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**How Level A Playing Field?:
The Search for Equity in Charter School Funding**

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Acknowledgements

"My main problem is to try to understand what happened to me. My trajectory may be described as miraculous, I suppose – an ascension to a place where I don't belong. And so to be able to live in a world that is not mine, I must try to understand ... what it means to have an academic mind – how such is created – and at the same time what was lost in acquiring it."

-- Pierre Bourdieu

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Executive Summary

This report presents the findings of an analysis of funding disparities that exist between charter public schools and traditional public schools in Minnesota. School district revenue data from the 1995-96 school year were analyzed for fourteen charter schools, and the traditional public schools in which the charters were located.

The fundamental finding of this report is that charter schools operate at a profound financial disadvantage, receiving thousands of dollars less per pupil than do their traditional public school counterparts. The primary reason for this disadvantage is that charters are ineligible to receive funds from several important local sources, including property taxes and referendum levies. As a result, ten of the fourteen schools lose more than \$1000 per pupil. In other words, each pupil at these fourteen schools had more than \$1000 of funding that did not follow them to their chosen public school, staying instead at their home district.

These funding disparities were a large proportion of some schools' total revenue. On average, the funding disparity was one-third of schools' total revenue. In one case, the disparity was nearly as large as the school's total revenue; Skills for Tomorrow Charter School received \$4062 per pupil, while its host district received \$7400. The "missing revenue" is 83% of the charter school's per pupil funding allotment.

The overall impact of such a disparity can be quite large. The average amount of revenue each school lost in the current system was \$140,000. Nine of the schools lost more than \$100,000 in revenue. In all, Minnesota's charter public schools lost \$1.8 million in revenue during the '95-'96 school year due to the current system of charter school finance.

Charter school operators interviewed for this report suggested that access to these currently "missing revenues" would allow them to improve their facilities, raise teachers' salaries, lower class sizes, and offer more curricular and extracurricular opportunities to their students.

These funding disparities are particularly striking in light of the populations served by Minnesota's charter schools, populations historically underserved by traditional public schools. Minnesota's charter schools serve a disproportionately high number of low-income, minority, limited English proficiency, and special education students. Yet, they are being asked to do so with considerably fewer financial resources.

The disparities quantified in this report present a serious need to rethink charter school funding in Minnesota. If charters are to thrive in Minnesota, continuing to provide quality educational choices to the state's public school students, they need to be allowed to do so in a state of financial parity with other public schools.

Introduction

The nation's first charter school opened its doors in St. Paul, Minnesota, in the fall of 1992, taking in a collection of students whom the traditional public school system had written off as degenerates and failures. It was an innovative and risky experiment, mistrusted or overlooked by many. Today, the charter school movement has grown into a national force, with roughly 800 schools in operation, and more than 200 more approved.¹ This year, more than 170,000 students are enrolled in charter schools in 23 states and the District of Columbia;² 10 more states and Puerto Rico now have charter laws on the books.³ No longer another "alternative school" movement, charter schools allow students, parents and educators a wide array of school choices *within* the public school system.

In spite of this growth, and the movement of charters into the mainstream of education reform, charter schools face substantial obstacles. The purpose of this paper is to probe the barriers that threaten the success of charters in Minnesota.

In this paper, I examine the obstacles faced by charter school operators in Minnesota, both through the use of quantitative data analysis of school revenues, and through an analysis of interviews with charter school operators. A brief introduction to charter schools is followed by an empirical analysis of funding disparities between Minnesota charter schools and their parent districts. These funding disparities are then contextualized within qualitative data about the struggles charter schools face. Finally, a comparison of charter legislation in four states lays the groundwork for considering policy remedies to these funding inequities.

¹<http://edreform.com/usnews.htm>

Charter Schools in Minnesota

Thirty-three states have charter school laws on the books at present, with charters operating in 23 as well as in the District of Columbia.⁴ Minnesota's charter school law, MN Statute 120.064, is the nation's oldest, and underwent substantial revisions during the 1997 legislative session.

Charter schools are public schools that are freed from many of the regulations that normally govern public schools, in exchange for increased accountability. Twenty-six charter schools were operating in Minnesota during the 1997-98 school year, with another three approved but still in the planning stages.⁵ In Minnesota, individuals wishing to start a charter school must obtain sponsorship by a local school board, an intermediate school district, a private college, a public post-secondary institution, or the state board of education. Upon approval of the state board of education, the school's governing board (the majority of whose members must be teachers) is granted a charter for up to three years.

The charter is a contract which details the school's administrative and financial policies, as well as specific pupil outcomes to be achieved. Charters must explain how the school's program will meet one or more of the following purposes, as specified in Subdivision 1 of the legislation:

- (1) improve pupil learning;
- (2) increase learning opportunities for pupils;
- (3) encourage the use of different and innovative teaching methods;
- (4) require the measurement of learning outcomes and create different and innovative forms of measuring outcomes;
- (5) establish new forms of accountability for schools; or

² http://www.uscharterschools.org/gen_info/gi_main.htm#statistics

³ http://www.uscharterschools.org/gen_info/gi_main.htm#statistics

⁴ Education Commission of the States (ECS), "Charter School Statistics, Sept. 1997." <http://www.ecs.org/>

⁵ MN Department of Children, Families, and Learning (CFL) "Growth of Charter Schools in Minnesota." CS #11, August, 1997.

- (6) create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the site.⁶

During the period of the charter (up to three years), the school must meet the conditions laid out in its charter. Failure to meet these contractual obligations can result in the State Board of Education's refusal to renew the charter.

Because the founders of the charter school movement envisioned a wide range of choices available to meet the diverse needs of parents and learners, there is no single model for what these schools look like. Among charter schools in Minnesota, there is considerable variation in mission, strategies, and methods. Some, like City Academy and Right Step Academy, were specifically designed to meet the needs of at-risk kids.⁷ Others are simply attempts on the part of parents, teachers, and/or community members to craft public schools that work.

Skeptics of the charter school movement have expressed concern that charters are a way for wealthy (white) parents to secure public school funds for what were essentially exclusive "private" schools.⁸ It is important to note that such fears have not been born out in Minnesota. For the most part, Minnesota charters serve a population of students whose needs have not been met by the traditional public school system, while not relegating those students to "alternative" schools. Several charters serve exclusively special education students; others target their services at "at-risk" students. During the 1995-96 school year, African American students made up 4.2% of Minnesota's total public school enrollment, yet 22.5% of Minnesota charter school pupils were African

⁶ MN Statute 124.064, Subd. 1, Revised 1st SS 1997.

⁷ Discussion with Milo Cutter, Director of City Academy, 9/97; discussion with William Wright, Director of Right Step Academy, 2/98.

⁸ See, for example, Kuehn, Larry. 1995. "Ten Problems with Charter Schools." British Columbia Teachers' Federation. <<http://www.bctf.bc.ca/education/choice/charter.html>>; also, see the Center for Education Reform's webpage, "Charter School Myths and Realities: Answering the Critics," <http://edreform.com/faq/chmyths.htm>

American. Similarly, 8.9% of Minnesota charter school pupils were Native American, compared with 1.9% of Minnesota public school pupils overall.⁹ Minnesota charter schools also serve a disproportionately high share of special education and limited English proficiency (LEP) students.¹⁰ Clearly, Minnesota's charter schools have not lived up to opponents' fears of fostering exclusion and elitism.

Barriers to Charter Success: A Review of the Literature

Much of the early research on charter schools has focused on the barriers to success charters face. A 1996 study by the University of Minnesota's Center for Applied Research and Educational Improvement (CAREI) provided a look at the challenges facing Minnesota's charter schools. Their telephone survey of charter school operators found that lack of funding, both for start-up and continuing operations, as well as lack of planning time, and inadequate facilities were considered major barriers by a majority of schools.¹¹

Other studies have probed the question of barriers faced by charter operators. The Hudson Institute's 1997 report, *Charters Schools in Action*,¹² examined the challenges charters face within the context of the schools' life-cycle location, distinguishing between start-up needs and the needs experienced in the years that follow. While they found that schools who survive the start-up process experience fewer overall concerns in the following years, they found that charters of all ages continue to be vexed by problems in funding and facilities.

⁹ <http://www.ed.gov/pubs/charter/chap3b.html>; (1997), p. 2. (Note: figures for total public school enrollment come from the 1993-94 school year.)

¹⁰ <http://carei.coled.umn.edu/charterschools/MNeval>

¹¹ <http://carei.coled.umn.edu/charterschools/Mneval/intro.html>

¹² <http://www.edexcellence.net/chart/>

Some of the major start-up problems found in the Hudson Institute study include political and bureaucratic resistance to charters, "lack of true autonomy," facility and other capital needs, inadequate curriculum resources, and operators' general lack of business expertise. "Second-Generation Problems," those experienced by schools after the start-up phase, include staff frustration about poor facilities and a heavier workload, inability to produce immediate improvement in student performance, and continuing problems with funding.

Another significant piece of research on charters is an evaluation conducted by Colorado's Department of Education in 1997, which found that charter schools are sorely in need of technical assistance during various stages of their existence. The study examines charters' needs at three phases: application, start-up, and operational. Crucial technical assistance needs identified by this study include legal assistance during start-up, assistance with facilities needs during start-up, and overseeing the school's finances during the operational phase.¹³

The findings of these studies also mirror those of the U.S. Department of Education's 1997 report on charters. This report is a first look at the most comprehensive research on charters to date. In a survey of nearly 100 charter operators nationwide, the authors found that significant barriers faced by charters include lack of start-up funding, lack of planning time, inadequate operating funds, and inadequate facilities. The report refers to this cluster of barriers as "resource limitations," noting that such limitations "are the most pervasive difficulties, with about two-thirds of charter schools reporting difficulty."¹⁴

¹³ 1997 Charter Schools Evaluation Study; http://ftp.cre.state.co.us/pub/Documents/pdf/chsv97_x.pdf

Two Ways of Looking at a Charter School

The consistency of these findings -- that charter school operators face significant, persistent obstacles and difficulties in areas such as funding and technical assistance -- led me to investigate the situation of charters in Minnesota. I wanted to know what obstacles charters here were facing. At the same time, I wanted to be able to quantify those obstacles. Therefore, this study contains a quantitative component as well as a qualitative one.

For the quantitative piece (Part I, below), I have attempted to quantify the level of funding disparity between charter schools and their "parent districts" by analyzing 1995-96 revenues per pupil for charter schools and comparing those figures with the per pupil revenues for their parent districts. I have sought to provide a quantitative measure of the funding disparity so often talked about by charter school advocates, hypothesizing sources of this disparity, as well as possible policy remedies.

Part I: Quantifying "the Playing Field"

From the current literature, and from the charter advocates whom I interviewed for this research, I heard continual references about charters operating from a distinct fiscal disadvantage. Since everyone was talking about "leveling the playing field," it made sense to try to find out whether the proverbial playing field was, in fact, uneven. I wanted to answer the question of whether certain public schools -- schools that serve a disproportionately high share of at-risk students -- are systematically underfunded under

¹⁴ <http://www.ed.gov/pubs/charter/chap4c.html>

the current law. Therefore I sought to analyze the current funding situation of charters, and quantify the extent to which these schools were underfunded relative to their "non-chartered" counterparts.

To understand the causes of funding discrepancies between charters and traditional public schools, it is necessary to understand how charters are defined within the current legislation. Charter legislation varies considerably by state, so the situation in Minnesota is in many ways unique to this state's own version of charter schools. Charter schools in Minnesota are treated as separate local educational agencies (LEAs); each school is its own district. This is essentially the heart of the funding disparity. Because individual charters are treated as separate LEAs, they are ineligible for property tax or referendum money raised in their parent district, as well as money obtained by their parent district through the levying of bonds.

But, while Minnesota charters are ineligible for these funds from the parent district, they are unable to exercise the bond levying or taxing capacity of a traditional LEA. For example, when a traditional school district wants to build a new building, or lower class sizes, it can go to the district's voters in the form of a referendum, or they can levy bonds, to fund such initiatives. Individual charter schools have no constituency of voters to whom they can turn to undertake comparable projects.

Additionally, the state's three urban districts (Minneapolis, St. Paul, and Duluth) receive state desegregation money on a per pupil basis (\$550/per pupil), but this money is not passed on to charter schools. Charter school advocates argue that this violates the spirit of the desegregation laws, especially since the state's charter schools serve disproportionately high shares of minority, poor and "at-risk" students.

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Data and Scope of the Study

For the purposes of this study, I analyzed charter school funding for the 1995-96 school year. I examined revenue reports of 14 operational charter schools, and compared that information with the revenue reports from the traditional public school districts in which the charters are located (hereafter referred to as the "parent district"). All of these data came from the Department of Children, Families, and Learning's UFARS database.¹⁵

For the purposes of this paper, I do not attempt to analyze differences in expenditure patterns between charters and their parent districts. The data available for the 1995-96 school year are severely limited in what they reveal about schools' expenditure patterns. Schools vary significantly in the degree of detail with which they delineate their expenditures to the CFL. This in turn makes it impossible to compare, for example, the percentage of a school's budget spent on Title 1 or special education, as compared with its parent district. Such a comparison would be a valuable addition. I suspect that as charter school operators become more familiar with the reporting requirements at the state level, such data will be more readily available, making that level of analysis possible. This study, however, focuses solely on revenue.¹⁶

¹⁵ Thanks again to Dick Guevremont!

¹⁶Initially, I knew that I wanted to compute the amount of revenue per pupil for charter schools, and compare that with the revenue per pupil of their parent district. I soon found myself mired in the murky world of school finance, unsure of which revenue sources to include in the analysis. Because some charters receive (and spend) money for transportation and food service, while others don't, and because school districts and one charter school receive funding for services not exclusively related to K12 education, I was reluctant to compare per pupil spending in these areas. Therefore this analysis is *limited to General Fund revenues* only. Not included in this category are revenues for food service, transportation, and the "Community Service Fund."

Findings and Discussion

When I compared the total amount of General Revenue funding per pupil, I found that all but one of the fourteen charter schools in my sample did in fact, receive less funding per pupil than do their parent districts. As Figure 1 illustrates, there is a clear and visible difference between the amount of per-pupil funding received by charters, and the amount received by their parent district. Among the thirteen schools in which a discrepancy was found, the size of the discrepancy ranged from a minimum of \$303.48 per weighted average daily membership (WADM),¹⁷ to a maximum of \$3380.01 per WADM.

Having determined that there was, as suspected, a funding disparity, I attempted to locate its source. Charter schools (and all other public schools) receive revenue from three main sources: Federal funds, State funds, and Local funds. In order to locate the source(s) of the disparity, I disaggregated the schools' funding disparities to these levels. Charters in Minnesota are eligible to receive all Federal categorical program funds for which they would qualify as a regular LEA. Because Federal funding makes up such a small share of school funding,¹⁸ I did not expect to find large or significant discrepancies at the federal level. Similarly, charters receive the same state allocation per WADM as any other district, so I didn't expect a particularly onerous disparity at the state level.

¹⁷ In Minnesota, school funding is based on the school's "Weighted Average Daily Membership," or, WADM, an indicator of the school's attendance, with different weights assigned to different populations, such as elementary versus high school students.

¹⁸ Minneapolis, for example, receives \$7442/WADM. Of this, only \$603 comes from federal programs. \$4846 comes from state funds, and the remaining \$2906 comes from local tax revenues. Minneapolis' Skills for Tomorrow Charter School, on the other hand, receives a total of \$5170/WADM. Of this, \$354 come from federal sources; \$3,704 comes from state sources, and a mere \$78 comes from local funding. Figures 4-6 illustrate this difference in funding sources. Minneapolis receives 33% of its funding from a source for which

However, given that Minnesota's charter law defines charters as independent LEAs -- rendering them ineligible to receive certain kinds of local tax revenues -- I anticipated finding large disparities in local revenue per WADM. These disparities, I reasoned, would be the result of charters being ineligible to receive money from bonding levies issued by their parent district, while lacking the legal authority to issue bonds themselves.¹⁹

Disparities in Local General Fund Revenues

Indeed, all fourteen schools (including the one with no overall funding disparity) experienced disparities in *local* General Fund revenues. Figure 2 illustrates the striking difference between charters and their parent districts in revenue received per WADM from the *local share* of the General Fund, a disparity that exists because charters are not eligible for district funds from excess levies, referenda, or bonding. Figure 3 depicts the size of this discrepancy itself (in other words, the money each charter loses, per pupil, under this arrangement). The average per-pupil disparity in local funding is \$1,631.

Urban/Non-Urban Differences

The per-pupil funding disparities are particularly large among several of the Minneapolis schools, where charters are ineligible for substantial amounts of funding from voter referendum and desegregation funds. Three schools, all located in Minneapolis, have disparities of more than \$2500 per pupil. Six more, including 3 within the Twin Cities, have disparities of more than \$1500 per pupil. Overall, the smallest

charters are ineligible. Obviously, in being ineligible for local tax revenues, charter schools are receiving revenues from a smaller pie.

disparity is greater than \$500 per pupil -- a difference of more than \$50,000 per year to a school of just 100 students.

Disparities are notably larger among urban schools than among non-urban schools. Overall, the six schools within Minneapolis-St. Paul have a mean discrepancy of \$2038 per pupil; Figure 9 shows the size of the funding discrepancy for each of these schools, and Figure 10 shows the difference between charter and parent district funding within Minneapolis. Non-urban schools, on the other hand, have an average funding discrepancy of \$1266 per pupil, as shown in Figure 8. The most likely explanation for this urban/non-urban differential is that non-urban districts in the sample, especially rural districts, tend to fund schools at a lower levels. Therefore, the amount of local funding "lost" by charters is less than in urban districts, where referendums and other sources have driven per-pupil spending up dramatically, simply because rural districts spend less.

Conceptualizing the Funding Disparity

The magnitude of the overall revenue disparity can be thought of in terms of its size relative to the school's total per pupil revenue. On average, the discrepancy is roughly equal to one-third of the schools' per pupil revenues. The size of the percentage varies, however, between a modest 7% (New Heights) and a staggering 83% (Skills for Tomorrow). New Heights receives \$4240, while its parent district receives slightly more -- \$4564; the \$306 disparity is only 7% of the school's revenue per pupil. Skills for

¹⁹ In fact, all local revenues for schools in my sample were categorized as "other" local revenues, meaning non-referendum funds; such funds may include special education funding received by the charter from its parent district.

Tomorrow, on the other hand, receives \$4062 per pupil, more than \$3000 less than its parent district's \$7442.

Another way to think about the discrepancy is in terms of the total amount of revenue the school loses under the current funding system. The total amount of "missing revenue" in a school varies depending on the size of the per pupil discrepancy and the number of pupils in the school. The average amount of "missing revenue" per school is \$139,142.26. Figure 7 shows the size of each school's total "missing revenue." Nine of the thirteen schools have more than \$100,000 in revenue missing. World Learner School has the smallest amount of total "missing revenue," \$17,172, while Toivola-Meadowlands has the dubious distinction of having the most "missing revenue" -- \$257,731.76

The sum of each school's missing revenue, or, the total amount of "lost" or "missing" revenue is \$1,808,849.44. This figure, close to *two million dollars*, can be thought of as the amount of funding that was to have been spent on the state's 1,681 students²⁰ in their parent districts, but which did not follow them to the charter schools they choose to attend. In other words, this is the amount of funding paid by tax-payers but taken from charter school students by districts they don't attend.

Caveats

Important points need to be made about several different aspects of these findings. The first is that these findings fail to distinguish between population characteristics of the charter school and its parent district. In particular, the previously mentioned case of New

²⁰ Total WADM for the fourteen schools in this study was 1564.52.

Visions School, in north Minneapolis, bears discussing. While the size of the funding disparity between New Visions and other Minneapolis public schools appears to be among the smallest of all the charter schools, New Visions exclusively serves a population of students with special needs, thus increasing their cost per pupil relative to that of a school district in which such students are a much smaller portion of the student population. *To the extent that charters in Minnesota serve a disproportionately large share of students with special needs, the funding disparities may actually be understated.*

Also important to point out are changes in the charter schools law that have occurred recently. Charter schools are now receiving funds from several sources not available during 1995-96. These sources include compensatory aid, which is available to schools whose student body is disproportionately impoverished, as well as funds that are dedicated to charters alone, such as building lease-aid²¹ and state start-up grants.²² For this reason, the discrepancies may be overstated to some degree. However, charter schools still do not receive referendum money, or district-wide desegregation funds, and are unable to levy bonds for capital expenses. Therefore the lion's share of the funding discrepancy demonstrated above remains unresolved at this time.

The overarching purpose of this study was to quantify the "playing field," a task I accomplished through the quantitative analyses outlined above. But numbers alone don't tell a school's story. To ensure that this study "stayed honest," as it were, keeping in

²¹ Lease aid funds are available to charters who lease facilities. The bill appropriates \$1.078 million in FY 1998, and 1.577 million in FY 1999. (MACS. Legislative Update: June 27, 1997).

²² In response to research as well as anecdotal evidence about the difficulties of planning a charter school without funding, the 1997 legislation makes available to charters the greater of \$50,000, or \$500 per pupil, in the schools' first two years. (ibid.)

touch with those issues that most concerned charter school operators, I also interviewed the operators of six of the charter schools in my sample. Part II of this study details the findings of that research.

Part II: Discussions with Charter School Operators

In order to understand the day to day concerns of charter schools, I wanted to speak both with veterans of the charter school movement -- people who had pushed for the legislation and opened the first schools -- and with those who were drawn to the idea of starting one of these innovative schools. For the qualitative piece of my study, I interviewed six people (five men and one woman), all of whom operate charter schools in Minnesota. (A copy of my interview protocol is attached as Appendix B.)

The Data

The six interviewees were chosen from the fourteen schools in my original sample because I wanted to gain insight from people who have had the most experience in operating charter schools, and whose schools had survived their infancy period. Of these schools, five schools are located within the Twin Cities of Minneapolis and St. Paul, while the sixth is located in rural, or "out-state", Minnesota.²³

²³ It is possible, then, that the results of my interviews are more reflective of the situation of urban charters than of charters as a whole.

Methods and Process

Study participants were initially contacted over the phone or via email. The nature of the entire study²⁴ and its purposes were described in this initial contact, and an interview was requested. Data were collected during visits to the charter schools, except in the case of the school in out-state Minnesota; that interview was conducted by phone. In most cases, I was given a tour of the school before or after the interview, which provided an opportunity to see for myself the highly varied incarnations of this educational reform movement. These tours were also useful because they often triggered a question I had not thought of or, from my respondents, an example of something we had discussed (such as a particularly innovative practice, or the need for expanded facilities).

The interview was structured through a series of open-ended questions. Participants were first asked to describe the process of starting the school, any obstacles that they encountered during the start-up phase, and current obstacles they were facing (obstacles to maintaining the school once it had opened). Participants were also asked to speak generally about the obstacles faced by "most charter schools" during start-up as well as afterwards, the networks of support that exist for addressing such problems, and the role of the state legislature in causing or ameliorating problems. Finally, participants were asked to offer advice to individuals thinking about starting charter schools.

The results of my interviews were surprising to me in their uniformity. While the schools in my sample vary significantly in terms of their mission statement and the

²⁴ While I was conducting interviews for the qualitative piece, I framed my request for participants' time in the larger context of the project as a whole. I did so because I wanted them to see this project as a potential benefit to them, and the quantitative piece is an important part of that (as the aspect that will likely be of most interest to legislators wanting numbers and "facts.") But, while agreeing that the "numbers" piece was crucial, everyone was eager to tell their story.

personal and professional background of their administrators, respondents often used the same phrases and metaphors for describing the charter school situation. Veteran educators and charter operators with no education background agreed on the basic challenges facing charters, as well as on their greatest needs.

Challenges Facing Minnesota's Charter Schools

Interviewees identified a common set of challenges, with responses that echoed one another and confirmed what previous studies, and my own analysis, had suggested. When asked about the greatest challenges they experienced during start up, respondents bemoaned the lack of funding for start-up and facilities, onerous special education requirements, political opposition, and problems with institutional development. "Second Generation" problems include funding, facilities, and special education requirements.

Challenges During Start-up

Challenges during the start-up phase of these charters were especially difficult, as these schools were formed at a time in which no model existed for this kind of school, and little technical or financial assistance was available.

*For us in '95 it was a lot different than it is today -- you got help, you got funding ... in '95, we didn't have anything ...*²⁵

Finances. there's never enough start-up money, and the start-up money they do provide is miniscule, and you receive no start up money as far as equipment goes. So finance is a very tough one at the beginning.

Also, because the schools in the study were among the first charter schools in the nation, the early years seem marked by confusion about the law, both on the part of the

districts and on the part of the charter school operators. Participants struggled with how to determine what exactly makes a school a school.

When we did the charter school, there was no model; I think we were the seventh charter school, but there was actually only a couple up and running as we were doing our planning. It was a lot of work to put together all the different elements of what a school is.

Participants also reported having encountered district opposition to their schools.

I think that working with the district was the hardest part. Going before the board for approval was a challenging, difficult thing [because] they were skeptical of us.

Another problem was general confusion about meeting state reporting requirements, a confusion that is reflected in the inconsistency of early financial data.

For us, it was really understanding all of the state mandates, the state requirements -- that's huge....They say charters are exempt from a lot of the issues, the rules and regulations, but that's not true. So you have to kind of learn it as you go.

Overall, the start-up process was viewed as enormously challenging, and charter operators commended the state for recent legislative changes -- such as building lease aid to help defray facilities costs, as well as state start-up grants -- that may alleviate some of that burden.

"Second Generation" Challenges

Now that the schools in the sample are in at least their third year, the charter school operators I spoke with seemed to feel much more comfortable with the process of running the school. They are surer of themselves, feeling that they "know the ropes a little better."

²⁵ To preserve anonymity, interviewees are not identified by name or school affiliation. The quotations within this section were taken from interviews which took place between December 1997 and April 1998.

Even in the third year it's a learning process. You're learning more and more, or you're just getting around to really implementing a component like it should be. You do a lot of patchwork. And then you get a chance to go back and fix it like it should be.

But challenges persist, mainly in the areas of general funding, funding for facilities, and special education.²⁶

In terms of special education, one concern was the schools' inability to attract and retain qualified special education teachers. Participants expressed concern that qualified special ed staff would not be interested in the low pay and lack of resources available in charter schools.

And special-ed is always an issue. It's a big issue. Special ed is a huge issue -- attracting qualified special ed staff.

Some participants were also concerned with and critical of the legal requirements placed on charters for meeting the needs of special education children. One told me:

You can't expect a charter school to provide a full array of special education services on their own. And it is not fair to mandate that every single little charter has to accept anybody who walks in the door, that's ludicrous. You know, you'd shut down in a week, you know if you've got 10 kids with 10 radically different disabilities walking through your door demanding service and you had to provide it, you'd have to close, because there's no way you could.

This issue of charter schools being required by current law to accept and to provide accommodations for all children, regardless of "special needs," seems certain to be a contested area for some time. The charter school leaders I spoke with feel that these laws place undue burdens on them, burdens not placed, for example, on private schools. Charter opponents, on the other hand, point out that if charters want to be public schools,

²⁶ Federal laws require all school districts to accept and provide accommodations for all children, regardless of a child's special needs. MN charters, which constitute their own school district under the state law, must therefore accept all special education students wishing to attend. As this section describes, many charter operators feel this interpretation of federal law is unfair and unrealistic, and does a disservice to everybody.

they must remain truly public. As this battle continues -- in the courts, most likely -- charter operators continue to struggle to understand and meet their obligations under the law.

Funding remains another major obstacle. The lack of funding parity was mentioned often, as were its perceived consequences -- inadequate facilities, inability to pay teachers at the market rate, having to do more with less.

As a charter school, you don't have all the funds that the traditional, unchartered schools have...

Right now our greatest challenge is facilities. And we are in need of expansion here so we're in process right now of trying to secure funding to purchase our building and to add an addition. And that's a huge project, it's not easy. That's our greatest challenge right now; we're going to be out of space really soon. We're one room short for next year.

So you see, charter schools are held to be more accountable, and they're given some freedom from the rules, but when you're talking those kinds of disparities, you know, that's real money.... I'd say that part of the consequences of that is that charter schools are not able to pay their teachers, even though they are relieved of all these rules, they ultimately pay their teachers less than the market rate, so consequently you get a lot of turnover.

Strategies

In dealing with the challenges they face, charter school leaders presented a fairly consistent set of strategies both for making sense of those challenges, and for meeting the very concrete needs they present. All spoke of the ideas or beliefs that led them to start a charter school -- their personal ideologies about educational reform. Beyond the more abstract mission statements these ideologies produced, the other major strategies

discussed were kinds of collaboration, within a school, between schools, and with state agencies and legislators.

Sense of Mission

Charter school leaders seem to draw a great deal of strength from the mission of their school. As is the spirit of the charter school idea (a variety of educational choices for a variety of learners), these beliefs, or mission statements, were quite varied within the group. But they seem to provide people with a feeling of grounded-ness, of purpose, that makes sense of what they do. This sense of purpose is usually what brought them to the charter school movement, and what inspires them to continue in the face of obstacles.

We feel proud of the results we get, and the reason we get them is because we integrate all this developmental stuff with some basic curriculum.

It's so much work, and if it's your own business, you get energy to do what needs to be done whatever that is, and that's what charter schools are supposed to be. So that's where we draw our energy, from the fact that this is our endeavor, and it's something that we all believe passionately in, that we're all committed to.

And we didn't really have any assistance ... it was just a group of us that had this desire to serve and meet the needs of these kids. So we just did it, on a shoestring. We just kind of made due. Staff went awhile without getting paid. We put together makeshift classrooms....

Similarly, in discussing challenges faced by her school, one charter school operator contextualized those challenges within the purpose of charter school legislation.

Our populations tend to be very challenging. I think all of us have taken on great challenges, because the whole purpose of the legislation was to be innovative, to find ways to serve populations that have not been served well.

Thus the charter school operators I spoke with made sense of their jobs, their schools, and the struggles charters face by viewing these within the context of their schools' mission, and, often their own personal views about education reform.

Collaboration

The importance of collaboration was addressed on many different levels. Collaboration in planning and running a school was a common theme throughout these discussions, as was collaboration between charter operators. This seemed to be so important because of the many competing responsibilities shouldered by charter school operators. Several people spoke of the many hats charter school operators must wear, and of the virtual impossibility of one individual filling so many roles.

I think that for educators, frequently people get the impression that because you're an educator you can start a charter school, and they don't have a clue about the business type demands that will be placed upon you. So if you don't have both the education and the business pieces covered, I think you're in for a big shock.

You have to be very flexible. Because you can't be all education minded, you have to be really business savvy, and you got to dip in the education, or you have to be wise enough to have a good partners, and one understands education, and one understands business, and one understands finance. That's crucial, that you have people that understand those three components.

It's a huge undertaking, and I was very, very fortunate to have [my partner] working with me. He had a great deal of expertise in the business part of it. ... Both [he] and I had a great deal of expertise in our areas, and covered all the bases pretty well. I think for us we were quite fortunate.

There was widespread agreement that schools supported by collaborations between experts in education and in business were the most likely to succeed.

Collaboration within a school is clearly an important element to charters' success, but interviewees also emphasized collaboration between charter school leaders. Participants spoke highly of the Minnesota Association of Charter Schools (MACS) for facilitating opportunities for such collaboration.

That's a big piece of it, just the fact that you have the opportunity to get together with other charter school operators and to know who they are. Like on this facilities thing now, people are very willing to share and let each other know what's worked and where to go. So, the collegiality is very nice; it's good.

Participants also commended MACS for the provision of technical assistance, and for lobbying for charter schools at the state legislature. The value of technical assistance from MACS was mentioned often, especially in reference to a new Special Education coordinator hired this year to address the previously discussed confusion and frustration brought about by current law. Speaking about the Special Education coordinator, one respondent said:

She has been instrumental in what we've been able to accomplish in our third year, looking at what our needs are and what processes or procedures we need to go through to get it set up. She's probably provided us with more information in the last week than we had in the last three years. So that's a huge deal, It's an excellent move, whoever thought of that. Excellent.

Respondents also offered praise for the Department of Children, Families and Learning, characterizing the Department itself as a rather unwieldy bureaucracy, but its staff as extraordinarily kind and helpful people.

I always say, if you can find the right person, there's a tremendous amount of help at the state and people willing to help. You just have to wade through to get to the right ones.

It seemed that you were constantly being turned away and having doors slammed in your face because you're a charter school, and nobody really knew what to do with you. So when I got to the level of the state

department and found some friendly people, I was just ecstatic. The people there ... have been really wonderful friends very, very helpful and supportive. ... They're always willing to provide their assistance and guidance; it's just been great.

What Charters Need

Two themes emerged from discussions about the needs of charter schools. On the one hand, charter operators spoke about the need for technical assistance, especially during the start-up phase. Clearly, they felt that they did not have access to sufficient time, information, or resources in planning their schools. Still, now that the schools have survived their infancies, their operators feel a need for continued technical support to make the schools operate more seamlessly.

Legislative change was the other area that participants focused on when asked about needs. One respondent delineated for me the very political nature of charter school laws:

If they want to close us down legislatively, they could certainly do it, by passing bad laws. If they want us to thrive they're going to have to create laws that are friendly towards charter schools.

When asked what the legislature could do to improve the situation of charters, interviewees spoke consistently about the need to "level the playing field" -- allowing more tax dollars to follow the student to the charter school.

I'd like to find a way to level the playing field on facilities and finance.

Well, they don't have a level playing field with public education of course.

Equal footing in every way possible with not-chartered schools.

[The Legislature should] implement the principle that the money follows the kid in public education.

If we truly want charter schools to thrive, then the legislature is going to pass laws that make it easier to do it. And that involves leveling the playing field financially and making it easier for charter schools to secure facilities for their programs, and to access services for their children like special education services, et cetera....

Minnesota's charter school operators are united in their belief that current charter school legislation fails to live up to the principle that funding should follow the child in the public education system. When asked what equal funding would mean, they spoke of improving their schools with smaller class sizes, enrichment activities, improved facilities, higher teacher salaries, and professional development.

Conclusions

The results of the interviews with charter school operators triangulates the findings of my quantitative analysis with those of past research. It is clear that charters do in fact face substantial obstacles, including a lack of financial parity with non-chartered schools.

Specifically, major obstacles exist in the areas of:

- ❖ General funding parity, including lack of access to citywide desegregation funds, and district-wide referendum funds;
- ❖ Lack of authority to levy bonds or otherwise tax a constituency as other LEAs do;
- ❖ Lack of facilities funding (beyond lease aid); and

Urban schools may be particularly vulnerable to these financial inequalities, due to the denial of referendum and desegregation funds, coupled with the tendency of such schools to serve at-risk populations. In Minneapolis, for example, charter public schools receive,

on average, roughly \$2300 less per pupil than other public schools in the city. It is true, in the cases of urban charters, that they are being asked to do more with less.

Policy Issue: Variations in State Charter School Laws

Finally, in considering policy remedies to addressing the funding disparities demonstrated by this research, it is important to be aware of the variation in charter school laws by state. Because individual state legislatures are free to control the provisions governing charter schools, charter school legislation varies considerably from state to state. This, in turn, has led to vastly different circumstances for charters in different states. To outline these differences, and the role they may play in funding disparities among Minnesota's charter schools, the following section delineates some of the major areas of contrast between Minnesota's law and the laws of Colorado, California and Arizona.²⁷

Sponsorship

In Minnesota, a charter may be sponsored by any of the following entities: a school board, private college, community college, state university, technical college, or the University of Minnesota. In Colorado, however, only a school board may sponsor a charter school.²⁸ California's law allows sponsorship by LEAs, which may be a school district or a county office of education.²⁹ In Arizona, widely regarded as extremely

²⁷ These states were chosen for comparison with Minnesota because laws in the four states vary widely. Charter advocates tend to view a state's legislation in terms of its "strength" (freedom and autonomy given to charters) or "weakness" (regulations or restrictions placed on charters). The variations between these four states illustrate the wide spectrum of "strong" versus "weak" laws.

²⁸ <http://www.cde.state.co.us/chintro.htm>

²⁹ California's Charter Act of 1992 (amended); <http://www.csus.edu/ier/charter/charteract.html>

liberal in its requirements of charters, a charter may be sponsored by the State Board for Charter Schools, the State Board of Education, or a local school district.³⁰

Avenue for Funding

These sponsorship arrangements directly impact the path of funds to the charter school. In Minnesota, charters are treated as separate local education agencies (LEAs), receiving their funding directly from the state Department of Children, Families, and Learning (CFL). The same is true for Arizona, where schools get their funding directly from state and local sources. In Colorado, however, funding does not flow directly from the state to the charter, but rather through the charter's sponsoring district. Charters are therefore responsible for "negotiating" with the district for part of their funding.³¹ Similarly, in California, funding issues are negotiated between the state and the LEA, and funds flow from the LEA to the charter school.³²

Amount of Funding

Another way that charter legislation differs between states is in the level of funding charters receive relative to other public schools in the state. As we have seen, charter school advocates bemoan the fact that charters receive fewer dollars per pupil than do non-chartered schools, arguing that this practice is inconsistent with the notion that funding should follow the student within the public school system.

Two of the states, Colorado and California, have funding procedures in which the charter school and the school district must negotiate at least some of the charter's

³⁰ <http://edreform.com/laws/Ariz.htm>

³¹ http://ftp.cde.state.co.us/pub/Documents/pdf/chsv97_x.pdf

³² California's Charter Act of 1992 (amended); <http://www.csus.edu/ier/charter/charteract.html>

funding. In Colorado, charters must receive at least 80% of the district average per pupil, with any additional funding being negotiated with the district.³³ In California, charters receive 100% of the district's general fund average, but currently must negotiate with the district for some state categorical funds.³⁴ Neither state provides state start-up funds, although charters do have access to federal start-up funds.³⁵

Funding for charters in Arizona depends on which body has authorized the charter; funds flow either from the state or from the authorizing district. Schools receive funding based on the state funding formulas, with those sponsored by districts receiving some additional funds. In addition to federal start-up funds, Arizona provides substantial start-up funding, and has a special fund that provides for capital expenditures.³⁶ As discussed in Part I, Minnesota charters are eligible for the state's General Fund allotment per pupil, but receive no district funds. The Minnesota charter legislation was amended in 1997 to provide charters with start-up funds as well as funds to cover partial costs of leasing facilities.

³³ 1997 Colorado Charter Schools Evaluation Study – Executive Summary, p. xi.

³⁴ California revised its charter legislation in May 1998, making substantial changes to the current law. Among those changes is a “vaguely worded section [that] ... most anticipate ... will result in charter schools receiving a higher level of funding than under current law. [The section] also call(s) for the charter school to opt to receive their funds directly” (instead of through the district).

Premack, Eric. 1998. California's Revised Charter Schools Act. Institute for Educational Reform. Pp. 13-18. <http://www.csus.edu/ier/charter/charteract.html>

³⁵ <http://edreform.com/laws/Calif.htm>

³⁶ <http://edreform.com/laws/Ariz.htm>

Table 1: Variations in Charter Laws by State

	Sponsorship	Avenue for Funding	Amount of Funding
Minnesota	school board, private college, community college, state university, technical college, or the University of Minnesota	Funds received directly from state and federal sources (although they may bill excess special education costs to their parent district).	State funding formula allotment; some money for start-up
Arizona	State Board for Charter Schools, the State Board of Education, or a local school district	Funding comes directly from state and federal sources	Depends on sponsor; start-up money is available.
California	LEA (school district or county board of education)	Funds flow from the LEA to the charter school.	100% of district average, but some categorical funds must be negotiated with the district.
Colorado	Local school board only	Funds flow from LEA to the charter school.	Negotiated with the district (must receive at least 80% of district average).

The Impact of Variance in Charter Legislation

These state-by-state differences in legislation may, at first glance, seem obtuse or unclear. However, these differences exert a great deal of influence over the day-to-day operations of charters. For example, such seemingly small details as whether a charter is its own district or part of a larger, pre-existing one can mean a difference of thousands of dollars in funding *per pupil*. In a school with just 100 students, that legal technicality translates into a difference of several hundred thousand dollars.

One Minnesota charter school operator, when asked what it would mean for her school to receive the same amount of funding per pupil as its "parent district", sighed, and told me, "I would think it would mean that we would have no problem at all having adequate facilities for our kids."

It is essential to keep the legal architecture of charter schools in mind when considering the obstacles such schools face. Doing so can help elucidate the variation in

experiences of charter schools across the nation. Understanding the interplay between this legal variation and the successes or failures of charters can help policy makers craft sound solutions to such obstacles by studying how charter operators in each state fare under that state's set of charter laws.

The financial inequalities uncovered in Part 1 of this study appear to be the direct result of language in the charter school legislation that prevents charters from receiving local tax dollars. Half of the charter schools in this study lost more than \$150,000 each under this arrangement.

Policy Recommendations

Charter schools are a growing force in American education. Those who viewed this movement as another "alternative schools" movement have been proven wrong as charters have moved increasingly into the mainstream of education. Minnesota's charter legislation, with start-up funds and lease-aid, as well as competent assistance from state agencies, rivals other states' laws in many respects. However, the inconsistent funding policies are a weakness in this legislation. Three possible and plausible solutions to this problem include:

- ❖ Amending the charter legislation to stipulate that all revenue from a student's home district follow that student to their charter school. In the 1997 Legislative session, the House passed a provision under which the state portion of district referendum money would follow students to charter schools, but this provision was removed in conference committee.³⁷ It is

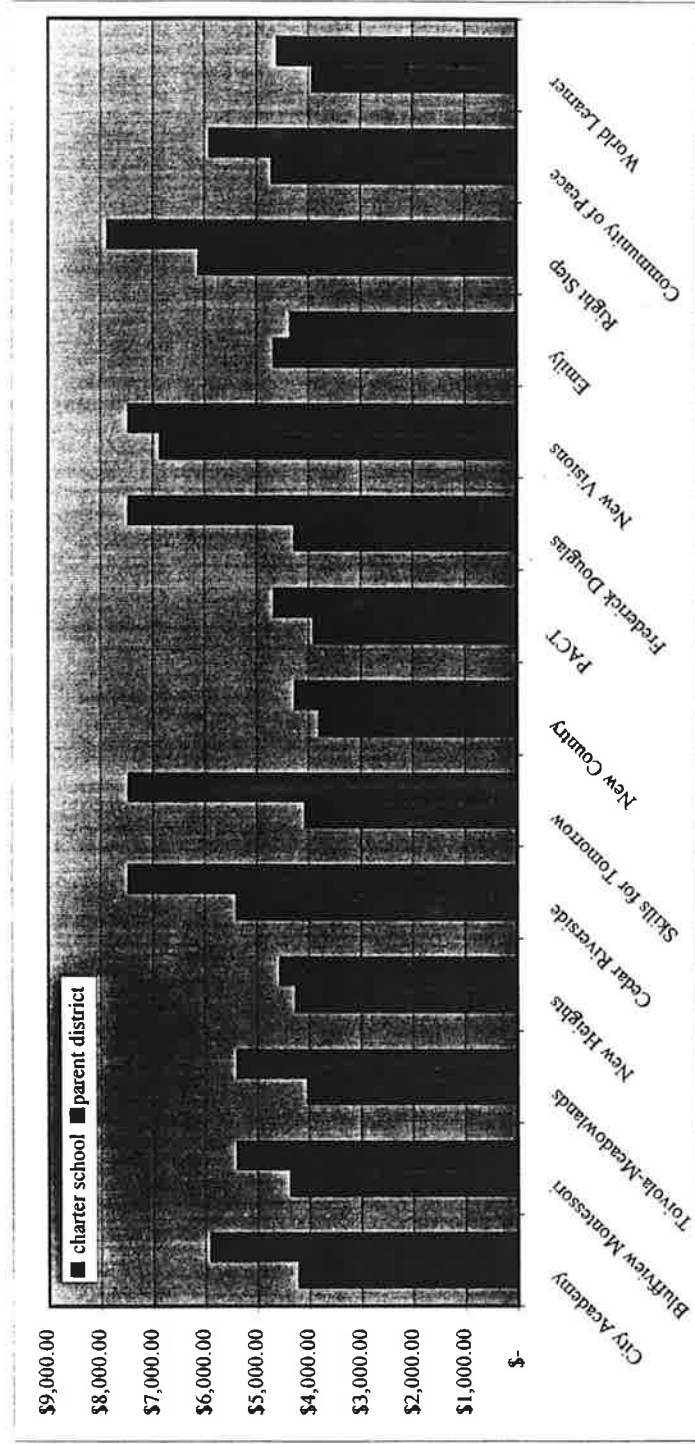
³⁷ Jennings, Wayne. 1997. "Minnesota Charter Schools Coalition: Legislative Update." St. Paul: MACS, June 27, 1997.

hoped that the financial inequities detailed in this report will help to revitalize efforts to pass such a provision.

- ❖ Providing charters access to bonding authority, perhaps under the auspices of MACS. The state's charters could then issue bonds as a whole, dividing revenue up on a per pupil basis, or as they see fit.
- ❖ Create a regional expanded tax base and distribute local tax revenues to LEAs from that fund, on a per pupil basis. This action would draw on efforts elsewhere to remedy public school funding inequalities through the creation of expanded regional commercial tax bases.

APPENDIX A: Figures

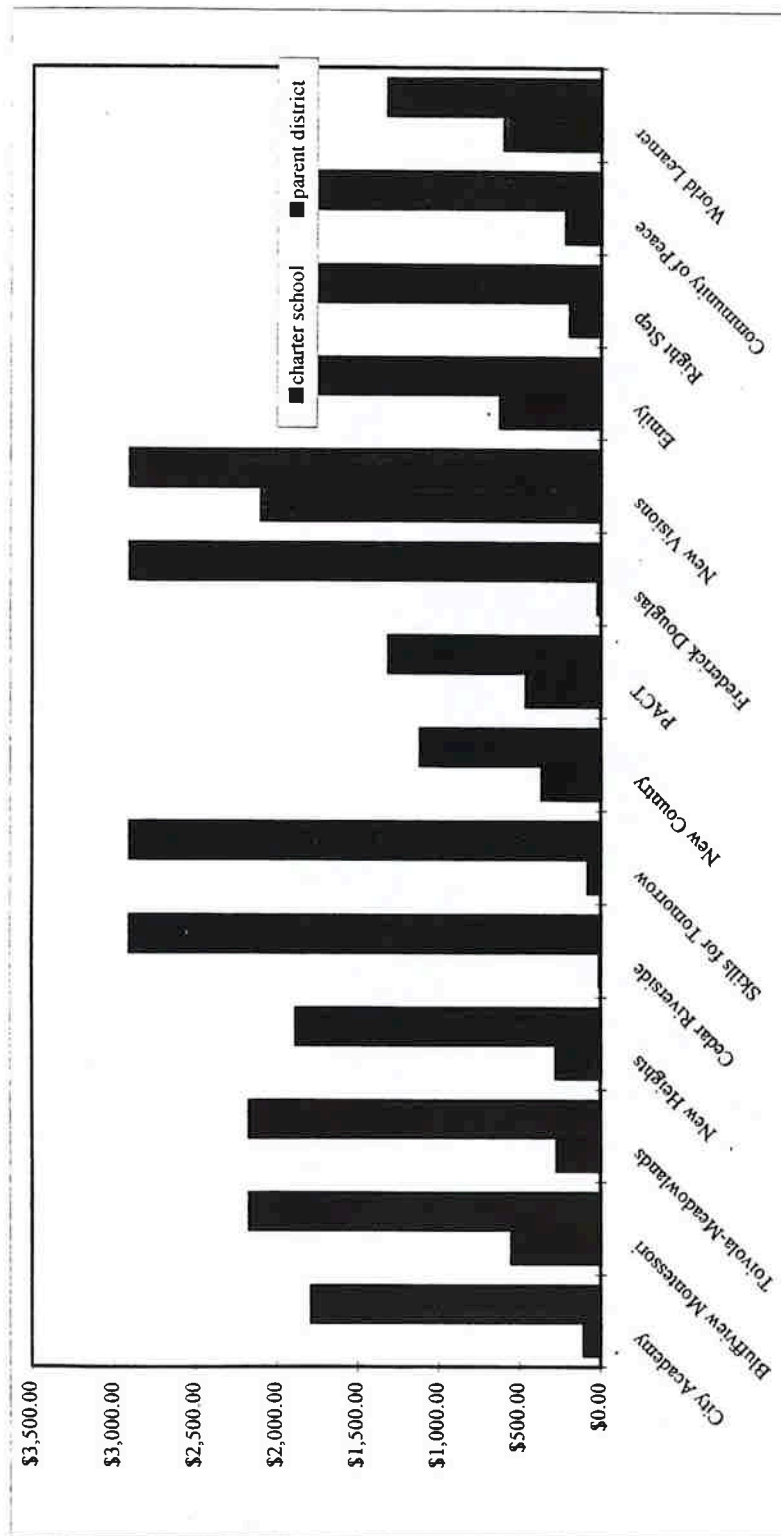
Figure 1: How Charters Fare: The Discrepancy in General Fund Revenues per Pupil³⁸ between Chartered Public Schools and their non-Chartered Parent Districts



Source: Analysis of data from MN Department of Children, Families and Learning UFARS database, 1995-96 school year

³⁸ Discrepancy is actually per weighted average daily membership (WADM); the term "per-pupil" is used for simplification.

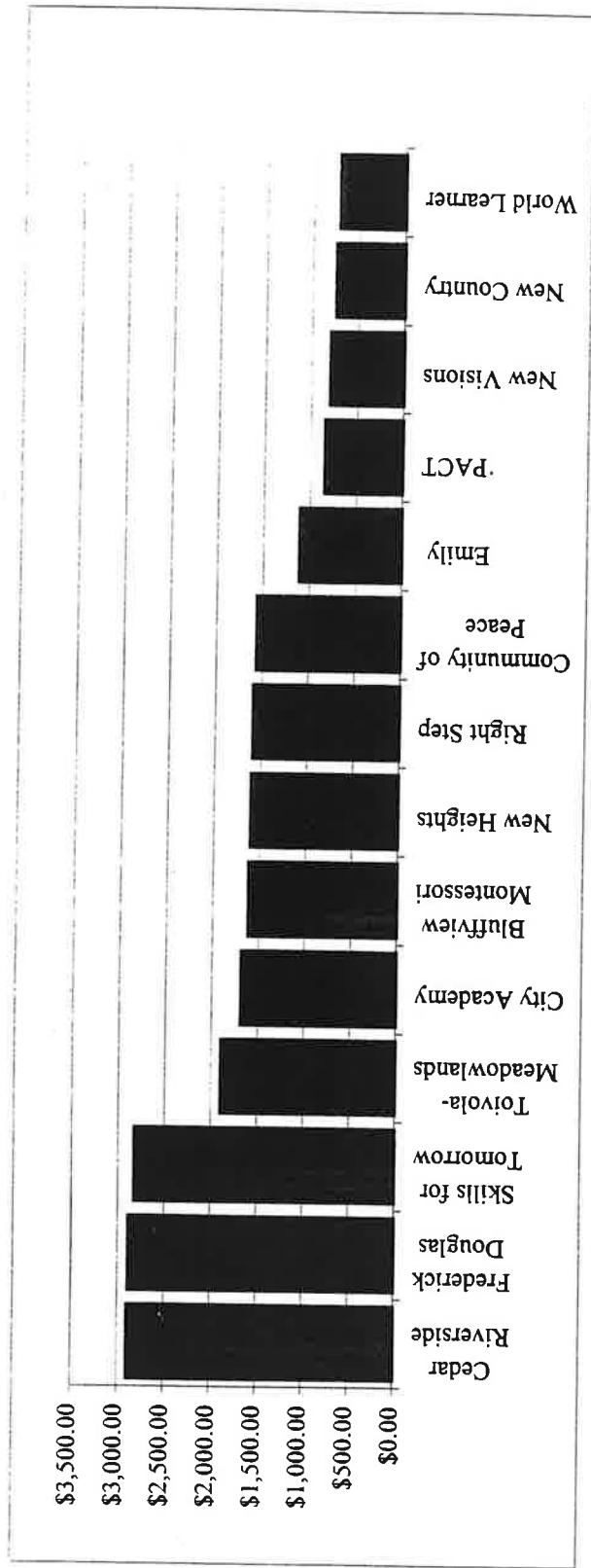
Figure 2: How Charters Fare: The Discrepancy in Local General Fund Revenues per Pupil³⁹ between Chartered and non-Chartered Public Schools



Source: Analysis of data from MN Department of Children, Families and Learning UFARS database, 1995-96 school year

³⁹ Discrepancy is actually per weighted average daily membership (WADM); the term "per-pupil" is used for simplification.

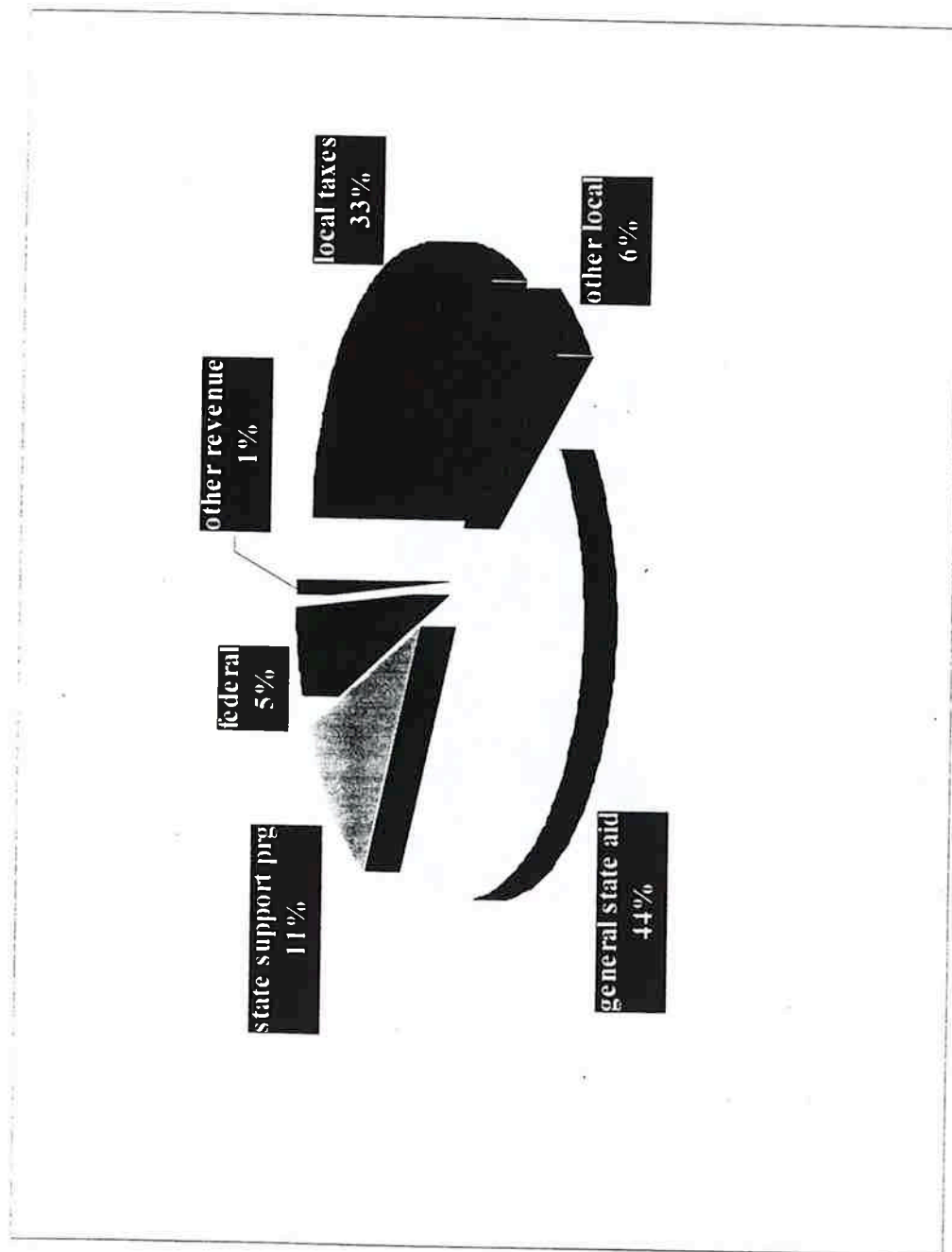
Figure 3: Local Per-Pupil⁴⁰ Funding Disparities Faced by Charter Public Schools



Source: Analysis of data from MN Department of Children, Families and Learning UFARS database, 1995-96 school year

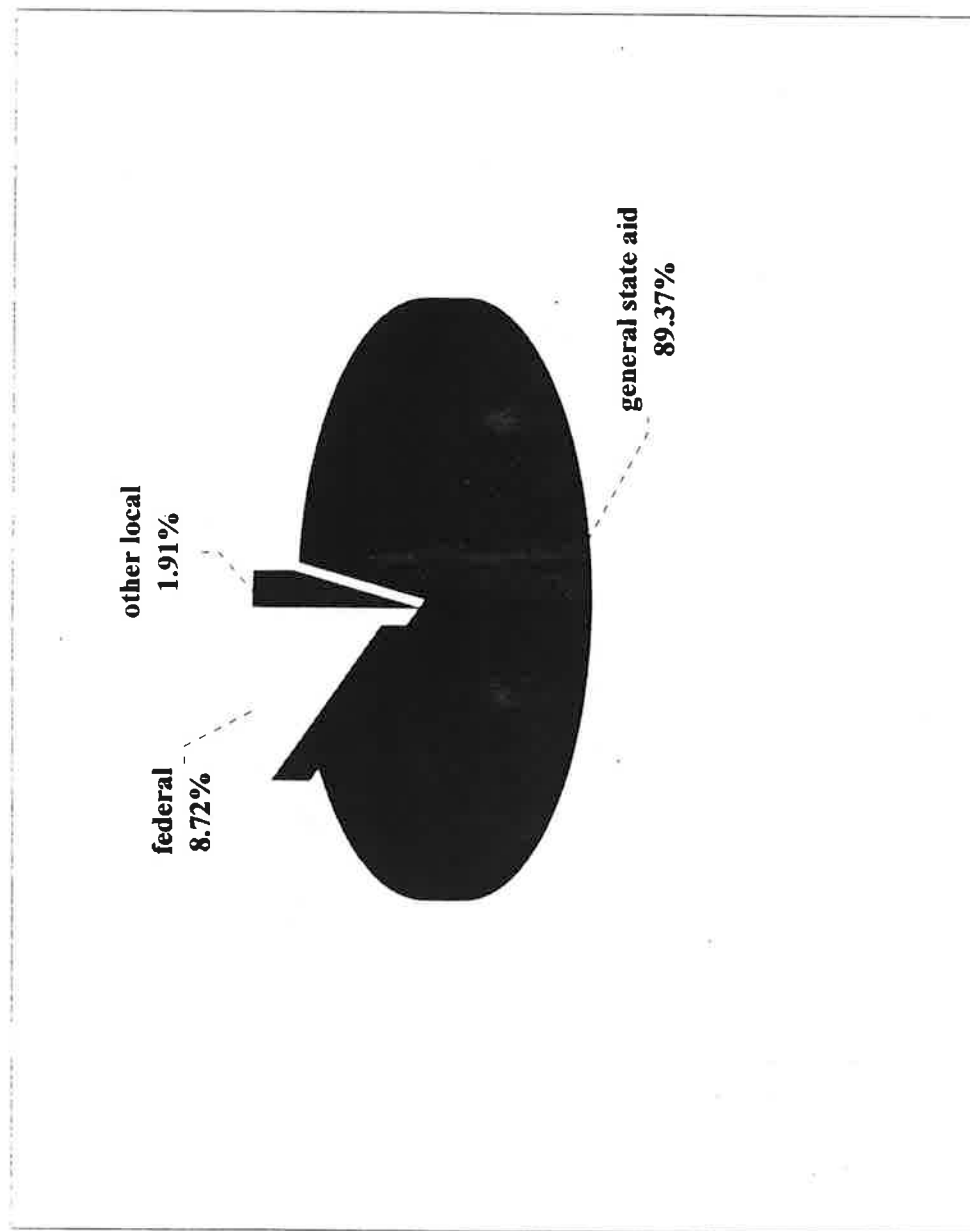
⁴⁰ Discrepancy is actually per weighted average daily membership (WADM); the term "per-pupil" is used for simplification.

Figure 4: General Fund Revenue Sources/Minneapolis Public Schools



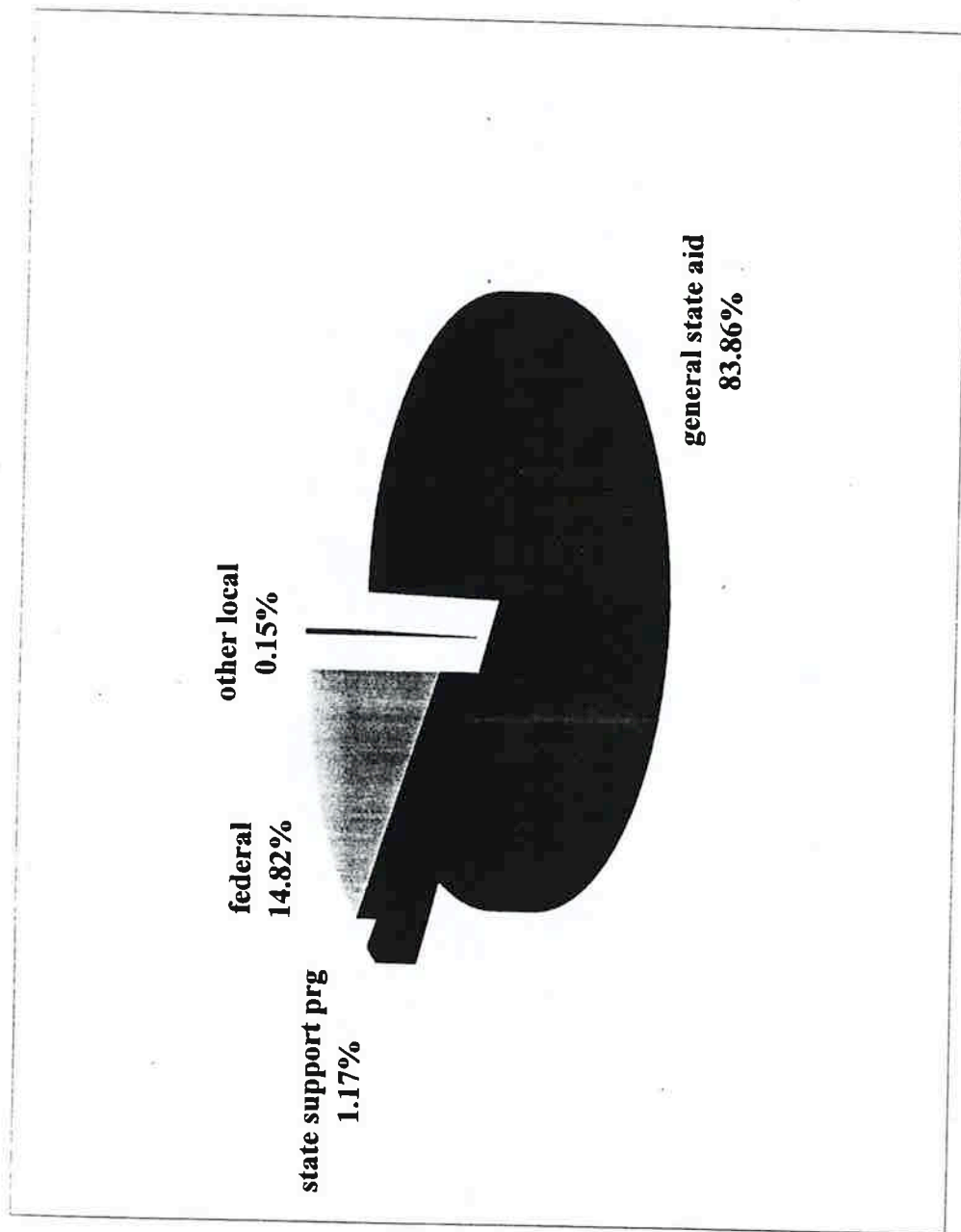
Source: Analysis of data from MN Department of Children, Families and Learning UFARS database, 1995-96 school year

Figure 5: General Fund Revenue Sources/Skills for Tomorrow Charter School



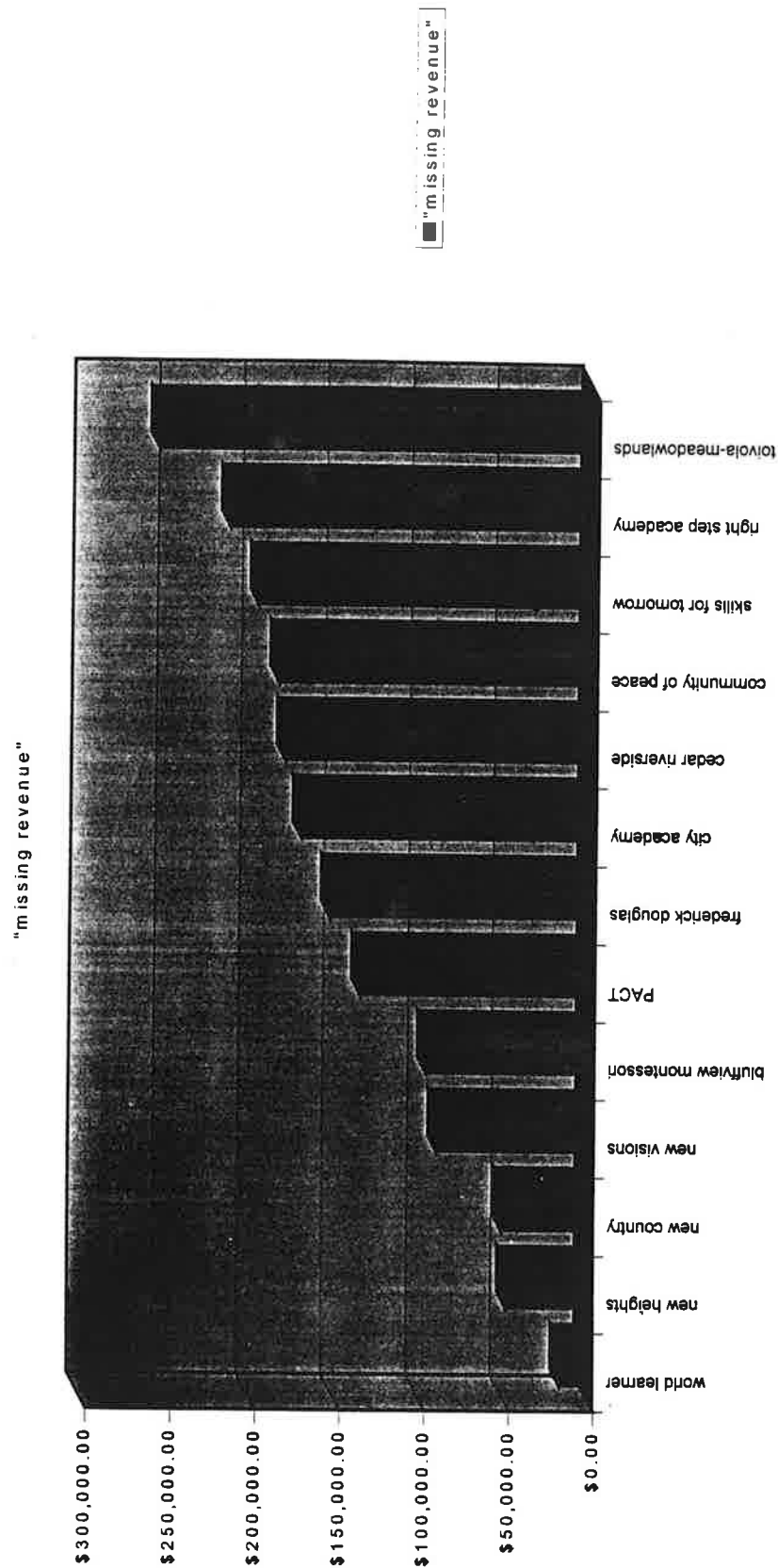
Source: Analysis of data from Minnesota Department of Children, Families and Learning UFARS database, 1995-96 school year

Figure 6: General Fund Revenue Sources/ Cedar Riverside Community School



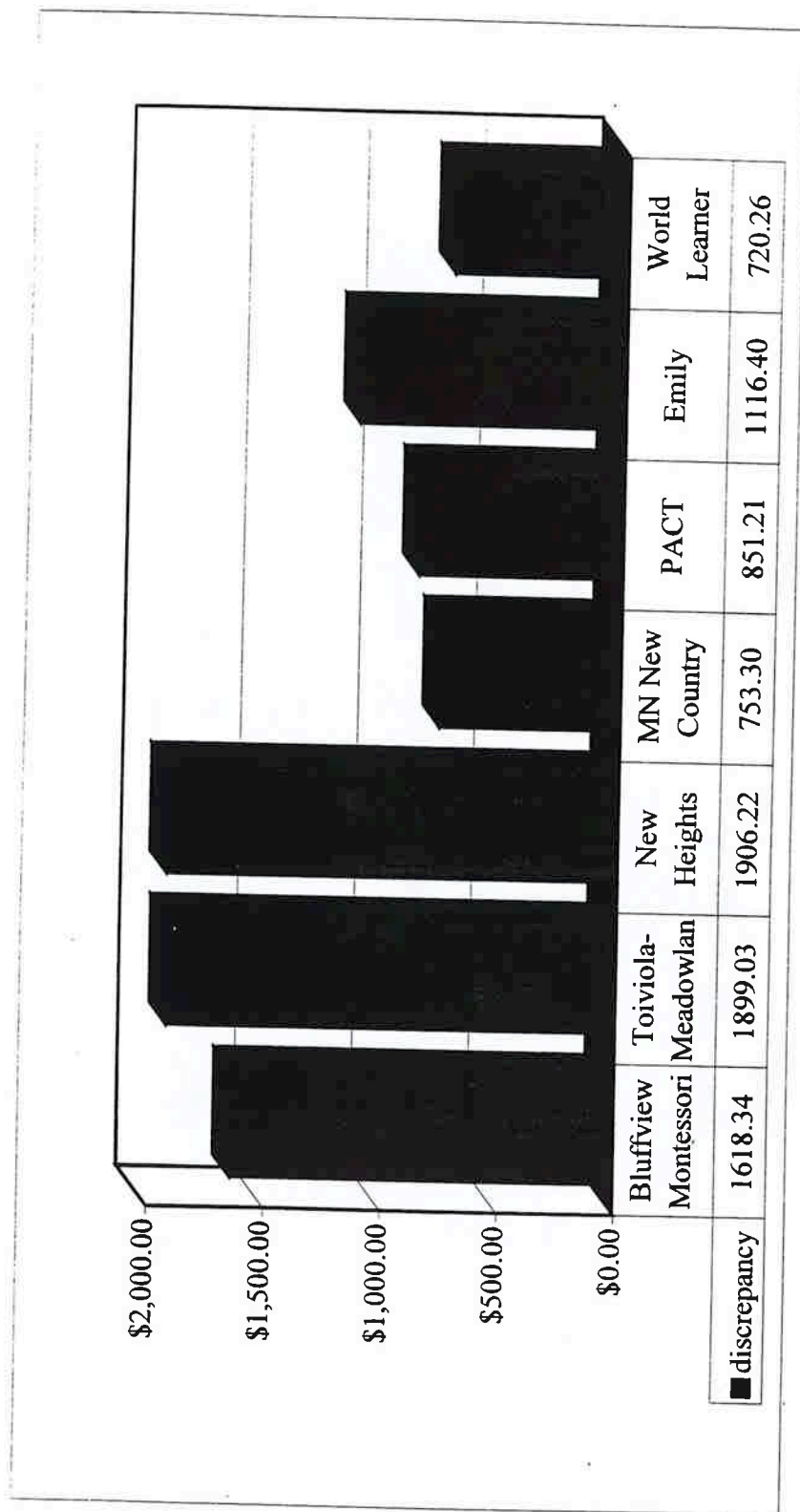
Source: Analysis of data from Minnesota Department of Children, Families and Learning UFARS database, 1995-96 school year

Figure 7: "Missing Revenue:" Total Amount of General Fund Revenue Lost by Minnesota Charter Schools



Source: Analysis of data from MN Department of Children, Families and Learning UFARS database, 1995-96 school year

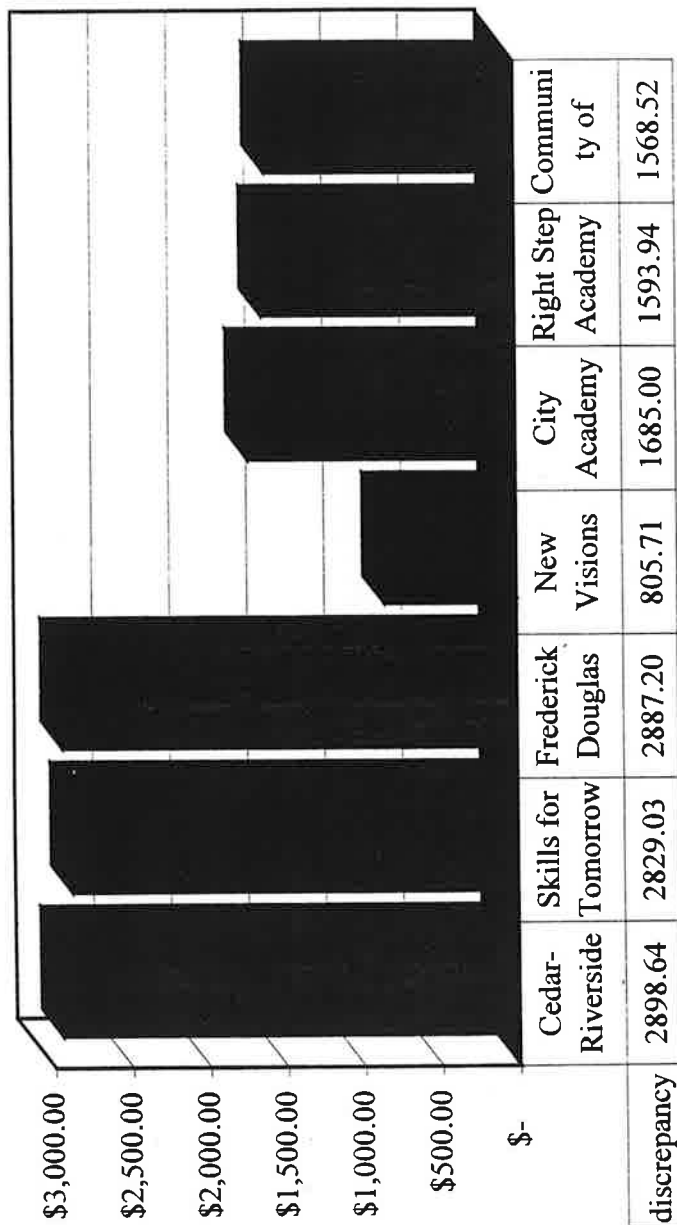
Figure 8: Per-Pupil⁴¹ Funding Discrepancies Faced by Non-Urban Charter Schools



Source: Analysis of data from MN Department of Children, Families and Learning UFARS database, 1995-96 school year

⁴¹ Discrepancy is actually per weighted average daily membership (WADM); the term "per-pupil" is used for simplification.

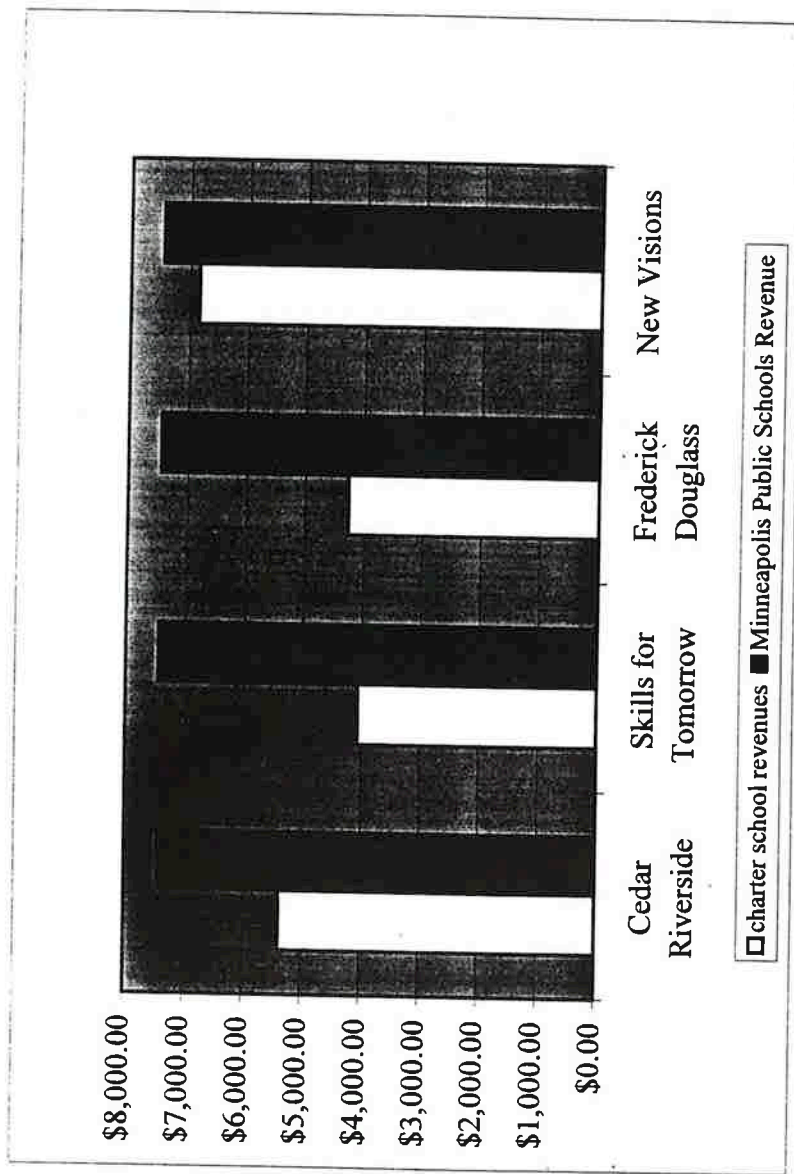
Figure 9: Size of Per-Pupil⁴² Discrepancies Faced by Urban Charter Schools



Source: Analysis of data from MN Department of Children, Families and Learning UFARS database, 1995-96 school year

⁴² Discrepancy is actually per weighted average daily membership (WADM); the term "per-pupil" is used for simplification.

Figure 10: Per-Pupil⁴³ Funding Discrepancies in Minneapolis: Chartered versus Traditional Public Schools⁴⁴



Source: Analysis of data from MN Department of Children, Families and Learning UFARS database, 1995-96 school year

⁴³ Discrepancy is actually per weighted average daily membership (WADM); the term "per-pupil" is used for simplification.

⁴⁴ Note: Funding is higher for New Visions (Charter) School because that school serves a disproportionately high number of special education students.

APPENDIX B: Interview Protocol

Charter Schools Interview Protocol

Revised 2/12/98

Background

1. Tell me about your school. (size, faculty, mission, grades, facilities)
2. What led you to start the school?
3. Describe the process of starting the school.

Obstacles

4. What was the most difficult part of starting the school?
5. What's the most difficult part now?
6. What do you see as the most serious obstacles to charter school formation?
7. What are the most serious obstacles charters face once they're open?

Problem Solving /The legislature

8. What organizations or other resources are available to help you or other charter school operators deal with technical (or other) problems that arise?
9. What could they do to be more useful to you?
10. How, if at all, do the 1997 legislature's changes to the charter school laws affect you?
11. How will they affect people starting charters now?
12. Complete the sentence: "The most important thing the state legislature could do to help charter schools in Minnesota is _____."

Hypotheticals

13. According to my data, in the 95-96 school year your school received \$_____ less per pupil than your sponsoring/parent district. Can you give me some idea of how you could have used that money/what it would've meant for the school?
14. What advice would you give someone about to start a charter school in Minnesota?