities Grant Program (CSFP). This reimbursement program was created in 2001 to help reimburse new charter schools pay for rental facilities, with the state paying the lesser of \$750 per average daily attendance or 75% of leasing costs. The state initially appropriated \$10 million for the 2001-02 school year however, only \$5.2 million was received in applications. As such, the following year (2002-03) \$7.7 million was appropriated, while \$8 million was received in applications. Due to this shortfall, eligible schools only received a pro-rated, 96% reimbursement. According to the California Department of Education (CDE), the reimbursement rate for 2004-05 reflected a similar, 57%, reimbursement rate and in 2006-07 the reimbursement rate was 55%. Reimbursement for the 2008-09 school year was \$23,559,948.

In 2008 the State of California passed SB 740 which solidified the rental reimbursement up to 75% of annual facilities rent and lease costs for eligible charter schools but no more than \$750 per ADA. A charter school site must be geographically located within the attendance area of a public elementary school in which at least 70 percent of the pupil enrollment is eligible for free and reduced price meals, or serving a pupil population that meets or exceeds 70 percent eligibility for free and reduced price meals. SB 740 replaces the previous CSFP and replaces it with permanent funding at the level of \$750 per average daily attendance or 75% of leasing costs. This amount is scheduled to increase each year for 5 years until the amount of \$1,500 per average daily attendance is reached. This bill was passed to provide stability for the rental funds, however given the current budget crisis in the state it is unsure if these funds will be impacted.

State Charter School Facilities Inventive Grants Program

Beginning in 2005, the United States Department of Education implemented a new program comparable to the state's CSFP. This program, the State Charter School Facilities Inventive Grants Program is a 5-year program administered through the California School Finance Authority.

A total of \$50,000,000 was appropriated for this program, with annual disbursements totaling \$10,000,000.

Eligibility criteria are similar to those of the state's CSFP, with both programs requiring a minimum of one year of operation as a charter school. However, while the state's program reimburses leasing costs incurred during the *prior* school year, the federal program targets costs to be incurred in a *future* school year. Eligible charter schools can apply to both programs. However, charter schools that receive grant funds under either of the programs cannot receive funding in excess of 75% of annual lease costs through either program, or in combination with either program, for any one school year. Also, by accepting this funding, the charter school will be required to meet the design requirements imposed by the Department of State Architects, which—among other requirements—has minimum requirements for classroom size. In July 2009, the Facilities Incentive Grant Program announced the final year of funding. Twenty charter schools throughout the State received a portion of the funds. However, most of the schools were located in Los Angeles, with the funds being allocated toward their debt service. In 2010-2011 budget \$60 million was funded for this program.

Charter School Facility Criteria

Charter schools are exempt from the facilities laws that apply to school districts, and there are no other specific facilities requirements in state law for charter schools. However, charter schools may be bound by state facilities requirements if they are in a district-owned facility or if they are using state facilities' funds. Generally, charter school facilities would be an issue of local jurisdiction between the charter school, its authorizing entity, and local building, fire, and safety authorities.

According to a representative with Pacific Charter School Development (PCSD), desired properties for charter school conversion include those with good ingress/egress, 1-story structures that are ADA compliant and buildings that are sprinklered. They also look for properties with few interior load-bearing walls to allow for reconfiguration. The representative indicated a strong operator is looking for facilities that could accommodate up to 500 students, although it is our understanding that many charter schools have less than 300 students. According to PCSD, the typical classroom size is 27 square feet per student, plus 100 square feet for the teacher. The typical school size can vary depending on grade level. For high schools, the general size is 80 to 95 square feet per student. For middle schools, the average size is 75 to 85 square feet per student, while elementary schools are in the 65 to 75 square foot range. PCSD indicated that parking requirements generally consist of 1 space per classroom plus some ancillary parking. The representative indicated that Pacific Charter School Development is paying \$15,800 to \$17,600 per seat for a Charter School, including retrofit costs.

Charter School Rents

Rent for charter schools can vary. Several companies we spoke with provided different ranges with respect to the allocation for facilities rent. Green Dot Schools views their rents on a portfolio basis and strive to keep rents at no more than 20% of state funds. They see these funds as a fixed cost with little room for change, so fluctuations in state funding results in cuts to other portions of their budget. According to KIPP Academy of Opportunity, they have been working with the Los Angeles Diocese to identify sites and ideally do not want to spend more than \$1,000 per student, per year. Pacific Charter School Development looks for rents for high school students to top at \$1,300 per student per year and the goal for middle school students is \$1,100 per year. They indicate that with the recent funding cuts, some charter schools are adding one or two students per classroom to make up the difference on a temporary basis. According to a representative with the Inner City Education Foundation, they try to keep rents at no more than 10% of operating income. According to a representative with the Alliance for College Ready Public Schools, they would ideally want to limit rents to \$1,300 per student for high schools and \$1,100 per student for middle schools. While not providing a per student allocation, a representative with Aspire Public School indicated that they typically do not want to spend more than 10% of their state ADA-based monies on rent.