Michigan's Charter School Initiative: From Theory to Practice

Final Report: February 1999

Prepared for
Michigan Department of Education

Prepared by
Public Sector Consultants, Inc.
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Executive Summary

This report presents the results of a year-long evaluation of public school academies—commonly called "charter schools"—in nine counties in the greater southeastern Michigan area (Lapeer, Livingston, Genesee, Macomb, Oakland, Saginaw, St. Clair, Washtenaw, and Wayne) and referred to throughout this report as the "study area." This summary presents our conclusions and recommendations.

The Michigan Legislature, in the fiscal year (FY) 1995–96 appropriation bill, required that two separate evaluations of the state's charter schools be undertaken. Through a competitive process, Public Sector Consultants (PSC), Inc., and MAXIMUS, Inc., jointly won one of the evaluation contracts. (Appendix A presents information about the two companies. Appendix B lists the charter schools in PSC/MAXIMUS's study area and presents certain pertinent information about them.) The other contract was awarded to Western Michigan University (WMU), which addressed identical research questions for charter schools in the western and central parts of the state.

The study period is school year (SY) 1997–98, although where possible we have updated the background data for the schools with 1998–99 information. Note that most financial data in the report are for SY 1996–97.

The first charter schools in Michigan opened their doors in 1994, following a number of legislative and judicial actions. At this writing, there are 138 charter schools in the state, but the number changes frequently, as new schools begin operations and some close their doors. PSC/MAXIMUS evaluated 55 schools in their assigned area, approximately half the charter schools in operation in the state during SY 1997–98.

CONCLUSIONS

- Michigan's approximately 140 charter schools come in all shapes and sizes. Some are small (40–50 pupils), while a few are large (up to 1,200 pupils); some are brand new, while others have operated as private schools for more than 20 years; some rely on a "back-to-basics" curriculum, while others are trying new approaches; some are functioning smoothly as a organization, while others barely are surviving. This wide variety is a key characteristic of Michigan's charter schools. It also means that arriving at specific conclusions about charter schools is difficult, since nearly every general statement has at least one exception.
- The demand for charter schools by parents has not abated. In SY 1998–99, the number of students attending Michigan charter schools is up 50 percent from the prior year. Sharp increases probably will continue during the next few years. Most schools we visited report having a long waiting list,

and many school administrators report that one of their major concerns is finding enough space to accommodate rising enrollment.

- In the PSC/MAXIMUS study area, locating and renovating good building space is the most difficult hurdle for charter schools. Many opened in substandard buildings and had difficulty meeting fire safety requirements. While most charter schools have adequate operating revenue (supplied by the state), the state foundation grant usually is not adequate to enable a school to build a reserve sufficient to cope with major repairs, renovations, or expansion plans, particularly in the early years. Some schools we visited clearly are using substandard facilities. New federal grant money will help but is far short of satisfying need.
- Michigan's charter schools have been unable to access the financing options available to traditional public schools. Only a small number of schools in our study have been able to finance building construction or renovation by pledging future state aid. Some school operators have resorted to financing their facility with personal assets.
- In many charter schools, administrators feel isolated from other charter schools and from the traditional education community. The support provided by intermediate school districts (ISDs) to charter schools varies widely across the region; some ISDs still resist including charter schools in the services they provide to other public schools. Although charter schools are intended to be "laboratories" for new techniques that can improve learning in all schools, the existing isolation means that there is very little sharing of information among charter and traditional public schools.
- In most cases, the presence of a charter school has had very little effect on the surrounding traditional school district. The most common response of the surrounding district has been to extend kindergarten to all day.[1]
- Some charter school administrators, especially in the early years, are unprepared to run an organization of the size and complexity of a public school. The business side of the school, meeting a payroll and finding an adequate facility, overwhelms some—and in many cases, the school turns to an outside management company to perform these functions—but at most schools, this early turmoil abates after a year or two of operation.
- Early opponents of charter schools were concerned that the academies would attract or accept only the best and brightest public school pupils—the "cream of the crop." Our conclusion is that this is occurring only rarely. In fact, based on the finding that many of the charter-school parents we surveyed for this study report that their children had been having difficulty in their former, traditional school, we conclude that if "creaming" takes place, it is that charters tend to attract some of the most involved and motivated parents. (Appendix C presents methodology and results of parent and teacher surveys.)
- On the whole, parent involvement is much higher at charter schools than at traditional schools. The act of removing their child from a traditional school and finding the right charter school tends to occur among parents who are engaged in their child's education. Moreover, few charter schools provide transportation, so most parents are at the school twice a day, dropping off and picking up their child. Some schools go further and require a certain number of hours each month from a parent. As always, there are exceptions to this general observation: Some charter school administrators still lament the inability to get more parents actively involved in the school.
- The percentage of minorities in the study-area charter schools is higher than in both the state as a whole and the traditional public school districts in which the charter schools are located. In SY

[1]Some traditional school districts—most notably, the Detroit public schools—recently have begun to authorize charter schools.

1997–98 minorities comprised 68 percent of study-area charter school enrollment and 14 percent of the Michigan population; in SY 1995–96 minorities comprised 66 percent of study-area charter school enrollment and 54 percent of surrounding-district enrollment. (We do not have data for the same year for both the state and the surrounding districts.)

- For-profit management companies are playing an increasing role in the charter school movement. It is likely that in a few years the single, independent charter school will be an exception. The effect that multi-school ("chain") management companies have on education should be the subject of future research. While management companies clearly address some of the business issues facing schools—e.g., cash flow management, facility financing, human resources management, regulatory compliance—they also may reduce classroom innovation by applying a standard setup for multiple schools. Recently, some individual charter school administrators have established their own management companies. This allows the school to opt out of the state teacher-retirement system and, in some cases, permits the school to borrow for start-up funds.
- Few charter schools have the facilities or funds to provide food service for their students. This is unfortunate because in most, the vast majority of the children are eligible for free or reduced-price lunch (e.g., their family income falls below a certain threshold based on family size). State law requires K–12 school districts to operate a lunch program, but most charter schools in the PSC/MAXIMUS study are exempt from this requirement because they do not serve all 13 grades.
- Michigan's charter schools are more an experiment in organization than an innovation in curriculum or instruction. Experimental techniques are used in some of the schools we visited, but, in general, schools rely on common curriculum and pedagogical methods. "Niche" charter schools are the notable exception—schools that specialize, for example, in an ethnocentric curriculum or hard-to-teach kids. What *does* distinguish most charter schools from their traditional public counterparts is the former's application of site-based management and also the relatively small setting in which it occurs. Site-based management is the fundamental difference between charter schools and traditional public schools.
- Compared to traditional public schools, charter schools in Michigan have both financial advantages and disadvantages. Charters do not have access to debt millage to fund the purchase and renovation of school buildings. Charters' state aid is capped, which for many means that the level of aid they receive is below that received by the surrounding traditional public school district. Charters also must pay their authorizer up to 3 percent of all state revenue they receive. On the other hand, most charter schools do not provide student transportation, they concentrate on elementary grades (which generally are less expensive to operate), and they employ younger, less experienced teachers. Finally, charter schools are allowed to limit the number of pupils they serve, an advantage not available to traditional schools.
- There is a wide variation in the finances of charter schools, at least in the study area. Some are doing very well financially, with a large operating fund balance, while others are struggling with a small or negative balance. The most recent financial data suggest that the two most important factors determining a school's financial condition are (1) the number of years the school has been operating and (2) whether it is independent or part of a multi-school management company. A small, but significant, number of charter schools had severe financial difficulties in the first year of operation, but most problems decreased over time. On average, second-year charter schools have an operating fund balance of about 6 percent of revenue, and third-year schools have a balance of about 13 percent. In SY 1996–97, charter schools run by a full-service management company had an average fund balance of 17 percent, compared with a fund balance of 5 percent for independent schools.

- There are serious questions about the reliability of the state Michigan Educational Assessment Program (MEAP) test as the primary measure of charter school student achievement. It is difficult to refute the argument of many study-area charter school administrators that at least initially, the MEAP results reflect the performance level of the students as they *enter* their schools. Moreover, the MEAP does not have "face" validity among many charter school administrators, who are concerned that the test may have racial or gender bias, uses only one mode of assessment, and largely is tangential to the objectives they have set for their school.
- Overall, the *level* of SY 1997–98 MEAP scores show charter schools below the average of neighboring traditional schools. On average, first-year charter schools score the lowest, while second- and third-year schools perform at a level closer to the average of traditional public schools. Although starting at a lower point, the *improvement* in MEAP scores among the charter schools is greater than among a comparison group of traditional schools. (Appendix D presents certain MEAP/HSPT testing and comparison results.)
- Attracting teachers generally has not been a problem for study area charter schools, but in many schools retaining teachers is an issue. Some teachers leave after a year or two because either they cannot adjust to their school's teaching environment (which may be much different from that of a traditional school), or the school cannot financially reward experienced teachers at the same rate as traditional schools. In general, charter schools employ less experienced teachers at considerably lower average pay.
- There is lack of agreement on what the proper role should be for the authorizer (the entity—a state university, public school district, intermediate school district, or community college—under which a charter school operates) of a charter school. Several factors contribute to the problem. First, when the original schools opened in 1994, the procedures and methods employed by authorizers had to be created immediately, without prior experience; since then, improvement has occurred as authorizers learn and improve their process. Second, there is a potential conflict between the authorizer's two roles (regulating/monitoring the charter school and assisting/guiding it). Finally, and most important, there seems to be a considerable difference in how the authorizers and the general public view the extent to which an authorizer is responsible for a charter school's performance/conduct.
- The Michigan Department of Education (MDE) has had a limited role in assisting charter schools; for example, the state charter school office is staffed with only one professional and an assistant. Because of this limitation, the department's role has been restricted to categorizing and filing documents, answering questions, and applying for federal charter school grants. Many charter schools struggle to complete mandated paperwork and as yet fail to fully know or understand the many requirements imposed on any public institution in Michigan (financial disclosure, open meetings, and so on).
- Charter schools are having considerable trouble with state and federal special-education requirements. Charter schools typically are so small that the cost of providing specialized instruction for one or two learning-disabled children is prohibitive. Equally important is that some charter school administrators and parents do not subscribe to the notion that public schools should be required to make special provisions beyond that required to accommodate physically disabled students.
- More time is needed to fully assess the effect of charter schools on public education. While the current study is a good first step, assessing the quality of education in charter schools will take a series of studies over many years.

RECOMMENDATIONS

- A multi-year project should be undertaken by the state to compare over time the education gains of charter school students to those in traditional schools. Whatever the specific research design, it

should entail a longitudinal study of a group of students attending charter schools and another group attending a similar traditional public school. Other matters meriting further research include the role of management companies, effective oversight of charter school boards, school financial problems and solutions, and a case-by-case analysis of the reasons underlying charter schools failure.

- Intermediate school districts should be encouraged to assist charter schools, especially newly established schools. Since charter schools are small, they lack the resources to efficiently undertake many of the necessary functions of a public institution. The ISDs can do a better job of providing a way for charters to accomplish such tasks as handling payroll arrangements and meeting state filing requirements.
- The state, in cooperation with authorizers and the charter schools' organization (Michigan Association of Public School Academies), should encourage the dissemination of information about successful initiatives taken by charter schools. We recommend that the state institute an annual Innovation Awards program whereby it would recognize (possibly with a financial award) charters that have established an unusually successful program. This both would honor accomplishment and serve a state-wide education purpose by bringing successful innovations to the attention of traditional public schools.
- The state may need to establish a program to assist charter schools with start-up funds. One option is for the state to establish a revolving loan fund for first-year loans to charters. Loans could be repaid over the next 5–7 years from the a school's state foundation grant. Other states are taking such steps: Louisiana has a no-interest loan program for charter schools, Minnesota will award a start-up grant up of to $50,000 per school, Arizona allows charter schools to access capital facilities aid, and Pennsylvania and Ohio allocate start-up funds directly to the schools.
- The MDE needs to become more involved in helping charter schools, especially during their first and second years of operation. New charter schools need help in understanding and complying with the state's reporting requirements, meeting special-education needs, and applying for federal funds.
- Both the state and the charter school authorizers need to do a better job of monitoring management companies. For example, detailed financial information from any public school is available to the public, but when a charter school contracts with a management company, financial accountability is reduced. It usually is impossible for an observer to determine how the money is spent and how high the management company's return is. At the least, charter school management companies should be required to report detailed financial information annually to the state.

I. Introduction

Since the first charter school legislation passed in Michigan, in 1993, the theoretical goals have seemed clear. Public school academies (charter schools) would be an alternative to the traditional K–12 school system, providing site-based management in a less regulated environment. The benefits would be two-fold: greater parent involvement in their children's education and more opportunity for educators to experiment with innovative curriculum or instruction approaches. In turn, according to charter school proponents, competition from these new public schools would change the character of the existing traditional school districts and improve the performance of all Michigan school children.

Opponents of charter schools feared the worst. They worried that charter schools would drain needed public resources from the established K–12 system. Furthermore, opponents claimed that charter schools would "cream" the brightest and most motivated students, making comparisons between the performance of traditional and charter schools meaningless. Some opponents viewed charters as another step in the "privatization" of public education.

It has been nearly five years since Michigan's law first passed. It is hoped that this report, one in a series of studies, will help move the discussion concerning Michigan's charter schools from a debate about theory to an evaluation of actual practice.

CHARTER SCHOOLS NATIONWIDE

In less than a decade, the concept of charter schools has grown from an academic idea to a national movement. Most credit Ray Budde (Regional Laboratory for Educational Improvement of the Northeast) for proposing the idea, in 1988. Quickly thereafter, in 1989, Albert Shanker (American Federation of Teachers) endorsed the concept. The charter school movement gained a broader audience with the publication in 1990 of *Politics, Market, and America's Schools* by Chubb and Moe (Brookings Institution). In their book, Chubb and Moe argue that what America's schools need most is organizational reform. In their view, the institutional settings of school districts run by locally elected school boards hamper effective education, and their policy prescription is to allow all schools to operate under a charter system.

Minnesota passed the first charter school law in 1991. By mid-1998, 32 states and the District of Columbia had enacted legislation allowing the creation of charter schools. Today, approximately 800 charter schools are operating nationwide, educating slightly less than 0.5 percent of all K–12 pupils. President Clinton has added his support for charter schools, calling for a total of approximately 3,000 schools in operation by the year 2000.

CHARTER SCHOOLS IN MICHIGAN

In Michigan, the number of charter schools and the number of pupils in those schools have grown each year. In the current school year (1998–99), 138 schools are open, educating about 30,000 students, a 50 percent increase from last year. Still, fewer than 2 percent of Michigan's K–12 students currently attend a charter school.

The concept of charter schools is simple. Schools are organized as small enterprises, independent of the local school board. They are run by an appointed board of directors, operating under contract with an authorizing body. No child is required to attend a charter school. A school remains open only as long as parents choose to enroll their children there. The tradeoff for charters is some relief from the state regulation imposed on other public schools in exchange for greater accountability for student achievement. This tradeoff raises a major question with which policymakers continue to struggle: how much regulatory relief, and how do we define and measure accountability?

The state charter school law inserted into the Michigan School Code the following goals for charter schools (although the pertinent section of the code subsequently was repealed by the court, most observers still accept these goals as reflecting legislative intent in regard to charter schools):

- Improve student achievement for all pupils, including but not limited to educationally disadvantaged pupils, by improving the learning environment
- Stimulate innovative teaching methods
- Create new professional opportunities for teachers in a new type of public school in which the school structure and education program may be designed with innovation and managed by teachers at the school-site level
- Achieve school accountability for pupil education performance by placing full responsibility for performance at the school-site level
- Provide parents and pupils with greater choice among public schools
- Determine whether state education funds may be more effectively, efficiently, and equitably utilized by allocating funds on a per pupil basis directly to the school

THIS STUDY

The Michigan Legislature, as part of the fiscal year 1996 appropriation bill, required the Michigan Department of Education to contract for two separate evaluations of the state's charter schools. The department issued a request for proposal (RFP) in the summer of 1997. Through a competitive process, Public Sector Consultants, Inc., and MAXIMUS, Inc., jointly won one of the contracts to conduct the study. Appendix A presents information about the two companies.

The other contract was awarded to Western Michigan University, and at the department's direction, WMU and PSC/MAXIMUS addressed identical issues. Western Michigan University studied charter schools in western and central Michigan, while PSC/MAXIMUS was responsible for evaluating the schools in greater southeastern part of the state. (A complete listing of the charter schools included in the PSC/MAXIMUS study is presented in Appendix B).

Although the period for this study was the 1997–98 school year, wherever possible we used the latest information available, thus most of the background data are updated to SY 1998–99.

The scope of the current evaluation is very broad. The RFP issued by the MDE listed 28 specific questions to be addressed in the evaluation, covering such topics as Michigan's statutory framework for

charter schools, the role of the state and charter school authorizers, the effectiveness of charter schools as an ongoing organization, and charter schools' effect on student achievement. The MDE stipulated that three general questions be answered.

- Are charter schools meeting their statutory requirements, including improving pupil achievement for all pupils, stimulating innovation in teaching methods, increasing new professional opportunities for teachers, achieving school accountability for student performance, and providing parents and pupils with greater choice?
- Is the authorizing process effective in creating, assisting, and monitoring charter schools?
- How can we effectively inform charter schools of successful innovations being used in other schools and provide students and parents with information about the performance of their school?

In pursuit of the answers, the MDE further stipulated that several specific research questions be pursued.

- How has the legislative framework helped or hindered the operations of charter schools? Do charter schools require additional legislative flexibility or more oversight?
- What has been the role of the Michigan Department of Education? How do school administrators and parents view the role of MDE in supporting charter schools?
- How difficult is the initial authorizing process? Are the authorizing bodies sufficiently involved in the ongoing performance of charter schools?
- How great are the financial burdens for a start-up charter school, and are these initial obstacles important to long-term student performance?
- Have charter schools created new professional opportunities for teachers? How involved are teachers in managing the school?
- What are the student and parent perceptions of their charter schools? What are their specific recommendations for improvement?
- What curriculum or instructional innovations are taking place in charter schools?
- What has been the effect of charter schools on the surrounding traditional K–12 districts and the intermediate school district?
- How does the performance of charter schools on standard student measures compare to similar traditional schools?
- Finally, what recommendations are needed to expand successful charter school practices and programs, and what variables are common among unsuccessful schools?

PSC/MAXIMUS METHODOLOGY

In addressing the full range of research questions posed for the study, PSC/MAXIMUS used a multifaceted approach to data collection and analysis.

Literature Review

Our first task in developing background information on charter schools was a thorough review of existing research. Most notably, we reviewed the SRI International evaluation of California's charter schools, the U.S. Department of Education multi-year report of the National Study of Charter Schools, an overview of the national charter school movement by the North Central Regional Educational Laboratory, the 1997 Colorado charter school evaluation performed by the Clayton Foundation for the Colorado Department of Education, and the Hudson Institute (New York) report entitled "Charter Schools in Action." The bibliography may be found at the end of this report.

Stakeholder Interviews

Following a review of prior research, the PSC/MAXIMUS evaluation team met with representatives of many groups interested in Michigan charter schools, including the Michigan Association of Public School Academies, Michigan Education Association, education researchers at Michigan State University, the Governor's Special Advisor for Charter School Development, the evaluation team at Western Michigan University, and private-sector attorneys representing charter schools.

Advisory Panel

Early in the evaluation, the PSC/MAXIMUS team joined with Western Michigan University to organize a Charter School Evaluation Advisory Panel consisting of people representing a broad range of interests. The panel's goals were the following:

- Assist PSC/MAXIMUS and WMU in identifying the most important questions or issues that should be addressed in evaluating charter schools
- Anticipate problems that the two evaluation teams might encounter in applying their planned methodologies and consider how each problem might be addressed
- Act as liaison between the evaluation teams and the clientele represented by the panelists
- Consider similarities and differences between the methods and results of the separate evaluations conducted by WMU and PSC/MAXIMUS

MDE Interviews

The evaluation team had extensive discussions with MDE staff, including MEAP test experts and officials in the Office of Charter Schools and Office of Administrative Services.

Legislative Framework Review

PSC/MAXIMUS reviewed Michigan's legislative history on charter schools and the significant court challenges. We also generally compared Michigan's law with the law in other states. Finally, we asked each person we interviewed about his/her view of the Michigan law and inquired about recommendations for change.

Authorizer Interviews

Our evaluation team met with representatives of four of the major authorizers of charter schools in Michigan. We separately interviewed officials at Central Michigan University (CMU), Oakland University (OU), Saginaw Valley State University (SVSU), and Eastern Michigan University (EMU).

Parent and Teacher Surveys

The evaluation approach taken by Western Michigan University and PSC/MAXIMUS differs in many ways, but one common component is identical surveys of charter school teachers and parents. Appendix C presents the survey instruments, methodology, and survey results from the schools in the PSC/MAXIMUS study area.

It must be noted that with a few exceptions, we received very little cooperation from the charter schools in completing the parent/teacher surveys. Our preference was to survey all teachers and a random sample of parents at each school, but even with repeated follow-up, the response rate never exceeded 15 percent. We then drew a representative sample of schools and based our conclusions on the responses from these schools.

Financial and MEAP Data Analysis

PSC/MAXIMUS accessed publicly available data on the financial situation of the charter schools included in our study. In making financial comparisons with traditional schools, we used the average figures for each charter school's surrounding public school district. To make MEAP comparisons, we obtained MEAP test scores for each study-area charter school and, as we explain in chapter 9, "Student Achievement," created a group of comparison schools based on demographics, location, and prior year test scores.

Charter School Site Visits

The most important task in the evaluation was a site visit to each charter school in our geographic area of study. During each visit, the evaluation team interviewed the chief administrator and, when appropriate, faculty, and toured the facility and observed classroom instruction.

To ensure consistency and increase reliability, the evaluation team created a site-visit discussion guide that interviewers used at all visits. Included were questions about the school's establishment, how it has evolved, its education approach and means of measuring outcomes, its curriculum and instruction techniques, financial resources, parent involvement, and other relevant issues.

At the end of each site visit, the interviewer left a detailed data questionnaire to be filled out by the school administrator. This questionnaire asked for more detail about the school and probed the opinion of the school administrator. Approximately 50 percent of the schools returned the questionnaire.

Of the schools operating in our study area, we conducted site visits at 47. The remaining eight—the Academy for Technology and Enterprise, Detroit School of Industrial Arts, Dove Academy of Detroit, Michigan Automotive Academy, Cesar Chavez Academy, Turtle Island Learning Circle (since closed), Academy for Business and International Studies, and Michigan Health Academy—either refused to agree to a visit or canceled a scheduled visit so many times that it became clear that there was little intention of participating.

REPORT OUTLINE

This balance of this report is organized into the following chapters:

- Profile: Study-Area Charter Schools
- Legislation
- Authorization
- Role of State Government
- Role of Management Companies
- Organization and Education Approach
- Teacher Profile
- Student Achievement
- Parent Satisfaction
- Financial Analysis
- Effect of Charter Schools on Other Public Schools
- Future Research

In some ways, the charter school movement is a continuation of a long tradition of increasing the education options for parents and students. Nevertheless, the charter school movement in Michigan still is in its infancy. How these schools perform, if they fail and why, will not be known conclusively for many years. This report should be seen as a first step in the systematic evaluation of charter schools. We hope that others will build on our methods and improve on this report's shortcomings.

II. Profile: Study-Area Charter Schools

Michigan's first charter school opened in 1994. Since then, the number of schools and students and the amount of state funding have increased sharply each year (see Exhibit II-1). In four years, the number of charter schools has increased from 8 to 138. The number of students has grown from 1,200 to 30,000, and they now comprise about 2 percent of all public school students. State spending for charter schools has increased from under $7 million to about $183 million.[2]

EXHIBIT II-1

Number of Charter Schools and Pupils in Michigan, SY 1995–99

	Number of Schools	Number of Students	Percentage Increase	Percentage of All Michigan K–12 Students	Estimated State Spending (000)
SY 1994–95	8	1,200	NA	0.1%	$6,600
SY 1995–96	43	5,500	358%	0.3	31,091
SY 1996–97	79	12,500	127	0.7	72,600
SY 1997–98[a]	108	20,052	60	1.2	119,550
SY 1998–99	138	30,000[a]	50	1.9	183,000[a]

SOURCE: Calculations by PSC/MAXIMUS using data from Michigan Association of Public School Academies and Michigan Department of Education.
[a]Estimated.

This section describes the 55 charter schools, concentrated in the greater southeast region of the state, that were part of the PSC/MAXIMUS study. Information for this profile was gathered from the MDE and collected during site visits to the schools. In general, the schools in our study area may be said to be

- small,
- urban,
- in operation as a charter school for less than three years,
- serving elementary students,
- authorized by a state university,
- a new school, rather than having been converted from an existing private school, and
- African-American in enrollment.

[2]State spending was calculated by multiplying the maximum per pupil grant allowed each year for charter schools by the number of students enrolled.

LOCATION

The schools included in the PSC/MAXIMUS study are located in the Ann Arbor, Detroit, and Flint areas, in the following nine counties:

- Genesee (2 schools)
- Lapeer (one school)
- Livingston (2 schools)
- Macomb (one school)
- Oakland (8 schools)
- Saginaw (5 schools)
- St. Clair (2 schools)
- Washtenaw (3 schools)
- Wayne (31 schools)

SCHOOL SIZE

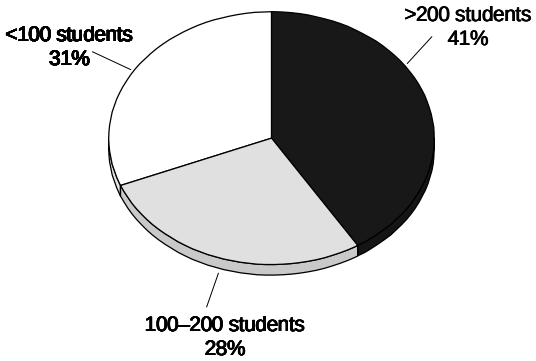
The schools in the PSC/MAXIMUS study range from fewer than 10 pupils to more than 600. Exhibit II-2 shows the distribution of the charter schools by size, revealing that nearly two-thirds of the schools have 200 or fewer students, with almost a third enrolling less than 100. The average charter school in the PSC/MAXIMUS study area has 173 students compared with an average of 490 students in all Michigan public schools (and an average of 384 students in all public elementary schools).

YEARS OF OPERATION

Charter schools first opened in SY 1994–95. The PSC/MAXIMUS evaluation concentrates on SY 1997–98. During our study, approximately one-third of the schools had just opened, one-third were in their second year of operation, and the remaining third were in their third year (see Exhibit II-3)

EXHIBIT II-2

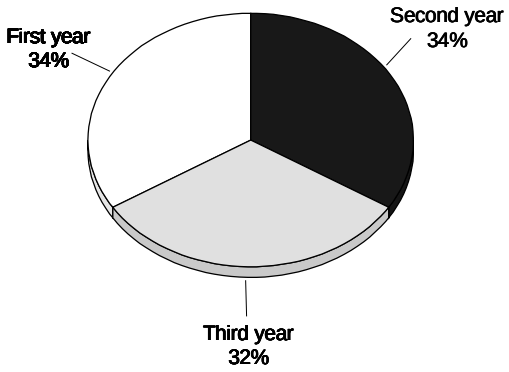
Study-Area Charter Schools, by Number of Students, SY 1997–98



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

EXHIBIT II-3

Study-Area Charter Schools, Years of Operation, SY 1997–98



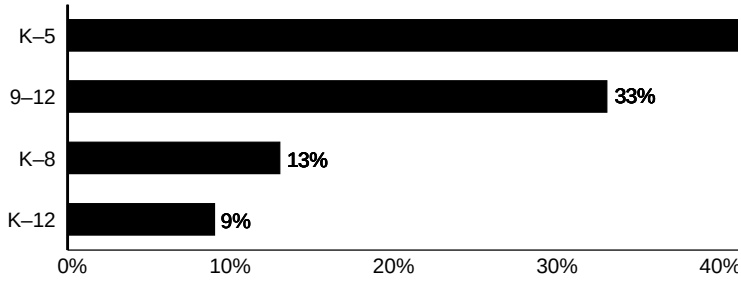
SOURCE: Michigan Department of Education and PSC/MAXIMUS.

GRADE LEVELS

As may be seen in Exhibit II-4, most charter schools in the study area limit their classes to the lower grades: 45 percent of the schools in the study offer K–5 classes only. A third concentrate on high school grades, and a handful (9 percent) offer all K–12 grades. A few schools in the study area serve an unusual combination of grade levels: for example, one school offers grades 7–12, while another offers grades 9–12 plus kindergarten.

EXHIBIT II-4

Study-Area Charter School Grade Levels, SY 1997–98
(percentage of study-area total)



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

TYPE OF AUTHORIZER

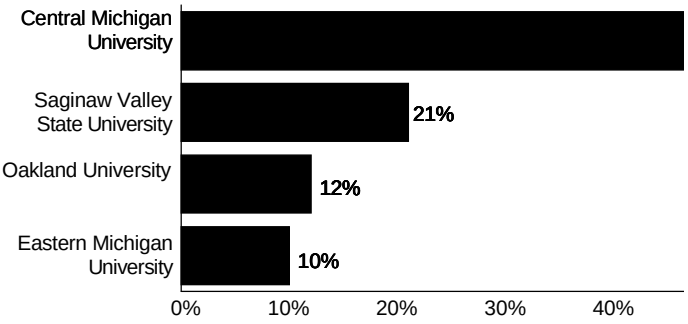
Of the 55 charter schools operating in the study area in SY 1997–98, 43 were authorized by a university, among which the most active is Central Michigan University, with 25. Eight were authorized by an ISD, three by a local school district, and one by a community college. (See Exhibits II-5 and II-6).

SCHOOL HISTORY

The large majority (about 70 percent) of the charter schools in the study area were created as new entities. The balance had formerly been private schools, some for as long as 20 years. (See Exhibit II-7).

EXHIBIT II-5

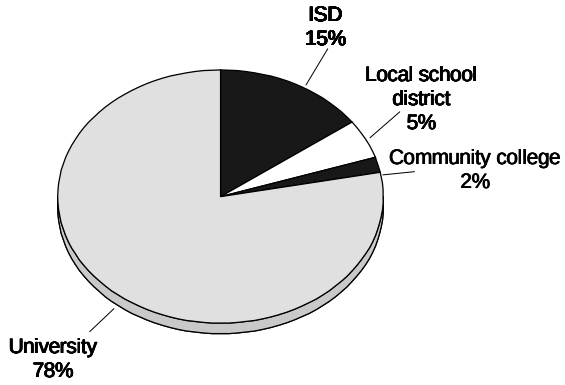
Study-Area Charter School Authorizers, by University, SY 1997–98
(percentage of study-area total)



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

EXHIBIT II-6

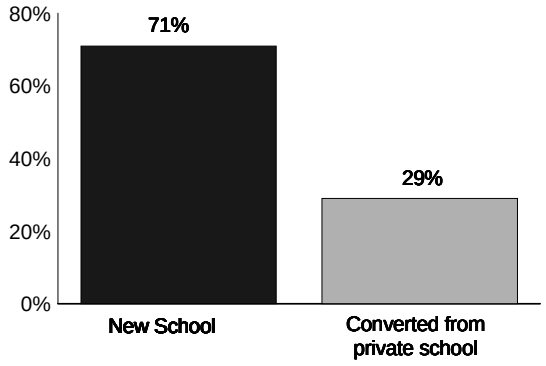
Study-Area Charter Schools, by Type of Authorizer, SY 1997–98
(percentage of study-area total)



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

EXHIBIT II-7

Study-Area Charter School History, SY 1997–98
(percentage of study-area total)



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

EDUCATION FOCUS

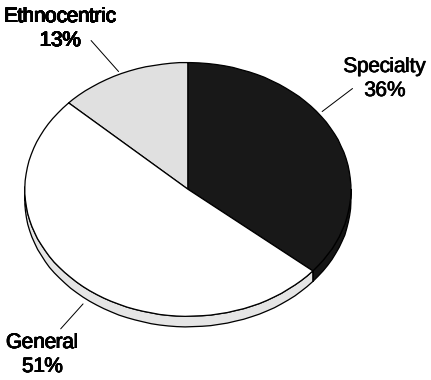
Schools in the study area were categorized by the PSC/MAXIMUS research team into three groups: general, enthnocentric, and specialty.

- General schools are those that offer a general curriculum targeted to the general population of students.
- Ethnocentric schools are those that offer an ethnic-based curriculum, such as Armenian, African-American, or Hispanic.
- Specialty schools are those that serve a special population of students (e.g., court-placed pupils) or offer a specific career-based curriculum (e.g., plastics manufacturing).

About half the schools (53 percent) in the PSC/MAXIMUS study area are general schools, 13 percent ethnocentric, and 36 percent specialty (see Exhibit II-8).

EXHIBIT II-8

Study-Area Charter School Focus, SY 1997–98
(percentage of study-area total)



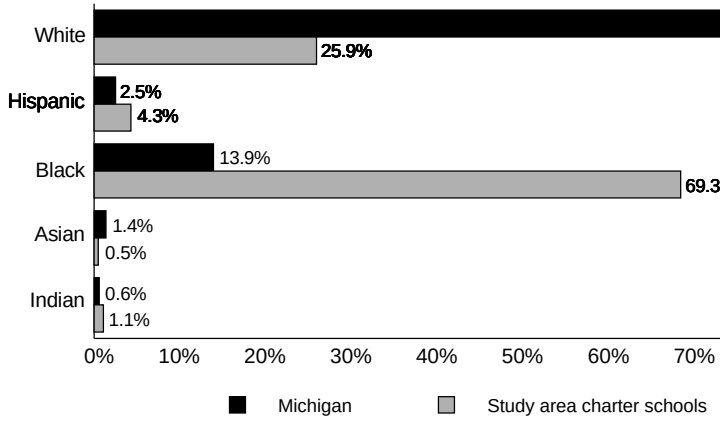
SOURCE: Michigan Department of Education and PSC/MAXIMUS.

RACIAL COMPOSITION

The racial composition of the charter schools in the study area is not reflective of the general Michigan population. As Exhibit II-9 (SY 1997–98 data) shows, of charter school students 69 percent are African-American; of the general Michigan population only 14 percent are African-American. The size of the African-American population in the study area's charter schools in part reflects the fact that more than half of the schools are located in Detroit, which has a higher percentage of African-Americans than the rest of the state. Exhibit II-10 (SY 1995–96 data) shows that the individual charter schools also have a higher percentage of minorities than is the case in the surrounding school district; on average, charter schools have 66 percent minority enrollment compared to 54 percent for the surrounding school districts, a difference of 12 percent. (We do not have statewide and surrounding-schools minority figures for the same year.)

EXHIBIT II-9

Racial/Ethnic Composition, Study-Area Charter Schools and Michigan Population, SY 1997–98



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

EXHIBIT II-10

African-American Student Population (available data), Study-Area Charter Schools and Surrounding Public School Districts, SY 1995–96

	Public School District	Charter School Percentage	Surrounding District Percentage	Difference
Questar Academy	Carman-Ainsworth	47.5%	28.7%	18.8%
Warwick Pointe Academy	Grand Blanc	15.8	11.7	4.1
Livingston Technical Academy	Howell	1.6	3.4	–1.8
Livingston Developmental Academy	Hartland	2.2	4.3	–2.1
A.G.B.U. Alex and Marie Manoogian School	Southfield	100.0	69.7	30.3
Academy of Detroit-Southfield	Southfield	99.1	69.7	29.4
Academy of Detroit-East	Oak Park	100.0	74.1	25.9
Oasis Academy	Southfield	79.9	69.7	10.2
Benito Juarez Academy	Saginaw City	93.3	71.2	22.1
Curtis House Academy	Frankenmuth	65.0	2.3	62.7
Honey Creek Community School	Ann Arbor	40.0	28.4	11.6
Central Academy	Ann Arbor	13.1	28.4	–15.3
Aisha Shule/W.E.B. Dubois Preparatory School	Detroit	100.0	94.4	5.6
Plymouth Educational Center	Detroit	100.0	94.4	5.6
Nataki Talibah Schoolhouse of Detroit	Detroit	100.0	94.4	5.6
Sierra Leone Educational Outreach Academy	Detroit	100.0	94.4	5.6
Michigan Automotive Academy	Taylor	15.0	14.1	0.9
Thomas-Gist Academy	Inkster	99.3	97.9	1.4
Academy Of Detroit-West	Detroit	100.0	94.4	5.6
Martin Luther King, Jr. Education Center	Detroit	100.0	94.4	5.6
Gaudior Academy	Wayne-Westland	40.5	14.5	26.0
Academy Of Detroit-Westland	Wayne-Westland	98.3	14.5	83.8
Colin Powell Academy	Detroit	100.0	94.4	5.6
Summit Academy	Flat Rock/Westwood	2.0	4.7	–2.7
Michigan Health Academy	Southgate	8.3	6.3	2.0
Cesar Chavez Academy	Detroit	68.1	94.4	–26.3
Commonwealth Community Development Academy	Detroit	100.0	94.4	5.6
Average		66.3%	54.2%	12.1%

SOURCE: Michigan Department of Education and PSC/MAXIMUS.

III. Legislation

Since Minnesota passed the first charter school legislation (in 1991), 32 states have followed suit. The type of law passed in a state sets the framework in which its charter schools flourish or fail. State law determines how many schools are formed, how they are established, and how and when they are allowed to fail. This section briefly reviews the history of Michigan's charter school law, compares it to that of other states, and suggests some changes.

HISTORY OF MICHIGAN'S CHARTER SCHOOL LAW

Michigan's charter school law had a rough beginning. The first charter school legislation (P.A. 284 of 1993) passed in December 1993 but was replaced by a new law within weeks. One aspect of the first law that was not transferred to its replacement was a provision enabling an existing public school to convert to a charter school: Section 504 of the first act would have allowed one or more teachers of a public school to apply to convert their school to a charter. The school, including the facility, would become a charter if either 75 percent of the building's teachers or 75 percent of its students' parents voted for conversion.

The first bill was repealed because many analysts thought that it could not withstand the legal challenges it would face. It was replaced with a new statute, P.A. 362 of 1993. This new statute was immediately challenged, and in November 1994, an Ingham circuit court judge issued an opinion declaring that charter schools as they would be established under the law would be "not under the immediate, exclusive control of the state." The court further ruled that charter schools would not be governed by publicly elected bodies and therefore would be ineligible for state monies. In December 1994, the Michigan Court of Appeals affirmed the lower court's decision. At this point, Michigan was without a charter school law.

The legislature responded by passing P.A. 416 in December 1994, which replaced part 6A of P.A. 362 of 1993 with new language, part 6B, that responded to many of the court's findings. The new law also added a provision that would negate P.A. 416 entirely and reinstate P.A. 362 if the Michigan Supreme Court ultimately found the latter constitutional.

For a time, charter schools were organized under both the original law (part 6A) and the revised version (6B). These two separate charter school laws led to confusion on the part of both the schools and regulators.

The final chapter in the story of legal challenges to the underlying charter school law was written in the summer of 1997, when the Michigan Supreme Court overturned the court of appeals, determining that

P.A. 362—including part 6A—was indeed constitutional, thus negating the revised law (P.A. 416, including part 6B).[3] Finally, charter schools in Michigan had a law in place for the long run.

The legislature has made only one other substantive change to the charter school law. In 1995, P.A. 289 was adopted, effective July 1, 1996. The act's provisions

- give charters explicit legal authority to borrow for short-term cash-flow purposes;
- cap the total number of charters authorized by state universities (150, after 1998), with no one university permitted to exceed 50 percent of the cap;
- assign additional responsibilities to authorizers;
- stipulate that an authorizer's decision to revoke a charter contract is final and not subject to judicial review; and
- require all charter schools to administer appropriate MEAP tests to its students.

Important legal actions from two other sources affect Michigan charter schools. First, the Internal Revenue Service ruled in 1997 that Michigan charter schools are government units and therefore may borrow at tax-exempt rates. Second, the Michigan attorney general has issued a series of opinions clarifying the legal status of charters, including

- confirmation that charters may contract with an outside company to provide classroom instruction and that these contractual employees are not subject to the Michigan Public School Employees Retirement System; and
- validation of the law's provisions that an authorizer's decision to revoke a contract is not subject to review, and the authorizer is immune from civil liability in a decision to revoke or not renew a charter school contract.

COMPARING MICHIGAN'S AND OTHER STATES' CHARTER SCHOOL LAWS

From its humble beginning as an idea in the late 1980s, the charter school movement quickly spread to all parts of the nation. At this writing, 32 states and the District of Columbia have passed some type of charter school law. All laws, however, are not created equal. As one would expect, there are great differences from state to state. Some laws are so restrictive that most charter schools do not have a chance to succeed; for example, New Mexico allows only five schools statewide.

Many researchers have compared the various state laws. One of the best efforts is by two Michigan State University (MSU) professors who created the criteria listed here by which to judge the permissiveness of each state's charter law.[4]

- **Number of Schools Permitted** How many schools are permitted? Most state laws initially have limited the number of schools. Some—e.g., Massachusetts, Minnesota, Texas—have relaxed the limit after a few years. Michigan does not limit the total number of charter schools but does cap the number that may be authorized by universities.

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[3] *Council of Organizations and Others for Education about Parochiaid* v. *Governor*, Mich., July 30, 1997.

[4] Michael Mintrom and Sandra Vergani, "Charter Schools as a State Policy Innovation: Assessing Recent Developments," *State and Local Government Review* (Winter 1997): 43–49.

- **Organizer Diversity** Who may organize a school? Is it limited to current school employees and administrators? In Michigan, anyone may start a school.
- **Sponsor [Authorizer] Diversity** What kind of entity may sponsor (authorize) a school? This is very important. Some states limit the potential authorizers to the local public school district. Michigan has one of the more flexible laws, allowing a range of potential authorizers.
- **Legal Status of Charters** How autonomous are the charter schools? Are they free to make their own business and education decisions? In Michigan, unless the authorizer is a local school district, charters are independent institutions run by a board of directors.
- **Funding Arrangement** Do charters receive state funding comparable to that received by surrounding traditional public schools? Many states limit what may be appropriated to charter schools to less than 100 percent of that appropriated to traditional schools. Michigan funds both the same up to a maximum placed on the amount of the foundation grant that charter schools may receive. This maximum keeps several charter schools at a funding level below the district in which they are located. (Michigan funding is discussed in detail in chapter 11, "Financial Analysis.")
- **Regulatory Environment and Collective Bargaining Conditions** To what extent are charter schools exempt from the regulatory requirements of traditional schools? In Michigan, charter schools and traditional schools are subject to the same regulation with two important exceptions: Charters are exempt from the collective bargaining contract of the surrounding school (unless a charter's authorizer is the local school board) and also from state teacher-tenure regulation.

Comparing state laws using these criteria, the MSU researchers conclude that Arizona, Delaware, and Michigan have the most permissive charter school laws. Michigan scores high on the diversity permitted among organizers and sponsors (authorizers), legal independence granted charter schools, funding levels, and leniency in regard to collective bargaining requirements. Michigan scores low relative to other states on permitting waivers for other regulatory requirements. Of a possible score of 10 on a composite index created by the authors, Michigan scores 9. The least permissive states are Alaska, Kansas, and Georgia.

EFFECT OF MICHIGAN LAW ON CHARTER SCHOOLS

The initial uncertainty of Michigan's charter school law, due both to legal challenges and legislative changes, created problems for many schools. Some had to reorganize once, and in some cases twice, as new sections of the law came and went. Although the authorizers, school attorneys, and the charter school association interpret and explain the law to schools, many school administrators still seem confused about its requirements.

Our impression is that the existing charter school law needs only minor change. Compared to other states, Michigan's statute is both broad and flexible. We do, however, recommend some clarification and improvement.

- Charter schools should be given the explicit right to issue long-term debt. Current statute permits them to borrow under section 1225 of the School Code, but, unfortunately, this section refers only to borrowing for less than 15 months. Some attorneys take the position that since the legislature provided only for short-term borrowing, schools may not legally issue long-term debt. Others disagree, pointing to section 503(9), which mentions a charter's ability to own buildings and property "by any other means" as sufficient authority for long-term borrowing. Either way, charter schools, like traditional schools, should be given the explicit legal authority to issue debt to finance building purchase and renovation.

Part of this clarification should be the explicit obligation to have all proposed debt issues approved by the Michigan Department of Treasury, similar to the requirement imposed on traditional public schools.

- State law should be amended to clarify the distribution of the assets and liabilities of a school that closes. This is uncharted territory. When a charter school closes, either at its own behest or the insistent of its authorizer, who is responsible for the school's outstanding debt? Who takes control of the remaining assets, including buildings and equipment? Do assets revert to the state, the authorizer, or the local public school? Can a charter school declare bankruptcy, and, if so, how?
- Generally, as discussed in chapter 4, "Authorization," the authorizer's role needs clarification. How much oversight must an authorizer provide to fulfill its role? How much responsibility does the authorizer bear if the school violates state law? Moreover, state law requires the authorizer to act as fiscal agent for the school but does not specify what this role entails. Is the authorizer responsible for simply moving the foundation grant from the state to the school, or is it required to regularly monitor the school's financial practices and situation?
- Clarification also is needed in regard to when charter schools may charge parents for services. During our site visits, we found that some schools charge for transportation. In these cases, the schools are not directly providing the service but are contracting with a third party—sometimes the surrounding school district—for pupil transport and charging parents for the school's cost. This probably violates state law. A 1980 attorney general's opinion makes clear that a school (which we interpret to include charter schools) may not charge or accept a fee for transporting children. State law should be clear as to when charter schools may charge parents for transportation and other services.
- Current law does not limit the length of a authorizer's contract with a charter school. Part 6B, repealed as a result of the supreme court ruling, would have limited charter contracts to ten years, with a mandatory review at seven. This provision is not in part 6A, the current statute. Consistent with the concept of charter schools, we believe state law should limit school contracts to a specific number of years; contracts could be renewed, of course, but the mandatory expiration would ensure that a complete review of school performance is conducted at specified intervals.

In addition to the recommendations we make, our interviews with charter school administrators revealed there are a number of changes they would particularly like to see.

- School administrators running "specialized" schools for court-placed students suggest that the law should be more flexible in regard to open enrollment. They prefer to narrowly target their student population.
- Nearly all see the need for a state program that will help schools purchase and renovate school buildings.
- The current state aid payment schedule is troublesome to most administrators. Many argue that the policy of sending the first payment in late October is a special hardship on first-year schools. Many administrators would like there to be a state program that would loan money to first-year schools for start-up expenses.
- Many charter schools are struggling with the federal and state law requirements concerning special education. Although the requirements apply uniformly to all public schools, charters, because of their small size, have an especially difficult time assessing the needs of special-education students and providing the staff necessary to teach them.
- Generally, schools complain about the reporting requirements in the School Code. The state requires schools to submit nearly 100 forms annually. Many charter schools are thinly staffed, and,

unlike traditional school systems, they do have the support of a central administrative office. Without offering specific recommendations, charter school administrators generally plead for a reduction in required paperwork.

Michigan's charter school law had a rocky beginning, with three versions being enacted within the first three years. The dust has settled some since the resolution of the major court challenges. Neither PSC/MAXIMUS nor the school administrators interviewed recommend major modifications to the present law, but there are some secondary issues that should be clarified and improved.

IV. Authorization

BACKGROUND

Although almost anyone may start a charter school, they typically are founded by education professionals, parents, or community or business leaders. Charters to operate such a school are issued by an authorizing agent. Michigan law provides that local and intermediate school districts boards, community colleges, and state universities may act as authorizing agents. A charter—the contract between a school's developer or founder and the authorizer—speaks to such matters as education goals, curriculum standards, assessment measures, governance, and financing. Authorizers also may charter their own schools. The authorization process is described below.

Public Act 289 of 1995 requires that charter schools be issued contracts on a competitive basis that takes into consideration the resources available for the proposed charter school, the population it will serve, and its education goals. Charter schools receive a per pupil foundation allowance from the state equal to the foundation grant received by the surrounding school district, *up to* $400 more than the state foundation grant (which was $5,462 in FY 1997–98, meaning that no charter school received more than $5,862 per pupil, even if the per pupil amount going to the surrounding school district was higher). The act also entitles a charter school authorizer to a portion of the state aid: Authorizers may annually charge a charter school up to 3 percent of its state aid figure in return for overseeing the contract and assisting the school.

A school is not chartered until its application complies with all state and federal legal requirements and the policies of the authorizing entity's policy body (e.g., university board of trustees), and a formal contract is signed by both parties. Finally, prior to the school's receiving state funding, the contract must be approved by the state superintendent of public instruction. Under P.A. 416 of 1994, the authorizing body, subject to general supervision from the State Board of Education, is responsible for overseeing and monitoring a charter school's compliance with the contract and all applicable laws. In addition, P.A. 289 of 1995 requires the authorizing entity to provide oversight sufficient to ensure that it can certify that a charter school is in compliance with statutes, rules, and terms of the contract. The authorizing entity is responsible for overseeing charter school compliance with specific reporting requirements.

The charter school legislation enables universities, community colleges, public school districts, and intermediate school districts to authorize charter schools. Only universities may grant a charter anywhere in the state. Other authorizers may issue charters only within their service boundaries. As of SY 1998–99, 8 (of the 15) public state universities had authorized one or more charters, as had 7 (of the 57) ISDs, 4 (of the 550+) public schools districts, and one (of the 29) community colleges. The bulk of

charters (114, or 82 percent) have been issued by the universities. Of the universities, two—CMU and Grand Valley State University (GVSU)—have issued almost two-thirds of the charters: 45 and 28, respectively. The 7 ISDs have issued 15 charters, the 4 public school districts have authorized 8 charter schools (5 by the Detroit School district), and the one community college (Washtenaw) has authorized one charter school.

Of the charter schools in the PSC/MAXIMUS study area, 43 were authorized by four universities (one charter school closed during the study period), 8 by four ISDs, 3 by two public school districts, and one by a community college. The entity having authorized the most charter schools (25) in the study area is CMU.

A distinctive feature of the Michigan charter school process is the variety of authorizing bodies permitted. This is unusual: In most states, charters may be authorized only by the state or school districts. As shown in Exhibit IV-1, the field of authorizers in Michigan has expanded since the first schools were chartered. In SY 1995–96, CMU clearly dominated, but by SY 1996–97, other universities had begun authorizing charter schools. There is not as much activity among non-university authorizers, but by SY 1997–98, all three other types were involved, although not nearly to the level of the universities.

EXHIBIT IV-1

Distribution of Study-Area Charter School Authorizers, by Year

	SY 1995–96	SY 1996–97	SY 1997–98
Central Michigan University	15	8	2
Other universities	0	7	11
Intermediate school districts	5	1	2
School districts	2	0	1
Community colleges	0	0	1
TOTAL	22	16	17

SOURCE: Michigan Department of Education and PSC/MAXIMUS.

CONTRACT REQUIREMENTS

Each authorizing body uses its own application form and contract and has its own criteria for determining whether to grant a charter, but all require a charter school to clearly state its education goals, describe its curriculum and teaching methods in detail, specify its student achievement measures, and state the specific criteria by which it will measure success. All contracts also specify the conditions under which the authorizer may revoke a school's charter. Appendix E comprises copies of CMU's application form, SVSU's application review criteria, and SVSU's standard contract; the materials used by the other universities are similar.

Each authorizer has its own philosophy about the type of schools it will charter and its oversight role. For example, SVSU will charter only schools that offer programs not available in the surrounding public school district, and they must offer a second language and arts program and maintain a reasonable class size. Central Michigan University has less specific standards for the type of schools it charters, stating that,

> When we license charter schools, we expect that they will improve the lives of students, families and teachers while also having a positive impact on local communities.

> CMU-authorized charter schools will have quality programs that help students grow academically and personally—programs that receive consistently high marks from parents.
>
> These schools will meet and exceed state laws and regulations. When possible, they will contribute to the revitalization of their communities, particularly in the state's urban areas. Some will be models for business partnerships.
>
> These schools will be pillars of innovation in instruction, in governance and in their local relationships. These schools receive state operating funds but cannot levy millage or issue bonds for facilities. That means they also must be expertly managed.

Eastern Michigan University specifies that charter schools it authorizes must

- have sound, innovative curriculum and philosophy,
- have sound organizational structure (and diverse board),
- have diversity in staff, students (if possible), and targeted student/parent population,
- fill an unmet need (i.e., offer a program not currently offered by community school districts),
- have geographic proximity (serve "natural" EMU communities and constituents),
- have a specific building and site that fits program and philosophy,
- have strong parent/community initiative with blend of "independent" and management companies, and
- not exceed in number that sanctioned by the EMU regents/president.

DATA QUESTIONNAIRE RESPONSES

At the end of each site visit, the PSC/MAXIMUS interviewer left a data questionnaire to be completed by the administrator and returned to PSC. Twenty-eight (about half) did so. Responses to questions about their authorizer indicate general satisfaction with assistance received.

- In regard to assistance with applying and obtaining their charter, 74 percent indicate that the authorizer was "very helpful," and 19 percent say it was "somewhat helpful."
- As to assistance from the authorizer in getting the school started, 37 percent say their authorizer was very helpful and 41 percent somewhat helpful.
- When asked how helpful the authorizer has been in assisting in the efficient and effective operation of the school, 46 percent say their authorizer is very helpful and 36 percent say somewhat helpful.

As already mentioned, charter schools pay up to 3 percent of their state school aid revenue to their authorizer. The schools were asked if they feel they are getting their money's worth from the authorizing agent. Sixty-four percent say *yes*, 25 percent say *no*.

Finally, administrators were asked how much time each month they must spend fulfilling their authorizer's reporting requirements. The average is more than a day: 8.6 hours.

AUDITOR GENERAL'S REPORT

In October 1997, the Michigan Office of the Auditor General issued a performance audit of an authorizer of several charter schools, concluding it had demonstrated limited effectiveness and efficiency in monitoring its authorized charter schools, and, in six material conditions, noting that the authorizer

- needs to coordinate with other entities to improve its oversight of the schools,
- needs to substantially improve its internal control structure for monitoring the schools,
- needs to improve its monitoring of the schools' boards of directors for potential conflicts of interest,
- did not follow-up on some items of noncompliance related to school board activities,
- did not obtain at all or on a timely basis some charter school board minutes,
- did not sufficiently monitor charter school student application periods and enrollment lotteries, and
- did not sufficiently monitor developments of charter school policies.

The auditor general's audit was conducted from September 1996 through June 1997. Although this is fairly recent in the life of the charter school movement, it is ancient history insofar as the development of the movement is concerned. In the early years, authorizers and schools both made a number of mistakes, but this is only to be expected in the rapid implementation of an untried, revolutionary program. Our observation is that both authorizers and charter schools are learning from their mistakes and that in the last two years the authorizing process has improved greatly. One major improvement is that authorizers now operate within a more realistic time frame: for example, a school authorized in July no longer is expected to be ready to open in September.

The available evidence suggests that the multiple-school authorizers and perhaps some others have made considerable strides in improving the process since the auditor general's audit was conducted. We summarize the operation of one university authorizer as follows and believe it may be reasonably applied to all university authorizers: Oversight is well organized. Each school is visited at least three times in each academic year. A monthly meeting is held for the charter schools at which problems are discussed and an expert speaker brought in. Board-member training is provided twice a year. A representative from the authorizer's charter school office attends some board meetings and reads board minutes and reviews budgets. He sends a monthly memo to the schools with information and suggestions. No report has been made to the MDE about visits or problems, and there is limited financial oversight as most of this authorizer's schools have a management firm handling finances.

CRITICAL ISSUES

Some of the problems noted by the auditor general could have been avoided if the MDE had devoted more resources to assisting and monitoring authorizers' activities. At a minimum, the MDE should have established guidelines and criteria to ensure that all authorizers use a similar authorization process. The process would be somewhat simpler if the original legislation had provided for all charters to be issued from one agency, such as the MDE, as is the case in most other states. Charter school supporters in Michigan, however, believe that permitting only a single authorizer would substantially inhibit the opening of charter schools. This probably is true, but in the beginning, the absence of centralized authorization and the rush to quickly create many charter schools led to some schools being authorized without being adequately prepared to serve their students and parents. A few of these schools have closed, and several others are struggling to stay open. Even for schools that are succeeding, the chaotic and difficult process likely took a toll.

PSC/MAXIMUS believes the key issue is the oversight process. Who has primary oversight responsibility for charter schools? Is it the authorizer, the charter school board, or the state? It is clear to us that authorizers view their role as being much more limited than others consider it to be. One authorizer offered the following response to a recommendation by the auditor general that the authorizer's charter school office coordinate with other entities to improve oversight of charter schools.

> The Michigan Constitution and Revised School Code charge the State Board of Education with much responsibility and provide significant authority for leadership, general supervision and oversight of Charter schools. [The authorizer's charter school office] continues to believe that the State Board of Education or the Superintendent of Public Instruction should provide rules or regulations that would define the scope and extent of authorizing body oversight of Charter schools within the constitutional and statutory framework of Michigan's public education system. We agree that the University Board of Trustees, as the authorizing body for almost half of the existing charter schools in Michigan in 1997–98, through the administrative function of [the authorizer's charter school office] should continue to take an active part and help to expedite the effort to clarify the oversight responsibility for Charter schools.

The MDE may have a conflict when it comes to charter schools. On the one hand, the department does not want to be seen as providing preferential treatment to charter school and, therefore, it tends to treat them the same as traditional public schools. On the other hand, the department recognizes that charter schools have unique problems and need more oversight and assistance than do most traditional public schools. This dilemma is exacerbated by the controversial nature of charter schools, which has the legislature, education community, and public looking over the department's shoulder.

We believe that charter schools should be treated as an infant industry and provided with a special set of services in their early years. This will require the MDE to add staff to the charter office, take a much greater role in the oversight process and, as one authorizer has suggested, issue rules and regulations that clearly lay out department and authorizer responsibilities. There also may be a role for the ISDs, which generally are not as responsive to the charter schools as to other public schools. If the goal is for charters schools to succeed and become just another element in the public education system, a way to nurture them better in their early years must be undertaken. We understand that this involves the department's walking a fine policy and political line between charter and traditional schools.

Another important question is whether the authorizers have an adequate system to evaluate proposals. Although the evidence we gathered is limited, we do know that some authorizers use outside reviewers and others rely on staff in their charter school office; some university authorizers also involve professors in their College of Education. Our sense is that most authorizers, particularly the universities, use a fairly rigorous review process. The university authorizers have turned down many more applications than they have approved. Eastern Michigan University received 79 applications for SYs 1996–1999 and approved only 8; SVSU approved 15 of an estimated 30; OU approved 9 of about 50; and CMU approved 49 of 66.

Another problem with the oversight process is that the authorizers have no enforcement mechanism other than revoking a school's charter. This is clearly draconian and too severe to be imposed in regard to some noncompliance issues. The MDE should establish a system of sanctions that may be used to penalize charter schools for noncompliance. The department also may wish to consider a system of incentives that will reward charter schools for meeting certain targets or goals.

As mentioned, an authorizer may charge a charter school up to 3 percent of its state school aid for the services it renders the school. Is this reasonable? As indicated above, about two-thirds of the charter schools state that they are receiving their money's worth from the authorizer. Exhibit IV-2 provides budget data for the charter school offices at the four universities that currently are authorizers in the PSC/MAXIMUS study area. The data suggest that the more schools an authorizer charters, the better its financial position, as economies of scale come into play above a certain number of schools.

EXHIBIT IV-2

Charter School Office Budget of University Authorizers, Study-Area Charter Schools, FY 1997–98

	Central Michigan	Eastern Michigan	Oakland University	Saginaw Valley
Revenues				
3% fee from charter schools	$1,650,000	$105,813	$96,484	$411,698
University General Fund	500,000	16,992	12,720	—
Other	—	5,700	—	—
TOTAL	$2,150,000	$128,505	$109,204	$411,698
Expenditures				
Salaries and wages	$765,000	$113,627	$95,783	$116,289
Consulting	14,800			2,950
Supplies and materials	155,700	2,500	5,333	17,788
Travel	32,000	3,873	2,583	5,816
Equipment	31,000	2,000	4,978	2,263
Indirect Costs	68,800			125,000
Resource center—special projects	500,000			
Other	291,200	2,171	5,537	—
TOTAL	$1,858,500	$124,171	$114,214	$270,106
BALANCE	$291,500[a]	$4,334	–$5,010	$141,592

SOURCE: Michigan Department of Education and PSC/MAXIMUS.
NOTE: Saginaw Valley is planning to hire two new employees, which will reduce its balance in 1998–99.
[a]CMU began the year with a negative balance of $178,558. Therefore, its ending balance was $112,942.

We have no clear evidence about whether the 3 percent fee is inadequate or excessive, but one can make the case that the fee should not be the same every year or for every charter school. Charter schools are likely to require more services in their early years than in later years when they are more established. One option is to amend the law to allow the fee to *average* no more than 3 percent over a five-year period, which would allow authorizers to charge more in the early years and less later. Applying a variable rate among individual charter schools may be more difficult, because it would require authorizers to develop various menus of services to offer for various fees. Although authorizers must provide certain services to every charter school (e.g., application review and approval, financial reporting, oversight), such services as board training and assistance in filling out state forms could be optional.

V. Role of State Government

Charter schools receive some assistance and oversight from a variety of public bodies, including their authorizer, the local ISD, the charter school board, and the Michigan Department of Education. As it does for all public schools in Michigan, the MDE distributes state aid payments to charter schools, collects attendance and other data, and makes the rules and regulations with which schools must conform. However, as this chapter explains, the MDE provides only limited specialized services to charter schools, and there is no defined system of quality control in regard to charter schools.

STATE CHARTER SCHOOLS OFFICE

The MDE Charter Schools Office (CSO) coordinates activities dealing with charter schools. Its staff works with authorizing agencies during the final stages of the authorization process and reviews the authorization contracts, which lay out the schools' mission, goals, and responsibilities vis-a-vis the authorizer. This unit also responds to general questions from charter schools and the public regarding charter schools. In addition, it administers the U.S. Department of Education Charter School Grant program.

The CSO is small, consisting of one professional staff member and an administrative assistant. Its stated objective is to oversee and coordinate charter school contracts, but it also assists the schools in getting federal grants and serves as an information broker, referring charter school officials and others to appropriate sources of information. For example, many charter school administrators call the CSO with questions about state regulations for teacher certification, and the office refers them to the appropriate MDE office. Also, the CSO staff receives many calls from teachers and parents interested in starting a charter school, and the office typically refers them to appropriate authorizers. Because the staff is so small, it is unable to proactively assist charter schools. For example, it is not able to provide specialized education in-service to charter schools on various topics, even though the schools and office see a need for such activity.

The fact is that there is no entity in state government that anticipates and meets the informational and other needs of charter schools. When the schools need information or assistance from the MDE, they generally follow the same procedure as do traditional public schools. For example, if they need help with a special-education issue, they contact the Office of Special Education, just as is the case with all other schools. Although some MDE offices have conducted special programs for charter schools, such as seminars dealing with acceptable financial accounting and reporting practices, there is no central planning, coordinating, and overseeing mechanism for such education programs, and the CSO is too small to provide it.

The MDE is in a difficult position vis-a-vis charter schools. The department may find it difficult politically and financially to give charter schools extensive special services. Not only must the MDE avoid showing favoritism to charter schools, lawmakers and others wish to avoid—and the department has no financial resources for—building a new bureaucracy for charter schools.

But the fact is that these schools sometimes do need special assistance and guidance, at least in their first few years. Many charter schools are started by people with little or no experience in administering a public school. They often do not know what is required of them, and they may need special help in finding their way through the maze of state and federal rules and regulations governing public schools—e.g., procedures for working with special-education students and meeting local health codes.

SCHOOL ADMINISTRATORS' VIEWS

During the PSC/MAXIMUS site visits, administrators were asked about the extent to which they have contact with the MDE. Many responded that there is little, but when there is, department staff is cooperative and helpful. On the data questionnaire left with schools after the PSC/MAXIMUS site visit, administrators were asked how helpful the MDE had been in assisting them in operating their school efficiently and effectively." Seventy-six percent of the 26 schools who responded to this question feel that the MDE is "somewhat" or "very" helpful; the balance are evenly divided between those who believe the department to be unhelpful and those who are neutral on the question.

Despite general satisfaction expressed by charter school administrators with the assistance they do receive from the state, PSC/MAXIMUS interviewers frequently heard from administrators that they would like the department to take a more proactive role in working with them; for example, one administrator said that it is difficult to learn and understand all the financial reporting requirements under which a charter school must operate.

CLARIFICATION NEEDED

As discussed in the previous chapter, the role of the MDE and authorizers in overseeing charter schools is ill-defined. For example, is the authorizer or the MDE responsible for helping schools to adopt the state core curriculum? Which is responsible for ensuring that charter schools spend their money responsibly? There are many such questions. If the state does not wish to be responsible for directly monitoring charter schools, it would be well for policymakers to establish a policy that requires the authorizers to actively fill that role.

A related issue is the degree to which the MDE monitors authorizers. The Charter Schools Office reviews the authorizing contracts after they are signed, to ensure that the documents conform with state requirements, but it is unclear whether the MDE gives attention to the degree to which authorizers are enforcing the contracts. We believe that neither the department nor any other state authority has much idea as to whether authorizers are exercising quality control over the schools they have authorized.

VI. Role of Management Companies

Traditional public school buildings are run by principals operating under the authority of a local school district superintendent. Since charter schools are both a school building and a school district, they are organized differently. Charter schools usually are run by a school "administrator," someone who performs many of the functions of a school district superintendent—e.g., budgeting, working with the school board, hiring and firing employees, and setting school policy. Many of these administrators not only act as superintendent but also as principal, working in the school building and running day-to-operations.

Another organization form is becoming common among charter schools: management companies, for-profit entities that charge charter schools a fee in return for providing various services. The charter school board may contract with a management company for such specific services as payroll accounting or janitorial services, or a management company may be engaged to essentially run the school—providing an established curriculum, imposing instruction methods, setting the length of the school day and year, and requiring specific testing methods. Most management companies manage multiple schools (these are referred to as "chain" managers), but, as mentioned earlier, some individual charter school administrators have started their own independent management companies through which they are running their schools (these are referred to as "single-school" managers). This section describes the services offered by management companies and discusses issues related to their growing presence.

According to a 1997 *Wall Street Journal* article, about 10 percent of charter schools nationwide are operated by for-profit management companies.[5] The figure in Michigan is much higher: In SY 1997–98, more than half the schools (59 percent) in the PSC/MAXIMUS study area were contracting with a chain management company, and 9 percent were managed by a single-school management company. The remaining third (32 percent) are managed independently.

MANAGEMENT COMPANY SERVICES

Some school administrators we interviewed report that management companies have approached them and offered to provide services in return for a portion of the school's state aid. (The cost of these services is usually in the neighborhood of 10 percent of a charter school's state aid.) Among those who refused, the most common reason cited was that local control would be lost. Yet, there are many reasons why a

[5]Steve Stecklow, "For-Profit Firms Scramble to Manage Charter Schools," *Wall Street Journal, Interactive Edition*, http://interactive.wsj.com/, August 21, 1997.

charter school would contract with a management company. The simple fact is that management companies offer resources and services that some charter schools badly need, principally those discussed here.

Making Loans

Charter schools have severe difficulty in finding start-up capital, yet such funding is vital to securing a building, purchasing textbooks and other materials, buying copy machines and other equipment, and paying salaries until a school's first state aid payment arrives. (See chapter 11, "Financial Analysis," for more detail about start-up costs.) In return for a long-term contract, management companies often will provide the start-up assistance that charter schools badly need by loaning funds to a school or directly furnishing it with goods and services.

Assisting with State Reporting Requirements

Most charter school administrators struggle to learn, understand, and meet the state's reporting requirements. These requirements involve filling out numerous forms, many of which are lengthy and complicated. Management companies often have expertise in this area, relieving school administrators from much of this task. This is particularly appealing to the charter school operators, given the fact that the school administrator also may be the principal and have a host of other demands on his/her time and energy.

Assisting with Running the Business Side

Schools are a multimillion dollar public entity. As such, charter school administrators must master the business aspects of running a school—for example meeting a payroll, setting a budget, tracking and reporting current year revenues and expenditures, and performing other financial and personnel functions. While traditional public school districts usually have business officers trained in accounting and personnel to fulfill these functions, most charter schools do not. Many management companies provide guidance or direct assistance with financial accounting and planning and human resources management.

Establishing Education Design

Some management companies dictate the school's education design, including how the school shall be organized, the education approach it will follow, and/or the school's curriculum.

Establishing Education Standards

Some management companies set student education goals that the schools with which they contract must meet. They also may provide the assessment tools to be used to measure student performance.

Exempting the School from the State Teacher Retirement System

When charter schools contract with management companies, the school's teachers and staff often are hired by and work for the company. Because the companies are private employers, they are not required to contribute to the Michigan Public School Employees Retirement System and, thus, the school is relieved of this financial obligation.

Taking Advantage of Economies of Scale

A management company that operates many schools sometimes may purchase goods and services at less cost than can a single school.

TYPES OF MANAGEMENT COMPANIES

Sometimes management companies start charter schools, and sometimes existing charter schools contract with a management company. As mentioned, sometimes a school administrator will start a company of his/her own. Although the two basic types are chain and single-school companies, not all fit neatly into one or the other category.

Chain Companies

Chain companies exist independently of any one charter school. Some contract with schools in more than one state and/or schools in different regions of one state. One of the better known is the Edison Project, which was started in 1995 and now operates more than 25 schools nationwide; in SY 1997–98 the Edison Project had a contract with approximately seven Michigan schools. The Leona Group is another major management company and in SY 1997–98 had 11 Michigan contracts. Many other management companies have sprouted since charter schools became legal in Michigan 1993, and this trend likely will continue. Nearly all management companies operating in Michigan were formed after charter schools became legal here.

One of the characteristics of chain companies is that they have a standard approach to education, teaching, organization, and other matters that they pretty much uniformly apply to every school they manage. For example, in Edison Project schools, students are taught through "schools within a school," usually comprising 200–300 students. Also, many have standard requirements for the length of the school day and year, team-teaching, computer use, and other aspects of school life.

Single-School Companies

"Single-school" is the description PSC/MAXIMUS applies to companies started by individual charter school administrators to serve their particular school. Why do charter school administrators start their own management companies? First, a for-profit management company may be able to borrow money when a not-for-profit school cannot. Second, as mentioned, company-managed schools may opt out of the state-run teacher retirement system. Third, a management company may operate multiple school sites in different parts of the state. Fourth, and most important, a management company may earn a profit for the school's founders.

POLICY ISSUES

The involvement of management companies in Michigan's charter schools raises several policy questions: Do they stifle innovation? Is there sufficient public accountability? What are the advantages and drawbacks of a for-profit management company running a charter school?

Innovation and Site-Based Management

Do management companies reduce the innovation in charter schools? Clearly, the initial proponents of charter schools in Michigan envisioned "mom and pop" schools, initiated by a local group of parents, educators, and other community members who join forces to meet the local education needs of the community. They did not envision national school-management companies selling standardized services to many schools.

Critics of management companies point out that a company's standardized teaching methods, education approaches, curricula, and so on reduce the ability and incentive for charter schools to develop and test innovative new approaches.

Critics also argue that the companies interfere with site-based management of schools. With site-based management, parents and educators are the locus of decision-making for an individual school, and this is seen as being a major advantage of charter schools. It is believed that site-based management allows

schools to design their programs to meet the needs of their own students; turning decision-making over to management companies diminishes this element of site-based management.

Proponents of chain management argue that many charter schools simply cannot survive on their own, and the presence of management companies increase school choice in Michigan by increasing the number of charter schools in operation.

Accountability

Charter schools receive public money and therefore, they are accountable to the public for how every dollar is spent. Management companies, however, are private entities, and although they receive public monies indirectly, through the schools, their finances are not open to public scrutiny. They are not required to reveal where they get their revenue or how they spend it.

For this study, PSC/MAXIMUS attempted to track the public monies spend by charter schools on management companies. Under current state-reporting requirements, such tracking is not possible. The monies spent by charter schools on management company services are recorded on the state Form B, the primary financial accounting form, under a heading of "purchased services contracts." Under this heading are listed all funds spent on professional services provided by outside entities. Schools neither report to whom they pay this money nor how it is spent by the professional services firms that receive it.

Profitability

Some observers object to the fact that management companies profit from public education. Others argue that private businesses always have profited from public schools; private firms sell schools their supplies, provide them with legal services, and sell them food for school lunches, but none of them ever *operates* a school. Management companies present new questions: Is it acceptable for school policy and procedures to be set by an entity that has the motive of profiting from the school? Do the companies have an incentive to make a profit at the expense of the students or education quality? Of course, the charter school's board is officially responsible for setting school policy and direction, but in many of the "chain" charter schools we visited, the board plays a role secondary to the management company.

Although some management companies, such as the Edison Project, also contract their services to traditional public schools, the proliferation of management companies involved in Michigan charter schools warrants policymakers' attention.

VII. Organization and Education Approach

A major objective of this study was to develop a description of the schools established under the Michigan charter school initiative. There was a desire to know how the developers of these new schools chose to use the flexibility available to them in organizing their school for instruction. We gathered information about the education programs of the charter schools, including curriculum and instruction methods, specialty schools, the role of parents, and pupil-teacher ratio. We made a special effort to identify curriculum and instruction innovations.

The major source of information about various schools' specific organization and approach was the site visits conducted by the PSC/MAXIMUS team. The team's observations were supplemented by materials prepared by the schools that describe their program, e.g., school-improvement plan, annual reports, and materials provided to the families of prospective students.

FINDINGS

- There have been few pedagogical inventions—e.g., practices not found in at least one traditional public school in Michigan—in the study-area charter schools.
- Many of the pedagogical practices associated with current education-reform movements are present in the charter schools' classroom organization—block scheduling, multi-age grouping, small class size, small pupil-teacher ratio, extended school day and year, and offering nontraditional grade levels.
- Charter schools have been innovative in organizing themselves around a strong central theme—e.g., citizenship, leadership, character, entrepreneurship, vocational preparation—and designing their entire program to support it.
- Some feel they are being innovative by returning to education practices that they believe have been abandoned by traditional public schools—e.g., "back to basics," strict discipline, phonics-based reading.

SCHOOL SIZE

One aspect of a charter school's organization and instruction approach is its size, both in terms of number of students and the range of grades it offers.

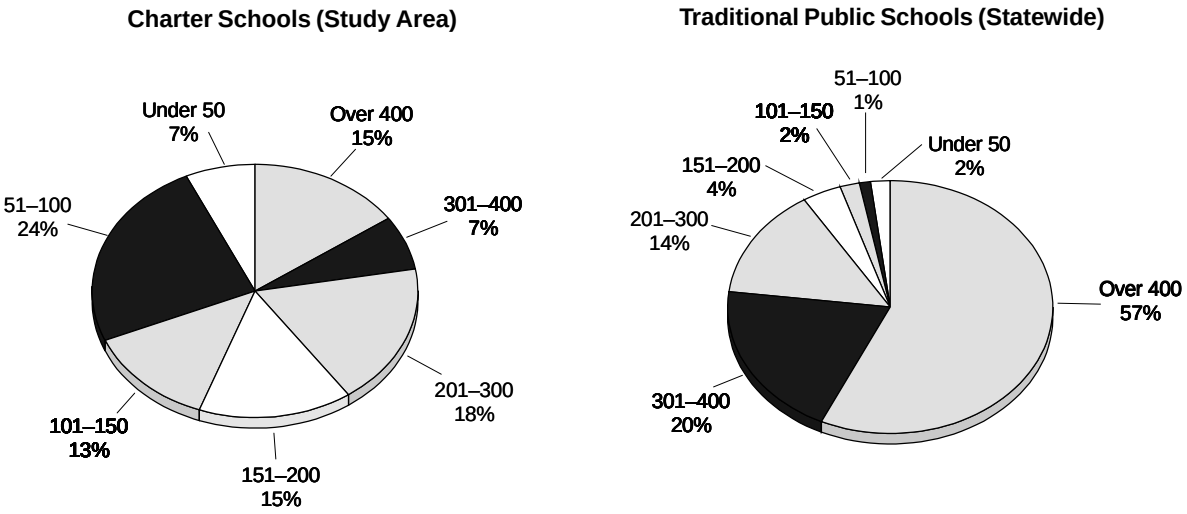
Enrollment

Overall, charter schools are small. Statewide, during SY 1997–98 the average school building had an enrollment of 489 students. Among the 55 charter schools in the PSC/MAXIMUS study area, the average enrollment was less than half that figure, 211 students,[6] and only four had enrollment exceeding 489.

Exhibit VII-1 shows that charter schools tend to be smaller than traditional public schools. In SY 1997–98 among study-area charter schools, 31 percent had 100 or fewer students (compared to 3 percent of traditional schools statewide), while only 15 percent exceeded 400 (compared to 57 percent). The smallest charter school had an official count of 14 students; the largest, 695.

EXHIBIT VII-1

School Enrollment, SY 1997–98



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

Newly created charter schools tend to have a smaller average enrollment (206 pupils) than is the case with schools converting from private to charter status (241 pupils). As shown in Exhibit VII-2, in SY 1997–98, 37 percent of the new study-area charter schools had enrollment of 100 or fewer students, while only 13 percent of the converted schools were of this size.

Grades Offered

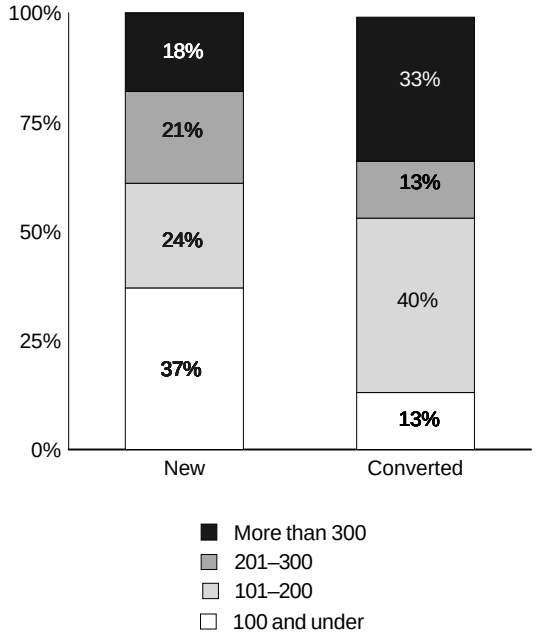
Among the study-area charter schools, there is wide variation in the number of grades offered. During SY 1997–98, five study-area charter schools offered only one, and just two offered all grades (K–12). Exhibit VII-3 shows the distribution of both study-area and statewide traditional schools by the range of grades offered.

Generally speaking, the longer a charter school is in operation, the more grades it offers. New study-area charter schools average 4.6 grades, second-year schools offer 6 grades, and third-year schools offer 7. Several add a higher grade each year, as the oldest cohort of students progresses. Charter schools that have converted from a private school also typically offer more grade levels (converted and new schools

[6]The unweighted average (total enrollment divided by total number of schools) is 219.

EXHIBIT VII-2

Enrollment, New and Converted Study-Area Charter Schools, SY 1997–98



SOURCE: PSC/MAXIMUS.

average 8 and 6 grades, respectively) and have a larger enrollment (converted and new schools average 256 and 194 students, respectively).

Eighteen percent of the study-area charter schools offer only one or two grades, mostly the last year(s) of high school. Among traditional public schools statewide, this is the case in only 5 percent of the schools, and when only a single grade is offered, it most often is 6th or kindergarten.

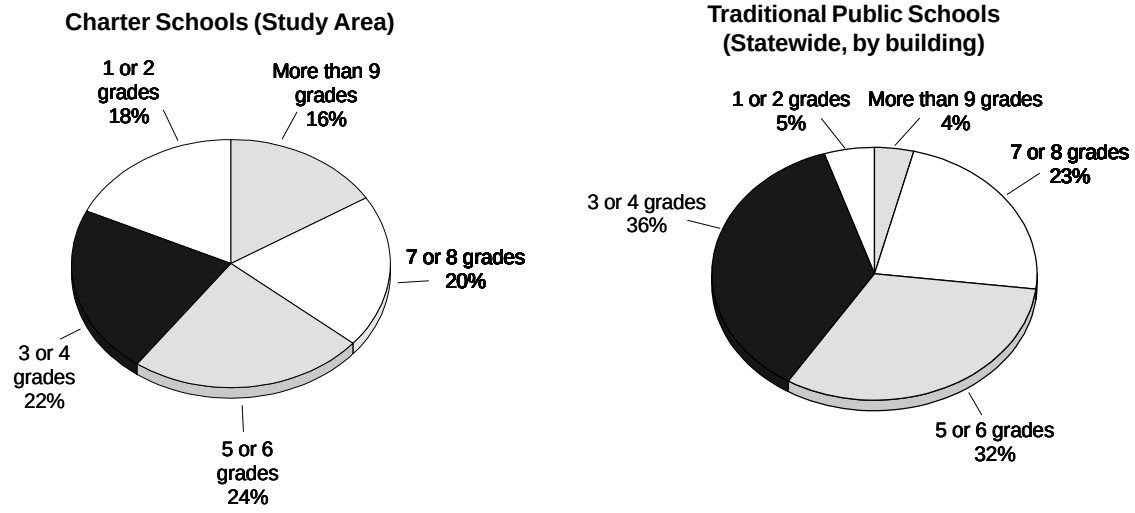
Compared to traditional schools, a greater percentage of charter schools offer more grades than the average. Among study-area charters, 16 percent offer nine or more grades (with the view of making it possible for a student to complete his/her education at the charter school), but among the traditional public schools in the state, the figure is only 4 percent.

PUPIL-TEACHER RATIO AND USE OF AIDES

Advocates of charter schools argue that charter schools have smaller class sizes than traditional schools, which allows more personal attention to be given to students and provides an overall better

EXHIBIT VII-3

Number of Grades Offered, SY 1997–98



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

learning environment. We sought to determine whether study-area charter schools typically do have smaller class sizes than traditional public schools.

The Michigan School Report advises that statewide, in SY 1997–98 the average pupil-teacher ratio in Michigan public school buildings 21.8:1. Among the 55 study-area charter schools, the average pupil-teacher ratio was 19.2:1, and in three-quarters of them, the ratio was below the state average.

Maintaining a small pupil-teacher ratio is an important component of the education program in some study-area charter schools. Two, for example, had fewer than seven students per teacher in SY 1997–98. Others, especially among high schools, are not as concerned about maintaining such a ratio, permitting as many as 33 students per teacher.

Study-area charter schools, particularly those offering elementary grades, use paid classroom aides extensively. Some have more aides than teachers. The average ratio of pupils to adults (teachers plus aides) in the classroom is 17.7:1. Appendix B includes information on the number of pupils per teacher and pupils per adults in study-area charter schools.

SCHOOL MISSION

Among the study-area charter schools there is great variety in mission, or education focus. Each school was founded with a particular purpose, some objective that the founder(s) felt was not being or could not be accomplished as readily or at all in a traditional public school.

A number of the charter schools were established to provide high-quality education opportunities to inner-city minority students in a safe, clean, and effective learning environment. Depending on its individual focus, to prepare its students for success such a school may

- focus on entrepreneurship, so that students not only are qualified for a good job but also able to *create* such a job;
- teach pupils to use the complex and rapidly changing workplace technology;
- provide students with strong math, science, and computer skills;
- structure the school around specific traditions and culture—e.g., African or Arabic;
- return to a "back-to-basics" curriculum that employs traditional teaching methods; or
- return to a back-to-basics curriculum that employs a holistic approach to educating youth.

Other schools were established to prepare the students for specific careers. One focuses on the plastics manufacturing, five focus on skills needed to design and construct automobiles, their components, and the automotive aftermarket. Four focus on health care careers.

Several study-area charter schools were established to serve a specific population. One is a transition school for youth returning from incarceration, to prepare them for return to their traditional high school or employment. Another is a transition school for mentally impaired youth, to prepare them for employment. Another focuses on traditional-school dropouts or probable dropouts, to help them earn a diploma or GED and learn the skills for a job in construction or an automotive trade.

Still others were founded to put into practice specific education theories or apply a proven school model in a new setting. One study-area school focuses on combining "visual learning instruction"[7] with a "quality school" approach.[8] Another combines basic academics with the performing arts. Still another immerses students in science and technology. At a half dozen schools, administrators say they are employing a school-to-work model for students who otherwise would not have access to such an emphasis.

ORGANIZATIONAL FLEXIBILITY

One feature of the charter schools we observed is their ability to change quickly the way the school is organized in response to ideas from parents and staff. For example, at one school, teachers, who were concerned about preparing a challenging curriculum that is tightly coordinated across subject areas, asked to have every Friday afternoon for in-service work. The request was reviewed by parents and the school's board and approved within a month. At another school, parents asked the school to develop a black history class for students and a computer class for the parents, and the school was able to approve, plan, and implement these classes within a few weeks.

CURRICULUM AND INSTRUCTION METHODS

Because of the wide variety of approaches that charter schools take in regard to curriculum, instruction methods, and instruction objectives, it is hard to summarize what takes place in these schools and do justice to the education experience taking place. Below we present some of the major components of curriculum that are in use in U.S. public schools and some of the unique practices of charter schools in Michigan.

Michigan Core Curriculum

All study-area charter schools serving elementary and middle grades and most servicing high school grades report that they use the Michigan core curriculum as the central organizing concept. Some that offer only 11th and 12th grades and focus on preparing students for the workplace report they do not use the core curriculum except as necessary to prepare for the 11th grade MEAP examination. Several serving middle and high school students, particularly those focusing on dropouts, youth returning from juvenile-detention centers, or other high-risk students, report a specific application of the core curriculum. That is, instead of employing the curriculum for the grade level corresponding to the student's age, the schools assess each student's ability and use the core curriculum suited for his/her actual level of performance, with the intention of advancing the student level by level to the age-appropriate grade.

Thematic/Interdisciplinary Instruction

Nearly half the study-area charter schools use thematic instruction. One, for example, selects a year-long theme. For SY 1997–98 the theme was "Water, Water Everywhere." The school year then is divided into 5–7 sub-units, e.g., rivers, rain, oceans. All academic subjects are taught within this theme, and each student spends the last two hours of each day in hands-on and interactive thematic activities. At another school, there are monthly themes; activities typically include essay contests, guest speakers, and field trips.

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[7]Integrated visual learning (IVL) is an optometric-based process, developed by Steven J. Ingersoll, O.D. It combines vision therapy procedures with cognitive processing drills, to change students from tactile and auditory learners to visual learners. The physically overactive child learns to replace physical exploration with visual exploration, and the child who remembers words by the way they sound learns to recall words by the way they look. Vision then becomes their dominant cognitive system just as it is with more successful students and adults.

[8]An approach that advocates that schools replace the "bossing" that turns students and staff into adversaries with a system of management that brings them together. William Glasser, M.D., is credited with the being the pioneering proponent of the approach.

Other schools apply a thematic focus more broadly. Approximately 25 percent of the study-area charter schools are focused on a theme of entrepreneurship and operating in the U.S. economy; classes focus on business math, business writing, U.S. business history, and study of the economic system.

About one-third of study-area charter schools use interdisciplinary instruction outside of a thematic structure. Team teaching is common, and the teachers spend considerable time planning how to coordinate the lessons across the disciplines.

Multi-Age Classrooms and Individualized Learning Plans

Multi-age classrooms are common among study-area charter schools. Nearly half of those serving elementary grades use multi-age classrooms. One school does not have age-based grades at all; students are continuously assessed, and their performance, not age, is the basis of how they are organized for each instruction purpose.

More common is the practice of having students from two or three grade levels in one classroom, with the older youth moving on at the end of the school year and a new cohort entering. Most such classrooms have more than one teacher, which permits grouping students differently for various instruction purposes.

Charter school administrators feel that a major benefit of multi-age grouping, in addition to facilitating students' progressing at their own rate, is that it allows students to stay with the same teacher for more than one year.

Most study-area schools using multi-age classrooms develop an individualized learning plan for each student. In some schools the plans are developed at the beginning of the school year, and students later are assessed on their progress in completing their planned objectives; others develop quarterly learning plans. Usually, the plans are developed by the teachers in consultation with the individual student (sometimes with parent participation), but in some schools plans are developed with the help of a group of students. Schools that have the computer capacity to do so may use software to prepare diagnostic reports and plans based on student progress.

Family Atmosphere

More than one-third of the study-area charter school administrators say their programs are structured so as to foster a family atmosphere at the school. Multi-age classrooms and permitting pupils to work with the same teacher for a number of years is one element of this approach. One elementary/middle school organizes its students into "learning families" of two teachers, two aides, and approximately 44 students. Each learning family spends most of the school day together, and the environment is designed to be warm and nurturing. This school and four others report that they are following the quality school model, developed by Glasser, and that the nurturing environment is an essential component of this approach.

One school encourages students to think of the school as an extended family, as in a small African village. They think of teachers as aunts and uncles and fellow students as brothers and sisters. Much thought and effort is given by the teachers and school administrator to ways to foster a nurturing environment.

Another school, for the middle grades, establishes groups of 24 students and one teacher. The groups meet every day to discuss such matters as problems and career advice and also to interact among themselves; on Fridays, refreshments are served and other social activities take place. The school hopes to foster bonding among students and their particular group's teacher, making the group a second family for students.

Some of the high schools use group counseling sessions as a way to foster a family environment among students. The students learn to support each other and grow closer through this experience.

Active Learning

"Active learning"[9] is used by nearly half of the schools, often in connection with thematic instruction. It also is used by some of the upper-level schools that focus on demonstrating real world and vocational applications of academic subject matter or that seek to develop school activities attractive to students who otherwise would drop out of school.

Block Scheduling

Block scheduling is used by several study-area charter schools as a way to reduce the fragmentation of the school day, allowing teachers and students to spend more time focused on a single subject area. The blocks typically are used for two or more core academic subjects, such as language arts and social studies. Block scheduling most is often found in middle, junior high, and high schools. With a block schedule, students do not have a class in each subject every day, but instead have different classes on alternate days, or during alternate quarters or semesters of the school year. Students have fewer subjects each day, but longer class periods for each subjects. The longer class periods allow greater continuity in presenting subject matter and more opportunity for laboratory or project-centered work, field trips or work-based learning, and special assemblies or speakers. Moreover, block scheduling reduces instruction time lost while students pass from one classroom to another.

Technology as a Major Focus

Study-area charter schools feature technology in their promotional materials and often in their name. For most, technology refers to personal computers and associated soft- and hardware. Three schools use a computer-based curriculum as the primary method for delivering instruction and monitoring student progress. Others use personal computers as an adjunct to classroom instruction—as tools to access resource materials in encyclopedias, compact disks, and the Internet. A few schools use the Internet to interact with schools in other nations.

Nearly every school has a computer laboratory that students use on a regular basis, as much as one full day a week. Students are taught keyboarding, word processing and spreadsheet applications, and how to search the Internet. Some of the labs also have software for remedial or individualized instruction.

Most schools have a computer or two in every classroom. One school provides each high school student with a laptop computer, which s/he may take home, and trains parents in the computer's use as well. Elementary students at this school design and maintain the school's Web site. Other schools have applied for grants to make it possible to provide each child with a computer. School officials cite research showing that students with easy computer access do more homework than those without such access, collaborate more easily with peers, and show more improvement in academic performance. Computers also make it easier to implement individualized education plans and to help children learn at their own pace.

One school focuses on using computers to foster student creativity by writing and illustrating stories and developing animated movies. This has increased the students' writing and production skills and, in this particular case, their connection to Native American culture and legends.

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[9]The terms "active learning," "experiential learning," and "hands-on learning" often are used interchangeably. Active learning was developed as an alternative to the classroom situation in which teachers lecture and students sit passively and take notes. Active learning programs focus on skills involving active acquisition of information, organizing and using information, and increasing interpersonal relationships and social participation. These programs typically are interactive, involving other students or sophisticated computer simulations.

Another school is involved in a summer technology camp at which students may use robotics.

Nearly one-fourth of the charter schools employ broader technology, providing for their students not only personal computers but also machinery and computer-assisted tools used in manufacturing and other workplaces. These schools have programs to acquaint students with the technology they will use in their chosen career. Using computers, machines, and/or tools donated by the private sector, students may gain experience with such technology as plastic-injection molding equipment, construction tools, automotive diagnostic equipment, health monitoring equipment, and computer applications used in banking. Many of these schools reinforce this training by requiring their students to complete internships involving such technology.

Private-Sector Participation

The study-area charter schools interact with the private sector in a number of ways. One of the most prevalent is internships. Students in 20 percent of the study-area schools participate in internships at an employer's work site. The internship time varies from 20 percent to 50 percent of the school year. In most of these schools, students spend part of each day in the classroom and part at the work site. In one, students spend 15 weeks of each semester in class then five weeks on the job.

Private-sector entities also host student field trips, send speakers to the schools to inform students about their industry and the kind of careers it offers, and provide staff, particularly minority males, to mentor and tutor students.

The private sector played a role in founding a quarter of study-area charter schools. One was created by the heads of a group of local manufacturing companies who wish to improve high school students' preparation for work in manufacturing. Another, a school that provides specialized training for a particular industry, developed through a partnership between a group of manufacturers and the local ISD. For many schools, community businesspeople served on the planning commission and continue to serve on the school board.

The private sector also supports some charter schools through direct or in-kind funding. For example, American Express granted the Summit Academy $3 million in start-up funds. The Detroit School of Industrial Arts received start-up funding from three companies, and the Henry Ford Academy received $5 million from the Ford Motor Company as well as the use of facilities in the Henry Ford Museum for the school. HEART Academy, which prepares its students for careers in the health fields, receives support from the St. John Health System and Detroit Medical Center. The Cesar Chavez academy received funds from a private individual who had made his fortune in real estate.

Some private businesses help provide school equipment, including computers and industrial equipment. Others make it possible for schools to remodel facilities or move into new ones. A third of the schools received cooperation from their landlord in preparing their facility to meet codes and deferring rent payments until the charter was granted and funding received.

Some businesses donate food for the school lunch program and school supplies for students whose families cannot them.

Companies loan staff to teach in schools preparing students to enter that industry, and in one school, a construction association provides a building-trades pre-apprenticeship program in which students assemble frame houses and learn plumbing and electrical skills.

Ties to Higher Education

At several study-area charter schools, personnel from institutions of higher education teach classes or provide other training. One school has ties with the Detroit College of Business, enabling the charter school's high school juniors and seniors to take classes at the college and, eventually, its freshmen to enter a combined high school–college program in which they may earn both a high school diploma and an associate's degree in five years.

At another charter school, which focuses on preparation for industry careers, local universities and community colleges provide advanced vocational training to the charter's students, allowing them to earn certificates in specific skill areas.

Uniforms

Three-quarters of study-area schools serving elementary or middle-school grades require uniforms. In several, school founders did not intend to require uniforms, but parent advisors or the parent-teacher organization recommended that they be adopted. Typically, the uniforms are dark slacks/skirts and white shirts/blouses. Jeans, tennis shoes, and tee shirts usually are prohibited. Some schools have school sweaters or blazers for cool weather.

In most schools that require uniforms, students coming to school out of uniform are sent home or to detention, and/or a note is sent home to reinforce the requirement. Most also permit more casual dressing on certain days: Perhaps once a month the students may wear jeans. In a few schools this exception is sponsored by the student council as a fundraiser—students pay for the privilege of dressing casually.

Character Development

Administrators in all study-area schools indicate that they seek to instill in their students self-esteem, responsibility, initiative, self-control, and a code of ethics. In 20 percent, leadership skills, courage, and moral fortitude also are fostered.

Four schools have a special program to foster male responsibility; students in all grades are taught about a man's role in society, the community, and the family. Another school, which focuses on preparing students for careers in the automotive industry, includes dependability, honesty, and integrity in the curriculum; the school's developers determined that potential employers want more than vocational skills, and so these components of character development have been worked into the classroom setting.

Extended Day/Year

Most study-area charter schools are in session for the standard school year (approximately 180 days) and day (6–6½ hours). A few schools have a considerably extended school year, including two that operate year-round. At 20 percent of the schools, the instructional year is 10–15 days longer than standard. At another 5 percent, the year is 20–30 days longer. Two schools offer optional summer programs intended to keep students in a safe environment and provide academic enrichment.

Three of the 55 schools have a longer school day than the standard, and several (20 percent, mostly elementary schools) have before- and after-school activities at the school that may include child care and tutoring. One school has a 7½-hour school day and offers several after-school clubs. Several schools try to offer school activities for as many hours as they can as an alternative to students having to be alone at home.

Sports and Clubs

Sports teams are an important component in a third of study-area charter schools, mostly elementary and middle schools. Several elementary schools have gymnasiums and sponsor boys' and girls' basketball teams. The teams serve to draw parents and the community into the school and to give students an incentive to maintain academic eligibility to play. The schools usually play other charter and parochial school teams. Other sports offered include soccer, karate, and gymnastics. The karate and gymnastics programs have an additional goal of instilling self-confidence and self-discipline.

Many schools sponsor a number of clubs as well, including science, math, chess, ROTC, cooking, Boy and Girl Scouts, and tutoring. At the school that has the 7½-hour school day mentioned above, each youth is expected to participate in (and each teacher to sponsor) one or more.

None of the high schools offers sports, and a number of the administrators note that one reason students return to traditional public schools is because they miss having sports programs and events to participate in or attend.

Foreign Language/Culture Instruction in All Grades

Several study-area schools conduct foreign-language/culture classes at all grade levels; one school teaches the Japanese language and culture to all students, and two others teach Spanish. The languages are taught both as part of college preparatory work and as an essential part of a liberal arts education. The school that selected Japanese believes also that teaching this language/culture is an essential part of its focus on business education and entrepreneurship.

A number of the schools have a specific cultural focus. One, which draws most of its students from Arabic-speaking families, includes a class on the Arabic language in each grade and requires students to take a course in Arabic culture and history. More common are schools that focus on African and/or African-American culture, integrating African culture and history throughout the curriculum and teaching some key phrases and vocabulary in Swahili and/or other African languages. Another group of schools is geared to students from a Hispanic background, particularly those who struggled because of language problems in traditional public schools.

Parent Involvement

Nearly all study-area charter schools are eager to have parents involved with the school and with their child's education. The few exceptions are schools that are working with students in transition from incarceration to liberty or from school to workplace and, as part of the instruction approach, are treating the students as independent adults.

The schools use various approaches to engage parents in school operation/activities. More than a third have parents on their school board and steering committees; these schools give parents a strong voice in hiring staff, shaping the curriculum, choosing textbooks, and developing the budget. Some schools rely on parents to provide supplemental labor, including janitorial services, classroom assistance, lunchroom services, and playground monitoring. Parents also are important in fundraising and locating internship possibilities. Parents also frequently serve on technology committees and lead the effort to install and maintain computers and networks.

A typical goal is to have parents participate at the school, in some capacity, for two hours a week. Success ranges from 35 percent in some schools to 85 percent in others. A few schools have a parent-participation clause in their enrollment agreement, and there is some discussion among those adminis-

trators as to the wisdom and legality of trying to enforce the clause. At most schools, the participation issue is delegated to the parent-teacher organization.

About a quarter of study-area schools focus on parent participation as the means to make the parent a supporter of his/her child's education. Most actively encourage—through reminder phone calls and such incentives as providing food, transportation, or door prizes—rather than require parents to engage is such activities as attending parent-teacher conferences, sitting in on classes, or receiving parenting training.

Special Education

One challenge in operating a charter school is how to deliver special-education services within the school's curriculum and program. Administrators report that the parents of a child already classified as having "special needs" in a traditional school and having had an individualized education plan (IEP) developed for him/her, enroll the child in a charter school because they do not want him/her shunted off to a special-education program. Administrators report that some parents hide their child's special-need classification from the charter school, and the traditional public schools are slow to forward student records, delaying the process of assessing a student's special requirements and implementing his/her IEP.

More than half of the study-area charter schools do not use the special needs classification in regard to their students. Three such schools specifically report they do not because they believe that so categorizing a child labels him/her and does more harm than good. They believe that given their program and staffing, they can deliver in a regular classroom any special services or attention such a child needs. Other schools integrate their special-needs students into the regular classroom; three have specialists on staff and 12 have specialists on contract, and they provide assessment, therapy, or work with the special-needs student's regular classroom teacher. One school has a program wherein each special-education student is paired with nonspecial-education student, and they work together in the context of the school's curriculum and program.

How to meet the needs of special-education students is a difficult issue for charter schools. Most are small, and the financial burden of educating even one student with extensive needs could put the school out of business. The study-area charter schools are using a number of strategies to minimize the cost burden. Most contract out for services on an as-needed basis. Several are affiliated with a management company that has a social worker and psychologist who work with students as needed. Administrators at a few schools indicate that they tell applying families that the school simply is not equipped to handle students with special-education needs.

A few schools receive services for special-needs students from their local school district or ISD at no cost. Others have been refused such help because they are not "regular" public schools.

CONCLUSION

Michigan's charter schools are hard to describe. They vary widely on every facet of school organization and instruction approach. It is critical that their heterogeneity be kept in mind as the policy debate about the merit and effectiveness of these schools takes place. There are few statements that apply to all charter schools and few conclusions that may be correctly drawn for all of them. As Michigan charter schools continue to be studied, it is important not to rush to conclusions about the charter school initiative as a whole. Rather, to determine what is working well and what needs a strategy for improvement, it will be very important to examine in detail all the initiative's individual components.

With only some notable exceptions, few of the practices in study-area schools are completely new. Instead, the individual schools are applying the components of education reform in various ways, intensely, and with their mission clearly in mind. The schools practice complete site-based management, and this allows them great flexibility, which is their major innovation. They are able to create programs, change them, or discontinue unsuccessful, undesirable, or outmoded programs with much more ease than is possible in most traditional public schools.

VIII. Teacher Profile

A major issue for charter schools is their ability to attract and retain qualified and effective teachers.

Michigan's charter-school enabling legislation says little about teacher requirements other than that all teachers must be state certified. The only other references to teachers in the legislation pertain to tenure (they are not protected by state tenure regulation) and union membership. Unless a charter school's authorizing agency is the surrounding local school district, the charter is not bound to that district's collective bargaining agreement, and the charters' teachers do have to belong to the union representing the district's teachers.

Critics of the charter school initiative argued that charter schools would be unable to find qualified teachers and that good teachers would be concerned about the risk of joining a new institution. There also was concern that teachers would be unwilling to take a job not offering the full range of benefits and protections contained in collective bargaining agreements.

Charter school proponents contended that teachers would be drawn to the opportunity to participate in education reform. In particular, they argued that teachers would respond to the prospect of being able to participate in designing and developing schools and having a bigger voice in school operations. Some maintained that the very best teachers would be eager for the opportunity to work in charter schools and willing to accept the risk of working with new schools in return for a more rewarding career.

FINDINGS

- Teachers in study-area charter schools are younger and have less teaching experience than those in traditional public schools.
- The charter schools report that their teachers are properly certified, with at least an emergency certificate, and most are certified in the subject area(s) they teach.
- The average teacher salary is lower for study-area charter schools ($29,178) than for teachers in traditional public schools (the statewide figure is $47,181).
- Few charter schools grant tenure; teachers work under at-will contracts.
- Charter schools devote significant effort to evaluating teacher performance; they can and do quickly remove teachers who are not performing.
- Charter schools devote significant resources to staff development and to supporting their teachers' professional activities. Many schools report a substantial increase in staff development after the first year of operation.

- Teacher turnover during the first year of operation is high in many study-area schools, but the rate drops substantially during the second and subsequent years of operation.

DATA SOURCES

To develop a profile of the teachers at Michigan's charter schools, we used four sources of information. One was site visits to 47 of the 55 schools assigned to PSC/MAXIMUS. During these visits we discussed teacher recruitment and retention, qualifications, compensation, staff-development, and evaluation.

The second data source was a questionnaire, left with the chief administrator at each school, asking for further specific information about teacher certification, longevity, and turnover.

We also conducted a mail survey of teachers. We selected charter schools representing a cross-section of schools based on number of students and grade levels offered. The survey instrument and methodology are presented in Appendix C.

The final source of information was the 1998 Michigan School Report of the Michigan Department of Education.

One area of inquiry that we were unable to pursue using these data sources is assessment of the quality of the performance of the teachers in the charter schools. In-school teacher evaluations generally are high, and parents rate the teachers as effective, but we can offer no independent information on this matter.

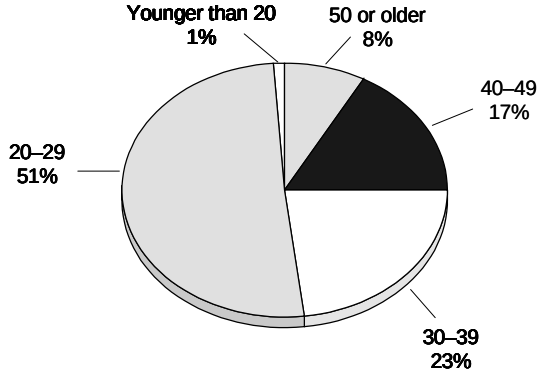
DEMOGRAPHICS

The major source of information about the demographic characteristics of the teachers is from the teacher survey conducted at 15 schools. In all, 121 basic classroom teachers and 20 specialty teachers, administrators, and other school staff responded. From the respondents, we infer that more than half the basic classroom teachers (52 percent) in study-area charter schools are aged under 30 or younger and only 8 percent are 50 or older (see Exhibit VIII-1).

Eighty-eight percent of study-area charter school teachers are white, and the remaining 12 percent are minority (see Exhibit VIII-2). This contrasts significantly with the racial/ethnic composition of their students: In SY 1997–98, 25 percent were white and 75 percent minority.

EXHIBIT VIII-1

Teacher Age, Study-Area Charter Schools, 1998



SOURCE: PSC/MAXIMUS.

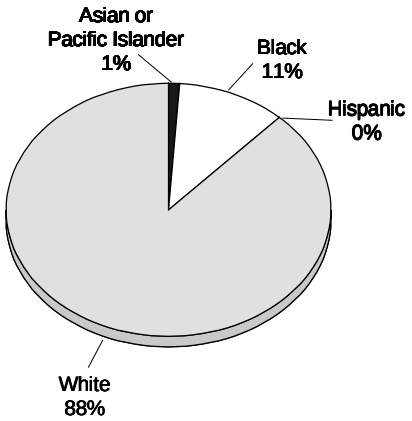
Seventy-six percent of study-area charter school teachers are female (see Exhibit VIII-3). A number of school administrators commented on having difficulty finding male teachers, particularly minorities, to serve as role models for the male students.

CERTIFICATION

Concern about whether their teachers have proper credentials has been a recurring concern since charter schools first were established in Michigan. Our discussions with charter school administrators and the survey of teachers indicate that only a very few teachers do not have permanent or temporary state certification.

EXHIBIT VIII-2

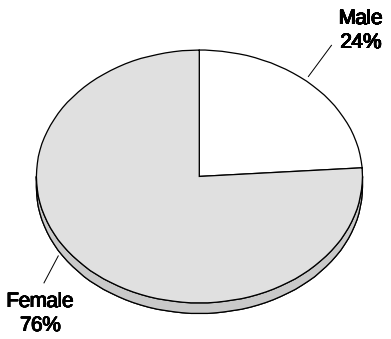
Teacher Race/Ethnicity, Study-Area Charter Schools, 1998



SOURCE: PSC/MAXIMUS.

EXHIBIT VIII-3

Teacher Gender, Study-Area Charter Schools, 1998



SOURCE: PSC/MAXIMUS.

Ninety percent of the teachers responding to the survey report that they are certified to teach in Michigan, and the remainder, with one exception, state that they are working toward certification. All report having emergency certification. Of those who are certified, 98 percent say they are teaching in a subject area for which they were certified.

Charter school administrators report that 92 percent of their teachers have state certification and 94 percent majored or minored in college in the subject areas in which they are teaching.

Two categories of charter schools account for the majority of the noncertified teachers: (1) inner-city Detroit schools that serve children from the lowest-income neighborhoods and (2) schools that have a partnership with the business community and make some use of individuals from the private sector to teach some classes.

EXPERIENCE

Where charter school teachers differ most from the teachers in traditional public schools is in years of experience. The latter average 15 years' experience; the former, a good deal less.

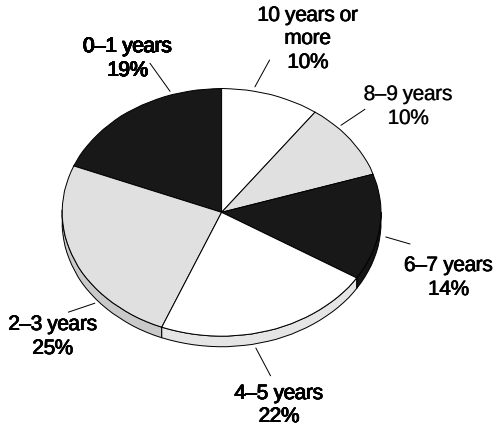
Charter school administrators report that the average experience for their teachers at the end of SY 1997–98 school year was 4.38 years. The average figure reported by teachers responding to the survey is 7.1 years, and the median figure is 3 years. Exhibit VIII-4 shows the distribution of the number of years of total teaching experience as reported by teachers.

Administrators report that when they first hired the teachers currently at their school, the number of new graduates and experienced teachers were roughly the same (41 percent each), and 18 percent were not teachers by profession (see Exhibit VIII-5).

Teachers with prior teaching experience earned it in a variety of settings: 55 percent in public schools, 18 percent in parochial schools, 22 percent in other private schools, and 6 percent in other education settings (e.g., an industry trainer).

EXHIBIT VIII-4

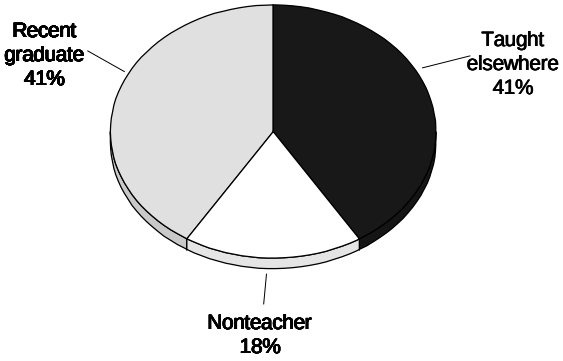
Teacher Experience, Study-Area Charter Schools, 1998



SOURCE: PSC/MAXIMUS.

EXHIBIT VIII-5

Teacher Background at Time of Hire, Study-Area Charter Schools



SOURCE: PSC/MAXIMUS.

A number of school administrators say they deliberately recruit new teachers. Various reasons are cited. Administrators believe recent graduates to be

- better trained,
- more energetic and more open to learning the pedagogical approach envisioned by the school's founders,
- unlike many teachers in traditional public schools in that they are not "burned-out" and still have the energy and imagination necessary make the charter school work,
- unlike some experienced teachers in that they are not "set in their ways" and are able to make the transition to the charter school's culture, and
- willing to work for the lower salaries they the charter school can afford.

RECRUITMENT

Methods

A site-visit discussion topic with administrators was how each school finds its teachers. The task is simplest for schools converting from private to charter, because the majority of the faculty usually remains and little initial recruitment is necessary.

New and expanding study-area charter schools use various recruiting methods. Nearly all work with Michigan university placement offices and recruit the largest portion of their hires directly from graduates of college teaching programs. The next most common method is to advertise in newspapers, usually in Detroit, Ann Arbor, and the community in which the school is located. The charter schools also use the Internet to announce openings and participate in job fairs. At least one school, desiring to hire more minority male teachers, makes recruiting visits to historically black colleges in southern states.

Two administrators report having recruited people who had moved to Michigan from elsewhere and had Michigan certification but could not find a job in a traditional public school system.

Schools that have an arrangement with a management company have two additional pools of potential employees. The first is retired teachers. Because in such schools the teachers are employees of the management company, not the school, retired teachers may be willing to work for the lower salaries offered by charters. The reason is that as management-company employees, they may continue to receive their pension while working; this would not be the case if they were school employees.

The second is other charter schools managed by the same company. The management companies do try to control "raiding" by permitting cross-charter school "transfers" only under certain circumstances, such as when a teacher wishes to leave one school for another so as to be able to teach a different age group or locate closer to home.

Several administrators mentioned that when they started their school, they did some recruiting among teachers they already knew, and established charter schools report there is extensive word-of-mouth communication about the schools and they often receive unsolicited applications. Applications usually increase whenever a school is profiled in the media.

Factors in Teachers' Decision to Work in Charter Schools

The teacher survey included a question on how important ten factors were in their decision to work at their charter school. Each factor was rated on a five-point scale ranging from "not important" to "very important." Exhibit VIII-6 shows the percentage of teachers rating each factor as important or very important.

EXHIBIT VIII-6

Teacher Employment-Decision Factors, Study-Area Charter Schools

	Percentage Saying Important or Very Important
Opportunity to work with like-minded educators	81%
Commitment of parents	72
Interest in being involved in an education reform effort	72
Small class sizes	66
Promises made by school's spokesperson	63
School safety	62
School's academic reputation (high standards)	55
Emphasis on academics rather than extracurricular activities	42
Difficulty in finding other position	33
Convenient location	27

SOURCE: PSC/MAXIMUS.

The survey reveals that charter schools teachers are attracted to the opportunity to participate in education reform and work with colleagues, administrators, and parents similarly committed. Class size, school safety, and the school's reputation also rate high. Least frequently cited are the factors having to do with not being able to find another position (the survey did not distinguish between teaching and other positions) and location convenience.

TURNOVER

Study-area charter school staff turnover experience is mixed. From fall 1997 to fall 1998, 50 percent had no teacher turnover whatsoever. In about a quarter of the schools, there is reported to be no or only one instance of a teacher's leaving since the school was established, up to three school years. On the other hand, administrators in three schools indicate that they have had 100 percent turnover since the school first opened. Of the small schools (five or fewer teachers), 50 percent have lost more than half since opening.

Among the schools experiencing significant (more than 50 percent) turnover, most occurred during first year of school operation. The administrators cite as the major problem teacher unpreparedness to deal with the number of high-risk students and the number of students who were several grade-levels behind where they should be for their age. The majority of turnover was initiated by the teachers, but some were asked to leave. Other issues were the turmoil experienced by a good many schools during their first year—e.g., difficulty in preparing the facility and delay in the availability of supplies/textbooks/equipment—and clarification of the school's education approach and mission.

The mismatch between teacher expectations/preparation and student behavior/needs occurs even in some converted schools. A comment frequently heard is that after conversion, a school serves students from a wider range of backgrounds, and teachers experience more classroom behavior problems. A majority of the teachers who left or were asked to leave during and after the first year were unwilling or unable to work effectively with the full range of students now attending the school.

Experienced teachers who leave a charter school often do so because they can earn more elsewhere, in a traditional public school or another charter school. Of the teachers PSC/MAXIMUS surveyed, 22 percent indicated that they do not plan to teach at the same school next year.

DEVELOPMENT

Study-area administrators express great concern about the need for staff development, and they are instituting special programs for new teachers, new staff development activities during breaks, and ongoing programs during the school year.

Administrators are willing to invest in development for four general reasons. The first is to help teachers gain the skills and perspective they need to work with at-risk students. A second is to accelerate the development of newly graduated teachers. A third is to ensure that teachers are trained (indoctrinated) in the school's specific perspective and approach. Finally, the promise of staff development is useful in recruiting and retention.

It is common for charter schools to engage in intensive training for 3–4 weeks during the summer or just before school opens and to have one day a month for in-service training. Often, the pre-opening sessions have a particular focus—e.g., working with at-risk students; teaching/operating in an ethnocentric curriculum/environment; implementing a multi-age approach in the classroom. Several schools have applied to foundations for grants to hold longer summer staff-training sessions.

A number of schools have a mentoring program for new teachers, to provide them with ongoing advice and a means to discuss problems and approaches in such areas as delivering content, managing the classroom, and meeting individual student needs. One school has hired a university professor to serve as the mentor for all of its faculty, and others mentioned using consultants to assist on particular issues.

A number of the study-area schools send faculty to professional conferences and workshops, seminars, and courses offered by universities or professional associations. Several administrators specifically mentioned conferences sponsored by the regional middle schools association. Others send staff to conferences conducted by their authorizing agency. One school gives each teacher an annual $500 professional-development allowance.

EVALUATION

In the majority of study-area charter schools, teachers are not granted tenure. Some schools sign teachers to short-term (usually one- year) contracts. Others use "at-will" contracts, meaning that the administrator or board may terminate the teacher's employment at any time. It was made clear to us that the schools use this type of contract to enable them to remove a teacher not performing up to standard rather than having to retain him/her for a full school year. Both type of contracts relieve schools from having to retain for a career a teacher they no longer want, as happens sometimes with tenured teachers in traditional schools.

Some schools require a probationary period before they offer a contract. Some initially use teachers as substitutes for a period before employing them full time. Others employ them full time from the beginning but require them to successfully perform during a probationary period (usually a week to a month) before becoming "permanent."

Teacher assessment methods vary. One study-area school uses teacher self-evaluation combined with observation by the principal; a major assessment factor in this school is the degree to which a teacher embodies the school's approach, participating in collective planning and exemplifying an African-centered life. Another school assesses teachers on whether they team-teach and participate in collective planning.

Other evaluation models include ongoing observation and guidance from a lead teacher or teachers, augmented by observations by the principal or other senior administrative officer.

A common teacher evaluation/assessment model is periodic observation by the school principal, the same method most often used in traditional public schools. Some study-area charter schools use the same form that the local school district uses to record the observation results.

Several administrators mentioned working with each faculty member to set objectives at the beginning of the school year, having the teacher evaluate him/herself during the year, than conducting a full evaluation at the end of the school year. In one school, we learned that there also is a process by which the staff formally evaluates the principal (a so-called "360 degree" evaluation).

In several study-area schools, staff assessment/evaluation procedures and standards still are evolving. One interesting approach being discussed among schools with a focus on career preparation for a specific industry is applying some industry personnel standards to school faculty.

SALARIES

The major sources of information about teacher salaries is the 1998 Michigan School Report, for which salaries are calculated by dividing each school's total expenditure for basic instruction by the number of full-time equivalent (FTE) teachers reported by the school; benefits are not included. Salary information is not available for several charter schools, because teacher salaries are paid by their management company and are not part of the school's operating budget.

The average public school basic classroom teacher salary statewide for SY 1996–97 was $47,181. Among the 26 study-area charter schools for which a teacher salary exhibit is listed in the Michigan School

Report, the average is $29,178, and the range is $15,500–46,002. Exhibit VIII-7 presents average, minimum, and maximum figures for the study-area charter schools for which we have information as well as for comparison school buildings. (For the analysis of MEAP performance presented in chapter 9, "Student Achievement," we identified a "comparison" traditional public school for each study-area charter school. The comparison schools selected have comparable MEAP scores, comparable grade levels, geographic proximity to the charter school, and a comparable proportion of minority students. Because teacher salaries vary so widely among traditional public schools statewide, we judged it useful also to compare average teacher salaries in charter and comparison schools). The exhibit shows how the charters compare to the comparison schools and the statewide public school average.

EXHIBIT VIII-7

Teacher Salary Comparisons: Study-Area Charter and Comparison Schools, and Statewide Public Schools, SY 1996–97

	Study-Area Charters	Comparison Schools	Difference between Study-Area Charters and Comparison Schools	Difference between Study-Area Charters and all Public Schools
Average salary or difference	$29,178	$44,933	–$15,755	–$17,831
Maximum	46,002	58,528	–12,526	NA
Minimum	15,500	30,388	–14,888	NA

SOURCE: Michigan Department of Education and PSC/MAXIMUS.
NA = Not available.

None of the study-area charter schools for which we have salary data offers salaries as high as the state average for all public schools; some are below the state average by more than $30,000. While some portion of this salary difference may be due to the differences in teachers' years of experience, it is unlikely that this is the whole explanation.

Schools that convert from private facilities tend to pay more than those created as charter schools— the average was $32,100 and $27,300, respectively, in SY 1996–97. Again, at least a portion of this difference likely reflects the greater number of years of teaching experience at the converted schools.

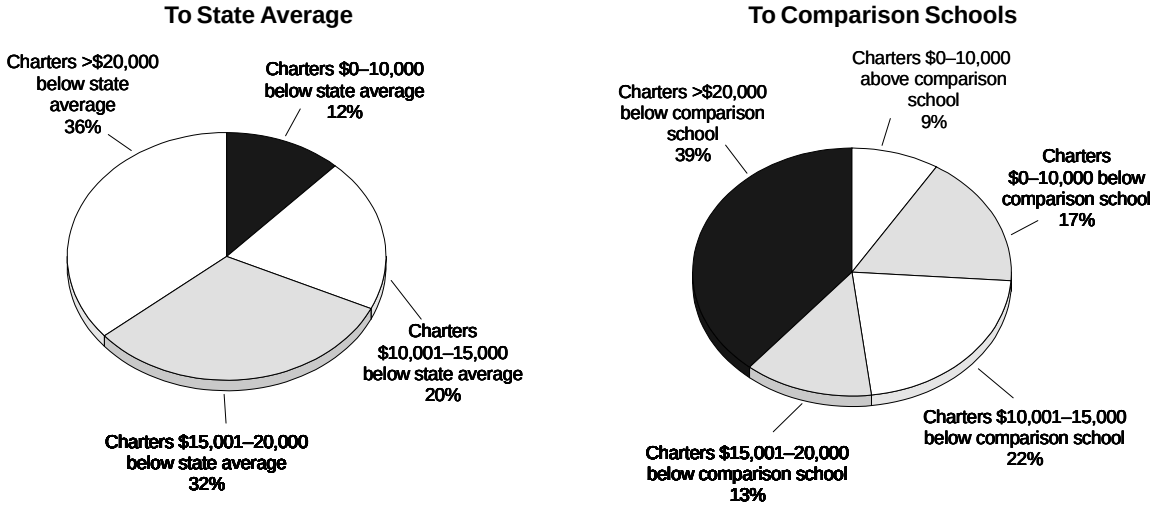
We have only limited information from charter schools in which the teachers are employees of a multiple-school management company, as these schools do not report basic classroom teacher salaries as a separate expenditure category. Among those for which data *are* available, the average salary is about $1,000 more than in other charter schools: $29,700 compared to $28,650.

How study-area charter-school average salaries compare to the statewide average and that in their comparison school is presented in Exhibit VIII-8. In all but two instances, average charter school salaries are lower than those of their comparison school: $29,178 and $44,933, respectively. The range is from charter schools that pay $9,000 more to comparison schools that pay $35,500 more. On average, comparison school teachers average $16,000 more annually than charter school teachers.

Administrators of the study-area charter schools are well aware of the salary discrepancies, and they are concerned about retaining teachers for more than a few years before they leave for higher-paying positions elsewhere. Some administrators have as a goal the ability to pay teacher salaries a few thousand dollars *more* than in area traditional public schools.

EXHIBIT VIII-8

Study-Area Charter School Teacher Salary Comparisons, SY 1997–98



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

Another pay issue mentioned by administrators is their desire to develop a salary structure and financial base that will allow them to reward exemplary teachers with bonuses.

SATISFACTION

Supporters of charter schools contend that the schools will attract and retain good teachers because of the environment the schools can create and the excitement of participating in innovative, effective education.

The study-area charter school teacher turnover rate indicates that there has been some teacher dissatisfaction, although turnover slows as schools are in operation longer. Of the teachers PSC/MAXIMUS surveyed, 78 percent say they plan to teach at the same charter school for the next school year, indicating that a good many teachers are satisfied with their position.

EXHIBIT VIII-9

Factors Influencing Teacher Satisfaction, Study-Area Charter Schools, 1998

Factor	Percentage Saying They are Satisfied or Very Satisfied
School mission statement	73%
Availability of computers and other technology	58
Performance evaluation	57
School ability to fulfill stated mission	57
School's administrative Leadership	52
Resources available for instruction	47
School governance	46
School buildings and facilities	44
Fringe benefits	43
Relations with community at large	39
Salary level	29

SOURCE: PSC/MAXIMUS.

Contributing Factors

The teacher survey sought to identify factors that contribute to teacher satisfaction. Exhibit VIII-9 shows the percentage of teachers who report being "satisfied" or "very satisfied" with specific aspects of their charter school.

Teachers at charter schools largely are satisfied with their school's mission. The level of satisfaction with certain other aspects of their school is more moderate. Salaries and benefits are among the factors with

which the fewest teachers indicate satisfaction, and this corresponds to the information on teacher salaries presented above.

The low level of satisfaction concerning "relations with the community at large" is intriguing. We believe the responses to this factor may reflect tension felt between charter schools and the local and intermediate school districts.

Expectations versus Satisfaction

The survey probed teacher satisfaction in two additional ways. One compares a teacher's initial expectations about the school where s/he is employed with his/her satisfaction after finishing the 1997–98 school year. The question presented 16 statements and asked the teacher to indicate whether s/he believed it to be a *true* statement of their his/her expectations, a *partly true* statement, or a *false* statement. The teacher then was asked to rate the same 16 statements in terms of how s/he feels at the present time. The results are shown in Exhibit VIII-10.

EXHIBIT VIII-10

Statements Gauging Teacher Satisfaction with Their School, Study-Area Charter Schools, 1998

	Percentage Saying that Initially They Thought Statement was . . .			Percentage Saying that Currently They Think Statement is . . .			Decline in "True" Responses
	True	Partly True	False	True	Partly True	False	
The school will have/has effective leadership and administration	87%	13%	0%	43%	37%	20%	44%
Students will receive/receive sufficient individual attention	85	13	2	45	43	12	40
There will be/is good communication between the school and parents/guardians	85	14	1	53	39	8	32
Teachers will be/are able to influence the steering and direction of the school	79	19	2	47	37	16	32
There will be/are new professional opportunities for teachers	67	30	3	39	38	22	28
Teachers will be/are committed to the mission of the school	87	13	0	60	36	4	27
Students will have/have access to computers and other new technologies	87	10	3	62	35	3	25
The school will support/is supporting innovative practices	87	11	2	62	26	12	25
Support services (i.e., counseling, health care) will be/are available to students	51	32	17	27	40	33	24
Students will be/are eager and motivated to learn	60	36	4	38	54	9	22
Parents will be/are able to influence the direction and activities at the school	58	34	8	36	47	17	22
The school will have/has small class sizes	72	17	10	54	23	23	18
Teachers will be/are autonomous and creative in their classes	86	13	1	68	25	7	18
The achievement levels of students will improve/are improving	85	15	0	68	30	2	17
School personnel will be/are accountable for the achievement/performance of students	75	23	2	59	36	5	16
The quality of instruction will be/is high	82	17	1	69	30	1	13

SOURCE: PSC/MAXIMUS.

Teachers start work at the charter schools with high expectations for their schools, the parents, their colleagues, and their students. As with any job, the reality of the work does not always meet expectations.

The five areas in which reality comes closest to matching expectation are those directly related to teaching and teachers: instruction quality, accountability for student performance, student achievement, class size, and teacher autonomy and creativity. The areas in which reality has most fallen short of expectation are largely outside teacher control: administrative leadership and competence, sufficient attention for individual students, communication with parents/guardians, and teacher ability to affect the operation and direction of the school.

Rating Their School

The final survey component related to teacher satisfaction asked teachers to indicate the extent to which they agree or disagree that several statements are true of their school. For each, teachers had five choices: strongly agree, agree, neutral, disagree, strongly disagree. Exhibit VIII-11 shows the percentage of teachers indicating that they "agree" or "strongly agree" with the various statements.

EXHIBIT VIII-11

Study-Area Teacher Responses to Statements about Their School, 1998

	Percentage Saying They Agree or Strongly Agree
Students feel safe at this school	82%
Teachers are challenged to be effective	75
This school has high standards and expectations for students	74
This school is meeting students' needs that could not be addressed at other local schools	70
The school has good physical facilities	68
This school has been well-received by the community	67
Students are satisfied with the instruction	67
The school has sufficient financial resources	64
It is not true that class sizes are too large to meet individual student needs	63
Parents are satisfied with the instruction	60
Extracurricular activities are not emphasized at the expense of academics	59
I am satisfied with the school's curriculum	58
I think this school has a bright future	57
It is not true that teachers are disenchanted with what can be accomplished at this school	50
Teachers and school leadership are accountable for student achievement/performance	48
Parents are involved and can influence instruction and school activities	38
It is not true that teachers are insecure about their future at the school	35
It is not true that teachers have many noninstructional duties	35
This school reflects a community atmosphere	23
It is not true that too many changes are occurring at the school	11
It is not true that lack of student discipline hinders my ability to teach and the opportunity for other students to learn	6

SOURCE: PSC/MAXIMUS.

There is very high concurrence with statements regarding students feeling safe, teachers being challenged, schools having high expectations, and, very important, schools meeting education needs that other local schools cannot. These findings are consistent with responses to other survey questions and from other information sources.

The very low rate of concurrence with the statements regarding student discipline and the rapid pace of change indicate that these factors may be a problem for many teachers.

IX. Student Achievement

The premise underlying creation of Michigan's charter schools is an exchange. In return for greater flexibility and freedom from some regulation, charter schools agree in their contract with the authorizing agency to meet certain performance measures, among them a certain level of student achievement. The importance of this transaction in public acceptance of the charter school initiative makes assessing charter-school student achievement one of the most important—and controversial—aspects of evaluating Michigan's charter schools.

FINDINGS

- Among both charter and traditional public schools students, there is a wide variation in the percentage scoring "satisfactory" on MEAP tests.
- The percentage of students scoring "satisfactory" at charter schools is lower than at a majority of local traditional public schools.
- The rate of improvement in MEAP scores is greater among charter school students than among students at comparable traditional public schools.
- On the MDE's measure of "adequate yearly progress" approved for assessing federally funded Chapter 1 (formerly Title 1) programs, charter schools dramatically outperform comparable traditional public schools.
- Charter schools use a variety of tools to assess student progress, make placement decisions, and design their education program.

DIFFICULTIES IN ASSESSING STUDENT ACHIEVEMENT

It is too early in the history of the charter schools to definitively assess the schools' effect on student academic achievement. The schools are new, and there has not been sufficient time for the effect of a charter school's education program, independent of the students' previous education experience, to become evident. Thirty-eight percent of the schools in the PSC/MAXIMUS study area had been in operation for less than a year when the data were collected for this study, and an additional 36 percent had been operating for less than two. In measuring charter school student performance, it is very difficult to attribute accurately the contribution of the charter school and the contribution of the student's prior school(s).

The method for measuring student achievement in charter schools also is an issue. There is no consensus on the best method(s). While all charter schools are required to administer MEAP tests, there are concerns about the suitability of using this or any standardized test as the sole measure of charter school

student performance. Study-area charter school administrators express concern that the tests measure only a limited number of "dimensions of learning" and, as "pencil-and-paper tests," allow only limited ways in which students may demonstrate their knowledge and achievement.

Study-area administrators have criticisms specific to the MEAP. Some believe it is culturally biased. Others contend that the test fails to measure some education objectives that are central to their school, such as character development, vocational skills, fine arts, or knowledge of a specific culture or ethnic group. Another major criticism is that the MEAP system does not take into account the previous achievement level of charter school students. For example, the charter schools that seek to facilitate the return of dropouts to school see it as unfair to compare the their students' scores with those of students at a typical comprehensive high school.

ASSESSMENT METHODS USED BY CHARTER SCHOOLS

The study-area charter schools are as heterogeneous in the methods they use to assess student achievement as they are in their education programs and objectives. PSC/MAXIMUS collected information on the various school assessment tools and on how the schools use the assessment results.

Charter schools make extensive use of standardized tests. Exhibit IX-1 lists some of the tests used by the schools, but they use other student-assessment methods as well. All schools use teacher-originated tests and quizzes, homework assignments, and graded projects. Some schools have their own criterion-referenced tests for each subject area and grade level, and they are administered throughout the year.

A number of study-area schools use portfolios of student work as a major element of student assessment. A few supplement the portfolios with audio and video tapes of student presentations. One school requires each student to make a five-minute presentation in an auditorium during an event open to the public. Several schools that have extensive computer equipment maintain electronic portfolios. One school that delivers the bulk of its curriculum through a computerized instruction program also uses the program to continuously assess each student.

Several schools use student self-assessment as the nucleus of their assessment system. Usually, at the school year starts with goal setting for each student for the year. The student, his/her teachers, and, in some cases, groups of other students then evaluate each student's progress against these goals.

Charter schools focused on preparing students for a particular vocational area use assessment instruments and procedures similar to those used by employers. A few schools assess their students according to the skill areas identified by the [U.S. Labor] Secretary's Commission on Acquiring Necessary Skills (SCANS). One has developed job-skills checklists

EXHIBIT IX-1

Standardized Tests Used by Various Study-Area Charter Schools

Metropolitan Achievement Test
MAP, MAP 7
Iowa Test of Basic Skills
Language Assessment Test
California Test of Basic Skills and the Tera Nova
California Test of Basic Skills
California Achievement Test
Key Math
Woodcock Reading
SRA Reading and Math
Thacher Test
Woodcock Johnson Achievement Test
Child Observation Record
Vision Ocular Motor Screening
Wide Range Achievement Test
Gesselle Development Test
Brigants Test
Stanford 9 Test
Scholastic Aptitude Test (SAT)
McGinnities Reading Test
PLAN Test

SOURCE: PSC/MAXIMUS.

by which student work-site performance is graded. Several of the high schools that have extensive involvement with industry are using employer assessments during internships and after graduation to determine whether their program is successful.

PSC/MAXIMUS APPROACH TO EXAMINING STUDENT ACHIEVEMENT

Because the MEAP is the only assessment information available for both charter and traditional public schools, our analysis of student achievement must be based on MEAP test results. We are well aware of the criticism and limitations of the MEAP, and, as mentioned above, we believe that it is too soon to definitively assess the effect of charter schools on student achievement. Nevertheless, any study of the Michigan charter school initiative requires some examination of this important policy issue.

The information presented in this chapter *should be viewed as baseline information only*. We are able to show student achievement as measured by the MEAP for the students currently attending charter schools, but we *cannot* say how much of this achievement may correctly be attributed to the charter schools.

Before a summary judgment may be made about the effect any charter school is having on its students, several conditions must be met.

- Sufficient time must pass to allow any unique features of a charter school to result in measurable change in a student's performance.
- Researchers must have access to individual student MEAP scores, to enable them to compare students' charter-school-entry achievement level and their performance while they are enrolled there; this will require changes in how MEAP data are stored and what is made available to researchers
- To more comprehensively measure student achievement, researchers must have access to assessment information other than MEAP results.

The reader must keep in mind that just as there is no single Michigan charter school model, there is no single statement that may be made about all charter schools and student achievement. Even with these baseline data, it is clear that charter school student achievement varies widely across schools.

Data Available

For this study, the MEAP data were available by school but not by individual student. We used the data files available to the public from the MDE Web site. For our analyses, we used the results of six tests: the math and reading tests administered to 4th, 7th, and 11 graders. We examined the scores for the science and writing tests administered to 5th, 8th, and 11th graders and found similar results, but for simplicity of presentation, we exclude them from this report.

Although data are available for each school for each test, they comprise only the percentage of students whose scores fall into general broad categories: "satisfactory," "moderate," and "low" for the elementary grades, and "proficient," "novice," and "not yet novice" for high school. We have no raw scores for individual students, nor do we have the *average* scores for each school.

Measures Computed

We examined the MEAP scores three ways.

- First, we looked at the percent of students scoring "satisfactory" on the tests administered in SY 1997–98.

- Second, we calculated the percentage change between SYs 1996–97 and 1997–98.
- Third, we applied the "adequate yearly progress" (AYP) standard adopted by the MDE for reviewing Chapter 1 program performance in the state's public schools. The specific calculations are described later in this chapter. We believe this measure presents the most balanced assessment of year-to-year changes in MEAP scores. The AYP standard provides a single measure that takes into account not only the number of students moving from the moderate and low categories into the satisfactory category but also gives the school credit for moving students from the low to the moderate and satisfactory categories.

Comparison Schools and School Districts

Presenting MEAP scores for charter schools alone does not answer the basic policy-research question regarding student achievement in charter schools, which is how charter-school student scores compare to those of students in traditional public schools.

It is inappropriate simply to compare charter school scores to state averages on each test. Even among the traditional public schools, MEAP scores vary widely. On each test there are schools where nearly 100 percent of the students score satisfactory and other schools where almost none do so. The variation has been explained as the result of such nonschool factors as urban or rural location, the presence of poverty in the school district, and the percentage of students whose native language is other than English. Many study-area charter schools point out that their school serves a larger-than-normal population of students affected by these and/or other factors (i.e., their students are dropouts or have been incarcerated), and it should be expected that the schools will be on the low side of the distribution of MEAP scores.

To ensure that we were making appropriate comparisons, for each charter school in our study we designated a traditional public school as the "comparison school." The comparison schools were selected using the following criteria:[10]

- Composite SY 1996–97 MEAP or High School Proficiency Test (HSPT) score for the school (the average percentage of students scoring satisfactory on all tests administered at that school)[11]
- Geographic proximity to the charter school (preferably, within the ISD in which the charter school is located)
- Percentage of nonwhite students

Comparison schools were selected by scanning all the traditional schools in each charter school's ISD. Those with similar test scores were tagged. (By using the SY 1996–97 MEAP/HSPT score as a selection criteria and then analyzing the 1997–98 scores, PSC/MAXIMUS hoped to control for any additional nonschool factors associated with student achievement.) Of those, the one having the percentage of nonwhite students closest to the charter school's percentage was selected as the comparison school.

Charter schools that did not administer the MEAP in either SY 1996–97 or 1997–98 do not have a comparison school. These were schools that did not offer a grade level for which a MEAP test is administered. For example, a school offering only grades K–3, such as Great Lakes Academy, does not have a comparison school. Similarly, Chandler Park Academy, which offered only 6th grade in SY 1997–98, also does not have a comparison school.

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[10]We attempted to use a poverty measure as an additional criterion, but census data on the percentage of the population below the federal poverty level are not available for the public school districts in which charter schools are located. The percentage of students eligible for the USDA Free and Reduced Lunch Program would have been an appropriate proxy measure, but most charter schools do not yet operate a school lunch program, so data on the percentage of their students eligible for the program are not available.

[11]For schools not in existence during SY 1996–97, we used the SY 1997–98 score.

To analyze how charter school MEAP scores compare to the distribution of scores in traditional public schools, we also selected comparison school *districts*. This was intended to control for the absence of an exact match between the charter school and its comparison school. In a direct comparison of a charter and a comparison school, one would expect about half of each type to have a higher MEAP score than the other half, simply as an artifact of the selection process. By comparing the MEAP scores of a charter school to a comparison school *district*, one has a more meaningful picture of where the scores from charter schools fall within range of scores of local traditional public schools—Are they usually better, worse, equal?

To select a comparison district, we first selected the comparison school and then

- for 4th grade scores, we used all other elementary schools in the comparison school's district, except that in the case of Detroit Public Schools we used the elementary schools in the same Detroit region (designated as Region A, B, and so on in the Michigan School Report);
- for 7th grade scores, we used all other middle and junior-high schools in the comparison school's ISD, except that in the case of Detroit Public Schools we used all the middle and junior-high schools in the same Detroit region; and
- for 11th grade scores, we used all high schools in the comparison school's ISD, except that in the case of Detroit Public Schools we used all high schools in the same Detroit region.

APPLYING THE ADEQUATE YEARLY PROGRESS STANDARD

We believe that the best means currently available for comparing charter and traditional school student academic achievement is the standard of adequate yearly progress. This methodology for assessing change in school performance has been approved as a measure to be used for monitoring Michigan schools participating in the federally funded Chapter 1 program. We feel this measure is superior because it takes into account a school's success in having (1) more students than previously scoring at the highest level on the MEAP tests *and* (2) fewer students than previously scoring at the lowest level. By including the SY 1996–97 MEAP/HSPT score as a selection criteria and then analyzing the 1997–98 scores, PSC/MAXIMUS hoped to control for any additional nonschool factors associated with student achievement.

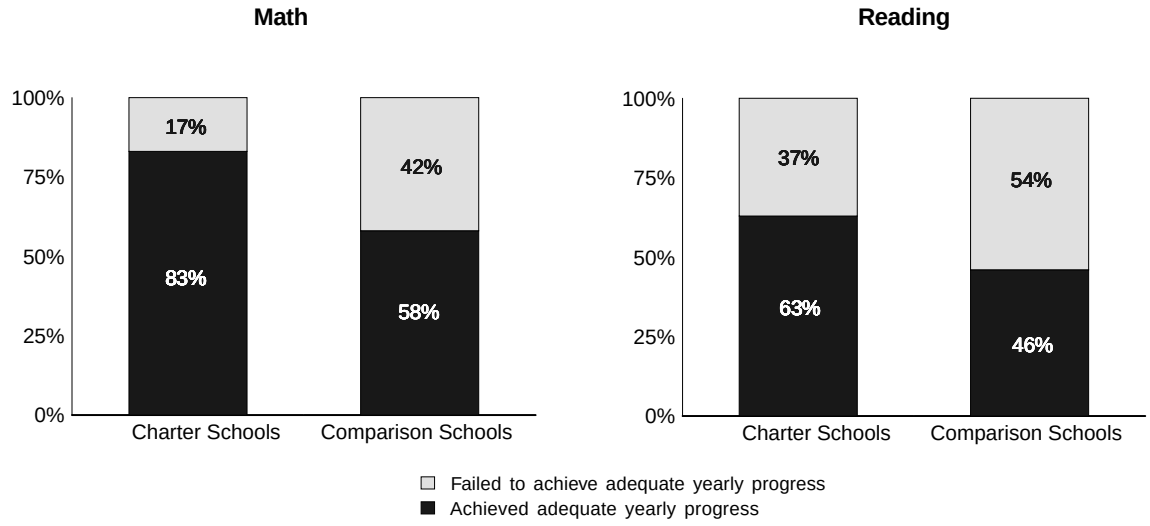
The average yearly progress standard summarizes complex information into a single measure of the effectiveness of a school's efforts to improve. The AYP calculation has four steps.

- First, an "achievement gap" is computed for each school. The achievement gap is the total of (1) the difference between the current percentage of students scoring in the highest achievement category and the ideal of 100 percent and (2) the difference between the current percentage of students scoring in the lowest achievement category and the ideal of 0 percent.
- Second, a "gain target" of 10 percent of the achievement gap is calculated.
- Third, "actual gain" is calculated, which is the total of (1) the growth in the percentage of students scoring in the highest achievement category and (2) the reduction in the percentage of students scoring in the lowest.
- Finally, actual gain is compared to the gain target. A school is categorized as achieving adequate yearly progress if its actual gain exceeds the gain target and as failing to achieve AYP if its actual gain falls short of the gain target.

The analysis of AYP finds that in SY 1997–98 more study-area charter schools than comparison schools achieved their target gain. Exhibit IX-2 shows that 83 percent of the charter schools achieved AYP in

EXHIBIT IX-2

Percentage of Charter Schools and Comparison Schools Achieving Adequate Yearly Progress, SY 1997–98



SOURCE: PSC/MAXIMUS.

math, while only 58 percent of their comparison schools did so; the reading achievement figures are 63 percent and 46 percent, respectively. Individual charter school results are presented in Appendix D.

It is clear that on the AYP measure, study-area charter schools outperform their comparison schools. In particular, the charter schools seemed to have more success than traditional schools in moving students from the low to moderate performance category.

PERCENTAGE CHANGE IN TEST SCORES

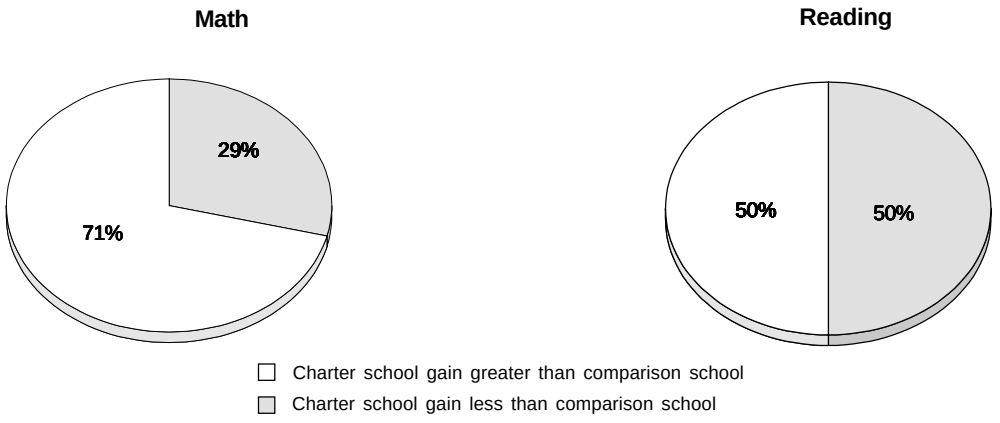
Another approach to analyzing charter and traditional school student achievement is to compare the percentage change in the proportion of students scoring satisfactory on the reading and math portions of the MEAP and HSPT. This approach takes into account a school's starting point, which is particularly important for charter schools that serve very high-risk students, and, like the AYP measure, this approach reveals how successful schools are in their efforts to improve.

The calculation is straightforward: It is each school's percentage change from SY 1996–97 to SY 1997–98 in the number of students scoring at the satisfactory level on math and reading. The magnitude of the change is computed as a percentage of the SY 1996–97 score. The results for the 20 charter schools for which we have MEAP/HSPT scores for the two years are presented in Appendix D.

Overall, as shown in Exhibit IX-3, study-area charter schools had bigger gains than their comparison school in math 71 percent of the time. In reading, charter schools performed on a par with their comparison school—both types of schools had larger gains 50 percent of the time. The average gain in math among the charter schools was 95 percent, versus 41 percent among the comparison schools. In reading, the comparison schools had larger average percentage gains than the charter schools, 79 percent to 49 percent.

EXHIBIT IX-3

Comparison of Percentage Gains in MEAP/HSPT Scores, SY 1997–98



SOURCE: PSC/MAXIMUS.

OVERALL SCORES

Above, we have established that charter schools are progressing more rapidly than their comparison schools in improving their aggregate MEAP scores. Presented in this section is our analysis of overall scores, comparing each charter school's SY 1997–98 MEAP/HSPT scores to the range of scores of same-grade-level schools in the comparison district.

To simplify presenting the results, we used the combined average percentage of students scoring satisfactory in math and reading as a single performance measure. (We conducted the same analyses using the math and reading scores separately and found little difference in the overall pattern of results.)

Overall, we find that charter school student performance on the MEAP/HSPT tests is within the range of the student performance in the comparison schools, although the charter schools tend to be near the lower end of these distributions.

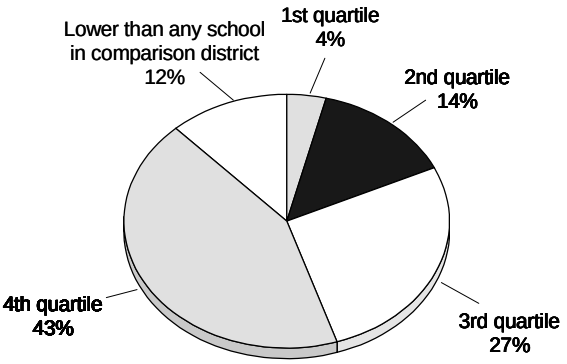
We sorted from highest to lowest the schools in the comparison districts on the composite MEAP score, then divided this range of scores for the comparison schools into four even-sized groups, or quartiles, each representing 25 percent of the scores. The schools in the top, or first, quartile are those having MEAP scores in the top 25 percent of all scores. The second quartile comprise the next 25 percent of scores, and the next 25 percent are the third quartile. The 25 percent of the schools with the lowest performance scores are the fourth quartile.

To complete the picture, we then determined the quartile into which each charter school falls. We also identified the charter schools for which the composite MEAP scores were lower than any of the schools in the comparison district. As Exhibit IX-4 shows, only 4 percent of study-area charter schools had a percentage of students achieving satisfactory scores that would place them in the top 25 percent (first quartile) of all schools in their comparison district. Fourteen percent of study-area charter schools were in the second quartile, 27 percent in the third, and 43 percent in the lowest, or fourth, quartile. An additional 12 percent had a composite MEAP score lower than any school in their comparison district.

Analyses presented earlier in this chapter shows that charter schools achieved greater gain in average MEAP scores than their comparison schools. The exhibit also shows that while the rate of improvement may be greater, the charter schools still are among the lowest scoring schools on the MEAP test: 55 percent of charter schools (43 percent in the lowest quartile plus 12 percent that scored lower than any school in the comparison district) had composite MEAP scores among the lowest 25 percent of schools in their comparison district.

EXHIBIT IX-4

Charter Schools' Position Relative to Comparison District Schools in Composite Reading and Math MEAP Scores, Grades 4, 7, and 11, SY 1997–98



SOURCE: PSC/MAXIMUS.

Relationship to School Start-Up Period

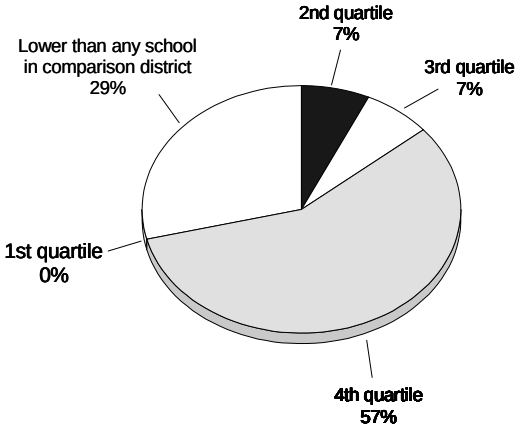
We also attempted to identify whether any particular category of charter schools performs better than others in relation to their comparison district schools. We examined school size, urban versus suburban location, and certain other characteristics and discovered that a significant factor is the number of years a charter school has been in operation. Compared to second- and third-year charter schools, first-year schools have lower performance in relation to their comparison district schools.

Exhibit IX-5 shows how charter schools perform compared to their comparison districts on the composite 4th grade MEAP. We used only these scores because there were not enough second- and third-year charter schools with 7th or 11th grade scores to result in meaningful analyses.

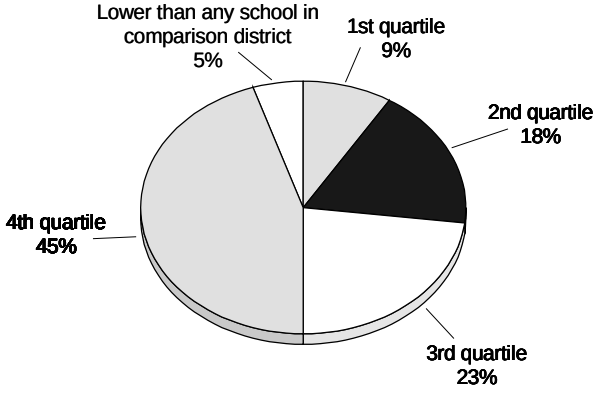
EXHIBIT IX-5

Effect of Years of Operation on Charter School 4th Grade MEAP Performance Relative to Comparison District Schools

First-Year Charter Schools



Second- or Third-Year Charter Schools



SOURCE: PSC/MAXIMUS.

Twenty-nine percent of first-year charter schools had composite 4th grade MEAP scores lower than any school in their comparison district, while this was the case with only 5 percent of second- and third-year charter schools. Similarly, no first-year charter schools had composite MEAP scores in the top quartile of the comparison districts, but 9 percent of the second- and third-year charter schools had made it into the top quartile.

Throughout this report we note that a charter school's first year is difficult. School leadership and faculty face numerous challenges and adjustments during start-up. It is not surprising that the student performance on the MEAP/HSPT tests also are affected during start-up.

X. Parent Satisfaction

A important measure of charter school effectiveness is how satisfied the students' families are. These families have the option of moving their children to another charter or a traditional public school at any time. Parent willingness to keep a child in a given school is a critical indicator of how well the school is performing. Parent choice is an important component of the accountability of charter schools—a school that cannot attract and retain enough students cannot remain in operation.

For this study, parent-satisfaction information was collected from three sources: (1) a mail survey of charter school parents, (2) enrollment trend data from the schools and the Michigan School Report, and (3) data from the schools on enrollment, waiting lists, and targets for student- body size.

FINDINGS

- Nearly all charter schools are growing in enrollment and, in response to requests from parents, increasing the number of grades they offer.
- Parents report that they are satisfied with their school on every factor measured.
- Parents report that the charter schools meet their expectations on every factor measured.

ENROLLMENT TRENDS

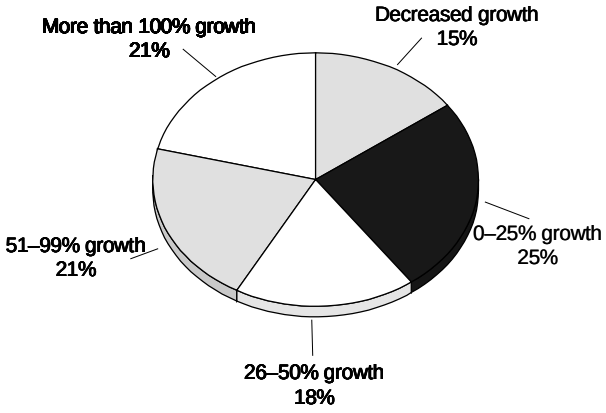
A charter school's enrollment history is an important measure of its success. PSC/MAXIMUS assumes that if parents view a charter school as successful—as having a positive effect on students— they will continue to enroll their children there. They also will speak positively about the school to friends and others in the community, increasing applications for enrollment. If parents are dissatisfied and feel the school is not meeting their expectations, they will withdraw their children from the school and express their concerns to others, reducing applications for enrollment.

PSC/MAXIMUS selected two objective indicators for this measure of school performance. One is the trend in student enrollment; if a school experiences consistent growth, one assumes that parents are satisfied. The second indicator is whether a school has waiting list; if so, one knows that the school is attracting more students than it currently can accommodate.

Exhibit X-1 shows growth trends for the charter schools in our study area in operation for two or more years: 85 percent grew from SY 1996–97 to SY 1997/98, and the average growth rate was 44 percent. (Of the five charter schools that experienced a decrease in enrollment, one, Livingston Technical Academy, deliberately reduced student enrollment as part of redefining the school's learning environ-

EXHIBIT X-1

Growth Rate, Study-Area Charter Schools, SY 1996–97 to 1997–98



SOURCE: Michigan Department of Education and PSC/MAXIMUS.

ment.) It is clear from these figures that study-area charter schools are attracting students. By this measure, the charter schools clearly are successful. Appendix B presents three-year enrollment data for study area schools.

Waiting Lists

During the site visits, we asked each school administrator if there is a waiting list for enrolling in the school. We asked about waiting lists again in the questionnaire left with the administrators. More than 70 percent of the schools indicate that they have a waiting list; the average list has 187 waiting, and one school has more than 1,000—three times the school's capacity—waiting for entry.

The interest of families in the schools also shows in the number of applications received during the enrollment period established by each school. At one school with a target enrollment of 200, 1,000 families asked for applications in the first three hours they were available.

Retention

Most charter schools are successful in retaining students. Seventy-two percent of study-area charter schools report losing ten or fewer students from fall of 1997 to fall of 1998. The schools that lost more are those serving students who had dropped out of their previous school or were at risk of dropping out, were returning from a juvenile corrections setting, or were from a very low-income community where families move frequently or children move among relatives.

SATISFACTION

A major component of the parent survey was an assessment of their level of satisfaction with the charter school attended by their children.[12] Exhibit X-2 shows the percentage of parents who agree or strongly agree with various statements about the charter school their child attends. More than 50 percent of the parents agree with every statement, showing a overall high level of satisfaction. Parents are happy with their children's safety at school, with school leadership, with the curriculum, and with instruction methods. Less satisfaction is expressed about the physical facilities of these schools, their level of financial resources, their class sizes, and the pace of change taking place at their school.

Parents also were asked about how well their school is meeting their expectations in several regards. They were asked to indicate whether they deem each of 13 statements to be true, partly true, or false. They were asked to do this rating twice, once to reflect their expectations at the time they first enrolled their child in the school and then again in view of their experience with the school.

Exhibit X-3 shows that the majority of parents rate each of statement of expectation as still true at the present time, after they have had some experience with the school. Again, more than 50 percent of the

[12]The survey and the method used for selecting the sample are described in Appendix C. We believe the responses are representative of parents of current students. While our sample is likely to contain parents who plan to remove their students, it should be noted that we do not have responses from parents who were so dissatisfied that they already had removed their children from the school at the time of the survey.

EXHIBIT X-2

Study-Area Parents' Agreement with Statements about Their Child's School

	Percentage Saying They Agree or Strongly Agree
I think this school has a bright future	91%
Students feel safe at this school	88
Teachers are challenged to be effective	82
This school has good administrative leadership	80
I am satisfied with the school's curriculum	79
I am satisfied with the instruction offered	77
Extracurricular activities are not emphasized at the expense of academics	77
This school reflects a community atmosphere	76
Class sizes are not too large to meet the individual student's needs	75
This school has been well received by the community at large	75
Teachers and school leadership are accountable for student achievement/performance	74
Parents are involved and can influences instruction and school activities	73
This school is meeting students' needs that could not be met at other local schools	72
Teachers are not disenchanted with what can be accomplished at this school	70
This school has high standards and expectations for students	69
Teachers are involved in decision making at this school	66
Too many changes are not occurring at this school	66
This school has small class sizes	63
This school has sufficient financial resources	62
This school has good physical facilities	55

SOURCE: PSC/MAXIMUS.

EXHIBIT X-3

Study-Area Parents' Responses to Statements about Their Child's School

	Percentage Saying Statement is True
The school will have effective leadership and administration	82%
My child will be eager and motivated to learn	80
The quality of instruction will be high	79
The school will support innovative practices	79
There will be good communication between the school and my household	78
My child will have access to computers and other new technologies	77
The achievement levels of my child will improve	76
I will be able to participate in volunteer work and other activities	73
The school will have small class sizes	68
My child will receive sufficient individual attention	65
School personnel will be accountable for the achievement/performance of students	56
I will be able to influence the direction and activities at the school	51
Support services (e.g., counseling, health care, etc.) will be available to my child	51

SOURCE: PSC/MAXIMUS.

parents agree with every statement, showing high satisfaction The expectations most met pertain to school leadership, children's motivation, the quality of instruction, and the use of education innovation. Expectations met less are those pertaining to the availability of support services such as counseling, the ability of parents to influence the direction of the school, and staff accountability for student achievement. It should be noted that very few parents rated any of the statements as completely false.

XI. Financial Analysis

This analysis provides basic financial information about study-area charter schools and, where possible, compares their finances with other charter schools having different characteristics and with traditional public schools. It is beyond the scope of this study to analyze the financial practices of specific charter schools or identify schools that may be in financial trouble. Some conclusions about the overall financial position of all study-area charter schools are presented.

PSC/MAXIMUS was assigned 55 charter schools to evaluate, but this analysis includes financial data for only 37. This is because the latest complete financial data available are for SY 1996–97, and only 38 of the 55 schools had opened by then; in addition, one, the Academy for Plastics Manufacturing Technology, is not required to submit financial data to the MDE because it receives no state aid (pupils attending this school still are attached to their home high school and attend the charter school half of each day). Therefore, only 37 study-area charter schools could be analyzed, and, of these, several did not submit complete financial data.[13] Nevertheless, several inferences may be drawn about the finances of study-area charter schools.

FINDINGS

- Many study-area charter schools struggle financially in their first two years, due largely to start-up costs, but show marked improvement in subsequent years.

  Charter schools spend considerably more money than do other schools on operations and maintenance—$978 per pupil compared with $641 per pupil for Class N districts, $855 for surrounding districts, and $712 for all public schools—likely reflecting high start-up costs.[14] Of the 55 charter schools PSC/MAXIMUS evaluated, 19 were operating in SY 1995–96, and of these, 16 increased their fund balance[15] the following year. Financial data for SY 1997–98 were available for 33 charter schools, and, of the 25 operating in SY 1996–97, all had increased their fund balance (or, as in the case of one school, reduced its deficit).

- The financial condition of charter schools appears to depend primarily on two factors: how long the school has been operating and whether it operates as a separate, independent entity or as part of a school-management chain.[16]

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[13] The *fund balance* analysis does includes 38 schools, because the Academy for Plastics Manufacturing Technology did report its fund balance.

[14] Class N districts are those with enrollment of 500 or fewer students. Surrounding districts are the local school districts in which the charter schools are located.

[15] The "fund balance" is operating revenues minus expenditures plus the carryover balance from the previous year.

[16] See chapter 6, "Role of Management Companies," for a discussion of chain management.

In SY 1996–97, the 19 second-year schools had an average fund balance of nearly 6 percent of operating revenue, and six of them had a negative fund balance; the 19 third-year schools had an average fund balance exceeding 13 percent of operating revenue, and only three had a negative balance.

For the 12 schools operating as part of a chain, the average fund balance was nearly 17 percent of operating revenue, and two had an operating deficit. The 26 schools operating as a single entity did not do nearly as well as the chain schools, having an average fund balance of only about 5 percent of revenue, and seven were operating at a deficit.

- Charter schools receive much less federal aid than do other public schools. In SY 1996–97, charter schools averaged only $34 per pupil in federal aid while their surrounding school districts averaged $661 per pupil. This difference likely is due in part to the inexperience of charter school officials and the lack of administrative staff. Experienced administrators and staff "know the ropes" better and have the know-how and time to find and apply for federal funds and conform to the funding requirements.

FINANCIAL DIFFERENCES BETWEEN CHARTER AND OTHER PUBLIC SCHOOLS

There are several differences in the financial situation of charter and traditional public schools that make comparisons difficult. On the revenue side of the equation, there are five major differences that create a disadvantage for charter schools.

- Charter schools do not necessarily receive the same amount of money per pupil that their surrounding school district receives. This is of particular concern in the high-cost southeast Michigan region, where almost all the charter schools in the PSC/MAXIMUS study group are located. For example, the SY 1997–98 per pupil grant for the Dearborn School District was $7,556, but charter schools in that district (and all others) were limited to $5,962 per pupil, about 21 percent less.
- Charter schools do not have access to property tax millage for their operating budget. Traditional public schools have a small advantage here, as they have access to 3 mills but only on an ISD-wide basis, requiring approval of all voters in the ISD (to date, approval has been voted only in one instance).
- Charter schools do not have access to debt millage (mills levied with voter approval to finance capital expenditures for such items as buildings, repairs, and technology). This is a major disadvantage. The average debt millage levied statewide is 3.6 mills, which provides traditional school districts with substantial revenue. Charter schools either must finance capital expenditures from current operating revenues or obtain a loan from private lenders, which many charter schools have done to cover start-up costs. According to our data (27 of our 55 schools responded to this query on the questionnaire), 89 percent of study-area charter schools lease their buildings, in large part because they do not have access to capital markets (charter schools cannot vote millage to support a bond issue) to finance the purchase of buildings.
- Charter schools receive much less federal aid than do other public schools. In SY 1996–97, charter schools averaged only $34 per pupil in federal aid, while their surrounding school districts averaged $661 per pupil. The inexperience of charter school officials and their lack of administrative staff probably is part of the reason, and the gap may be expected to close as they become more familiar with federal sources and more adept at submitting grant proposals.

In April 1998, the U.S. General Accounting Office issued a report on federal funding for charter schools.[17] The study finds that nationwide, charter schools have not been systematically denied access to federal funds. Overall, about two-fifths of the schools surveyed (41 schools in seven states, including Michigan) received Title 1 funds for SY 1996–97. Another two-fifths did not apply for Title 1 funds, and the reasons cited for not doing so include (1) lack of time, (2) ineligibility, or (3) the belief that applying for the funds would cost more than the monies received. The study finds several barriers to charter schools' accessing federal funds, including (1) difficulties in establishing program eligibility, (2) workload demands that prohibit schools from pursuing program funds or make doing so too costly, (3) charter school operators' and district administrators' lack of program and administrative experience, and (4) ineffective working relationships with state or local program administrators.

- Charter schools must pay their authorizer up to 3 percent of their state foundation grant, a financial obligation not incurred by traditional public schools.

The disadvantages on the revenue side are offset by several factors on the expenditure side that work to the advantage of charter schools.

- Charter schools can control their enrollment and avoid overcrowding and the need to add new facilities and hire new teachers.
- Many charter schools are elementary schools (about 45 percent), and available data suggest that providing an elementary program is less expensive than providing a secondary program.
- Most charter schools do not provide transportation or food service, both of which are substantial budget items for most traditional public schools.
- Many charter schools hire inexperienced teachers. The responses to our questionnaire indicate that 52 percent have 0–3 years experience and 85 percent have 5 or fewer years.[18] This is a major reason that the average teacher salary for charter schools is about 44 percent lower than the average salary in the surrounding school districts.
- A major expenditure for most traditional public schools is special education, but most charter schools spend little on this category. "Added needs" (which includes special education) accounts for slightly more than 18 percent of expenditures for the surrounding school districts but only a little more than 4 percent for charter schools (the figure is only 0.5 percent if the one charter school that has unusually high expenditures in this category is excluded).

Also on the expenditure side of the equation are differences that make is misleading to compare per capita and specific-program expenditures as a percentage of total expenditures misleading. For example, the charter schools evaluated spend about 42 percent of their budget on basic instruction, while the surrounding schools districts spend only about 36 percent. Does this mean that the charter schools put more emphasis on basic instruction? Not necessarily, as other public schools spend much more money on added needs (special education), transportation, and food service. For example, traditional public schools spend about 21 percent of their budget on added needs, about 4 percent on transportation, and about 3 percent on food service. Only one charter school reports significant spending on added needs; together, the schools spend less than one percent of their budget on transportation; and only five charter schools report any food service expenditures.

Exhibit XI-1 provides detail on expenditures for the surrounding school districts, both for general purpose and total expenditures. This points up another difference between charter schools and other

[17]U.S. General Accounting Office, *Charter Schools: Federal Funding Available but Barriers Exist*, (Washington D.C., April 1998).

[18]These data differ from that presented in chapter 8, "Teacher Profile," because the source is different. The chapter 8 data are derived from the teacher survey, which involved fewer schools than did the questionnaire.

EXHIBIT XI-1

Distribution of Total and General Fund Expenditures, Surrounding School Districts, SY 1996–97

	Total Expenditures (000)	Percentage of Total	General Fund Expenditures (000)	Percentage of Total
Basic instruction	$1,002,698	35.6%	$1,002,698	39.8%
Added needs instruction	$515,423	18.3%	$515,423	20.5
Instruction support	$207,120	7.4%	$207,120	8.2
Administration	$308,712	11.0%	$308,712	12.3
Operations and maintenance	$300,091	10.7%	$300,091	11.9
Transportation	$90,126	3.2%	$90,126	3.6
Community service	$12,457	0.4%	$12,457	0.5
Capital outlay	$31,401	1.1%	$31,401	1.2
Transfers	$49,682	1.8%	$49,682	2.0
Food service	$70,064	2.5%	$0	0.0
Other funds	$226,793	8.1%	$0	0.0
TOTAL General Fund	$2,814,567	100.0%	$2,517,803	100.0%

SOURCE: Michigan Department of Education.

public schools. General Fund (GF) and total expenditure levels are almost the same for charter schools, while for other public schools, total expenditures are about 12 percent higher than GF expenditures. This difference is because traditional public schools finance athletics, capital outlay, and other ancillary services from non-GF revenues, and charter schools have small, if any, expenditures in these categories. Thus, comparisons of the distribution of expenditures vary, depending on whether GF or total expenditures are used. For example, in the surrounding school districts, basic instruction accounts for almost 40 percent of GF expenditures but only about 36 percent of the total. There is almost no difference between the two measures for charter schools. In this report, total expenditures are used in most cases.

REVENUE SOURCES

Total study-area charter school revenue in SY 1996–97 was $37.9 million, or $1,023.7 million per school. Excluding transfers, all fund revenue (GF and restricted revenue) was $36.2 million. The major source of revenue is state aid, which accounts for about 95 percent of all fund revenue (excluding transfers). See Exhibit XI-2 for this and other revenue sources. Charter schools depend much more on state aid than do other public schools (state aid accounts for only about 69 percent of all fund revenue for all public schools). Public schools make up the difference between state aid and total revenue mainly from local aid, which accounts for about 25 percent of revenue for all public schools but only about 4 percent for charter schools. The reason for this difference is that traditional public schools are permitted to levy local millage, and charter schools are not. Traditional public schools also receive much more federal aid.

Annual study-area charter school revenues range from a low of about $97,000 to a high of almost $3 million. Ten study-area schools have revenue under $.05 million, and eight have revenue exceeding $1.5 million.

The average fund balance of the study-area charter schools analyzed here is about $100,000, or nearly 10 percent of total revenue. Nine—about one-quarter of the 38—reported a negative fund balance in SY 1996–97. Statewide, for all public schools, the average balance as a percentage of revenue was just under 8 percent, and about 4 percent had a negative fund balance (see Exhibit XI-3)

EXHIBIT XI-2

Sources of Revenue (before transfers) ($000), SY 1996–97

	Study-Area Charter Schools	Surrounding School Districts	Class N Districts	Statewide Average
State	$34,425	$1,924,962	$136,604	$8,470,456
Local	1,574	554,455	45,310	3,108,542
Federal	199	230,899	9,480	624,999
Other	0	7,053	0	0
TOTAL	$36,198	$2,717,369	$191,394	$12,203,997
Percentage Distribution				
State	95.1%	70.8%	71.4%	69.4%
Local	4.3	20.4	23.7	25.5
Federal	0.5	8.5	5.0	5.1
Other	0.1	0.3	0.0	0.0
TOTAL	100.0%	100.0%	100.0%	100.0%

SOURCE: Michigan Department of Education.

EXHIBIT XI-3

Revenue Comparisons, Study-Area Charter Schools and Other Public Schools, SY 1996–97

	Charter Schools	Surrounding School Districts	Class N Districts	Statewide Average
Total revenue, all sources, per pupil	$6,417	$8,260	$7,728	$8,479
General Fund revenues per pupil	6,269	7,375	6,656	6,736
State revenues per pupil (GF)	5,832	5,527	4,893	5,035
At-risk per pupil	69	281	112	142
Special ed per pupil	8	146	39	124
Federal revenue per pupil	34	661	340	372
Title I revenue per pupil	7	386	146	184
Fund balance as % of operating revenue	9.8	4.7	14	7.8
Percentage of schools with negative fund balance	23.7	0	NA	4.1

SOURCE: Michigan Department of Education.

The fund balances in the 38 charter study-area schools analyzed range from a surplus of $959,146 to a deficit of $333,696, with an average balance of $100,083. The average is distorted because at four of the schools, the average exceeded $400,000, and these schools account for nearly 72 percent of the total. If they are excluded, the average fund balance was only $31,000.

Nineteen study-area charter schools reported a fund balance for SY 1995–96. Of these, 16 had a higher fund balance the following year, and only three had a lower balance. The average as a percentage of total revenue for these 19 schools was about 16 percent in SY 1996–97 and 17 percent in SY 1995–96. One school ran a negative fund balance of about $300,000 more in SY 1996–97 than in the previous year, but if this school is excluded, the SY 1996–97 balance was more than 20 percent of revenue. As discussed below, this suggests that the finances of most charter schools will improve over time.

REVENUE COMPARISONS

In this section we compare SY 1996–97 revenues for various types of charter schools with three comparison groups: Class N districts (500 or fewer students), surrounding districts, and all school districts statewide. For the purposes of this analysis, charter schools are separated into the following classifications:

- Second-and third-year schools
- Independent and chain schools
- Enrollment: 100 or fewer, 100–200, and more than 200
- New and converted schools

Exhibit XI-4 compares data on revenues for second- and third-year schools, to determine whether finances improve as charter schools become more established. The data show no notable differences in revenues per pupil between second- and third-year schools. There is, however, a significant fund-balance difference: The second-year schools' average is under 6 percent of operating revenue, and six of the 19 had a negative fund balance. In comparison, the average fund balance for the 19 third-year schools was just over 13 percent of operating revenue, and only three had a negative fund balance. This is not prima facie evidence that charter school finances will improve over time, but it does support the hypothesis that many charter schools will struggle financially in the early years because of start-up costs and administrators' lack of business and management experience, but they will improve over time.

EXHIBIT XI-4

Study-Area Charter School Revenue, by Length of School Operation, SY 1996–97

	Second Year of Operation	Third Year of Operation	All Study-Area Charter Schools
Total revenue, all sources, per pupil	$6,626	$6,234	$6,417
General Fund revenue per pupil	6,427	6,129	6,269
State revenue per pupil	5,754	5,900	5,832
At-risk revenue per pupil (12)	85	54	69
Special ed revenue per pupil	18	0	8
Federal revenues per pupil	36	32	34
Title I revenue per pupil	4	8	7
Fund balance as % of operating revenue	5.6	13.3	9.8
Percentage of schools with negative fund balance	31.6	15.8	24.3

SOURCE: Michigan Department of Education.

Exhibit XI-5 compares revenue data for charter schools operated as part of a chain (e.g., by organizations such as the Leona Group, Academy of Detroit, and the Edison Project) and charter schools operated as single entities. There are no notable revenue differences per pupil between the two, but there is a fund-balance difference. In SY 1996–97, chain schools had an average fund balance of almost 17 percent of operating revenue, and two of the 12 schools had an operating deficit. Charter schools operating as a single entity did not do nearly as well, with an average fund balance of about 5 percent of revenue and seven of the 26 schools operated at a deficit. These data support our hypothesis that charter schools operating as part of a chain have an advantage over single entities because the former have more access to start-up capital, more experienced management, and greater economies of scale.

Exhibit XI-6 compares revenue data for small, medium, and large charter schools. There are no notable differences in revenues per pupil or fund balances among the three categories. The average fund balance

EXHIBIT XI-5

Study-Area Charter School Revenues, by School Management Type, SY 1996–97

	Chain	Single Entity	All Study-Area Charter Schools
Total revenue, all sources, per pupil	$6,360	$6,456	$6,417
General Fund revenue per pupil	6,325	6,228	6,269
State revenue per pupil	5,898	5,786	5,832
At-risk revenue per pupil	91	53	69
Special ed revenue per pupil	0	14	8
Federal revenue per pupil	23	42	34
Title I revenue per pupil	0	11	7
Fund balance as % of operating revenue	16.9	4.9	9.8
Percentage of schools with negative fund balance	16.7	26.9	24.3

SOURCE: Michigan Department of Education.

EXHIBIT XI-6

Study-Area Charter School Revenues, by School Enrollment, SY 1996–97

	100 Pupils or less	100–200 Pupils	Over 200 Pupils	All Study-Area Charter Schools
Total revenue, all sources, per pupil	$6,528	$6,317	$6,440	$6,417
General Fund revenue per pupil	6,316	6,196	6,293	6,269
State revenue per pupil	5,511	5,755	5,953	5,832
At-risk per pupil	48	38	89	69
Special ed per pupil	59	0	0	8
Federal revenue per pupil	76	35	23	34
Title I revenue per pupil	5	20	0	7
Fund balance as % of operating revenue	9.4	10.3	9.9	9.5
Percentage of schools with negative fund balance	20	27.5	25	24.3

SOURCE: Michigan Department of Education.

is about 10 percent of operating revenues for all three groups, and the percentage of schools with negative fund balances does not vary significantly.

Exhibit XI-7 compares revenue data for new charter schools and for those converted from private or parochial schools, to determine whether schools that have been in existence for a few years are in better financial shape than newer schools. There are 25 new schools (24 for which revenue data are available) and 13 converted schools, and only two notable differences emerge. First, the average fund balance as a percentage of operating revenues is more than 12 percent for converted schools and a little more than 8 percent for new schools. Second, the total per capita revenues of new schools are nearly 9 percent higher than that of converted schools. Neither difference provides strong evidence that one type of school is doing better than the other.

EXPENDITURES

Total expenditures per pupil in SY 1996–97 for the 37 charter schools analyzed here were $5,837, about 12 percent below the state average, almost 17 percent below the average for Class N districts, and about 27 percent less than the surrounding school districts.

EXHIBIT XI-7

Study-Area Charter School Revenues, by School Origin, SY 1996–97

	Converted from Private	New	All Study-Area Charter Schools
Total revenue, all sources, per pupil	$6,159	$6,560.0	$6,417
General Fund revenue per pupil	6,041	6,395.0	6,269
State revenue per pupil	5,804	5,847.0	5,832
At-risk revenue per pupil	67	70.0	69
Special ed revenue per pupil	0	13.0	8
Federal revenues per pupil	21	41.0	34
Title I revenue per pupil	6	7.0	7
Fund balance as % of operating revenue	12.5	8.4	9.8
Percentage of schools with negative fund balance	15.4	29.2	24.3

SOURCE: Michigan Department of Education.

As shown in Exhibit XI-8, the largest expenditure category for charter schools, as is the case for all public schools, is instruction. Instruction expenditures for charter schools accounts for nearly 42 percent of total expenditures, compared to about 38 percent for all schools, 44 percent for Class N districts and 36 percent for the surrounding districts. On a per pupil basis, charter schools spend about $2,400 on instruction, while all public schools, surrounding districts, and Class N districts spend more than $3,000. One reason for this disparity is that the average teacher salary for charter schools is only $29,033, compared with $31,785 for Class N districts, $47,181 for all public schools, and $51,250 for the surrounding school districts. The effects of high teacher salaries statewide on expenditure differences is partially offset by a significantly lower teacher-pupil ratio for charter schools (1:18.7) and Class N districts (1:18.2) than for all public schools (1:23.7) and surrounding districts (1:25.2). Charter schools could save money by increasing class size, but one of the concepts underlying charter schools is smaller classes to provide more personal attention.

Charter schools spend more on administration and operations and maintenance and less on transportation than do Class N districts, surrounding schools, and all public schools. Administrative expenses comprise about 26 percent of the total for charter schools and amount to $1,548 per pupil. The surrounding districts spend only 11 percent of their budget on administration ($880 per pupil), Class N districts spend 18 percent ($1,245 per pupil) on administration, and all public schools spend less than 10 percent on administration ($766 per pupil). The high administrative expenditures for charter schools likely may be attributed to two factors. First, small schools have fewer economies of scale than large schools. For example, if a school spending $500,000 million needs one business manager at an annual salary of $30,000, this amounts to 6 percent of the budget. A school spending $1 million annually also needs one business manager at $30,000, but it amounts to only 3 percent of the budget in this case. Second, because charter schools are new, they face a learning curve in terms of all the administrative requirements and are likely to be less efficient than public schools that have been operating for decades.

Charter schools also spend significantly more money on operations and maintenance, $978 per pupil.[19] For surrounding districts, Class N districts, and all public schools, the figures are $855, $651, and $712 per pupil, respectively. This disparity likely is due to high charter school start-up costs and the fact that their capital costs must come from the operating budget, while other public schools can issue bonds for these expenditures. See Exhibit XI-9 for per capita expenditure data.

[19]A number of charter schools did not report operations and maintenance expenditures; the per capita figure used here is for the 28 schools that did.

EXHIBIT XI-8

Expenditure Distribution, Study-Area Charter Schools and Other Public Schools, SY 1996–97 ($000)

	Charter Schools	Surrounding School Districts	Class N Districts	Statewide Average
Basic instruction	$14,289	$996,967	$83,831	$5,054,162
Added needs	1,451	512,366	14,524	1,555,178
Instruction support	342	205,167	5,630	966,784
Administration	8,872	306,560	34,728	1,288,234
Operations and maintenance	5,111	298,198	17,895	1,196,199
Transportation	271	89,525	5,937	448,812
Food service	269	69,442	5,134	342,861
Community service	20	12,414	216	5,134
Capital outlay (GF)	2,949	31,329	12,161	251,650
Non-GF expenses and other	881	272,091	12,744	2,113,549
TOTAL	$34,455	$2,794,059	$192,800	$13,222,563
Percentage Distribution				
Basic instruction	41.5%	35.7%	43.5%	38.2%
Added needs	4.2	18.3	7.5	11.8
Instruction support	1.0	7.3	2.9	7.3
Administration	25.7	11.0	18.0	9.7
Operations and maintenance	14.8	10.7	9.3	9.0
Transportation	0.8	3.2	3.1	3.4
Food service	0.8	2.5	2.7	2.6
Community service	0.1	0.4	0.1	0.0
Capital outlay (GF)	8.6	1.1	6.3	1.9
Non-GF expenses and other	2.6	9.7	6.6	16.0
TOTAL	100.0%	100.0%	100.0%	100.0%

SOURCE: Michigan Department of Education.

EXPENDITURE COMPARISONS

In this section we compare SY 1996–97 expenditures for various types of charter schools with Class N districts, surrounding districts, and all school districts statewide. Charter schools are separated into the same classifications as for the revenue comparisons: second-and third-year schools, independent and chain schools, enrollment, and new and converted schools.

Exhibit XI-10 compares data on expenditures for second-and third-year schools, to determine if expenditures patterns change as charter schools become more established. Expenditures for third-year schools were 13 percent less than for second-year schools. This may be due in part to a decline in start-up costs as a school matures. Another notable difference is in teacher salaries, which were nearly 22 percent higher at third-year schools than at second-year schools.

Exhibit XI-11 compares expenditure data for study-area charter schools operated as part of a management chain and charter schools operating as single entities. There is little difference in total expenditures, but there is considerable difference in the expenditure distribution. Chain schools, compared to independent schools, spend a much larger share of their budget on administrative expenses and a smaller share on instruction. For example, single-entity schools spend nearly 51 percent of their budget on instruction and 22 per-

EXHIBIT XI-9

Expenditures Per Capita, Selected Categories, Study-Area Charter Schools, and Other Public Schools, SY 1996–97

	Charter Schools	Class N Districts	Statewide Average	Surrounding Districts
Basic instruction costs	$2,428	$3,004	$3,007	$2,859
Added needs	32	521	925	1,470
Instructional support	51	202	575	590
Administrative support	1,548	1,245	766	880
Operations and maintenance	978	641	712	855
Transportation	34	213	267	257
Operating expenditures	4,875	5,828	6,253	6,912
School food service	46	184	204	200
General fund expenditures	$5,491	$6,573	$6,661	$7,178
TOTAL expenditures	$5,507	$6,909	$7,867	$8,025

SOURCE: Michigan Department of Education and PSC/MAXIMUS.

EXHIBIT XI-10

Study-Area Charter School Expenditures, by Length of School Operation, SY 1996–97

	2d Year	3d Year	All Study-Area Charter Schools
General Fund expenditures per pupil	$6,254	$5,440	$5,821
Total expenditure per pupil	6,294	5,435	5,837
Instruction as % of total expenditures	42.4	45.8	44.1
Instructional support as % of total expenditures	0.8	1.1	1.0
Non-instructional expenditures as % of total expenditures	39.3	49.2	44.0
Average teacher salary	$26,537	$31,321	$29,033
Teacher-pupil ratio	18.4	19.1	18.7
Addendum:			
Transportation expenditures as % of total expenditures	0.4	1.2	0.8
Operations and maintenance expenditures as % of total expenditures	14.2	19.5	16.7
Administrative expenditures as % of total expenditures	24.7	28.5	26.5

SOURCE: Michigan Department of Education.

cent on administration; for chain schools, the figures are 35 percent and nearly 33 percent, respectively. The likely explanation for this difference is that single-entity charters generally run a "bare-bones" operation, while chain-managed schools are able to spend more on support items, such as business services and operations and maintenance.

Exhibit XI-12 compares expenditure data by school size. There are 14 small schools, 11 in the medium category, and 12 in the large (as explained above, the Academy for Plastics Manufacturing Technology is not included). There are a number of differences among schools in the three categories, but nothing that appears directly related to size. For example, one would expect that administrative expenses would be a higher share of expenditures at small schools than is the case at large schools, but this is not so: Small schools allocate about 26 percent of their budget to these expenditures, medium-size schools

EXHIBIT XI-11

Study-Area Charter School Expenditures, by School Management Type, SY 1996–97

	Chain	Single Entity	All Study-Area Charter Schools
General Fund expenditures per pupil	$5,747	$5,872	$5,821
Total expenditure per pupil	5,764	5,888	5,837
Instruction as % of total expenditures	35.2	50.8	44.1
Instructional support as % of total expenditures	0.8	1.1	1
Non-instructional expenditures as % of total expenditures	53.5	39.8	44.0
Average teacher salary	$30,988	$28,455	$29,033
Teacher-pupil ratio	22.2	16.6	18.7
Addendum:			
Transportation expenditures as % of total expenditures	0.6	0.9	0.8
Operations and maintenance expenditures as % of total expenditures	20.4	16.8	16.7
Administrative expenditures as % of total expenditures	32.5	22.1	26.5

SOURCE: Michigan Department of Education.

EXHIBIT XI-12

Study-Area Charter School Expenditures, by Enrollment, SY 1996–97

	100 Pupils or Less	100–200 Pupils	Over 200 Pupils	All Study-Area Schools
General Fund expenditures per pupil	$6,178	$5,142	$5,993	$5,821
Total expenditure per pupil	6,270	5,089	5,712	5,837
Instruction as % of total expenditures	47.9	55.9	38.5	44.1
Instructional support as % of total expenditures	0.8	1.7	0.8	1
Non-instructional expenditures as % of total expenditures	39.3	37.1	49.4	44
Average teacher salary	$23,203	$31,786	$29,451	$29,033
Teacher-pupil ratio	14.7	20.6	21	18.7
Addendum:				
Transportation expenditures as % of total expenditures	0.5	0.9	0.7	0.8
Operations and maintenance expenditures as % of total expenditures	13.2	13.4	18.7	16.7
Administrative expenditures as % of total expenditures	25.6	22.8	30.0	26.5

SOURCE: Michigan Department of Education.

about 23 percent, and large schools 30 percent. Small schools have the largest per capita expenditures ($6,178), 20 percent higher than medium-size schools and 3 percent higher than large schools. Small schools also have the lowest average teacher salary ($23,203), much lower than the other categories. Small schools also have a much lower teacher-pupil ratio (1:14.7) than the others.

Exhibit XI-13 compares expenditure data for new charter schools and those converted from private or parochial schools, to determine whether schools that have been in existence for a few years have an

EXHIBIT XI-13

Study-Area Charter School Expenditures, by School Origin, SY 1996–97

	Converted	New	All Study-Area Schools
General Fund expenditures per pupil	$5,723	$6,151	$5,821
Total expenditure per pupil	5,701	5,913	5,837
Instruction as % of total expenditures	50.4	36.9	44.1
Instructional support as % of total expenditures	0.7	1.2	1.0
Non-instructional expenditures as % of total expenditures	48.7	41.8	44.0
Average teacher salary	$31,678	$27,332	$29,033
Teacher-pupil ratio	18.8	18.7	18.7
Addendum:			
Transportation expenditures as % of total expenditures	0.5	0.9	0.8
Operations and maintenance expenditures as % of total expenditures	19.9	15.2	16.7
Administrative expenditures as % of total expenditures	28.3	25.7	26.5

SOURCE: Michigan Department of Education.

expenditure pattern different from newer schools. There are 25 new schools (24 for which data are available) and 13 converted schools. The major difference between the two types is that converted schools spend a much larger share of their budget on instruction than do new charter schools: the expenditures are roughly 50 percent and 37 percent, respectively. Converted schools also pay their teachers about 16 percent more on average than do new schools, possibly because their teachers are more experienced.

SY 1997–98 FINANCIAL DATA

Financial data for all public schools for SY 1997–98 will not be available until after the due date for this report, but 1997–98 audit reports are available for some of the charter schools. Central Michigan University, SVSU, and EMU provided audit reports for the 33 study-area schools they have authorized. These data support the hypothesis put forth above that charter school finances will improve over time. All of the 25 schools operating in SY 1996–97 increased their fund balance from the previous year, or, in the case of one school, reduced their deficit. The fund balance for these schools increased from 12 percent of revenue in SY 1996–97 to 17 percent of revenue in SY 1997–98. The total fund balance for the 33 schools in SY 1997–98 was $7.8 million—about 15 percent of general revenue. The undesignated fund balance was $6.4 million, as three of the charter schools reserved $1.4 million for capital improvements. Only one of the schools had a negative fund balance, down from three in SY 1996–97 (see Exhibit XI-14).

The 1997–98 data also support another of our conclusions—that the schools will do a better job of accessing federal aid as they became more experienced. Federal aid for SY 1997–98 was $981,000 (for the 30 charter schools for which federal aid data were available), or about 3 percent of revenue. In SY 1996–97, total federal aid for the 37 charter schools for which data are available was about $200,000, or 0.5 percent of total revenue.

CONCLUSIONS

- As is to be expected, there is wide variation in the finances of charter schools. Some are doing very well financially and have a large fund balance; others are struggling and have a small or negative

EXHIBIT XI-14

Selected Financial Data for 33 Study-Area Charter Schools, SY 1997–98

	Fund Balance		Designated for Capital Outlay	SY 1997–98 Revenue	Federal Aid
	SY 1996–97	SY 1997–98			
A.G.B.U. Alex and Marie Manoogian	$243,391	$296,045		$1,282,381	$25,000
Academy of Detroit-East	461,716	736,653	$373,937	2,013,346	49,418
Academy of Detroit-Oak Park	226,618	320,638		2,211,504	49,791
Academy of Detroit West	798,344	937,199	588,688	3,114,077	47,711
Academy of Detroit-Westland	25,882	213,024		2,071,350	51,567
Academy of Detroit-Southfield	959,147	1,294,329	456,212	2,475,667	68,176
Benito Juarez	12,122	37,569		414,677	53,996
Central Academy	–81,989	51,638		1,104,255	—
Colin Powell Academy	93,382	242,320		1,343,473	2,878
The Dearborn Academy	—	24,912		2,057,166	64,028
Detroit School of Industrial Arts	21,899	29,357		1,422,212	40,000
Livingston Developmental Academy	6,017	28,746		2,510,541	NA
Livingston Technical Academy	142,088	47,979		264,647	40,421
Macomb Academy	91,597	175,794		482,596	44,938
Michigan Automotive Academy	24,148	47,718		800,676	8,008
Nataki Talibah Schoolhouse of Detroit	93,097	108,177		1,194,467	231,909
Oasis Academy	–66,487	180,469		1,648,034	33,966
Questar Academy	54,953	89,258		345,612	—
Summit Academy	97,256	217,280		3,007,018	31,784
Thomas Gist	–333,696)	–11,055		2,183,049	57,969
Warwick Pointe Academy	37,150	162,205		1,419,261	79,822
Subtotal	3,006,635	5,230,255	1,418,837	33,366,009	981,382
Gaudior Academy	24,062	140,124		1,070,700	48,456
Academy for Business and International Studies	—	2,992		833,572	3,061
Great Lakes Academy	—	224,475		1,434,122	95,377
Commonwealth Community Development Academy	–27,033	291,299		1,733,262	54,833
Chandler Park Academy	—	238,204		1,398,048	67,268
Michigan Health Academy	7,781	55,226		514,691	—
Heart Academy	—	4,506		497,791	—
Detroit Community High School	—	73,328		796,659	30,000
Marvin Winans Academy of Performing Arts	17,660	711,119		2,115,764	—
Chatfield School	—	707,478		2,236,029	16,864
Cesar Chavez	47,580	104,864		3,155,614	—
Mosaica Academy of Saginaw	—	7,369		2,369,767	—
Subtotal	$70,050	$2,560,984		$18,156,019	$315,859
TOTAL	$3,076,685	$7,791,239		$51,522,028	$1,297,241

SOURCE: School audit reports.

fund balance. The data suggest two factors that can influence a charter school's financial situation: length of operation and whether the school is independent or managed by a chain. We believe that the longer a charter school is in operation, the better its financial position will become, and it appears that charter schools operating as part of a chain have a financial advantage over single entities because they have more access to start-up capital, more professional management, and more economies of scale.

- Charter schools spend significantly more money on operations and maintenance than do other public schools, likely because of the high start-up costs they incur and the fact that their capital costs must come from operating funds, while other public schools may issue bonds for these expenditures.
- Charter schools also spend more money on administration, probably because most are small and have fewer economies of scale than large schools and also because they initially are administratively inexperienced and likely less efficient than public schools that have been operating for decades.
- Charter schools spend less money on instruction, although it represents a higher percentage of their total expenditures. Charter schools could save money by increasing class size, but to do so is counter to one of the concepts underlying charter schools.
- Charter schools receive much less federal aid than do other public schools, due likely in part to administrative inexperience and lack of staff. This gap probably will close as charter schools become more familiar with federal sources and adept at submitting grant proposals.

XII. Effect of Charter Schools on Other Public Schools

One purpose of the Michigan charter school movement is to provide competition among public schools, which, in theory, will encourage the traditional schools to provide better education. It is much to soon to know if this is happening. The charter school movement still is too small (SY 1998–99 enrollment is about 29,000 students, less than 2 percent of total public school enrollment) to have much of an effect. There eventually may be a significant effect on traditional schools, but we do not know at what point.[20] Michigan private school enrollment has been about 10 percent of public school enrollment for years, with little measurable effect on public schools.

POTENTIAL EFFECTS

There are four basic ways in which charter schools may affect other public schools.

Reducing State Aid

The basic state aid appropriation (the foundation grant) follows the child. Thus, when a student is enrolled in a charter school, the traditional school s/he normally would attend loses that money. If enough students attend charter schools, the revenue loss to the traditional school district may be considerable.

Our view is that any enrollment loss exceeding 5 percent begins to affect the quality of programs offered by a traditional district. But over the long term, a district should be able to adjust by closing buildings, reducing teaching staff through attrition, and becoming more efficient. As Exhibit XII-1 shows, statewide there have been 36 school districts within which charter school enrollment exceeds 5 percent of the district's enrollment. Of the 36 districts, 20 experienced an enrollment decline from SY 1994–95 to SY 1997–98, but we cannot attribute with certainty these enrollment declines to charter schools. A major problem with this analysis is that we do know from which school district a charter school's students came. Just because a charter school is located in Detroit, for example, does not mean that all its students come from the Detroit Public Schools; we know in fact that this is not the case. We do know that some school districts—e.g., Inkster, Lansing, Hillsdale, Saginaw, and Boyne Falls—have lost a considerable number of students to charter schools.

[20]A national study on the response of school districts to charter schools, which is described in this section, finds that surrounding district response to charter schools evolves over time and there may be distinct stages in the development of charter schools that offer specific opportunities for district response.

EXHIBIT XII-1

Michigan Charter School Enrollment as Share of School District Enrollment and Changes in District Enrollments SY 1994–95 to SY 1997–98

	Charter School Enrollment	Charter School Enrollment as % of District, 1997–98	District K–12 Enrollment, 1994–95	District K–12 Enrollment, 1997–98	District K–12 Enrollment Change, 1995–96 to 1997–98
Alba Public School District	175	95.6%	187	183	–2.1%
Boyne Falls Public Schools	191	70.8	321	269	–16.2
Pentwater Public Schools	121	33.2	387	365	–5.7
Inkster Public Schools	505	30.0	2,000	1,686	–15.7
Flat Rock School District	469	28.9	1,528	1,625	6.3
Kenowa Hills Public Schools	759	25.0	2,893	3,037	5.0
Bark River-Harris Schools	132	23.3	590	565	–4.2
Oak Park Public Schools	793	22.6	3,233	3,508	8.5
Onekama Consolidated School District	116	22.6	497	511	2.8
Buena Vista Public School District	266	17.4	1,628	1,530	–6.0
Godwin Heights School District	309	15.0	2,178	2,061	–5.4
Big Rapids Public Schools	340	14.9	2,192	2,279	4.0
Elk Rapids School District	207	14.7	1,333	1,409	5.7
Huron Public School District	270	14.4	1,837	1,877	2.2
Wyoming Public Schools	582	11.2	5,231	5,201	–0.6
Hillsdale Public Schools	221	10.7	2,374	2,064	–13.1
Hartland Public Schools	404	10.6	3,467	3,798	9.5
Lansing Public Schools	1,787	10.4	18,647	17,231	–7.6
Holland Public Schools	535	9.9	5,545	5,395	–2.7
Petoskey Public Schools	286	9.9	2,760	2,905	5.3
Southfield Public Schools	868	9.3	8,601	9,286	8.0
Kalamazoo Public Schools	889	8.0	11,614	11,127	–4.2
Mt. Pleasant School District	293	7.7	3,971	3,826	–3.7
Saginaw City School District	779	6.8	12,260	11,442	–6.7
Charlevoix Public Schools	87	6.7	1,360	1,297	–4.6
Sault Ste. Marie Area Schools	180	6.0	3,014	2,978	–1.2
Benton Harbor School District	330	6.0	5,999	5,506	–8.2
Coldwater Community Schools	197	5.9	3,516	3,362	–4.4
Essexville-Hampton Public Schools	108	5.8	1,784	1,858	4.1
Dearborn Heights	129	5.6	2,045	2,291	12.0
Eaton Rapids Public Schools	170	5.6	3,019	3,025	0.2
Jackson Public Schools	397	5.6	7,153	7,072	–1.1
Detroit Public Schools	9,155	5.6	161,804	164,243	1.5
Spring Lake Public Schools	106	5.4	1,816	1,953	7.5
Muskegon Public Schools	314	5.2	6,326	6,000	–5.2
Kentwood School District	403	5.1	7,568	7,844	3.6

continued on next page

Michigan Charter School Enrollment as Share of School District Enrollment . . . (continued)

	Charter School Enrollment	Charter School Enrollment as % of District, 1997–98	District K–12 Enrollment, 1994–95	District K–12 Enrollment, 1997–98	District K–12 Enrollment Change, 1995–96 to 1997–98
Grand Blanc Public Schools	272	4.9	5,457	5,572	2.1
NICE School District	64	4.8	1,537	1,321	–14.1
Caledonia Public Schools	130	4.8	2,529	2,737	8.2
Forest Hills Public Schools	303	4.2	6,485	7,261	12.0
Cedar Springs Public Schools	120	4.2	2,670	2,876	7.7
Fennville Public Schools	58	3.7	1,491	1,560	4.6
Bedford School District	200	3.7	5,075	5,398	6.4
Grand Rapids Public Schools	799	3.7	22,704	21,605	–4.8
Wayne-Westland School District	505	3.6	14,606	14,211	–2.7
Lapeer Public Schools	250	3.4	7,514	7,296	–2.9
South Haven Public Schools	88	3.3	2,604	2,662	2.2
Highland Park Public Schools	93	3.3	3,238	2,817	–13.0
Battle Creek Public Schools	260	3.2	8,184	8,143	–0.5
Ann Arbor School District	481	3.1	14,819	15,557	5.0
Manistee School District	55	3.0	2,000	1,812	–9.4
Belding Public Schools	73	3.0	2,420	2,448	1.2
Greenville Public School District	105	2.8	3,820	3,705	–3.0
Byron Center School District	60	2.8	1,935	2,142	10.7
Midland Public Schools	242	2.7	8,878	9,102	2.5
Dearborn Public Schools	394	2.6	13,783	15,203	10.3
Pontiac Public Schools	265	2.3	11,652	11,547	–0.9
Beaverton Rural School District	39	2.2	1,831	1,767	–3.5
West Ottawa Public Schools	136	2.0	5,786	6,667	15.2
Southgate School District	80	2.0	4,152	4,037	–2.8
Grand Haven Public Schools	107	1.8	5,731	5,842	1.9
Lakeview Public Schools	60	1.8	3,263	3,354	2.8
Tawas Area School District	27	1.5	1,648	1,742	5.7
Carman-Ainsworth	62	1.2	5,008	5,216	4.2
Frankenmuth School District	14	1.2	1,138	1,195	5.0
Redford Union Public Schools	51	1.2	4,671	4,386	–6.1
Portage Public Schools	60	0.7	8,275	8,621	4.2
Chippewa Valley Schools	58	0.5	9,510	10,569	11.1
Howell Public Schools	27	0.4	5,871	6,417	9.3
Northview School District	11	0.4	3,082	3,128	1.5
Port Huron School District	26	0.2	11,342	11,406	0.6
TOTAL ENROLLMENT	28,447	5.5%	515,387	519,931	0.9
STATEWIDE			1,540,547	1,571,582	2.0

SOURCES: PSC/MAXIMUS and Michigan Department of Education.

We conclude from talking with finance officers in some of these districts that the districts are feeling the effects and have had to reduce teaching staff and make other cuts, but none is facing a financial crisis as a result of losing students to charter schools. One school official notes two problems created for his district by charter schools. First, one charter school received its charter shortly before the school year started, which made it hard for the district to adjust to the loss of students. He indicates that a district can adjust to the loss of students without serious pain if it has reasonable notice. Second, a problem also is created when charter students return to district schools during the year. He says that in more than one instance, this had resulted in overcrowding in some classrooms. His view is that charter schools should be required to keep the students for the entire year, and if they do not, the school or the child should pay tuition to the district. He claims that some parents told him that they had been pressured to keep their child(ren) enrolled in the charter school until after the "fourth Friday" count.

Spurring Innovation and Change

Charter school competition may encourage traditional public schools to adopt such programs used by charter schools as all-day kindergarten or to start their own new programs. Some are expressing interest in forming business partnerships, as charter schools have done, and also in some of the vocational and occupational specialty programming being carried out by charter schools. According to some school officials, charter school competition also prompts traditional schools to move faster to implement change, even if the change is not in direct response to a charter school.

Increasing Responsiveness to Parents and Students

Charter school competition may encourage the public schools to open up communications and become more responsive to parent and student concerns.

Increasing Interdistrict Competition

Competition from charter schools that results in a district's losing students may encourage public schools to become more aggressive in competing for students from other districts. Under the "schools of choice" legislation, students may attend any public school within their ISD boundaries. There is evidence that districts such as Wyoming and Lansing are moving in this direction.

EXPERIENCE IN OTHER STATES

A group known as Policy Analysis for California Education (PACE) studied 25 school districts in eight states (including Michigan) and the District of Columbia that potentially are affected by charter schools.[21] The findings are similar to those of this study.

The PACE study reveals the following primary effects: (1) loss of students and often financing; (2) loss of particular students to niche-focused charter schools, (3) departure of a considerable number of families from traditional public schools; (4) reduction in staff morale at traditional public schools; and (5) redistribution of some central office administrators' time and also increased challenges in predicting student enrollment and planning grade-level placement.

The study finds three principal responses to charter schools. (1) Most school districts had not reacted dramatically at the time of the study. Although almost one-quarter of the districts studied had reacted energetically to the advent of charters and significantly altered their education programs, the majority had gone about business as usual and reacted to charters slowly and only in small ways. (2) Several

[21]Policy Analysis for California Education, *How Are School Districts Responding to Charter Laws and Charter Schools?*, April 1998.

moderate-and high-response districts had made such changes in their education offering as opening schools organized around a specific philosophy or theme, creating "add-on" programs such as after-school programs or all-day kindergarten, and offering more diverse activities or curricular resources. (3) Certain innovations hypothesized by the study's investigators had rarely occurred: Few superintendents, principals, and teachers in district schools were thinking of charter schools as education laboratories or were attempting to duplicate innovative charter-school ideas in district schools; districts still were building large school facilities and rarely creating smaller ones; and the large urban school districts rarely were reacting in a meaningful way to charter schools and charter laws.

Several other findings in this national study are consistent with PSC/MAXIMUS findings in the study of Michigan schools.

- Several districts classified as having low or moderate reaction have made a real effort to improve public relations and begun to market their school(s) aggressively. In Michigan, the Grand Rapids school system has run a television advertising campaign, and the district is training administrators in public relations and marketing. The Holland district has increased its public-relations function, hired a full-time communications director, and sent letters to families explaining how they may re-enroll children in the public school district. The Hartland Consolidated schools superintendent sends letters to families departing for charter schools, asking for constructive suggestions that may be turned into a plan of action to improve the traditional public schools.
- Some personal relationships in nearby traditional public schools, school districts, and communities almost always deteriorate following the opening of a charter school in their midst. One Michigan charter school principal points out that animosity usually is strongest when parents' friends are "teachers in a traditional public school and in the teacher's union ranks. In Michigan it's particularly strong because we are a union state." He sees much divisiveness among parents' peer groups.
- Various factors other than the nature and extent of effect seemed to contribute to a school district's reaction to charters, including the district's overall climate regarding school choice, student performance, a critical mass of charters in the district, community awareness of charters, and district leadership. Districts that exhibit a high level of reaction to charters usually have reform-minded leaders who seize on charters as a strategic tool to step up reforms in the district.
- Informants disagree about whether creating a competitive environment for districts leads to school improvement. Some believe it does. Others see competition as harmful and believe educators prefer collaboration and are motivated by the needs of students or personal pride in their work rather than competition for enrollment, awards, or reputation.

REACTION TO COMPETITION FROM CHARTER SCHOOLS

We asked charter schools administrators if they are know of changes made by a local school district in reaction to the charter school movement. Most said no. The only important changes mentioned by some were all-day kindergarten, interest in multi-age classes, and increased advertising and promotion by the public schools. For example, the Lansing School District has launched a major publicity campaign, including television ads with the slogan "A world class school district." The Lansing district has also opened Wexford Community School, in cooperation with Michigan State University and Lansing Community College, which will integrate home, school, and community environments with a risk-prevention focus. Innovative programs may include health screening and services, family counseling, assistance with such basic needs such as clothing, food and housing, parenting education and recreation. Extended day, multi-age groupings, extended year, and team teaching all will be used to provide an integrated approach to academic achievement.

The most direct response by traditional school districts is to charter their own schools, although to date only four school districts have done so. The Detroit School District has chartered five schools, including two new schools for SY 1998–99. The Wyoming, Inkster, and Manistee school districts each have chartered one. Many more school districts likely will charter schools in the future, as they assess their options and accept the fact that charter schools are here to stay. Although there is no immediate financial advantage to a school district that starts a charter school, there possibly are two other advantages. (1) Parents who believe charter schools are better than traditional schools may remain in the district rather than moving or sending their children to a charter school outside the district. (2) A charter school may attract students from other districts, bringing with them additional state aid.

ADVANTAGES OF CHARTER SCHOOL COMPETITION

As mentioned above, one main purposes of charter school initiative is to spur other public schools to improve their performance and become more responsive to student and teacher needs. Two other important advantages that have not received much attention are that charter schools potentially may (1) keep families from moving out of such central cities such as Detroit, Lansing, and Flint, and (2) keep some low-income students from dropping out of school. A good many charter school families/children are not happy with the traditional schools, particularly in the central cities, and absent the charter school, likely would have moved to suburban schools. Many low-income families cannot move, however, and charter schools give unhappy or unsuccessful youth an alternative to dropping out. School districts that wish to retain dissatisfied/unsuccessful students have the option of chartering their own schools, which some are doing.

XIII. Future Research

This study provides an early overview of Michigan charter schools. For many reasons, we believe this should be the first in a series of state-supported evaluations. The first reason concerns the underlying concept of charter schools: more flexibility in exchange for additional accountability. As yet there is no consensus on how to define and measure charter school success. Additional research is needed to establish a common framework that the schools may use as acceptable measures of student achievement and school accountability.

Second, many charter schools are in only their first or second year of operation. A school's effect on the education success of its students and on the surrounding traditional public schools may not be felt for years. Commonly, a new charter school's first year is spent managing daily crises, and the second year is devoted to implementing its education approach. It is only in the third and four years that real improvement in learning may show up in student achievement. We believe the effect of charter schools will mount each year, as more schools open and existing schools get past their start-up problems. Future research should categorize and quantify charter schools' effects over time.

Third, the scope of this study was very broad, touching nearly every aspect of the charter school movement. Focused studies are needed to complement the issues raised in this report. Future state-supported evaluations should narrow in on specific issues common among charter schools, e.g., financial problems, authorization, and the expanding role of management companies.

We are sympathetic to the feeling of most charter school administrators that they are studied to death. They are being asked to respond to federal government, state government, academic, and "think-tank" researchers, while having to run a brand new type of school in a brand new climate. We recommend that the state help charter schools sort out the conflicting research demands being made on them. One option is for the state to become the repository of past studies and their supporting data, allowing researchers to build on the work of others.

POSSIBLE STATE-SUPPORTED RESEARCH TOPICS

The following are examples for future research projects. Michigan's charter school movement is an excellent opportunity to test and evaluate new ideas and education practices that will benefit all 1.6 million Michigan public school children.

Student Achievement

Measuring their effect on student achievement is the most difficult and controversial aspect of evaluating charter schools. Quantifying this effect will require a series of evaluations over years. In addition to

the well-known drawbacks of the MEAP as a common yardstick of student achievement, using average scores at the school-building level masks the real success/failure of a school. Student turnover at any particular charter school is very high, especially in the first few years of operation, which means that the MEAP is testing a new group of students each year. Unfortunately, the individual students' MEAP scores are not available to researchers. New methods for assessing student achievement should be considered, such as using a longitudinal approach in which a group of pupils is followed from a traditional school through two or three years of charter school instruction. The test scores for this group then may be compared to a group of pupils who remain in a traditional school. This approach will permit creation of a baseline for assessing the effect of the charter school experience, reflecting the various achievement levels that students bring with them into such a school.

Financial Problems and Solutions

As identified in this report, charter schools face significant start-up and ongoing financial problems and are solving these problems in a variety of ways. This study focuses more on start-up than other financial issues, but our observations indicate that an intensive study of the financial issues faced by the schools over time is warranted.

Reauthorization

The original charter schools have begun negotiations on reauthorizing their contract. How should these schools be evaluated by their authorizer—what criteria should be used? On what grounds should an authorizer not renew a charter? Future research should collect information on the criteria and practices that authorizing agencies are using in granting a contract extension and recommend a standard set of procedures.

Why Schools Fail

At least six charter schools in Michigan either never opened despite receiving a charter or have closed. We suggest a case-study approach to analyzing why these schools failed. Included should be research on why students leave a charter school and where they go after leaving.

Role of Management Companies

Management companies that run multiple schools are becoming a predominate form of charter school organization. Yet these privately run companies conform to little of the openness required of public schools. Research is need on the role of management companies, including their advantages and disadvantages, and also why charter schools are turning to management companies and what services they provide to the schools.

Role of School Boards

How active are charter school boards in setting policy and in monitoring the day-to-day activities of the school administrator? Who serves on the boards, and how are they chosen? Finally, how do charter school boards differ from the elected boards of traditional schools?

Communication

It will be useful to explore ways to increase the communication/interaction between charter schools and the traditional education community. The goal is to assure that successful innovation is passed on to other charters and the traditional public schools.

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