

Establishment of All-Charter Districts: Waivers and Autonomies and Fiscal Impact

Budget, Facilities and Audit Committee

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Introduction

- Brief Overview of First Presentation
- Questions from the Committee:
 - What would be the net fiscal impact if we became an all-charter District?
 - What autonomies would the District gain? What autonomies can be obtained through waivers?
 - Would the District continue to authorize independent charter schools?

Outline

A. Charter School Autonomies

1. Independent Charter School Autonomies:
Corresponding Potential Fiscal Impact and Waivers
2. Effect on Existing Charter School Authorization

B. Fiscal Analysis

1. Economics of Charter vs. Traditional District Finances
2. General Fiscal Considerations in Converting to All-Charter District

A. Charter School Autonomies

The “Mega Waiver”

- The California Education Code provides that a charter school shall comply with the Charter Schools Act and all of the provisions set forth in its charter.
- Otherwise, charters are exempt from the laws governing school districts, except:
 - Reporting and participation requirements for charter schools who choose to make STRS and PERS available to its employees;
 - Charter School Revolving Loan Fund requirements;
 - All laws establishing minimum age for public school attendance;
 - The California Building Standards Code

What Mega Waiver Does Not Include

The California Department of Education (CDE) lists the following examples of laws that charter schools must comply with:

- State and federal constitutions, and all federal laws
- All laws that are a condition of funding for any program that the charter school participates in
- The California Charter Schools Act
- Laws establishing minimum age for school attendance
- Laws governing nonclassroom-based programs
- Educational Employees Relations Act
- Specific provisions of law related to teachers' retirement and employee relations
- State pupil testing programs
- Criminal background check per Ed Code
- Comprehensive health screening and evaluation upon school entry

What Mega Waiver Does Not Include

Per LAUSD Policy on Charter Authorizing:

- California Government Code sections 1090 (conflict of interest applicable to public officers and employees)
- Public Records Act
- Brown Act
- Political Reform Act
- School Climate Bill of Rights

Other Laws and Decrees:

- *Chanda Smith* Modified Consent Decree and SELPA Membership
- *Crawford v. Board of Education*
- Family Educational Rights and Privacy Act (FERPA)
- McKinney-Vento Homeless Assistance Act
- Constitutional due process for all students in implementation of discipline
- *Ed Code* Section 47605(d) which prohibits a charter school from charging tuition and other fees integral to the provision of education.

1. Independent Charter School Autonomies: Potential Fiscal Impact and Waivers

Categories of Autonomies

- Instructional
- Operational
- Governance
- Fiscal

Instructional

Autonomy	Fiscal Effect	Waivers
<p>Curriculum, including textbook adoption (must meet Common Core State Standards)</p> <p>Charter schools have to “opt in” to Williams compliance</p>	<ul style="list-style-type: none"> • Potential additional costs to charters from selection of “boutique” publishers which may have higher per unit costs of instructional materials relative to districtwide purchasing • Professional Development for differing textbook adoptions • Williams. If charter status, potential savings for not having to comply with the following Williams requirements: <ul style="list-style-type: none"> ▪ Complete set of textbooks for all students in core subjects of math, science, ELA/ELD, and social studies; ▪ Hiring of qualified (i.e. credentialed) teachers; ▪ Ensuring “safe and decent” school facilities 	<p>Certain autonomous school models (Expanded School Based Management Model [ESBMM], Pilot Schools, Local Initiative Schools [LIS], and Affiliated Charter Schools have autonomy over curriculum, PD) per respective agreements and policy aligned with Common Core State Standards</p> <p>Pilot Schools: have most autonomy from central office curriculum requirements</p> <p>School Based Management Schools (SBM) may apply for waivers pursuant to BUL 6029.3</p>
<p>Instructional methodologies</p>	<p>Potential additional costs for professional development for delivery of instructional methodology</p>	<p>Same as above</p>

Instructional - Continued

Autonomy	Fiscal Effect	Waivers
Course of Study	Potential additional costs depending upon program design in the delivery of a broad course of study	Same as above
Assessments (must at a minimum abide by California state assessments and testing)	Potential additional costs if charters select additional assessments above and beyond statewide tests.	<p>Affiliated charter schools are required to meet or exceed the District standards and guidelines for implementing assessments.</p> <p>Pilot Schools: can opt out of District-required assessments as long as their assessments are commensurate with District assessments in tracking student progress</p>

Instructional - Continued

**Classroom Norm Ratios

Potential additional costs or savings depending on class size ratio selected by the charter. If lower class sizes selected, it may also affect facilities costs.

***Complex issue which requires more analysis and data on how charter schools are implementing norming and impact on their budget*

Operational

Autonomy	Fiscal Effect	Waivers
<p>Staffing:</p> <ul style="list-style-type: none"> • Selection • Evaluation • Termination • Flexibility over Duties of Staff <p>Charter schools are waived from most employment provisions in the Education Code including tenure statutes, teacher dismissal statutes, and LIFO/layoff statutes unless required by collective bargaining agreement.</p>	<p>Potential costs for separate staffing infrastructure if charter chooses its own system of selection, evaluation, termination.</p>	<p>ESBMM and Affiliated Charters: autonomy to select administrative, certificated and classified staff subject to CBAs and District staffing policies and procedures</p> <p>Pilot Schools: teachers sign elect to work agreements (EWA) which stipulates the work conditions for the school year -autonomy to select Principal with LD Supt having final authority</p> <p>LIS: have 3 options—Mutual Consent, teachers assignments, staff appointments</p>

Operational - Continued

Autonomy	Fiscal Effect	Waivers
Use of Third Party Vendors/Public Procurement Laws	Potential costs or savings depending upon service utilized for third party vendors or procurement sought. Charter sites would incur costs for creating system of selecting vendors [e.g. RFPs].	Not waivable. Public Contract Code (section 20111, et seq) and Government Code section 53060 governs procurement and professional services for public entities
Bell Schedules	Potential M&O costs; staffing.	ESBMM, LIS and Affiliated Charters: free to design and create bell schedules as long as it meets District requirements for minimum instructional minutes Pilot Schools: freedom to modify school days and calendar years in accordance with their budget; must meet state requirements for instructional minutes and days
School Calendar (must abide by minimum instructional minutes) <i>*collective bargaining agreement</i>	Charter school year may be 175 days rather than District requirement of 180 days. Potential M&O costs; staffing.	Same as above

Operational- Continued

Autonomy	Fiscal Effect	Waivers
<p>Discipline Charters are waived from Education Code disciplinary provisions – but must outline disciplinary procedures in charter.</p>	<p>Potential costs if charter chooses its own disciplinary procedures and creates its own system of enforcement</p>	<p>Note: Board of Education’s School Climate Bill of Rights</p>
<p>Administrative credentials (administrators do not need administrative credentials in charters)</p>	<p>Potential savings if charters are able to hire administrators with less rigorous qualifications</p>	<p>District policy has more stringent requirements (minimum 5 years of teaching experience)</p> <p>Pilot Schools are waived from this District policy</p>
<p>Teacher credentials Charter schools have flexibility in identifying non-core and non-college preparatory courses as long as it meets CA law requirement that English, Math, Science and Social Studies are core subjects.</p>	<p>Potential savings if charters are able to hire teachers with less rigorous qualifications.</p>	<p>Charter schools have flexibility in identifying non-core and non-college preparatory courses as long as it meets CA law requirement that English, Math, Science and Social Studies are core subjects.</p> <p>LAUSD policy requires teachers to have EL certification</p>

Operational - Continued

Autonomy	Fiscal Effect	Waivers
Private Site Facilities	Although possible, unlikely LAUSD would look to a private site given its inventory of facilities	
No Attendance Boundaries (unless PSC charter or conversion charter)	Potential increase in revenue if students outside attendance boundary choose to attend new charter.	<p>Affiliated charter schools are required to serve former attendance boundary. Can serve students from outside attendance boundary and outside the District if there is capacity</p> <p>Note: Public School Choice schools are required to serve attendance boundary</p> <p>Zone of Choice (ZOC): students who reside in a ZOC have the option to choose a school within the zone</p>

Governance

Autonomy	Fiscal Effect
Nonprofit corporation governing board has autonomy over decision making	None. All-Charter District would continue to operate as a public entity
School Site Councils are only necessary if charter school participates in a program or receives funding for a program requiring the development of a Single Plan for Student Achievement (SPSA) and/or the development of School Site Council	Potential savings if: <ul style="list-style-type: none">• charter does not participate in the program• does not receive funding pursuant to the SPSA.

Fiscal

Autonomy	Fiscal Effect
Charter Schools exercise budgetary autonomy aligned with LCFF and the LCAP	Potential costs for individual charter school sites to create their own LCAP.
	Charter schools are capped at district unduplicated percentage that is used to calculate LCFF apportionments.
	Charter schools operating as a nonprofit entity have broader ability to generate revenues

Summary of Significant Autonomies

Instructional:

- Program Design
- Delivery of Course of Study

Operational:

- Staffing
- Flexibility over scheduling and school calendar
- Classroom Norm

Governance:

Operated by a nonprofit corporation with generally localized decision-making

Fiscal:

Broader ability to generate revenue

2. Effect on Charter School Authorization

To be Determined Upon Consultation with the State

B. Fiscal Analysis

1. Economics of Charter vs. Traditional District Finances

Economics of Charter vs. Traditional District Finances

Revenues

- Local Control Funding Formula (LCFF) began in 2013-14 as the method of K-12 school finance.
- Simplified revenue system whose main variables are enrollment and demographics of needier students.
- Model applies to both charter and traditional schools.
- Charter schools are capped at the District's unduplicated percentage that is used to calculate LCFF apportionments.

Economics of Charter vs. Traditional District Finances-continued

Expenditures

- Expenditure issues still remain outside of LCFF and are not addressed by statute or state policy.
- Specifically, the differences between charter and traditional schools are primarily in areas where funding does not differentiate based upon needs.
 - Special Education is an example of where significant expenditure disparities exist between charter schools and traditional schools, but state revenue model is not based on need.

Economics of Charter v. Traditional District Finances-Continued

- Special Education funding is based on a uniform rate per student without regard to severity of disability.
- District schools serve a disproportionate share of severely disabled students than charter schools.
 - As a result, the District bears disproportionately higher costs for students with disabilities than charter schools.

Economics of Charter v. Traditional District Finances-continued

Percent of students with severe disabilities, 2013-14

	Percent of Total Students Served
LAUSD	3.8%
Charters in LAUSD	1.2%

Special Education Expenditures, 2013-14

	General Fund	Ratio of Special Education spending between LAUSD and charters : 7.6 to 1
LAUSD	\$9,888/student with disability	
Charters in LAUSD	\$1,291/student with disability	

Economics of Charter v. Traditional District Finances-continued

- Other legacy costs impact districts but not charter schools.
 - Retiree health benefits and their bills not amortized over time.
 - If more students move to charters, fixed and legacy costs will be supported by fewer resources.
- Ultimately this creates a two-tiered educational system, with remaining students at District schools with higher fixed costs for Special Education and legacy costs.

2. General Fiscal Considerations in Converting to An All-Charter District

General Fiscal Considerations in Converting to an All-Charter District

Caveats

- CDE has little or no financial guidance on converting to an all-charter district.
- This is because LCFF law is silent and does not give CDE the authority to act on many of the fundamental issues required for conversion
- Lack of Precedent. Only one multi-school site district has converted to an all-charter district.
 - Kingsburg Elementary [Fresno County]: 7 sites with 2,335 ADA as of 2013-14
 - District-wide conversion occurred before LCFF law was enacted.

General Fiscal Considerations in Converting to an All-Charter District

The District may adopt one of two approaches in converting all schools to charter:

1. Convert all school sites to independent charter status. Requires approval by:
 - District
 - LACOE, should the District deny the original petition
 - State Board of Education, should LACOE deny the appealed decision
2. File two applications to the State for approval as an all-charter district:
 - One to the State Board of Education and
 - One to the State Superintendent of Schools
 - Both must separately approve the applications

General Fiscal Considerations in Converting to an All-Charter District

Selected examples of issues that CDE is unable to address in all-charter district conversion:

- Treatment of debt service
- General Fund contribution to Special Education
- Unfunded liability of retirement costs
- Collective bargaining costs
- Districtwide costs

General Fiscal Considerations in Converting to an All-Charter District

- State Board of Education (SBE) has oversight responsibilities over all-charter districts
 - SBE would collect oversight fees from an all-charter district (1 percent of revenue, or approximately \$60 million for LAUSD)
- The District must consider its role in monitoring autonomies at individual charter school sites.

Examples:

- Provide technical assistance to school sites for instruction, operation, fiscal activities to improve success of charters?
- District accountability requirements?
- District interventions for failing charters or leave to the state?

General Fiscal Considerations in Converting to an All-Charter District

The District's role in monitoring implementation of charter autonomies at schools will impact resources.

- Providing technical assistance, accountability, and/or intervention when needed will require resources.
- Any resources applied to these activities could be partially offset by districtwide activities that are no longer required.
- At this time, cannot ascertain net cost or savings.

General Fiscal Considerations in Converting to an All-Charter District

Conversely, individual charter school sites could consider what services they will undertake themselves versus what services they might request the District to provide centrally.

- Examples would include staffing, procurement, scheduling, and others
- Requests for the District to provide services might require the District to charge schools for those services.

General Fiscal Considerations in Converting to an All-Charter District

Bottom Line:

- District will be unable to convert to district-wide charter until CDE addresses fundamental fiscal issues involved in conversion.
- Net fiscal impact of an all-charter district depends on how the District defines its role and how each individual charter school defines their role in the services and activities provided.