



The ABC's of Public Charter Schools in Michigan

- Charter schools, referred to as "Public School Academies" in state law, were created in 1993 as part of Proposal A's constitutional amendment that dramatically altered our funding system for K-12 education and created schools of choice.
- Charter schools, while subject to the same laws, rules and regulations affecting all public schools, have the flexibility to innovate but are held accountable for student achievement.
- While under the general supervision of the State Board of Education, each charter school has a board of directors and is authorized by a university, community college, intermediate school district or a local school district, and the authorizer is responsible for oversight.
- There are more than 110,000 students and 5,000 teachers in the state's 247 charter schools, representing roughly 7% of the state's K-12 student population. 45% of charter schools currently offer high school grades, and this number is growing each year.
- Charter schools provide a tuition-free education for **all** students through an open enrollment process, with random lotteries held if the number of applicants outnumbers available seats.
- Charters represent a variety of educational focuses, including college prep, culture immersion, arts & music, foreign languages, life skills, & strict discipline academies.
- Most charters provide extended school days and years, tutoring services, enhanced individual attention, character education and early foreign language instruction. Roughly 8% of charter students receive special education services.
- The high-quality teachers in charter schools are required to be certified under state law, just like teachers in traditional public schools.
- Two-thirds of all students in charter schools are minorities.
- More than 50% of the state's charter school students qualify for free or reduced price lunch.
- According to the Michigan Dept of Education, charter school students in grades K-8 outperform students in similar traditional public school districts in 25 of 27 MEAP tests.
- Charter high school students have achieved an 86% graduation rate, 12% above similar traditional districts.
- According to the MDE, students in charter schools receive, on average, \$1,778 less per year in combined state and local financial resources than students in host districts.
- Charter public schools bring new and additional financial resources to a community through partnerships with businesses and foundations.
- Over 40 charter schools have been closed in the past 16 years, most likely for not meeting the expectations of their authorizer.

Updated: March 2011



THE STRUCTURE OF CHOICE

Michigan offers educational options to students and families through two primary means: interdistrict choice and charter public schools. As mentioned previously, homeschooling also exists as an option though it is not the focus of this document.

In this section, we'll explore the structure of Michigan's laws related to choice.

Interdistrict Choice

Public schools in Michigan now are able to compete for students beyond their geographic boundaries.

...School choice in Michigan has been permitted since passage of Public Act 300 of 1996, but it is not unlimited. Students may transfer only to another district that is located within (1) the boundaries of the intermediate school district (ISD) in which they live or (2) a contiguous ISD. In addition there are certain restrictions.

- School districts may choose whether to participate in the schools of choice program—that is, whether they will accept transfer students.
- Districts that choose to participate must publish a list of grades in which they will accept nonresident students and the number of students they will allow in each.
- Schools must accept students on a first-come-first-served basis; they may not discriminate on the basis of race, academic ability, or any other factor.
- Parents must provide their own transportation.

In the 1996-97 school year, the first that the law was in effect, almost 8,000 Michigan students attended a school outside their home district.ⁱ

Today, it is estimated that more Michigan students participate in inter-district choice than the 110,000 students who attend a public charter school.

Charter Schools

Michigan today is known as having one of the nation's strongest charter school laws.

In 1994, as part of school-finance reform, lawmakers passed P.A. 362 of 1993, the so-called charter-school law. The law permits "public school academies" to be established. Michigan was among the first states to take such a step, and, according to one education-reform organization, the Michigan law is one of the most far-reaching in the nation—second only to Arizona's and Delaware's in the amount of autonomy given charters, the kind allowed, and other factors.

Michigan charter schools operate under the auspices of an authorizer, one of four types of public entity: a state university, school district, ISD, or community college. The authorizer is responsible for monitoring the charter



school's progress in its adherence to state regulations as well as providing other oversight; the authorizer may revoke a school's charter if it believes the school is not performing satisfactorily.ⁱⁱ

There are several different types of charter schools in Michigan. They are as follows:

Part 6A: Public School Academies

Part 6A of the Revised School Code provides for the creation of Public School Academies, or PSAs. This section of law was adopted as Michigan's original charter school statute in 1994.

The number of charter schools that state universities collectively may authorize under this section is 150, and the ceiling was reached in FY 2000–01, meaning that universities may not charter additional schools unless an existing one closes. Although there is no cap on the other types of authorizers, they are confined to authorizing charters in their service area, whereas a university may authorize schools statewide.

Charter schools are subject to most of the same laws as traditional schools; for example, they must employ only certified teachers, are prohibited from charging tuition or teaching a religion-based curriculum, and must accept students on a first-come-first-served basis. Unlike traditional public schools, however, they need not (1) accept all applicants if they do not have available space, which means they can control school and class size, (2) hire unionized teachers, or (3) participate in collective bargaining.ⁱⁱⁱ

Part 6C: Urban High School Academies

As described elsewhere in this guide, Urban High School academies were established in 2003 for the purpose of enhancing available educational opportunities in the city of Detroit.

Philanthropist Bob Thompson used \$100 million from the proceeds of the 1999 sale of Thompson-McCully Co., a road paving company, to establish The Thompson Foundation. In 2003, Mr. Thompson offered \$200 million to establish 15 new, small, charter high schools in Detroit, with the requirement that 90 percent of students graduate and 90 percent of graduates attend college. Mr. Thompson did not want the Detroit Public Schools (DPS), which was then operating under special state supervision, as the chartering authority for these new PSAs.

Strict discipline academies may offer the last best chance for students who have not been successful in traditional schools.

The state legislature responded with Public Act 179 of 2003, which authorizes urban high school academies, and which was passed in an unusual manner. Senate Bill 393 was enrolled on August 13, 2003, and presented to the Governor on September 8. On September 18, the Senate requested that the bill be returned, which the Governor did. The Senate then made and passed a motion to vacate the enrollment. On September 23 (15 days after the bill had been sent to the Governor), the House approved a motion agreeing with the Senate's request to return the bill.

On September 25, 2003, an estimated 3,000 Detroit teachers demonstrated outside the state capitol in Lansing in opposition to the expansion of charter schools, shutting the Detroit school district down for the day. Political leaders in Detroit, and some in Lansing, supported the Detroit Federation of Teachers (DFT). DFT later threatened legal action against any university that chartered an urban academy under PA 179.



On October 2, 2003, the Attorney General determined that the Governor did not veto the bill within the 14 day period allowed, and the bill was not concurrently recalled by both the Senate and House within the 14 day period. SB 393 therefore became PA 179 of 2003.

No more than 15 contracts may be issued for urban high school academies. The governing body of a state public university is authorized to issue such a contract; three urban high school academies have been chartered by Grand Valley State University. The contract must be for an initial period of ten years and if educational goals are met, the authorizing body must automatically renew the contract for an additional ten-year term.

These schools may operate only in counties with a population of over 1 million (Wayne and Oakland). According to the law, criteria to be considered by an authorizing entity considering an applicant for an urban high school academy include the following:

- The proposed school will operate at least all of grades 9 through 12 within three years after opening.
- The proposed school will occupy a building or buildings that are newly constructed or renovated after January 1, 2003.
- The proposed school has a stated goal of increasing high school graduation rates.
- The proposed school has received commitments for financial and educational support from the entity applying for the contract.
- The entity that submits the application for a contract has net assets of at least \$50,000,000.

Mr. Thompson withdrew his plan in reaction to political and public opposition (coincidentally on the same day that the Attorney General opined that the charter school bill presented to the Governor was law), but his foundation subsequently provided funding for construction or renovation of seven schools in Detroit, including University Prep Academy, the Henry Ford Academy: School for Creative Studies, and University Prep Science and Math Middle School.

In 2009 the Thompson Educational Foundation gave \$13.5 million for the development of the new University Prep Science and Math High School, scheduled to open in September, 2010.

Urban high school academies may have more than one site per charter and board of directors. This means they can operate a system of K-8 feeder elementary schools leading into the same high school under the same charter and board.^{iv}

Part 6E: Schools of Excellence

The newest type of Michigan charter school was established in January 2010, as part of a legislative effort to improve Michigan's ability to compete for federal Race to the Top funds.

A total of ten new charter "schools of excellence" may be authorized by local and intermediate school districts, community colleges, and universities, in addition to the two cyber K-12 schools aimed at high school dropouts. The first five new schools of excellence must serve high school students. In addition to the ten new schools, an unlimited number of high quality charter schools may convert to schools of excellence, with the authorizer allowed to open a new PSA for each of its schools that convert. Because there is no cap on the number of high quality charter schools that may convert to schools of excellence, there is the potential for unlimited charter expansion, based on quality performance. However, schools of excellence may only be located in school districts that had an average graduation rate of less than 75 percent in the past three years for which data are available.



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215 S. Washington Square
Suite 135
Lansing, MI 48933
517.374.9167 p
517.374.9197 f
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Contract requirements for schools of excellence are more stringent than for PSAs, and include compliance certifications; prohibited relationships between members of the board of directors, owners, officers or employees of the educational management organization, and school employees; public disclosure of aspects of operation and management including the contract, board members, policies, budget, copies of bills over \$10,000 that were paid, quarterly financial reports, teachers' and administrators' names and salaries, facility leases, management contracts, health and safety reports, and other information concerning the school's operation. The board of directors must include representation from the local community.

Like PSAs, schools of excellence must comply with the Open Meetings Act, Freedom of Information Act, and other applicable state laws. A school of excellence may be located in all or part of an existing public school building, and may operate only one location for any grade or configuration of grades. Like PSAs, schools of excellence may not discriminate in pupil admissions on the basis of intellectual or athletic ability, measures of achievement or aptitude, disability, or any other basis that would be illegal if used by a traditional school district.

A school of excellence may use any teaching technique that may be used by a school district and is authorized to develop and implement new teaching techniques or methods. New or revised teaching techniques are to be reported to the authorizer and state board to be made available to the public.

Authorizers of schools of excellence are responsible for oversight and act as fiduciary. If the superintendent of public instruction determines that a school of excellence that has been open for at least four years, and is in at least the second year of restructuring, is among the lowest achieving five percent of all public schools, the authorizer must revoke the school's charter.

Conversion to Schools of Excellence

The board of an existing PSA that meets specified quality criteria may, with the approval of its authorizer, adopt a resolution to convert to a school of excellence. Those quality criteria are:

- For grades K to 8, on average over a three-year period, at least 90 percent of students achieved a score of proficient or better on the Michigan education assessment program math and reading tests, or, if at least 50 percent of students qualify for free or reduced price lunches, at least 70 percent of students achieved a score of proficient or better.
- For grades 9 through 12, at least 80 percent of students graduate or are on track to graduate, the school has at least 80 percent average attendance, and the school has at least an 80 percent postsecondary enrollment rate.

The school seeking to convert must negotiate a new contract, which may be granted by the governing board of a state public university, the board of a community college, an intermediate school board, or the board of a K-12 school district with the same geographical constraints as imposed on charterers for PSAs. The old contract ends at the time the conversion occurs. If the original authorizing body was a university (there is a limit of 150 PSA charters that may be granted by universities collectively), then for a period of 12 months, that university is the only one that may issue a new contract to fill the availability created by the conversion. That replacement PSA must be located in a school district that has an average graduation rate of less than 75.5 percent for the past three years for which data are available.

As with the application for a PSA, if a school district denies an application for a contract to organize a school of excellence, the applicant may petition the school board to place the question on the ballot. The petition must contain all the information required to be in the application and must be signed by at least 15 percent of the



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electors in the school district. The district must place the issue on the next regular school election held at least 60 days after receiving the petition.^v

Strict Discipline Academies

Strict discipline academies were developed to support students who are not able to attend another regular public school for disciplinary reasons.

Michigan law requires a public school to permanently expel a student who possesses a dangerous weapon, commits arson or criminal sexual conduct, or commits physical assault against an employee or a volunteer at a public school. A student who is expelled from, and not reinstated to, a public school in Michigan may not be admitted to another regular public school, but may be admitted to an appropriate alternative education program if the district operates such a program, may be admitted to a strict discipline academy (SDA), or the intermediate school district may provide homebound educational services to the student. It is the responsibility of the expelled student and his or her family to find an educational alternative.

According to state law, strict discipline academies are a form of charter school that is designed for the following types of pupils:

- Pupils placed in the strict discipline academy by a court or by the department of human services or a county juvenile agency under the direction of a court.
- Pupils who have been expelled for bringing a weapon to school, or committing arson or criminal sexual conduct in a school building or on school grounds.
- Pupils who have been expelled for assaulting a school employee or volunteer or making a bomb threat to school property or a school event.
- Other pupils who have been expelled from school, or pupils who have been suspended from school for more than 10 school days, and who are referred to the strict discipline academy by that pupil's school and placed in the strict discipline academy by the pupil's parent or legal guardian. A suspended pupil may only attend the strict discipline academy for the duration of the suspension.
- Special education pupils whose individualized education program team recommends that the special education pupil be placed in the strict discipline public school academy.

Strict discipline academies may be authorized by universities, community colleges, intermediate school districts, or school districts. An authorizing body considering an application for a strict discipline academy must take into consideration the resources available to a strict discipline academy, the population to be served, and the educational goals. An applicant for a strict discipline academy who is rejected by a school district may petition to place the issue on the ballot using the same procedure available to a school of excellence applicant.

When an expelled pupil is enrolled in a strict discipline academy, that academy becomes eligible for the prorated share of either that PSA's or the expelling school district's foundation allowance, whichever is higher. Strict discipline academies are not intended for individuals who are committed to a high-security or medium-security juvenile facility. If the Department of Corrections or a state agency other than the Department of Human Services has custody of, or jurisdiction over, a child, that state department or agency has the financial responsibility for educating the child.

A strict discipline academy may be located in all or part of an existing public school building, but in situations where a building is shared, strict discipline academy students must be physically separated from the general student population. A strict discipline academy may not charge tuition, and may not discriminate in admissions



based on intellectual or athletic ability, measures of achievement or aptitude, status as a student with a disability, or any other basis that would be illegal if used by a school district.

However, a strict discipline academy may limit admission to pupils who are within a particular age range or grade level or on any other basis that would be legal if used by a school district. A strict discipline academy may include any grade up to grade 12 or any configuration of grades, including kindergarten and early childhood education, as specified in its contract. The authorizing body may approve amendment of a contract with respect to ages of pupils or grades offered.

Except for a foreign exchange student who is not a United States citizen, a strict discipline academy may not enroll a pupil who is not a resident of Michigan. Generally, enrollment in a strict discipline academy is open to qualifying pupils who live within the geographic boundaries of the authorizing public school district, intermediate school district, or community college. For a strict discipline academy authorized by a state public university, enrollment is open to all qualifying pupils who live anywhere in the state. If there are more applicants than there are spaces available, a random selection process must be used. However, a strict discipline academy may give enrollment priority to a sibling of a pupil enrolled in the strict discipline academy. Except for a suspended pupil who is attending the strict discipline academy for the duration of the suspension, a strict discipline academy must allow any pupil who was enrolled in the strict discipline academy in the immediately preceding school year to enroll in the strict discipline academy in the appropriate grade unless the appropriate grade is not offered at that strict discipline academy.^{vi}

ⁱ Public Sector Consultants. op. cit. p176

ⁱⁱ Ibid. p177

ⁱⁱⁱ Ibid. p176

^{iv} Ibid. p66-7

^v Citizens Research Council of Michigan (2010). Nontraditional K-12 Schools in Michigan. Lansing, MI: Citizens Research Council.

^{vi} Ibid. p65-6



FINANCIAL RESULTS: How Charter Schools Spend Their Money

Although charter schools are treated as "school districts" for most statutory purposes, they do face certain unique financial issues. An overall funding inequity (see below), combined with authorizer oversight fees and lack of capital for facility financing, means charter public schools have to do the same work with fewer dollars. In this section, we will explore ways in which they accomplish this work while still providing high-quality educational opportunities for the school children they serve.

Overview of the Funding Gap

It is widely known that there is a funding disparity between conventional and charter public schools.

When aggregate dollars for all education services are compared to the enrollments for districts and charters, both statewide and in Detroit, it becomes apparent that Michigan charters are underfunded relative to district schools that are comparable for grade levels and students served. Charter schools compensate for some of this shortfall with private fundraising, but grants and donations fail to bridge the funding gap. As a consequence, charter schools must operate with less day-today per-pupil funding than do their traditional school counterparts.ⁱ

The amount of the gap changes from year to year, but is generally between \$1,000 and \$2,750 per pupil.

This funding structure leaves Michigan's charter public schools at a significant disadvantage relative to their K-12 district peers. Most recently, a report from the Michigan Department of Education (MDE) stated that:

...During the 2004-05 school year, total PSA revenues lagged non-PSAs by an average of \$1393/pupil, and lagged host district revenues [the 18 mostly-urban districts which house three or more charter schools] by an average of \$2612/pupil.

When considered in the aggregate, these numbers are staggering. Statewide, charter schools are funding operations, paying for a facility, footing the bill for their own oversight, and educating kids at a cost that is approximately \$195 million lower than if those same students had stayed in the nearby urban host district.ⁱⁱ

There are several reasons for this gap.

[To begin,] PSAs struggle with finding necessary start-up funding. Personal loans and "bridge" loans seem to be common characteristics of "grass-roots" PSAs. Management companies are able to provide start-up monies or guarantee loans for buildings, equipment, personnel, etc. Long-term funding for capital improvements have been difficult to obtain in many cases. Generally, successful efforts to obtain loans from local financial institutions are credited to the reputations of board members and other key officials associated with the schools.ⁱⁱⁱ

Where PSA Dollars Go

Generally speaking, PSA expenditure categories do not differ substantially from those of conventional



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517.374.9197 f
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schools.

... Michigan charter schools have similar expenditure patterns to equally situated regular public schools[, but serve] more minority and at-risk children compared to state averages. [Research shows no] statistical correlation between charter school status and such factors as per-pupil expenditures for basic instruction, current operations, or the total general fund. In effect, charter schools spend at the same level as school districts.^{iv}

The expenditure patterns shown in PSAs show that these schools are achieving efficiency through the following administrative innovations:

- Michigan charter public schools have lean administrative staffing plans with fewer layers of management.
- The innovative use of teacher leaders has resulted in increased job satisfaction, as well as administrative cost savings for charter public schools. This strategy has helped offset the lower average teacher salary in charter public schools.
- Some boards opt to use management companies as a way to not only manage their daily administrative tasks, but also to help offset many expenses over time. Pooled purchasing power and other supports make management companies an attractive option for many PSA boards.
- Using early intervention strategies, charter schools are able to implement a special education system that provides advance screening, assessment and intervention to prevent long-term learning difficulties
- Charter public schools are making strong use of community partnerships to enrich their high school programming, which results in improved academic offerings, strengthened links to local leaders and organizations, and access to private dollars for program support. In particular, charter high schools have made good use of dual enrollment opportunities with nearby institutions of higher learning and/or online course programs.^v

Transportation: A Key Concern

Funding and practical considerations often factor heavily into a PSA's decision about whether to provide transportation to its students.

According to MDE and the Revised School Code, no Michigan public school district – charter or otherwise – is required by law to provide transportation to its students. However, the state does require that if a school district chooses to provide transportation to one student in a grade level, then it must provide transportation to all students in that grade level who live more than 1.5 miles from the school. Though the Revised School Code is silent relative to charter public schools, providing transportation presents them with a special challenge, because they do not have limited geographic boundaries; rather, their boundaries are considered to be the border of the state of Michigan if authorized by a state university or tribal community college, as most are. This causes a great many practical challenges for charter public schools trying to design effective bus routes.

Currently, approximately ten percent of Michigan's charter public schools provide transportation.

As a percentage of expenditures, the costs associated with this service ranges from less than one percent to as much as 15 percent. It should be noted that any school that does not provide transportation faces an obvious disadvantage in today's competitive K-12 marketplace. Thus, charter public schools have to make careful decisions about the impact their choices relative to pupil transportation will have on a broader scale.



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Some charter public schools have decided not to provide transportation in an effort to bring parents and caregivers to campus at least once every day. In some instances, these schools offer space on campus for adult learning resources, parenting information, and even free computer access. By bringing adult family members to campus each day, these schools help boost parental involvement and strengthen home/school connections.

Along with others in the public education community, charter public schools are open to the notion of collaborative transportation arrangements and seek to foster new ways of addressing this issue.^{vi}

Paying For Facilities

For charter schools, obtaining financing and paying for facilities is the most challenging financial issue to be addressed. This is both a short- and a long-term issue.

...In terms of resources, the greatest disparities among PSAs are clearly visible in their instructional facilities. While a large number of PSAs do not have permanent sites for their schools, even after a few years of operation some are still struggling to secure a permanent facility. For many of the schools in this situation, the problem is not one of finding an available site; rather, it is a problem of securing sufficient resources with which to renovate or build.^{vii}

A number of Michigan charter schools have obtained long-term tax-exempt financing to fund their facilities purchases.

While no state facilities assistance is provided [to PSAs], the state charter school law specifically allows charter schools to issue tax-exempt securities. Based on an Internal Revenue Service ruling that did not specifically disallow the practice, numerous charter schools have successfully obtained tax-exempt financing to purchase or build facilities. Typically, an investment company secures financing for the charter school and gets a fee of approximately 5 percent of the amount financed. In addition to interest, the lender receives "points" approximating 5 percent. Typically, the lender holds a "reserve" of 10 percent. The fees and reserve are capitalized into the financing so no down payment or other up front money is required. In order to build a \$1.0 million facility, a charter school would obtain tax-exempt financing for \$1.2 million. The universities that authorize charter schools usually must agree to forward payments directly to lenders on behalf of the charter school. Although tax exempt, the higher risk carried by charter school securities results in interest rates substantially higher than those obtained by school districts.^{viii}

The facilities financing challenge is not just limited to Michigan.

Districts across the country are facing unmet needs for the renovation and construction of public school facilities, dwindling capital funding streams, and voter resistance to property tax increases.

In this context, the decade-long experience of charter schools with private-sector involvement in facilities financing, and the use of instructional revenue for the repayment of debt, offers lessons to both charter schools and the wider public school community.

Nationally, less than one-fifth of all charter schools lease facilities at minimal rates from their districts. [Charter schools] generally use a significant proportion of their per pupil (instructional) revenue to pay for leasing,



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Lansing, MI 48933
517.374.9167 p
517.374.9197 f
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renovation, construction, purchasing, and maintenance of their facilities. The financial strain of facilities financing is grave for charter schools.

Most startup charter schools ... incur debt initially to make leasehold improvements on rented space, and later to finance the purchase of land and/or a facility, or to construct or renovate a building. While financiers generally agree that charter schools should not commit more than 12-15 percent of their per pupil revenue to debt service, [they] spend an average of 20-25 percent of their instructional revenue on repaying loans and bonds. Since charter

schools are often in facilities not originally meant for schools, most charter schools begin by making modifications using grants, personal funds, or leasehold improvement loans. Renovations made to leased property contribute to the equity of the owner, but not to that of the charter school and cannot be taken when the school moves to a new location, as it generally must do to accommodate student growth. A school's ability to obtain a loan at a reasonable interest rate depends primarily on the perceived risk to the lender and lender and the sources that the school can demonstrate as available for repayment. Since per pupil revenue is based on enrollment, and most charter schools have charters for five years, charter schools generally have not scored high marks according to standard loan investment measures.

After more than a decade, charter schools have become more attractive to the investment community. As financiers become savvier about charter schools, more products, such as loan pools and bond pools, are being developed to provide affordable financing while decreasing lending institutions' risk or exposure. To facilitate charter schools' financing, some states and private entities have also created credit enhancement programs.

Moreover, the finance community's criteria of an investment-worthy charter school are shaping important aspects of charter schools in ways that may not always be advantageous to the schools and their students. In fact, the finance community's ratings are creating a two-tiered system: those charter schools that are deemed investment worthy, and the larger portion of schools that are not considered "finance-able."

First, charter schools with enrollments of less than 300 students are generally not considered finance-able; most investors want school enrollment to be between 300 and 500, with promise of further growth. This requirement eliminates both charter schools in their early stages of development and those charter schools that, following

State Support for Charter School Facilities

During the 1990s, charter schools across Michigan faced serious funding challenges relative to their facilities. To help them address these concerns and procure safe, adequate facilities for their students, state leaders created the Michigan Public Educational Facilities Authority (MPEFA) in 2001.

MPEFA has provided charter schools with significant access to the credit market. It immediately resulted in nearly \$5 million in credit enhancement funds, which established a revolving fund for charter schools' long-term borrowing needs. In addition, providing charter schools with access to a reasonable credit rating and tax-exempt status resulted in substantial reductions in interest rates.

Perhaps MPEFA's largest victory, though, is that it continues to exist. Its solid implementation strategy successfully prepared it to weather future challenges, including the current "credit crunch," which has deeply affected the mortgage and personal credit markets.¹



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current research on best practices, are intentionally small, including a growing number of charter schools whose mission is to serve at-risk students and special populations.

Second, investors want charter schools to maintain significant cash reserves. While this provides security to investors and represents sound business practice, without school leaders spending more time and effort on fundraising, maintenance of a cash reserve also translates into further cuts in instructional spending.

Third, charter schools are under pressure from the finance community to have board of trustee members who represent insurance, law, real estate, and finance. However, establishing well-connected, professional boards is clearly much more difficult for charter schools in exactly those low-income communities that most need charter schools.

Even if facilities financing can be improved with low-interest loans and tax-exempt bonds, the fact that these mechanisms are repaid largely with public per pupil funding streams results in decreased money for instruction. ix

Other PSA Financial Issues

Administrative Fees

Charter schools in Michigan have an additional oversight fee not applicable to their conventional district peers.

Charter authorizers can collect 3 percent of funding to cover monitoring and administrative expenses.^x

Thus, charter schools in Michigan pay for their own oversight.

Teacher Health and Retirement Benefits

Charter schools have identified unique solutions for teacher health and retirement benefits. There are complications that arise when the services of a management company are used; thus schools and management company officials must work together to offer competitive benefits packages to employees.

Generally speaking, however, most charter public school teachers receive medical, dental and vision benefits through major carriers. In many cases, charter public school personnel contribute to the costs of these plans. It should be noted that the use of employee contributions for health insurance is a growing trend in district schools as well.

In many instances, charter public school teachers also receive long-term care and life insurance benefits through the school.

The Michigan Chamber of Commerce also works with 49 Michigan charter public schools, 34 of which contract with a single educational service provider (ESP), to provide insurance benefits. Through this program, which has been endorsed by the Michigan Association of Public School Academies (MAPSA), participating charter public schools receive a customized benefits package that is tailored to the specific needs of each school and its employees.

Charter public schools that employ their teachers and administrators through an ESP are not, by law, permitted



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to participate in the Michigan Public School Employees Retirement System (MPERS). Generally speaking however, these companies offer their employees competitive 401K retirement packages that may offer an employer "match." The cost of these benefits tends to be lower, particularly in relation to the MPERS system. These packages vary by ESP.

Teachers and administrators who are employed directly by a charter public school board are, by law, automatically included in MPERS. Some charter school boards choose to employ staff this way, considering it a compelling tool for teacher recruitment and retention.^{xi}

ⁱ Speakman, Sheree; Hassel, Bryan; and Finn, Chester E. Jr. (2005). Charter School Funding: Inequity's Next Frontier. Washington, DC: The Thomas B. Fordham Institute.

ⁱⁱ Van Koevering, Stephanie and Smiggen, Christine (2006). Getting It Done: How Michigan's Charter Schools Survive - and Thrive - With Less. Lansing, MI: Michigan Council of Charter School Authorizers.

ⁱⁱⁱ Horn, Jerry and Miron, Gary. op. cit. pvii

^{iv} Nelson, F. Howard; Muir, Edward; & Drown, Rachel (2000). Venturesome Capital: State Charter School Finance Systems. Washington, DC: US Department of Education.

^v Van Koevering and Smiggen. op. cit. p5-11

^{vi} ibid. p8

^{vii} Horn, Jerry and Miron, Gary. op. cit. pvii

^{viii} Nelson et al. op.cit. p151

^{ix} Ascher, Carol; Cole, Clyde; Harris, Jodie; Echazarreta, Juan (2004). The Finance Gap: Charter Schools and their Facilities. New York, NY: Local Initiatives Support Corporation (LISC) Educational Facilities Financings Center.

^x Nelson et al. op.cit. p151

^{xi} Van Koevering and Smiggen. op. cit. p7



MAPSA

Michigan Association of Public School Academies

215 S. Washington Square
Suite 135
Lansing, MI 48933
517.374.9167 p
517.374.9197 f
www.charterschools.org

MYTHS AND FACTS

About Michigan's Charter Schools

Myth: Charter schools are not as accountable as traditional public schools.

Fact: Charter schools are subject to virtually the same statutes and regulations as all other public schools in the state. Charters respond to the same reporting requirements, administer the same tests, maintain the same health and safety standards, and submit to the same audits, with generally favorable outcomes.

Myth: Charter schools teach religion.

Fact: Charter schools are prohibited from teaching religion pursuant to state law.

Myth: Charter schools "cherry pick" students from other schools.

Fact: Charter schools are open to all students. When the number of student applicants exceeds the number of available seats, a random selection lottery is held to determine which students will be enrolled.

On this note, it is also worth pointing out that Michigan charter schools actually enroll a higher proportion of poor, minority students than traditional public schools.

Myth: Charter schools do not use certified teachers.

Fact: Charter schools are subject to the same certification and "highly qualified" provisions of state and federal law as all other schools. Not only do charter schools use certified and highly qualified staff, they also submit to periodic audits by their authorizers and the state to ensure their compliance.

Myth: Charter schools take money from other public schools.

Fact: All Michigan schools receive money through a per-pupil foundation allowance. When a public school - charter or traditional - loses a pupil, the school also loses money. The inverse is also true: when a school gains a pupil, the school gains money.

The idea is that when a school is performing well, delivering solid academic results and engendering high levels of student and parent satisfaction, that school will reap financial benefits. This is the fundamental policy calculation associated with Michigan's competitive educational marketplace.



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Myth: Charter schools expel students after count day leaving traditional districts without funding for students they are educating.

Fact: Data from the Michigan Department of Education does not support this myth. Enrollment numbers show that all districts, traditional and charters, experience some movement of students, back and forth, after count days. The movement of students is not one sided, charter receive as many students from traditional districts as traditional districts receive from charters.

Second, state law provides for a mechanism for districts to "bill" other districts on a pro-rata basis, for students who enroll after count day. Not only is it law but it is practiced, charter schools routinely receive billings for students who leave after count day.

Myth: Charter schools do not educate special education pupils.

Fact: Not only do charter schools educate special education students; in many instances they also have more innovative approaches to achieving results with this population. Consider the following:

....[In the United States]...well-researched experiments with both publicly funded and privately financed voucher programs show that parents of learning disabled children not only take advantage of choice but often do so at a higher rate than parents of mainstream students. This result has been known since the late 1990s when Children First America Foundation and James Leininger organized the CEO Horizon Scholarship Program, which provides private school subsidies to virtually all families in the Edgewood Independent School District of San Antonio, Texas.

On reflection, the particular enthusiasm of parents of special needs children for school choice should not surprise us, since those parents are often the most dissatisfied with public education. Their concerns include both the failure of teaching staffs to adequately implement agreed-upon plans for remedial instruction and lax disciplinary rules, which allow frequent teasing and even bullying of their children. Parents of the learning disabled are also attracted to private and parochial schools by their generally lower class sizes, which provide the opportunity for more individualized instruction.

...[Similar examples of a positive correlation between school choice and special education exist in Denmark, where] the one phrase that consistently crops up in all discussions of special education...is "similarity of values."

The Danes recognize that a learning disability is not synonymous with stupidity and that many special needs students are exceptionally strong in math, science, and the arts. "In public schools many of these talented children are outcasts," says Terkildsen, "but private schools have the flexibility to appreciate their condition." Because Danish parents are free to place their children in a school with a compatible pedagogical, philosophical, or academic emphasis, Terkildsen adds, the learning disabled youngster can not only learn but often thrive.

The suggestion that school choice benefits special needs students by allowing parents to take advantage of the power of shared values gains added credibility from studies in the United States on the relationship between education economics and the well-being of another vulnerable group - minority students."ⁱ



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Charter schools in Michigan have implemented early intervention strategies that help them address the individual needs of students effectively.

Many charter schools have adopted special education strategies that are both at the forefront of educational practice and more cost-effective than traditional remediation methods. Using early intervention strategies, charter schools are able to implement a system that provides advance screening, assessment and intervention to prevent long-term learning difficulties.

The U.S. Department of Education and other pedagogical experts across the country are working to support all schools in the adoption of early intervention approaches. In particular, there is a growing base of support for a particular strategy known as Responsiveness-to-Intervention (RTI), which has already shown a great deal of promise. Michigan's charter school community is embracing RTI and is currently working to build a base of solid research data that will help support this important paradigm shift in the field of special education.

There is a great deal of evidence showing that children who receive early intervention services such as RTI reap substantial benefits over time. In fact, the effective utilization of research-based intervention at a younger age increases the likelihood that a pupil will achieve success without the need for ongoing special education services later on. According to the National Joint Committee on Learning Disabilities, there are other benefits as well.

Potential benefits ... include (1) earlier identification of students with LD using a problemsolving approach rather than an ability-achievement discrepancy formula with the expectation of minimizing "wait to fail," (2) reduction in the number of students referred for special education, (3) reduction in the overidentification of minority students, (4) data that are maximally relevant to instruction, (5) focus on student outcomes with increased accountability, and (6) promotion of shared responsibility and collaboration. (NJCLD, 2005)

Charters have readily adopted early intervention strategies because they make good financial sense in an environment where every dollar counts. While early invention is slightly more costly up front due to training expenses and the purchase of necessary screening, assessment and tracking instruments, charter schools have found that they can be staffed more effectively at the school level with existing faculty as well as paraprofessionals and trained volunteers.

Ultimately, these programs are often so effective that special education services are no longer required as the child moves into the later grades. Thus, the financial benefit of this approach is spread out over time and can be significantⁱⁱ

ⁱ Andrews, Lewis M. (2005). "The Special Education Scare: Fact vs. Fiction." Article in What America Can Learn from School Choice. Washington, DC: Cato Institute.

ⁱⁱ Van Koevering and Smiggen. op. cit. p9