

***BEYOND DISCORD: RESOLVING THE
TENSIONS BETWEEN CHARTER AND
PUBLIC SCHOOLS***



REPORT OF THE
MASSACHUSETTS ASSOCIATION OF
SCHOOL SUPERINTENDENTS
CHARTER SCHOOL TASK FORCE

MARCH, 2005

MASS CHARTER SCHOOL TASK FORCE MEMBERS

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James Caradonio, Superintendent, Worcester Public Schools

Members

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Jay Barry, Superintendent, North Berkshire School Union
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A REPORT OF THE MASS CHARTER SCHOOL TASK FORCE

EXECUTIVE SUMMARY

The Massachusetts experiment with charter schools has created mixed results but widespread controversy. Authorized as part of the Education Reform Act of 1993, charter schools were meant to be laboratories of innovation that would demonstrate the power of the marketplace. By suspending the bureaucratic and union rules under which school districts function, charter schools, in theory at least, were expected to produce exceptional results for children.

Ten years later, 48 Commonwealth charter schools are in operation in Massachusetts. Only a few charter schools appear to outperform their community's public schools and many have been declared to be "in need of improvement" or "underperforming." As a result, many questions are now being raised about their viability as a reform solution. In addition, it has become clear that charter schools drain valuable financial resources away from the sending school districts, making it even more difficult for the sending district to move reform forward.

The experiment with charter schools has been an expensive one. Since 1993, the state has invested more than \$1 billion to fund charter schools and to partially reimburse school districts for the initial years of lost charter tuition. In fiscal year 2005, the charter school program will cost the state and school districts \$171.2 million to serve 17,733 students or \$9,655 per student. In addition, these small schools must maintain their own administrative, financial and capital operations. This significantly increases administrative overhead and takes valuable resources away from instructional services to children.

Complicating the experiment further has been the application and approval process for charter schools. The process has become highly contentious. The contentiousness has created a negative environment in which charter schools must operate and draws valuable time and resources from public schools combating the possibility of a charter school opening in or near their community.

The financial, educational and political tensions now surrounding charter schools have polarized the debate about their effectiveness—to the point where it is difficult to assess dispassionately the problems with the experiment or the benefits of providing educational alternatives. After ten years of experimentation, the flaws within the initial legislation, regulations, and Department of Education implementation are apparent. If charter schools are to be a successful experiment, if school districts are to live with and learn from charter successes, and if the state is to provide policy guidance through legislation that will advance reform and student performance, it is now time to correct the flaws in the current financial and policy structure that support this experiment.

In the fall of 2004, the Massachusetts Association of School Superintendents convened a working group of more than twenty active superintendents to discuss these issues and formulate recommendations to address the critical weaknesses in the charter school initiative. After numerous meetings to review the data on charter school funding, policy, and performance, we have concluded that a workable charter school experiment may be able to succeed alongside the existing public school system. However, this will require that the state carefully study current charter school performance, restructure the financing of charter schools, and reform the policies and regulations that guide their development and implementation.

After extensive study, the MASS Charter School Task Force developed a detailed set of recommendations that can decrease tensions, advance reform, and help us learn from this experiment. This executive summary can only highlight the major recommendations.

Clearly the most contentious issue between public school districts and charter schools has been the issue of funding. The current funding system for charter schools excessively compromises school districts and serves to undermine rather than advance reform. In the area of charter finance, the MASS Charter School Task Force recommends that:

1. To address the financial issues created by the current charter funding system in which school districts carry the entire tuition burden, the state should restructure the financing of charter schools in a way that is consistent with the school choice program. The tuition paid by school districts would be a maximum of either \$5,000 or 75% of per pupil spending of the sending school district. The state would provide the difference between the portion of the tuition paid by the school district and the full tuition calculated by the charter school tuition formula so that the state shares the financial burden of this experiment and cover the excess administrative costs created by charter schools. In addition, capital costs for charter schools should expenditure driven and funded directly from the state in a separate line item.
2. The state should improve the financial responsibility and accountability of charter schools by requiring charter schools to complete the standard end-of-the-year financial reports, comply with the uniform procurement act, assess cities and towns based on existing enrollment and formal registrations, and update waiting lists yearly using a standardized parental intent to register form.
3. There should be transitional financial assistance to school districts impacted by the closure or non-renewal of a charter school and the liquidated assets of that school be returned to the sending school districts.

In the area of the charter application and approval process, the MASS Charter School Task Force supports the set of internal Department of Education recommendations based on its review of this process in November 2004. However, additional steps are necessary in order that all parties feel heard, decisions are made without bias, community concerns are given appropriate consideration, and charters are approved

that have the best chance of appropriately serving all students. Therefore, the Task Force offers recommendations to:

1. Reestablish the centrality of replicable innovation in the application and renewal processes;
2. Improve the ability of charter schools to attract and address the needs of children who need special education and English language learning services;
3. Ensure local engagement from the inception of the proposal;
4. Address issues related to where charters are situated;
5. Provide more accurate demonstrations of local interest;
6. Ensure information is provided to applicants and school districts in a timely manner;
7. Enhance fairness, transparency and accountability within the Department of Education's review process;
8. Ensure unbiased and judicious decisions by the Board of Education;
9. Enhance financial transparency and accountability within the application process; and
10. Expand the data maintained by the Department of Education on student, teacher, and administrator attrition rates at charter schools.

Finally, an experiment in innovation and reform of this scale deserves continuing and thorough scrutiny to ensure that this is a worthwhile expenditure of scarce taxpayer dollars. The MASS Charter School Task Force recommends that before spending additional resources on charter schools, the state initiate a full and independent review of the effectiveness of our charter school policies and the schools themselves. This kind of comprehensive and independent study could provide powerful insights into how well charter schools are advancing reform in Massachusetts, how well they are serving Massachusetts children, and how well they are meeting the mission of replicable innovation defined for them in the Education Reform Act of 1993. In addition, this study could provide policy recommendations to improve the success rate for future charter schools and give the public confidence that their tax dollars are spent judiciously.

The Commonwealth has a rare opportunity to decrease tensions, advance reform, and continue to learn from the experiments and innovations we initiate. The MASS Charter School Task Force believes that charter schools can play a role in improving public education if we hold them to high standards of quality and innovation and ensure that they do not adversely impact children who remain in the public schools. MASS is confident that the recommendations in charter school finance, in the application and review process, and in support of a thorough and independent review of charter school performance offered in this report will enable the state to accomplish that.

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TABLE OF CONTENTS

INTRODUCTION.....	1
CHARTER SCHOOL FINANCE REFORM	2
Exclusion of Special Education Tuitions and Retired Teachers Health Insurance	3
Capital Costs for Charter Schools	4
The Unaddressed Second Dimension: Financial Responsibility for Charter Tuition	4
Financial Accountability	6
Financial Implications of Charter Non-Renewal	9
CHARTER APPLICATION AND APPROVAL PROCESS	9
Local Engagement from Inception of the Proposal.....	10
Issues Related to Where Charters Are Located	10
Demonstrating Local Interest.....	12
Information Provided to Applicants and School Districts	13
The Review Process within the Department of Education.....	14
Identification of Innovation within the Application	15
Serving a Diverse Student Body.....	16
Public Hearings and Board of Education Involvement	18
Financial Transparency and Accountability	18
Department Reports on Charter Schools	19
INDEPENDENT EVALUATION.....	19
CONCLUSION	22
APPENDIX A.....	23
APPENDIX B.....	25
APPENDIX C	29

INTRODUCTION

The Massachusetts experiment with charter schools has created mixed results but widespread controversy. Authorized as part of the Education Reform Act of 1993, charter schools were meant to be laboratories of innovation that would demonstrate the power of the marketplace. By suspending the bureaucratic and union rules under which school districts function, charter schools, in theory at least, were expected to produce exceptional results for children. Rather than being drawn from a solid base of research on school improvement, the charter school experiment was grounded in the hope that these freely operating schools would provide the competition and the innovative programs and forms of organization that, by their outstanding performance, would drive reform in public schools.

Ten years later, 48 Commonwealth charter schools are in operation in Massachusetts. Only a few charter schools appear to outperform their community's public schools and many have been declared to be "in need of improvement" or "underperforming." As a result, many questions are now being raised about their viability as a reform solution. In addition, it has become clear that charter schools drain valuable financial resources away from the sending school districts, making it even more difficult for the sending district to move reform forward.

The experiment with charter schools has been an expensive one. Since 1993, the state has invested more than \$1 billion to fund charter schools and to partially reimburse school districts for the initial years of lost charter tuition. In fiscal year 2005, the charter school program will cost the state and school districts \$171.2 million to serve 17,733 students or \$9,655 per student. What escalates these costs so far beyond the average per pupil expenditure for the state is the duplication of administrative, building and maintenance expenses to start up and run these experimental schools.

As the charter school experiment has progressed, it has also become evident that changes need to be made in the application, review and approval process. This application process has become one of the most contentious initiated by the Education Reform Act. The contentiousness has created a negative environment in which charter schools must operate and has drawn valuable time and resources from public schools combating the possibility of a charter school opening in or near their community.

The financial, educational and political tensions now surrounding charter schools have polarized the debate about their effectiveness—to the point where it is difficult to assess dispassionately the problems with the experiment or the benefits of providing educational alternatives. After ten years of experimentation, the flaws within the initial legislation, regulations, and Department of Education implementation are apparent. If charter schools are to be a successful experiment, if school districts are to live with and learn from charter successes, and if the state is to provide policy guidance through legislation that will advance reform and student performance, it is now time to correct the flaws in the current financial and policy structure that support this experiment.

In the fall of 2004, the Massachusetts Association of School Superintendents convened a working group of more than twenty active superintendents to discuss these issues and formulate recommendations to address the critical weaknesses in the charter school initiative. After numerous meetings to review the data on charter school funding, policy, and performance, we have concluded that a workable charter school experiment may be able to succeed alongside the existing public school system. However, this will require that the state carefully study current charter school performance, restructure the financing of charter schools, and reform the policies and regulations that guide their development and implementation. We have a rare opportunity to decrease tensions, advance reform, and continue to learn from the experiments and innovations implemented in the past ten years. MASS believes that, if adopted, the recommendations offered in this report will enable the state to maintain its commitment to choice and alternatives for some, while safeguarding the historic mission of public schools for all.

Our recommendations fall into three categories:

- Finance reform and financial accountability
- Charter application and approval
- An independent evaluation of the charter school program

CHARTER SCHOOL FINANCE REFORM

Funding is clearly the most contentious issue between public school districts and charter schools. The issue has two dimensions. The first dimension involves establishing a “fair” tuition for students attending a charter school. There has been much debate over how to determine that tuition and what elements within the foundation budget and within the net school spending formula should be included in the tuition paid to a charter school.

The second dimension is the determination of what funds should be transferred from the public school to the charter school for each student who enrolls. Some offer the answer of “dollars should follow the student,” indicating that the foundation dollars allocated to the public school for that student are simply transferable to the charter school. However, this fails to acknowledge that the savings a district realizes when a student leaves is marginal compared to the foundation allocation for that student. Currently, the financial cost to public school districts for charter tuition has compromised the majority of students remaining in the public school for the benefit of the few who decide to attend a charter. Because the current funding system for charter schools excessively compromises school districts, it serves to undermine rather than advance reform. In addition, it creates a hostile environment for charter schools and a destructive relationship between charters and public schools.

Over the past year, the Governor and legislature have looked for ways to solve these two financial issues. The solution passed by the General Court and signed by the Governor last year only addressed the first dimension. The solution enacted into law in 2005 uses the foundation spending by the sending district for the particular type and grade level of the student as the basis for the tuition. It excludes from consideration out-of-district special education tuitions and health insurance for retirees from this calculation. The legislation corrected the most significant problem with the prior formula

by basing tuition on the type of student rather than on the average per pupil spending for all students.

Although the new tuition is now fairer because it weights the relative cost of educating individual students, there is still debate about the inclusion of other elements in the formula, such as charges for municipal administration, that is, the portion of town administrative salaries and expenses designated as school-related expenses under the net school spending formula. Because charter schools are smaller and purportedly leaner administratively, this cost, in particular, may not be appropriate as part of the tuition formula.

Although debate remains about whether these and other charges are appropriate, the MASS Charter School Task Force decided to not recommend changes in this aspect of the formula. However, two concerns with the formula remain significant and are addressed below: The method for calculating the exclusion of retired teachers health insurance and the inclusion of capital costs in charter tuitions.

Exclusion of Special Education Tuitions and Retired Teachers Health Insurance

Two aspects of the formula that the legislature and Governor clearly thought should be excluded from the calculation of charter tuition were special education tuitions and retired teachers health insurance. Charter schools would not incur either of these costs, yet they often represent a significant portion of a school district's net school spending. However, the current formula minimizes this deduction for the retired teachers health insurance by the way it is calculated.

Given the complexity of the tuition formula an example may be a better way of illustrating the problem. Assume, for example, that a district has a foundation budget of \$40 million and net school spending of \$50 million. Therefore, the district spends \$10 million or 25% above foundation. Assume that the district expends \$2 million on retired teachers health insurance. A simple and sensible way to exclude these costs would be to reduce the district's net school spending by \$2 million, thereby reducing the amount over foundation to \$8 million or 20%. Based on this calculation, the tuition for each charter school would be increased by 20%.

However, this is not what currently occurs. Rather than reducing the total net school spending, the Department of Education calculates the percentage retired teachers' health insurance represents of net school spending. In this case it is 4%. The amount above foundation, or \$10 million in this case, is then reduced by 4%, or only \$400,000. For the purposes of calculating the charter tuition, the district is seen as spending \$9.6 million above foundation and each charter school tuition would be increased by 24% instead of 20%.

The difference between these two methods of calculating the amount above foundation makes a difference in what the school district is charged and what the charter school receives. If the foundation budget for a particular student was \$8,000, the tuition would be \$9,600 in the first scenario and \$9,920 in the second. In essence, the charter school is getting 80% of what should be excluded costs. This, in effect, further compromises the sending district that is paying the tuition and provides charter schools with funding in excess of the intention of the formula. As a result, the charter school is given an unfair

advantage in per pupil expenditures. In addition, it adds to the total cost of the charter school experiment as this additional cost increases the cost of the state relief provided to the sending school districts.

As a result of this weakness in the charter school formula, the MASS Charter School Task Force recommends that:

1. Retired teachers health insurance should be deducted from net school spending in total prior to calculating the district's spending above foundation.

Capital Costs for Charter Schools

Another factor included in the tuition charged to school districts is the state average for capital costs. For FY05 this represents an additional \$742 per student attending a charter school. Rather than being funded separately by the state, this amount is deducted from a district's Chapter 70 aid. Although it is clear that charters require financial support for capital costs, this method of calculating what those costs will be and who will pay those costs is problematic.

In all communities across the Commonwealth, capital costs are dependent on approval of a governmental body, often Town Meeting, after extensive review and deliberation on what is necessary and affordable within the community's revenue base. There is no allocation for capital costs within the foundation budget to boost a district's ability to fund capital expenditures. However, in the case of charter schools, these schools receive a state-wide average amount for capital expenditures that they do not have to expend on capital costs and when they do expend these on capital items, there is no public accountability for these expenditures. Therefore, the Task Force recommends:

1. Capital costs for charter schools should be drawn from a state account for that specific purpose. Charter school capital costs should not be included in the tuition costs for charter students drawn from Chapter 70 funds.
2. Capital costs for charter schools should be expenditure driven, not assumed in a fixed dollar amount. There should be established an accountability system that assures that capital costs are related to capital expenditures and an oversight system to determine the appropriateness and ownership of capital assets.

The Unaddressed Second Dimension: Financial Responsibility for Charter Tuition

The issue of what amount a charter school should receive for a student is very different than the issues of what the sending school district should pay for that student to attend the charter school or how that tuition should be funded. Other school choice formulas such as the Metco formula or the inter-district school choice formula acknowledge that the cost of losing or receiving a student is not the full per pupil foundation amount for that student but the marginal cost of educating an additional student. The charter formula fails to acknowledge that the sending school district can only realize this marginal savings, not the full foundation amount for that student. If one student leaves, expenditures for capital projects, maintenance, administration, utilities and other administrative costs remain constant. In most cases, it is impossible to save the costs of a teacher since charter students may come from different schools and grade levels. It is

only when the number of students leaving a district reaches a significant level that there is any actual savings for the district. In the case of a student who transfers from a private school to a charter school, the district of residence not only has no savings with which to match even a portion of the tuition, but is incurring new costs that go beyond the normal budget. (An example of the potential marginal savings realized by the loss of students is in Appendix C.)

The current solution to this dimension of the financial issue is charter school relief aid that provides funds in declining amounts over three years for increases in charter enrollments from the sending school district. This solution is based on the assumption that the sending district will eventually adjust to the loss in revenue.

Although this strategy provides some initial relief, it is not a long-term solution since eventually the school district will be required to carry the entire burden of tuition as well as those administrative and infrastructure costs that it cannot cut when the student leaves. In the long term, this establishes a vicious cycle in which charter tuitions force compromises in staffing and programming in a school district that then encourages more students to leave for charter schools which in turn creates further reductions in staffing and programming. This presents a no-win situation for public education and leaves public schools without the financial resources to improve programs, implement innovation, and enhance student performance. Therefore, instead of stimulating reform and innovation in public education, the charter funding formula only undermines improvement efforts.

Requiring school districts to carry the entire burden of the charter tuitions fails to acknowledge the fact that these schools add significant administrative costs to the state system of public education. Over time, public school districts have reached efficient administrative levels to meet the demands for financial accountability, administrative oversight, and curricular leadership. For many years, the state encouraged regionalization in order to make these administrative operations more efficient. Yet, by establishing another system of small independent schools, each with its own administrative, fiscal and curricular support system, the state has essentially added significantly to the administrative cost of public education statewide. Moreover, the formula sets the expectation that the sending school districts are ultimately responsible for paying for the costs of this duplication of administrative expenses.

The MASS Charter School Task Force believes that the funding formula should be fair and equitable to all parties involved. Public school districts should not be fiscally compromised by a state experiment that they do not control or endorse. We believe that an equitable funding formula should be built on the past precedent of other choice programs, such as school choice, and be based on the concept of marginal savings. School districts should be held financially responsible for the transfer of these marginal savings to the charter school. The remainder of the tuition should come directly from the state budget. The essential elements of the Task Force's recommendation include:

1. Public school districts would be charged a maximum tuition rate of either \$5,000 or 75% of per pupil spending of the sending district, whichever is less for each student attending a charter school. Students attending the charter school would be included in the foundation enrollment figures of the sending district, as school choice students are now.

2. The budget allocation set for the charter school would be based on the foundation budget and reflect the individual type of program (e.g., elementary, middle, high school, etc.) and the needs of the student, (e.g. low-income, special education, etc.) as reflected in the foundation budget. The foundation budget should be adjusted to exclude costs not incurred by the charter school (e.g., out-of-district special education tuitions, retired teachers pensions, etc.).
3. The difference between the contribution of the sending school district and the foundation budget for the charter school would be funded through a line item in the state budget.
4. Private, parochial, and home school students who did not attend a public school in the year prior to their enrollment in the charter school would be funded 100% by the state for their first year of enrollment in the charter school.

The state currently authorizes and supports three choice programs: METCO, school choice and charter schools. All of these programs provide opportunity and choice for parents and students. School choice and charter schools were also intended to stimulate innovation and competition that would improve public education overall. However, the costs to school districts for students participating in each of these programs is very different and currently inequitable. This proposal would bring equity in terms of costs to districts between the school choice and charter school programs since both would require districts to contribute a maximum of \$5,000 or 75% of per pupil spending, whichever is less. We encourage the legislature to pursue equity for the METCO program as well.

By building on the concept of marginal savings, the educational opportunity of the students remaining in the district would not be compromised. This is the basic principle behind the formula developed for school choice and appears to be a fair one when applied to charter schools.

This also provides a more equitable balance between district and state funding. Since charter schools are a state authorized initiative rather than an initiative of the sending school district, the excess administrative costs created by charter schools should logically be borne by the state through direct funding. In fact, direct state funding of charter schools would enhance public and legislative accountability for this expensive experiment.

The most significant benefit of moving to a school choice formula is that it could significantly improve relations between public school districts and charter schools. Relieving the financial strain that charter schools place on sending school districts could create a more collaborative environment that supports innovation and improved student performance.

Financial Accountability

In the process of developing this report, the Task Force sought to evaluate how expenditures for charter schools compared with those of the sending public schools. For example, were the administrative expenses at charter schools greater or less than those

of the sending school? What was the average per pupil spending for special education and English language learners at charter schools? What costs did charter schools incur for building maintenance and extraordinary maintenance in comparison to public schools? We found that none of these comparative questions could be answered because charter schools are not required to complete an End-of-the-Year Financial Report as submitted by every public school district in the state. Instead, charter schools are able to file a relatively simple audited financial statement. The detail in the statements varies from school to school so that comparisons are impossible even among charter schools.

The state auditor in a report issued June 15, 2004 entitled "Independent State Auditor's Review of Certain Aspects of Charter School Financial Results and Financial Reporting Fiscal Years 2002 and 2003" (No. 2004-5110-17C) noted that charter schools used four different methods of financial reporting. The report found that:

The various reporting methods used by charter schools, in some instances, limited the ability for effective comparisons to be made between certain charter school account balances....Based on the limitations we encountered during our review of these financial statements, we believe DOE should consider establishing more specific guidelines as to what reporting model charter schools should use in preparing their financial statements (p. 10-11).

If comparisons among charter schools are difficult, comparisons with school district expenditures are impossible given the difference in reporting methods. This situation undermines the degree to which charter schools can be held fiscally responsible and accountable. It also severely compromises the state's ability to assess the cost-effectiveness of this experiment.

The foundation formula has allocations built into it for administrative and fiscal accounting, including municipal administration. In essence, charter schools are receiving the same allocation for these accounting costs as public school districts. The MASS Charter School Task Force strongly recommends that all charter schools be required to complete the standard End-of-the-Year Financial Report. This will bring consistency in reporting and allow the state and the public to assess how these schools operate in comparison to each other and to public school districts.

In addition, charter schools do not have to comply with the Uniform Procurement Act. Although cumbersome, the Uniform Procurement Act serves as an important control to avoid issuing financial contracts to friends and associates and to ensure that public funds are spent in ways that are fiscally responsible. With total expenditures exceeding \$171 million, charter schools now represent the equivalent of the fourth largest school district in the state. In the state auditor's report referenced above, the auditor found that for 24 of 48 charter schools the net income as a percent of total revenue equaled or exceeded the 5% guideline set by the Operational Service Division in 808 CMR 1.05 (p. 15-19). The state auditor also found that the cumulative net assets of 47 of the 48 charter schools totaled \$54,975,231 as of June 30, 2003, of which only \$15,277,574 was held in fixed assets (p. 14). Charter schools represent a significant financial entity in the Commonwealth. As the number of charters grows and the ability of the Department of Education to monitor all their financial operations diminishes, it would be prudent for charter schools to comply with the Uniform Procurement Act.

Finally, significant questions have been raised about the way charter schools project enrollment and the credibility of waiting lists. For example, projected enrollment in charter schools in FY05 was 18,536. Yet, actual enrollment was 17,733 or 803 less than projected. In spite of the inability of charters to meet their projected enrollments, many maintain that they have numerous students on waiting lists. The over-projection of charter school enrollments has significant implications for the public schools districts from which charter students come. Because the initial estimate of tuition to be paid by a community is based on early projections of charter enrollment, districts are often forced by the city or town to make budget reductions to compensate for these losses. Although the actual tuition cost is adjusted once the charter schools report their actual enrollment, it is often too late in the year for the city or town to increase the school budget accordingly. Complicating the problem further, the district still must provide for those students who were projected to enroll in the charter school but remained in the district.

For example, because of the inaccurate enrollment projections of the Prospect Hill Charter School, Somerville was forced to budget almost \$752,000 more for charter school costs in FY05, than it has, ultimately, been obligated to pay. Although the tuition amount was adjusted after the charter school reported its actual enrollment, it has come too late for the city to increase the school budget accordingly. Complicating the problem further, the district still must provide for those 70 students who were projected to attend but did not enroll in the charter school. Therefore, over-projection accentuates the financial challenges faced by districts across the state.

To address these problems of financial accountability, the MASS Charter School Task Force recommends:

1. All charter schools will be required to complete the standard End-of-the-Year Financial Report consistent with public school districts.
2. Charter schools will be required to comply with the Uniform Procurement Act.
3. Assessments from cities and towns for charter school enrollment will be based on existing enrollment and formal registrations as of April 1 of the prior school year and be adjusted to reflect actual enrollment based on average daily enrollment for the year.
4. Waiting lists for enrollment in charter schools must be supported by a standardized "intent to register" form submitted by parents to the charter school within the prior twelve months.

Financial Implications of Charter Non-Renewal

The Board of Education has the authority to close a charter school or non-renew a charter. These decisions tend to be made by the Board in February, which is well into or past the budget development cycle of most school districts. In cases where this has occurred, students were to return to their school district of residence the following September. The MASS Charter School Task Force believes that school districts need financial support for the transition of these students back into their home school. (See Appendix C for an example of the potential transition costs associated with the closing of a charter school).

In addition, the remaining assets of charter schools that are closed such as capital equipment and financial reserves should be distributed to the districts that provided the tuition to charter school. In the case of the first Lynn Charter School these assets were distributed to other charter schools in other communities. Therefore, we recommend that:

1. There should be transitional financial assistance provided to school districts significantly impacted by the closure or non-renewal of a charter school and the liquidated assets of a closed charter school should be returned to those school districts that provided tuitions to the charter school.

CHARTER APPLICATION AND APPROVAL PROCESS

The charter application and approval process has come under increasing criticism from community members and school districts. The concerns about the process focus on a number of problem areas including inadequate attention to local concerns and circumstances, charges of bias within the process, and approval of schools that didn't meet the standards set by the Department of Education. In the fall of 2004, the Department of Education completed an internal review of the application and review process and found numerous areas that could be improved. (For the complete review see http://finance1.doe.mass.edu/charter/charter_reg.html#VI.) However, the recommendations offered in this internal review—many of which are discussed in detail below—do not go far enough. Beneficial as they are, they are not sufficient to provide a process in which all parties are heard, decisions are made without bias, community concerns are given appropriate weight, and charters are approved that have the best chance of appropriately serving all students.

Recently, several charter schools have had their charters revoked. These failed charter schools consumed \$37 million of public funds. In addition, hundreds of children and their parents needed to disrupt their educational programs and relocate to other schools. An inadequate charter school review process has serious financial and human costs. Given the importance of protecting children from being the subjects of untested experiments, it is important to restructure the process to ensure local input, quality programming, and a fair process for all involved. For these reasons, the MASS Charter School Task Force proposes the following changes to the application and approval process.

Local Engagement from Inception of the Proposal

The current application and approval process is often a contentious one between the local community and those interested in founding a charter school. We believe that this is, in part, due to the lack of local involvement and local dialogue prior to the filing of an application. Often, the first time a community or school district hears of a proposal for a charter school in its community is when an application is formally filed. In many cases, the concerns presented in the proposal have never been presented as concerns to the local school committee or the community at large. In addition, the lists of individuals supporting the charter school are often garnered through a wide variety of means including proponents standing outside supermarkets and malls getting petitions signed. The names on these petitions are rarely checked for community residence, children in school, or sincere interest in supporting the charter school, thereby raising serious questions about the charter school's claim of local support.

We believe there is a much better process that would reduce the contentiousness, provide serious evidence of local support and guarantee a fair hearing on the potential benefits and problems with a charter school application.

As a first step, the local community or communities have a right to be consulted on issues that will entail costs to the taxpayers of the community. The community should also have the option of attempting to address the interests and/or concerns giving rise to the potential charter school prior to the application process. Therefore, we offer the following recommendations:

1. The individual or group interested in proposing a charter school would submit their ideas and/or concerns to the local school committee so that potential local solutions for these interests and/or concerns can be explored within the existing structure of the school district(s). The local school committee(s) would have 90 days to provide a formal response to these interests and concerns.
2. Following hearing the school committee's response, the individual or group interested in proposing a charter school could submit their plan to the Department of Education either with or without the support of the local school committee(s). The submission would include a written description of the local process followed, including minutes of school committee meetings, and any potential solutions proposed by the local school committee(s) for addressing the interests and/or concerns of the applicants for a charter, and the reasons that the school committee(s) proposed solution was not accepted.
3. The charter applicants would be required to notify the relevant school committee(s) that they would be submitting an application thirty days prior to the submission date and the school committee(s) would be offered the opportunity to submit their plan for addressing the interests/concerns along with the application.

Issues Related to Where Charters Are Located

The Department of Education's review of the charter application and review process points out that one significant area of tension is where, and in which communities in Massachusetts, charter schools are located. The statute, G.L.c.71, § 89(i), requires the

Board to approve at least three charters in districts with below-average performance. To address the concern over a fair process for making judgments about which charter schools should receive priority, the Department of Education offered two recommendations. These were:

With respect to the requirement in G.L. c. 71, § 89(i) that at least three new charter schools must be located in districts whose students' MCAS performance is at or below the statewide average, the Department - through a unit separate from the Charter School Office - should conduct the analysis of district performance in relation to proposed charter school locations as early in the application review process as possible. The Department should include this information in the record that goes to the Board and the public.

The Department and the Board should consider adopting a policy that would give priority for new charters to schools that will serve students in districts that are low performing, either on an absolute basis or relative to similar districts.

MASS Charter School Task Force supports the Department's recommendations but believes that these do not go far enough in solving the problem of where charter schools are situated. In a number of cases, a regional charter school has indicated within its proposal that it will draw students from a specific set of communities and bases its proposal on the performance in those communities. However, once the charter has been approved, the school attempts to attract students from a much wider set of communities. Using this strategy, the charter school can then attempt to attract populations of students that are easier to educate, moving away from their original mission of addressing the needs identified in the application. An example of this is the current practice of the Advanced Math and Science Academy (AMSA). The application indicated that AMSA would draw students from the four communities of Marlborough, Hudson, Maynard and Clinton. The application indicated that these communities were selected because of the performance results in math and science. However, once the charter was approved and application process begun, AMSA advertised broadly, including placing large advertisements in the Worcester Telegram and Gazette. The AMSA website reports that AMSA attracted 283 students from 49 communities including such high-wealth, high-performing districts as Wayland, Sudbury, Andover, Newton, and Acton, but only 71 from Marlborough and a handful from the other three original communities. Although not illegal, this practice clearly undermines the integrity of the application process and the intent to support charter schools in low-performing districts. More significant, it changes the very character of the school from the one delineated in the application proposal.

In part, the need to move beyond the original communities is often due to the failure of the charter school to attract a sufficient number of students from the proposed host communities. Proposals for charter schools tend to overestimate projected enrollment so as to guarantee sufficient funds to open the school. Once their charter is approved, the charter school is under significant pressure to secure the necessary enrollment to provide the program that was described in the proposal. In fact, new charter schools have rarely reached the enrollment figures projected for their first year enrollment within their proposal. This lack of realism in the proposal itself then becomes a serious issue for the charter school and the students who initially enroll in the formative years. This is

also an issue for the host communities whose funding is seriously disrupted by the exaggerated projections.

In other cases, charter schools have simply moved to another community. The South Shore Charter School is relocating from Hull to Norwell. The Pioneer Valley Performing Arts Charter School is moving from Hadley to South Hadley. The Berkshire Arts and Technology Charter School, which indicated it would open in North Adams, located instead in Adams. Yet, none of these the new “host” communities was given any of the due process rights provided to host communities through the initial application process.

In order to provide an application process that realistically estimates early enrollment figures, clearly identifies host communities, provides new host communities with an opportunity for input into the approval of an expansion or relocation, and controls for issues of serious under-enrollment, the MASS Charter School Task Force proposes that:

1. For the first year of the charter school’s existence, the charter school recruitment must be contained to the communities approved in the proposal.
2. After the first year, to move beyond the host communities or to relocate to a new community, the charter school must request an amendment to its charter from the Board of Education. Communities impacted by this amendment would be provided the opportunity to respond to the proposed amendment with all the process rights provided to districts in the original application process.
3. If the charter school cannot attract at least 75% of the projected enrollment from the approved host communities by March 31 of the school year prior to opening, the opening of the charter school would be delayed for one year. If the charter school cannot attract 75% of the project enrollment from the approved host communities by March 31 of the following year, the charter would be withdrawn.
4. The charter enrollment would be validated through the submission of parental “intent to register” forms developed by the Department of Education and used by all charters. This standardized registration form would include such information as home address, grade level, student status, parental signatures, and other information necessary for the verification of this information through town census or Department of Education databases. Prior to approval of the charter opening, the intent to register forms would be validated by the Town Clerks in the host communities and by the Department of Education.

Demonstrating Local Interest

A highly contentious issue in the charter application process is the requirement that a charter school demonstrate “tangible ties to the community.” As the Department’s internal review points out, this is an appropriate requirement but it lacks specificity and definition in the application process. It was meant, on the one hand, to ensure local interest, local support, and local commitment. On the other hand, it was meant to prevent communities being targeted by non-residents motivated by making a profit or pursuing goals not in the best interest of the community. In order to address this issue the Department of Education recommended that:

With respect to the requirement in the application that an applicant demonstrate "tangible ties to the community," the Department and the Board should consider adopting a benchmark that a certain percentage of a charter school's trustees shall be residents of the community or communities that the charter school will serve.

MASS Charter School Task Force supports the Department's recommendation and would suggest that community residents make up more than 50% of the charter school's trustees. However, we believe this is insufficient to address the problem. Tangible ties to the community should also be demonstrated through support from 1) local community leadership, 2) significant community organizations, and 3) prospective parents in the community. As public schools, charters should not simply be a vehicle for supporting the private interests of a select group of individuals, but a means of addressing a significant community need. The intention of the original legislation was to provide sites where innovation could be tested and later replicated in public schools. These were not meant to be opportunities for individuals to establish a publicly funded private school that would serve the interests of the few over the many. Therefore, we recommend that:

1. Community residents must represent more than 50% of a charter school's trustees.
2. The charter application will include letters of support from local community leaders serving in elected and appointed governmental positions.
3. The charter application will require letters of support from community organizations within the host community or communities serving the broad interest of the community.
4. The charter application will require the submission of parental "intent to register" forms from at least 50% of the projected enrollment on a standardized registration form indicating such information as home address, grade level, student status, parental signatures, and other information necessary for the verification of this information through census or Department of Education databases. The intent to register forms would be validated by the town clerks office(s).
5. Any petitions submitted in support of the opening of a charter school would also require validation of residence of any who signed the petition by the town clerk.

Information Provided to Applicants and School Districts

The Department of Education's review also considered the issue of what information should be provided to applicants and affected school districts and when this information should be provided. The review offered two recommendations in this area:

The Department should, as early as possible in the application process, provide information to applicant groups, local school officials, the Board and the public about the net school spending caps in the affected communities in relation to existing and proposed charter schools in those communities, per G.L. c. 71, § 89(i).

The Department should continue to provide the materials relating to the proposed charter applications to the Board and to the public (particularly local school officials) as far in advance as possible of the dates on which hearings will be held, public comments are due, or charter decisions will be made. The Department should consider whether any additional steps can be taken that would expedite the preparation and posting of the materials without compromising the quality of the review process.

Again, the MASS Charter School Task Force concurs with these recommendations and adds the following to create a more open and transparent process:

1. All information submitted by a charter school shall be immediately copied to the affected districts.
2. Any Department of Education report by internal reviewers shall immediately be made available to the charter school applicant and affected districts.
3. All application materials, internal reports and reviews, material in support or in opposition shall be made available to all parties at least ten working days in advance of the meeting at which the Board of Education will consider the application. There shall be a ten working day freeze on any new material to be made available to the Board of Education prior to the day of the Board of Education vote on a charter application.

The Review Process within the Department of Education

The Department of Education's practice in reviewing charter school applications has fallen short of standards for transparency and accountability, leaving the Department open to charges of bias and lack of thoroughness. In some cases, Department review has appeared to favor some applications over others, particularly those whose development was funded by organizations such as the Pioneer Institute or Building Excellent Schools. In other cases, there is an appearance of impropriety by, for example, allowing substantive changes to the application after the filing date. The Department's failure to review petitions of support and the subsequent discovery of fraudulent signatures suggest a lack of thoroughness that does not serve the state well.

Changes in the review process are essential so that recommendations for new charter schools are based on accurate information, thorough review, and serious consideration of a variety of viewpoints.

Acknowledging that the review process within the Department of Education could be significantly improved, the Department's internal review recommended that:

The Department should revise the interview process for final applicants. First, the Department should make clear that the interview is not the time for the applicant to make substantive amendments to the final application. If a final application is fundamentally flawed, the Department should (as it typically does) provide feedback to the applicant group and invite them to submit a stronger application in the future. Once a final application has been filed, only minor, non-substantive amendments should be allowed. In addition, the Department should maintain a

written record of interviews that it conducts with final charter applicants, and include that record with the final application materials that are provided to the Board, local school officials and the public in a timely manner.

MASS Charter School Task Force agrees with this recommendation. However, there are other changes needed to ensure fairness, transparency and accountability within this process. It is critical that the Department and the Board of Education be seen as unbiased and thorough. They must use agreed upon standards of measure and follow a process that protects everyone from charges of bias. Therefore, we recommend the following:

1. The Department of Education should administratively separate the review and approval process from the charter school technical assistance process so that the process of review and approval remains unbiased.
2. The Department shall have a set of rubrics and standardized scoring for the approval of a charter application that is published and distributed to affected communities. The Department shall report the review of each charter application against the rubric and standards at each stage in the process.
3. The DOE shall require that public school administrators and representatives serve in comparable numbers to charter representatives on review panels for applications in order to provide a greater sense of fairness in the process and a broader understanding of educational issues.
4. The Department shall verify and authenticate petitions and letters of support or opposition and parental intent to register forms.
5. No Board of Education member shall vote on a charter application if that member serves on the board or is an employee of a charter school or an organization advocating for or supporting charter school expansion or development.

Identification of Innovation within the Application

Educational innovation to improve student performance was a central principle in the rationale for launching charter schools. In fact, three of the seven purposes outlined in the legislation establishing charter schools set innovation as a priority.

The purposes for establishing charter schools are: (1) to stimulate the development of innovative programs within public education; (2) to provide opportunities for innovative learning and assessments;...and (7) to provide models for replication in other public schools. (G.L. c. 71, § 89(d))

This was so important to the legislators who drafted the bill that they made replication of innovation central to the renewal of a charter.

The board of education shall develop procedures and guidelines for revocation and renewal of a school's charter;...provided that a commonwealth charter shall not be renewed unless the board of trustees of the charter school has documented in a manner approved by the board of education that said

commonwealth charter school has provided models for replication and best practices to the commissioner and to other public schools in the district where the charter school is located. (G.L. c. 71, § 89(II))

In the Department of Education's document "Defining Characteristics of a Charter School," the Department reiterates the centrality of innovation to the mission of the charter school. It reads:

Charter school reform was established to promote new, innovative options in delivering public education to our children. The intent goes beyond simply creating a few new alternative school programs. Charter schools are to be educational laboratories where educators can investigate new dynamics and methods to be replicated by the larger school system.

The centrality of replicable innovation has been largely ignored in the application and review process. Many charter schools lack any significantly innovative program that doesn't already exist in a public school. Charter schools frequently appear to be only smaller expressions of educational practices already underway in hundreds of schools statewide. Very few, if any, of the charter schools that are genuinely innovative have been successful in creating replicable models. In addition, the requirement that a charter provide models of replication and best practice as part of the renewal process has been largely ignored by the Board of Education. The application, review and renewal process needs to reestablish the centrality of this mission within the process. The MASS Charter School Task Force recommends that:

1. As part of the application process, charter applicants will identify innovations proposed in the plan, provide a plan for how the charter school will demonstrate success of the innovations it proposes, and how it plans to replicate these innovations within the sending school systems.
2. As part of the renewal process, charter schools will identify innovations that have been successfully implemented, the evidence that supports the effectiveness of these practices, and how it has replicated these innovations within the sending school systems.

Serving a Diverse Student Body

There is also much debate about the degree to which charter schools serve a diverse student body. Charter advocates tend to compare aggregate data about all charter schools to state data on diversity. These data give the impression that charter schools serve a population more diverse than that of the state. However, this tends to be misleading. When examined in the context of the communities from which the charter draws students, most are markedly less diverse. This is particularly true in the case of special education children and English language learners. Charter schools serve a much smaller population of these students than the public schools from which they draw students.

For example, not one of the sixteen charter schools in Boston serves the same percentage of special needs students as the city's public system from which they draw their students. Only five charter schools enroll any students who are learning English as

a second language, even though seventeen percent of Boston Public School students are English language learners. In fact, one of the most significant complaints is that charter schools structure and advertise themselves in ways that attract students who are easier to educate, often higher achieving students.

In its “Defining Characteristics of a Charter School,” the Department of Education defines the public mission of charter school as:

As any other school in the public school system, a charter school must be accessible to all school-aged children, regardless of their race, color, national-origin, creed, gender, athletic performance, special need, proficiency in English, physical or mental disability or academic achievement.

In the past the Department of Education has recommended charter applications that do not adequately address accommodations necessary for special needs, English language learner, and other populations. This should not be allowed. It is the Department’s duty to be pro-active in ensuring that the plans put in place by a charter school fully address the legal and regulatory requirements for serving these children and are proactive in recruiting these children. The Department acknowledged this need within its review and recommended that:

The Department should continue its careful attention to each school's recruiting practices and each school's compliance with its legal obligations to serve students with disabilities and English language learners.

Again, the MASS Charter School Task Force believes that more needs to be done in this area. We recommend that:

1. The Department of Education will require as part of the approval process that charters provide detailed plans for addressing the needs of English Language Learners and special education students and for meeting civil rights requirements in compliance with Department regulations.
2. Within the application, the charter will provide research on how the proposed program and plan will improve the academic performance of subgroups of the community or communities disaggregated on the basis of the No Child Left Behind categories.

Public Hearings and Board of Education Involvement

In the review and approval process, it is particularly important that the Board of Education--the key decision-maker in approving a charter--have all the information necessary to make a sound decision; provide a full hearing of different viewpoints on a charter application; ensure that a charter serves the greater public good; assess the degree to which the charter meets the core mission of the enabling legislation; and make unbiased and judicious decisions. One of the most significant complaints about the process is that the Board has been strongly biased in favor of charter schools to such an extent that inadequate applications have received approval. Hearing these concerns, the Department of Education made the following recommendations:

The Department should ensure that at least one public hearing on each charter school final application is held in or within a convenient distance of the community or communities in which the charter school will be located.

The Department should provide to each member of the Board a copy of all of the written comments (or at least the letters from local school officials) submitted to the Department on each final application, as well as a summary of the comments. The Department could encourage respondents to submit their own executive summary with their letter of comment, if they wish to do so.

The Board should consider establishing a committee of its members to attend the public hearings on charter schools, review in detail the comments received from local school officials and other members of the public on final applications, and report to the Board before it votes on granting new charters. The Board as a whole would still receive, review and discuss all of the materials.

MASS Charter School Task Force believes these are important recommendations and would add the following to further ensure unbiased and judicious decisions:

1. At least three Board of Education members shall be available at all public hearings. Public hearings shall only be held in the affected communities for that charter school application.
2. In order to serve on the Board of Education, a member shall not be a trustee or employee of a charter school or of a charter school advocacy organization.

Financial Transparency and Accountability

As charter schools expand around the country and seek to open franchises within Massachusetts, it is vitally important that we maintain financial transparency and accountability within the application and review process. The process should ensure that public funds serve the best interests of the children of the Commonwealth rather than the private profit interests of a larger corporation. In addition, it is vital that those managing charter schools have the qualifications necessary to provide sound fiscal and budgetary management.

The lack of regulations governing management contracts and the absence of competitive bidding on charter school contracts may explain the high level of

compensation that has accrued to SABIS Education Management for operating its International Charter School in Springfield. Not only does the company earn 12 percent of the school's tuition, or more than \$3.78 million since 2002, it also takes in 100 percent of any budget surplus at the close of the school year. Over the past three years, SABIS has realized more than \$2.8 million in "surplus," even as the Springfield Public Schools were forced to eliminate more than 300 teaching and staff positions.

Therefore, the MASS Charter School Task Force recommends that:

1. Minimum qualifications and requirements shall be developed for key positions of charter schools such as the executive director, principal, and chief financial officer.
2. Founders, principals, and members of charter school boards of directors shall file disclosures relative to their personal financial involvement and gain.
3. The application will identify any management arrangements and contracts to parent companies.
4. The DOE shall establish regulations governing the financial conditions and obligations of management contracts. In particular, the DOE shall establish regulations relative to the contract amount and to how much of any surplus a management firm may retain.

Department Reports on Charter Schools

In addition to financial transparency and accountability, it is vital that the Department maintain accurate records on student, teacher and administrator attrition rates as one element of charter school accountability. These attrition rates should be considered as part of the renewal process. The MASS Charter School Task Force is in full agreement with the Department of Education's review recommendation that:

The Department should strengthen its reporting on student attrition and enrollment policies in charter schools. The Department should expand its reports on charter schools by adding data on the number of students enrolled in each grade that the charter school serves, as well as stating the grades at which the school enrolls (or does not enroll) new students.

INDEPENDENT EVALUATION

Charter schools have clearly captured the interest of some parents and legislators who believe these programs will stimulate innovation in public education and better serve their children. However, the public is not always aware that charters are a costly experiment requiring state and local dollars above normal expenditures. In FY05, the charter school program will require an estimated \$171 million of school district and state funds. With 17,733 students enrolled in charter schools, the taxpayers of the state are investing \$9,655 per pupil to sustain this program.

FUNDING SUPPORT FOR THE CHARTER SCHOOL PROGRAM FY05	
Charter Tuition Payment including Capital	\$162,716,184
Hold Harmless Aid to Charter Schools	\$5,988,356
Charter School Grants	\$2,301,790
Regional Transportation Aid to Charters	\$200,000
TOTAL	\$171,206,330
Total Charter School Enrollment	17,733
<i>Total Cost per Enrolled Charter Student</i>	<i>\$9,655</i>

In contrast, the state will expend only \$75 million on the Department of Education’s early childhood program, \$23 million on full day kindergarten, \$14 million on school nursing and school-based health centers, and \$201 million for relief to all school districts statewide for educating special education students.

Given the significant investment of public funds, an experiment of this scale deserves continuing and thorough scrutiny to ensure that this is a worthwhile expenditure of scarce taxpayer dollars. Many people have raised concerns about student performance and other issues that have not received significant review. For example, charter school advocates indicate that charter students are more diverse than the state population. In fact, most charters enroll far fewer special education and low-income students than the districts from which their students are drawn. In addition, few English language learners are represented in the charter school population. Many observers believe that charters are essentially skimming the easiest to educate students from the public schools.

Student attrition in the vast majority of charters is troubling. It may be easy for a charter to perform well if struggling students choose to leave the school. High teacher and administrator turnover in charter schools raises questions about instructional quality, program stability, and working conditions. With a few exceptions, the general academic performance of charters appears to be no better than the sending school performance. With the significant investment the state is making in charters, the standards and expectations for charter student performance should be much higher.

Moreover, few of the innovations put in place by charters have application to the public schools--the original intent for creating charter schools in 1993. Although some charters work collaboratively with the local district or offer programs that public schools cannot provide, many are simply well-funded private enterprises that are no better, and sometimes worse, than the public schools from which they draw their students.

In spite of these concerns, there have been very few formal evaluations of this expensive experiment in Massachusetts. The MASS Charter School Task Force recommends that before spending additional resources on charter schools, the state initiate a full and independent review of the effectiveness of our charter school policies and the schools themselves. Given scarce resources for public education, it is time to make sure that this experiment is worthy of further investment. An independent assessment will enable the state and the public to make better public policy decisions about the future of education in Massachusetts.

We recommend that this independent evaluation assess the following:

1. The pattern of student, teacher and administrative attrition in comparison with sending school districts to assess the stability of the instructional program and leadership provided by the charter school and to assess the ability of charter schools to retain students and highly qualified personnel.
2. Student recruitment and enrollment patterns, particularly for subgroups identified under the No Child Left Behind Act, in order to ascertain the degree to which charter schools reflect the student distribution of sending school districts. The study should also assess the attrition rate for various subgroups in order to identify the type of students who leave the charter school and the reasons for leaving.
3. The qualifications and certifications of teachers and administrators staffing the charter schools to assess the degree to which children are taught by highly qualified personnel.
4. The accuracy of the waiting lists currently reported for enrollment in charter schools.
5. Due process compliance for special education and English language learners and the degree to which charter schools make appropriate accommodations for these students.
6. Compliance with statutes governing the operations of public institutions such as the open meeting law, public bidding laws, and the public records law.
7. The degree to which the charter schools' programs are consistent with and sustain the original intent outlined in the approved application.
8. The degree to which charter schools have created innovative teaching and learning models applicable to the sending public schools and have shared this information with the sending public schools.
9. The pattern of spending for various categories identified in the End-of-the-Year report such as administration, financial management, instruction, special education, maintenance, etc. in comparison with the sending public schools.
10. The general management of student discipline through expulsions, suspensions and other disciplinary actions.
11. Improvement in student performance as compared to that of the sending school districts.
12. The identification of particularly successful and unsuccessful educational practices among charter schools with a delineation of those successful practices that may be replicable within public schools.

This kind of comprehensive and independent study would provide powerful insights into how well charter schools are advancing reform in Massachusetts and how well they are serving Massachusetts children. In addition, this study could provide policy recommendations that could improve the success rate for future charter schools and give the public confidence that their tax dollars are spent judiciously.

CONCLUSION

The legislature's original intent in establishing charter schools was to stimulate innovation and competition that could improve the overall quality of public education in the Commonwealth. To date, charter schools have not realized this vision. The MASS Charter School Task Force believes that charter schools can play a role in improving public education if we hold them to high standards of quality and innovation and ensure that they do not adversely impact children who remain in the public schools.

After more than ten years of experience with this experiment, it is vital that we finally address the financial issues that compromise the education of many for the benefit of the few by shifting to a school choice-based formula for district contribution to charter school tuition. We need the state to share in the financial responsibility for the experiment it has launched. And we need to ensure financial accountability on the part of charter schools.

But we also need to go further. At a time when funding to education is still severely constrained, we need to set the bar higher for performance of charter schools. We need to improve the application and review process so that all see it as fair and judicious. If implemented, the task force recommendations have the potential of changing the environment within which charter schools function from one of antagonism and contentiousness to one of co-existence and shared interest.

Finally, as with any innovation, we need to step back and assess the results of this experiment in innovation and competition. We need an independent study in order to carefully examine the benefits that charter schools have provided and the issues that limit their success. An independent and thorough study of the charter experiment will enable policy makers to make data-driven decisions about the future role of charter schools within the education reform movement.

APPENDIX A

RECOMMENDATIONS FROM THE DEPARTMENT OF EDUCATION'S
REVIEW OF THE CHARTER SCHOOL APPLICATION AND AUTHORIZATION
PROCESS
OCTOBER 15, 2004

...In light of the concerns that have been raised about the process, however, we make the following recommendations to the Department and the Board:

In general:

2. The Department should revise the interview process for final applicants. First, the Department should make clear that the interview is not the time for the applicant to make substantive amendments to the final application. If a final application is fundamentally flawed, the Department should (as it typically does) provide feedback to the applicant group and invite them to submit a stronger application in the future. Once a final application has been filed, only minor, non-substantive amendments should be allowed. In addition, the Department should maintain a written record of interviews that it conducts with final charter applicants, and include that record with the final application materials that are provided to the Board, local school officials and the public in a timely manner.
3. With respect to the requirement in G.L. c. 71, § 89(i) that at least three new charter schools must be located in districts whose students' MCAS performance is at or below the statewide average, the Department - through a unit separate from the Charter School Office - should conduct the analysis of district performance in relation to proposed charter school locations as early in the application review process as possible. The Department should include this information in the record that goes to the Board and the public.
4. The Department and the Board should consider adopting a policy that would give priority for new charters to schools that will serve students in districts that are low performing, either on an absolute basis or relative to similar districts.
5. The Department should, as early as possible in the application process, provide information to applicant groups, local school officials, the Board and the public about the net school spending caps in the affected communities in relation to existing and proposed charter schools in those communities, per G.L. c. 71, § 89(i).
6. With respect to the requirement in the application that an applicant demonstrate "tangible ties to the community," the Department and the Board should consider adopting a benchmark that a certain percentage of a charter school's trustees shall be residents of the community or communities that the charter school will serve.

7. The Department should ensure that at least one public hearing on each charter school final application is held in or within a convenient distance of the community or communities in which the charter school will be located.
8. The Department should provide to each member of the Board a copy of all of the written comments (or at least the letters from local school officials) submitted to the Department on each final application, as well as a summary of the comments. The Department could encourage respondents to submit their own executive summary with their letter of comment, if they wish to do so.
9. The Department should continue to provide the materials relating to the proposed charter applications to the Board and to the public (particularly local school officials) as far in advance as possible of the dates on which hearings will be held, public comments are due, or charter decisions will be made. The Department should consider whether any additional steps can be taken that would expedite the preparation and posting of the materials without compromising the quality of the review process.
10. The Board should consider establishing a committee of its members to attend the public hearings on charter schools, review in detail the comments received from local school officials and other members of the public on final applications, and report to the Board before it votes on granting new charters. The Board as a whole would still receive, review and discuss all of the materials.
11. The Department should continue its careful attention to each school's recruiting practices and each school's compliance with its legal obligations to serve students with disabilities and English language learners.
12. The Department should strengthen its reporting on student attrition and enrollment policies in charter schools. The Department should expand its reports on charter schools by adding data on the number of students enrolled in each grade that the charter school serves, as well as stating the grades at which the school enrolls (or does not enroll) new students.

APPENDIX B

CHARTER SCHOOL TASK FORCE RECOMMENDATIONS

CHARTER SCHOOL FINANCE REFORM

Exclusion of Special Education Tuitions and Retired Teachers Health Insurance

1. Retired teachers health insurance should be deducted from net school spending in total prior to calculating the district's spending above foundation.

Capital Costs for Charter Schools

1. Capital costs for charter schools should be drawn from a state account for that specific purpose. Charter school capital costs should not be included in the tuition costs for charter students drawn from Chapter 70 funds.
2. Capital costs for charter schools should be expenditure driven, not assumed in a fixed dollar amount. There should be established an accountability system that assures that capital costs are related to capital expenditures and an oversight system to determine the appropriateness and ownership of capital assets.

Financial Responsibility for Charter Tuition

1. Public school districts would be charged a maximum tuition rate of either \$5,000 or 75% of per pupil spending of the sending district, whichever is less for each student attending a charter school. Students attending the charter school would be included in the foundation enrollment figures of the sending district, as school choice students are now.
2. The budget allocation set for the charter school would be based on the foundation budget and reflect the individual type of program (e.g., elementary, middle, high school, etc.) and the needs of the student, (e.g. low-income, special education, etc.) as reflected in the foundation budget. The foundation budget should be adjusted to exclude costs not incurred by the charter school (e.g., out-of-district special education tuitions, retired teachers pensions, etc.).
3. The difference between the contribution of the sending school district and the foundation budget for the charter school would be funded through a line item in the state budget.
4. Private, parochial, and home school students who did not attend a public school in the year prior to their enrollment in the charter school would be funded 100% by the state for their first year of enrollment in the charter school.

Financial Accountability

1. All charter schools will be required to complete the standard End-of-the-Year Financial Report consistent with public school districts.
2. Charter schools will be required to comply with the Uniform Procurement Act.
3. Assessments from cities and towns for charter school enrollment will be based on existing enrollment and formal registrations as of April 1 of the prior school year and be adjusted to reflect actual enrollment based on average daily enrollment for the year.
4. Waiting lists for enrollment in charter schools must be supported by a standardized "intent to register" form submitted by parents to the charter school within the prior twelve months.

Financial Implications of Charter Non-Renewal

1. There should be transitional financial assistance provided to school districts significantly impacted by the closure or non-renewal of a charter school and the liquidated assets of a closed charter school should be returned to those school districts that provided tuitions to the charter school.

CHARTER APPLICATION AND APPROVAL PROCESS

The Task Force supports the Department of Education's recommendation listed in Appendix A. In addition, we recommend the following:

Local Engagement from Inception of the Proposal

1. The individual or group interested in proposing a charter school would submit their ideas and/or concerns to the local school committee so that potential local solutions for these interests and/or concerns can be explored within the existing structure of the school district(s). The local school committee(s) would have 90 days to provide a formal response to these interests and concerns.
2. Following hearing the school committee's response, the individual or group interested in proposing a charter school could submit their plan to the Department of Education either with or without the support of the local school committee(s). The submission would include a written description of the local process followed, including minutes of school committee meetings, and any potential solutions proposed by the local school committee(s) for addressing the interests and/or concerns of the applicants for a charter, and the reasons that the school committee(s) proposed solution was not accepted.
3. The charter applicants would be required to notify the relevant school committee(s) that they would be submitting an application thirty days prior to the submission date and the school committee(s) would be offered the opportunity to submit their plan for addressing the interests/concerns along with the application.

Issues Related to Where Charters Are Situated

1. For the first year of the charter school's existence, the charter school recruitment must be contained to the communities approved in the proposal.
2. After the first year, to move beyond the host communities or to relocate to a new community, the charter school must request an amendment to its charter from the Board of Education. Communities impacted by this amendment would be provided the opportunity to respond to the proposed amendment with all the process rights provided to districts in the original application process.
3. If the charter school cannot attract at least 75% of the projected enrollment from the approved host communities by March 31 of the school year prior to opening, the opening of the charter school would be delayed for one year. If the charter school cannot attract 75% of the project enrollment from the approved host communities by March 31 of the following year, the charter would be withdrawn.
4. The charter enrollment would be validated through the submission of parental "intent to register" forms developed by the Department of Education and used by all charters. This standardized registration form would include such information as home address, grade level, student status, parental signatures, and other information necessary for the verification of this information through town census or Department of Education databases. Prior to approval of the charter opening,

the intent to register forms would be validated by the Town Clerks in the host communities and by the Department of Education.

Demonstrating Local Interest

1. Community residents must represent more than 50% of a charter school's trustees.
2. The charter application will include letters of support from local community leaders serving in elected and appointed governmental positions.
3. The charter application will require letters of support from community organizations within the host community or communities serving the broad interest of the community.
4. The charter application will require the submission of parental "intent to register" forms from at least 50% of the projected enrollment on a standardized registration form indicating such information as home address, grade level, student status, parental signatures, and other information necessary for the verification of this information through census or Department of Education databases. The intent to register forms would be validated by the town clerks office(s).
5. Any petitions submitted in support of the opening of a charter school would also require validation of residence of any who signed the petition by the town clerk.

Information Provided to Applicants and School Districts

1. All information submitted by a charter school shall be immediately copied to the affected districts.
2. Any Department of Education report by internal reviewers shall immediately be made available to the charter school applicant and affected districts.
3. All application materials, internal reports and reviews, material in support or in opposition shall be made available to all parties at least ten working days in advance of the meeting at which the Board of Education will consider the application. There shall be a ten working day freeze on any new material to be made available to the Board of Education prior to the day of the Board of Education vote on a charter application.

The Review Process within the Department of Education

1. The Department of Education should administratively separate the review and approval process from the charter school technical assistance process so that the process of review and approval remains unbiased.
2. The Department shall have a set of rubrics and standardized scoring for the approval of a charter application that is published and distributed to affected communities. The Department shall report the review of each charter application against the rubric and standards at each stage in the process.
3. The DOE shall require that public school administrators and representatives serve in comparable numbers to charter representatives on review panels for applications in order to provide a greater sense of fairness in the process and a broader understanding of educational issues.
4. The Department shall verify and authenticate petitions and letters of support or opposition and parental intent to register forms.
5. No Board of Education member shall vote on a charter application if that member serves on the board or is an employee of a charter school or an organization advocating for or supporting charter school expansion or development.

Identification of Innovation within the Application

1. As part of the application process, charter applicants will identify innovations proposed in the plan, provide a plan for how the charter school will demonstrate success of the innovations it proposes, and how it plans to replicate these innovations within the sending school systems.
2. As part of the renewal process, charter schools will identify innovations that have been successfully implemented, the evidence that supports the effectiveness of these practices, and how it has replicated these innovations within the sending school systems.

Serving a Diverse Student Body

1. The Department of Education will require as part of the approval process that charters provide detailed plans for addressing the needs of English Language Learners and special education students and for meeting civil rights requirements in compliance with Department regulations.
2. Within the application, the charter will provide research on how the proposed program and plan will improve the academic performance of subgroups of the community or communities disaggregated on the basis of the No Child Left Behind categories.

Public Hearings and Board of Education Involvement

1. At least three Board of Education members shall be available at all public hearings. Public hearings shall only be held in the affected communities for that charter school application.
2. In order to serve on the Board of Education, a member shall not be a trustee or employee of a charter school or of a charter school advocacy organization.

Financial Transparency and Accountability

1. Minimum qualifications and requirements shall be developed for key positions of charter schools such as the executive director, principal, and chief financial officer.
2. Founders, principals, and members of charter school boards of directors shall file disclosures relative to their personal financial involvement and gain.
3. The application will identify any management arrangements and contracts to parent companies.
4. The DOE shall establish regulations governing the financial conditions and obligations of management contracts. In particular, the DOE shall establish regulations relative to the contract amount and to how much of any surplus a management firm may retain.

INDEPENDENT EVALUATION

1. Before spending additional resources on charter schools, the state should initiate a full and independent review of the effectiveness of our charter school policies and the schools themselves.

APPENDIX C

POTENTIAL COSTS OF REENTRY OF CHARTER STUDENTS

Calculating the exact amount that a district would save if students left is dependent on many variables, such as current class size, the number of students leaving, the grade levels at which the students are exiting, the number leaving in any one year, etc. One way to estimate the savings is by looking at what it would cost a district if students were to return to the public school from which they were drawn. The case below is based on FY05 data from the Medford Public Schools and the three charter schools which Medford students attend.

Below is a table representing the number of students currently attending the Mystic Valley Regional Charter School, Prospect Hill Charter School and Benjamin Banneker Charter School whose tuitions are paid for by the Medford Public Schools. In FY05, Medford will pay \$2.15 million in tuitions, not including capital costs, for the 243 students who are attending the charter school. For the purpose of this example, assume that the three charter schools were going to close their doors tomorrow and all the students were to return to the Medford Public Schools. Because these charter schools include students from kindergarten through grade 12, the student enrollment from Medford ranges from 4 to 32 at various grades. Because there are four elementary schools and two middle schools in Medford, students would be returning to a variety of settings. In the example below, we assume that it is only when class size exceeds 22 at the elementary level and 25 at the middle and high school that the district would be required to add a teacher and another classroom.

Grade Level	MPS Enrollment	Classrooms per Grade Level	Charter Enrollment	Available Seats in MPS Classrooms*	Available Seats If Charter Students Returned	Current Class Size	Class Size If Charter Students Returned	Added Staff Required If Charter Students Returned	Added Cost at \$500/student or \$100,000/class room
Kindergarten	365	18	20	36	16	20.3	21.4	0	\$10,000
Grade 1	333	17	32	34	2	19.6	21.5	0	\$16,000
Grade 2	312	15	24	30	6	20.8	22.4	0	\$12,000
Grade 3	346	15	26	4	-22	23.1	24.8	1	\$100,000
Grade 4	295	15	28	60	32	19.7	21.5	0	\$14,000
Grade 5	355	15	24	0	-24	23.7	25.3	1	\$100,000
Grade 6	357	16	22	22	0	22.3	23.7	0	\$11,000
Grade 7	385	16	14	14	0	24.1	24.9	0	\$7,000
Grade 8	415	16	13	0	-13	25.9	26.8	1	\$100,000
Grade 9	443		19	0	-19			1	\$100,000
Grade 10	365		13 open	absorb				0	\$6,500
Grade 11	384		4 open	absorb				0	\$2,000
Grade 12	348		4 open	absorb				0	\$2,000
Total	4703		243					4	\$480,500

* Assumes an average elementary class size of 22 and middle and high school class sizes of 25.

Based on the available seats at various grade levels, the district could absorb most returning students without increasing staff. It may cost some modest amount per student for books and materials. For the purpose of this example we are estimating \$500. However, in four grades current enrollment would require adding four classrooms. If we estimate the salary and benefits for a teacher at \$60,000 and the cost of instructional materials, equipment, and furniture at another \$40,000, this would mean that each new classroom would require an additional \$100,000 of expenditures. These are only very general estimates. Based on these estimates, it would cost Medford \$480,500 to support the reentry of these students back into the school system.

Looking at this from a different perspective, it could be estimated that all Medford could save if these students left for a charter school all at once was this same \$480,500. This would represent the marginal savings realized to the district. In contrast, Medford is spending \$2.15 million on charter school tuition to educate these students in another setting and the state is providing an additional \$173,745 for capital costs and approximately \$250,000 in tuition relief to the Medford Public Schools. Therefore, the excess costs of the charter experiment in this case is over \$2 million and 5 times what it would cost to educate these students within the Medford Public Schools.