



June 16, 2003

Mr. James Nobles
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the Office of the Legislative Auditor's (OLA) report with regard to charter school financial accountability in Minnesota. We appreciate the hard work and recommendations made by OLA staff in the report.

As background, in February 2003 the Minnesota Department of Education (MDE) created the Division of Choice and Innovation. Creation of the division was in response to the growth of school choice options, particularly charter schools, over the past ten years, as well as the recognition that with substantial growth and change comes greater accountability and additional management responsibilities for charter schools and MDE.

We believe the new division, as well as other changes at MDE, will offer the following to charter schools:

- A "one-stop shopping" destination for questions and information. While many staff members throughout MDE are involved with charter school issues, the Division of Choice and Innovation offers charter schools, parents and teachers a first place to call. From there, the staff in the division works with other MDE staff in order to provide charter schools with a streamlined information process.
- More individual attention to charter schools, as their issues are significant given the nature of the issues they face when opening and operating new schools.
- Greater expertise and technical services from MDE employees. Four MDE employees within the Division of Program Finance have been directed to assign 25 percent of their time to work with charter schools on financial issues such as general education, pupil counts, transportation funding, and special education data and payment funding. We

believe this will be of great assistance to charter schools by giving them the technical expertise and information that has been available to school districts.

- Additional financial management training for charter schools, available effective June 2003.

While we believe the changes implemented at MDE represent a good start, we recognize that there is more work to be done. The following represents MDE's responses to recommendations made by OLA.

Recommendation #1: Implement a two-stage approval process that requires new charter schools to demonstrate that they have skilled personnel and financial systems in place before enrolling students.

MDE believes it is essential that we increase the amount of cooperative interaction between the Department, the sponsor, and the school during its "planning year," the period of time between when MDE approves the school's sponsor and when the school opens.

As your report notes, MDE is considering options to modify the charter school approval process. At this time, MDE is not prepared to support a two-stage approval process until we have finished assessing the benchmarks that charter schools should obtain before opening its doors to students.

Recommendation #2: Modify the model charter school contract to include more detailed requirements regarding budgeting, financial reporting, and training for school administrators and board members.

MDE supports this recommendation and will begin working in collaboration with stakeholders this summer to improve the model charter school contract along the lines recommended by the OLA. However, it is important to recognize the inherent difficulties in creating a "one size fits all" model given the variety of school concepts and of people who develop and staff them. Not every charter school administrator may need the same kind of training (depending on his or her past experience) and not every administrator may need to perform the same functions at each school.

Recommendation #3: Enhance training offered to charter school board members to better meet the intent of the law.

MDE has already started to implement enhanced financial management training to charter school board members. The financial management section of the Division of Program Finance is offering various training programs, which are open to board members. In addition to the financial responsibilities charter school board members share, and given the makeup of board members – many who are teachers and administrators - there is a real advantage to these individuals in having a thorough understanding how the charter school business office should function.

The following programs are now being offered at MDE:

- Two-day comprehensive charter school financial workshops offered during the summer.
- One-day school finance accounting programs conducted throughout the year.
- One-day “year-end” financial workshops for charter schools completing their first year of operation (by invitation).
- One-day “year-end” financial workshops for all charter schools that are not in their first year of operation.

Most significantly MDE will now offer, prior to the beginning of this school year, a five-day workshop for new charter schools. This is intended to comply with Minnesota law as well as to meet most basic managerial and accounting needs. A component of this training program is especially designed to meet the needs of school board members. The Minnesota School Board Association has agreed to work with MDE in program design and implementation. It will cover the role of board members, an understanding of the board’s statutory obligations, basic elements of the school finance (such as the responsibility of the board to approve and oversee a budget), how to conduct meetings, hiring staff, and other issues dealing with public relations and board governance.

Recommendation #4: To the extent possible, expand quarterly enrollment monitoring to all charter schools.

While MDE supports this recommendation, staffing levels will make it difficult to expand to quarterly enrollment monitoring. However, new charter schools and charter schools that have experienced financial difficulties will be monitored more thoroughly to ensure that financial accountability is in place.

Recommendation #5: MDE should initiate a process to more clearly define the scope and nature of the sponsor’s role regarding charter school financial management and recommend to the Legislature any needed changes to charter school law.

MDE supports this recommendation and has already begun scheduling a series of meetings this summer with key stakeholders to develop a plan for increasing the effectiveness of sponsors. The first meeting, which will take place in July, will build on the previous research done in this area by the Center for School Change at the University of Minnesota and other entities.

Recommendation #6: The Legislature should consider amending charter school law to state that charter school contracts may be terminated [by sponsors] for repeated failure to meet deadlines for submitting financial data and financial audit reports.

MDE supports this recommendation and will likely include it in its policy recommendations to the Legislature for next year. Although sponsors essentially already have this power under

current law, perhaps stating it explicitly will help to better motivate schools to meet current deadlines for financial reporting. MDE will be working with charter schools to ensure that financial data is submitted in a timely manner.

Recommendation #7: The Legislature should consider amending charter school law to remove the requirement that teachers constitute a majority of charter school board members.

MDE supports this recommendation and will include it in its policy recommendations to the Legislature for next year. While having teachers constitute a majority of a charter school board should continue to be permitted, it should not be required.

Recommendation #8: The Legislature should review and clarify, as needed, the policy on use of state funds to buy charter school buildings.

MDE supports this recommendation and will work with stakeholders this year to reach agreement on a specific proposal to be presented to the Legislature next year. The OLA's report correctly identifies the key issues to be considered. MDE would support limiting the "building buy" option to more established charter schools that meet certain criteria in such areas as age of the school and financial status. In a situation where the charter school that owns a building closes, MDE would favor requiring the proceeds from the sale of facilities to be returned to the State after paying off any debts owed by the school.

Again, we thank you for your work in creating this report, and welcome the opportunity to address these important issues. Please contact Chas Anderson at 651-582-8207 if you should have any questions or comments.

Sincerely,



Cheri Pierson Yecke, Ph.D.
Commissioner

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