OLA
OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

**EVALUATION REPORT**

# Charter Schools

**JUNE 2008**

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STATE OF MINNESOTA • James Nobles, Legislative Auditor

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Members of the Legislative Audit Commission:

During the 2006-07 school year, almost 24,000 students attended Minnesota charter schools. Minnesota charter schools are held accountable to the same academic and fiscal standards as school districts, although they are given some flexibility in how they achieve these standards. In return for this flexibility, charter schools are subject to oversight by both the Minnesota Department of Education (MDE) and sponsors (organizations qualified to authorize charter schools).

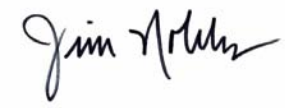
We found that a greater percentage of Minnesota charter schools failed to make Adequate Yearly Progress (AYP) than district schools. And, in general, charter school students did not perform as well on Minnesota's standardized assessments as students who attended district schools. However, when we accounted for certain school and student characteristics, the differences in performance were significantly diminished.

We also found that oversight of charter schools is complicated and complex and often leads to duplication of effort or gaps in oversight. Sponsor organizations are not held accountable to minimum standards, and they vary widely in the amount of oversight they provide and their ability to provide it.

To improve charter school oversight, we recommend that the Legislature clarify the roles of MDE and sponsors. Specifically, we recommend that the Legislature give MDE the authority to develop and implement minimum standards for sponsors. We also recommend that the Legislature give MDE the authority to directly approve sponsors and give sponsors increased authority to directly approve charter schools.

This report was researched and written by Judy Randall (evaluation manager), Christina Connelly, and Katie Piehl, with assistance from Dan Jacobson and Sarah Roberts. The Minnesota Department of Education cooperated fully with our evaluation.

Sincerely,



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- However, after accounting for relevant demographic factors and student mobility rates, the differences in student performance were minimal (pp. 15, 24-27).

- Oversight of charter schools is unclear and complex, with duplication in some areas and gaps in others (pp. 36-37).

- Charter school sponsors vary in the amount of oversight they provide and in their ability to provide it. In addition, expectations for sponsors are not clear, and the Minnesota Department of Education's (MDE) role in sponsor oversight is not clearly outlined in law (pp. 38-43).

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## Key Recommendations:

- The Legislature should clarify the roles of MDE and sponsors with respect to charter school oversight by (1) requiring MDE to approve sponsors and (2) increasing sponsors' authority (p. 47).

- MDE should implement standards for charter school sponsors and provide additional training to improve sponsor expertise (p. 51).

- The Legislature should require all new charter school board members to attend financial management training within one year of being elected (p. 52).

- The Legislature should expand the charter school board conflict of interest laws to parallel federal requirements (p. 57).

- The Legislature should amend the charter school law to remove the requirement that teachers comprise a majority of charter school board members (p. 58).

# Report Summary

**Charter schools are located across Minnesota and served almost 24,000 students during the 2006-07 school year.**

In 1991, Minnesota became the first state to enact a charter school law, which allowed public schools to be formed outside of the traditional school district structure. During the 2006-07 school year, almost 24,000 students, or 3 percent of the state's K-12 student population, attended Minnesota charter schools. Charter schools are located across the state and many serve a larger percentage of minority students or students eligible for free or reduced-price lunch than district schools.

By law, charter schools are exempt from some statutes and rules that apply to school districts. However, charter schools must meet the state's education standards and must meet Adequate Yearly Progress (AYP) requirements under the federal No Child Left Behind Act (NCLB).

**Despite limited data, some important insights about the performance of charter schools are possible.**

The analysis in this report provides important insights into charter school student performance; but, the results should be interpreted with care given the challenges and limitations of the analysis. A key challenge was finding appropriate district schools to compare with each charter school. A key limitation was having to rely on the Minnesota Comprehensive Assessments, Series II (MCA-II) exams, which measure student performance at one point in time, rather than tests that measure growth in student performance.

**In 2007, a greater percentage of charter schools failed to make AYP than district schools, although results varied by region.**

As required by NCLB, all Minnesota public schools, including charter schools, must reach targets in student testing participation rates and in math and reading proficiency rates. Only half of Minnesota charter schools made AYP in 2007; more than two-thirds of district schools made AYP during this same time period. However, these results varied by region. In Minneapolis and St. Paul, a larger percentage of charter schools made AYP than district schools.

**After accounting for certain factors, the differences in charter and district school students' performance on the 2007 MCA-II exams were minimal.**

To account for the potential effects of demographic differences among charter and district schools, we compared charter schools' performance to that of district schools in the same region with similar student demographics (percentages of minority students and students eligible for free or reduced-price lunch).[1]

When compared to district schools with similar demographics, charter schools generally did not perform as well on the 2007 MCA-II exams. Specifically, only 15 percent of charter schools performed better on the MCA-II exams than district schools with similar demographics. More than half of charter schools performed worse than comparable district schools on the MCA-II math exam and nearly 40 percent performed worse on the reading

[1] To measure the performance of a school (or group of schools), we first converted student test scores to a standard scale. This made the scores comparable across grade levels. We then averaged the student test scores to determine a composite reading and math score for each school or group of schools.

exam. In many cases, there was no significant difference between the scores of charter schools and their comparison district schools.

When we accounted for student mobility rates (in addition to region, percentage of minority students, and percentage of students eligible for free or reduced-price lunch), charter school students still had lower MCA-II scores than students in the comparable district schools, but the differences in performance diminished significantly.

**Charter school sponsors have a mixed record.**

**Charter school oversight responsibilities are not clear, leading to duplication and gaps in oversight.**

To establish a charter school, developers must submit an application to and be approved by a sponsor (an organization qualified to authorize a charter school). MDE must then approve the sponsor's intent to authorize the charter school, which it chooses to do by also approving the school's application.

This double approval of charter school applications is a duplication of effort. According to MDE staff, the department originally implemented its charter school application process in part to compensate for lax oversight by sponsors. However, many of the ten sponsors we visited have a rigorous application process that charter school developers must complete before the sponsor will agree to authorize a school. MDE's approval of charter school applications is a duplication of effort and undermines sponsors' authority. Sponsors and charter school staff said this double application process leads to confusion about which entity has oversight authority of the school.

In addition to authorizing new charter schools, sponsors must monitor their charter schools' financial and academic performance. However, some sponsors do not fulfill their responsibility, leading to gaps in charter school oversight. One sponsor we visited did not know the charter school she sponsors had not made AYP in the previous year; another sponsor reviews his charter school's annual report but otherwise does not monitor the academic or financial performance of the school.

**Expectations for charter school sponsors are not clear.**

Almost half of the sponsors that responded to our questionnaire indicated that the sponsor's role is not clear. One sponsor we visited said he does not know what the role of the sponsor is. Furthermore, sponsors vary in the amount of oversight they provide and in their ability to provide it. Some sponsors meet with their charter schools monthly, review financial statements, and attend board meetings. In contrast, some sponsors meet only once a year with their charter schools and do not require regular reports.

**In addition, the Department of Education's role in overseeing sponsors is not clearly defined in law.**

MDE's role in overseeing sponsors is not clearly defined in law. The law does not explicitly give MDE authority to approve sponsors, only the authority to approve a sponsor's intent to authorize a specific charter school. MDE staff believe they do not have the authority to directly approve sponsors or require them to meet standards. Almost 90 percent of the sponsors who responded to our questionnaire thought that they

should meet a minimum set of standards before they are allowed to sponsor a charter school.

**Charter school board members are not required to attend financial management training**.

**Training requirements for charter school board members are inadequate.**

By law, MDE must provide financial management training to newly-elected charter school board members; however, board members are not required to attend the training. This is in contrast to requirements for school district board members, who must attend financial management training within 180 days of being elected.

MDE provides two types of financial management training: one for board members of new charter schools and another for staff and board members of existing charter and district schools. MDE requires board members of new charter schools to attend financial management training before they are allowed to open their schools. However, training for board members of existing schools is not required, and MDE's training is not targeted to charter school board members—it is available to all school district and charter school staff. According to MDE staff, charter school board member participation in financial management training is lacking. Additionally, many charter school staff told us that their board members do not attend MDE's financial management training.

**The requirement that teachers comprise a majority of a charter school's board should be repealed.**

**Minnesota's conflict of interest law for charter school boards is not sufficient.**

Minnesota's conflict of interest law for charter school boards does not adequately address potential conflicts of interest with nonprofit organizations, close relatives, or sponsors. Under state law, charter school board members could have a financial interest in a nonprofit organization, or a close relative of a board member could have a financial interest in a for-profit organization, with which the charter school does business. These situations are prohibited under federal conflict of interest laws, which apply if the charter school is receiving federal funds. Additionally, Minnesota law does not require disclosure of all financial relationships between sponsors and the charter schools they authorize.

**A state law requiring a teacher majority on charter school boards leads to conflicts of interest.**

Minnesota is the only state that requires charter school boards to have a teacher majority. This requirement contradicts best practices for nonprofit management. Additionally, in our 2003 report on charter school financial accountability, we found that the lack of an independent school board contributed to financial management problems for some charter schools.

Many charter school staff and sponsors with whom we met said that having a teacher majority on the charter school board can lead to a conflict of interest. One sponsor noted that the teacher majority requirement creates a "circular" form of oversight, where the teachers oversee the director, who in turn oversees the teachers. In addition, requiring charter school boards to have a teacher majority limits charter schools' ability to have people with the necessary expertise on their boards.

# Introduction

In 1991, Minnesota became the first state to enact a charter school law, allowing public schools to operate outside the administrative control of school districts. Charter schools now operate in 40 states and the District of Columbia. In Minnesota, parents, teachers, and community members can establish charter schools that often focus on a specific subject (such as language, math, or art); a specific education model (such as Montessori or project-based learning); or a specific population (such as recent immigrants or students recovering from chemical dependency). During the 2006-07 school year, almost 24,000 students attended Minnesota charter schools.

In April 2007, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate charter schools. Legislators had questions about the achievements of charter schools and whether students who attend charter schools are performing adequately on key academic measures. Legislators also had questions about the oversight and accountability of charter schools. In addition to providing an overview of Minnesota's charter school system, this evaluation addresses the following questions:

- **What programs do charter schools offer, and what types of students do they serve?**
- **How does charter schools' academic performance compare with that of district schools? What factors contribute to any differences?**
- **How well do sponsors (organizations that authorize charter schools) and the Minnesota Department of Education oversee charter schools?**
- **To what extent have charter schools experienced financial difficulties?**
- **To what extent has the Minnesota Department of Education implemented recommendations made in the Office of the Legislative Auditor's 2003 report on charter school financial accountability?**

To learn about the programs charter schools offer, we sent a questionnaire to all Minnesota charter schools, reviewed charter school web sites, and visited 14 charter schools across the state (about 10 percent of the charter schools in Minnesota). We examined student demographic and assessment data to analyze charter schools' performance and compared their performance with that of district schools. As part of this analysis, we also examined factors such as student mobility rates, the percentage of students with limited English proficiency, and the percentage of students who receive special education

services to evaluate the extent to which they contributed to differences in charter and district school academic performance.

To assess how well sponsors and the Minnesota Department of Education (MDE) oversee charter schools, we sent a questionnaire to all sponsors, visited 10 sponsors (almost 20 percent of sponsors in Minnesota), interviewed MDE and charter school staff, and met with several stakeholders. We also reviewed Minnesota statutes, and we reviewed national literature to learn more about how other states hold their charter schools accountable.

We also analyzed charter school financial data and compared charter schools' financial health to that of school districts. Finally, we met with MDE staff and reviewed their procedures to learn how their practices have changed since our office's 2003 report on charter school financial accountability.

This report is divided into three chapters. Chapter 1 provides background information on charter schools, including an overview of Minnesota charter school law, demographic information about charter school students, and information on other charter school characteristics. In Chapter 2, we compare charter and district school performance on the state's standardized assessments, accounting for some differences in schools' student demographics, such as the percentage of minority students and students who qualify for free or reduced-price lunch. Chapter 3 focuses on charter school oversight and accountability. In this chapter, we evaluate the roles of sponsors and MDE and discuss charter school board conflicts of interest. Finally, several appendices at the end of the report provide additional data and analysis.

# 1 Background


**SUMMARY**

***In the 2007-08 school year, there were 143 charter schools operating in Minnesota. Charter schools are subject to many, but not all, Minnesota statutes that apply to school districts. To establish a charter school, developers must submit an application to and be approved by a sponsor (an organization that authorizes and monitors charter schools). The Minnesota Department of Education must then approve the sponsor's intent to authorize the charter school. About 3 percent of Minnesota's K-12 students attend charter schools. Charter schools have significantly larger percentages of minority students, students who qualify for free or reduced-price lunch, and students with limited English proficiency than district schools.***


Charter schools are located across Minnesota and provide a variety of educational opportunities for K-12 students. Because they are outside of the traditional school district structure, charter schools are exempt from some statutes that apply to school districts. However, there are other requirements (for example, regarding establishing charter schools and complying with ongoing oversight) that charter schools must meet. This chapter provides an overview of Minnesota charter schools and addresses the following questions:

- **How are charter schools established, and what requirements must they satisfy?**
- **What programs do charter schools offer?**
- **What types of students attend charter schools? How do charter school student demographics compare with those of district schools?**

To answer these questions, we reviewed Minnesota charter school laws and the Minnesota Department of Education's (MDE) charter school policies and practices to understand how charter schools are established and the requirements they must satisfy. To learn about the types of programs charter schools offer, we sent a questionnaire to all charter schools in the state, conducted site visits of 14 charter schools (about 10 percent of Minnesota charter schools), and reviewed charter schools' web sites. Finally, we analyzed MDE data to compare charter and district school student demographics.

## CHARTER SCHOOL LAW

A charter school is a public school that is formed by parents, teachers, or community members and operates outside of the traditional school district

structure. Charter schools are nonsectarian, may not charge tuition, and cannot limit admission based on achievement, aptitude, or athletic ability.[1]

Each charter school is managed by a school board that is elected by the charter school staff and parents of children enrolled in the school. By law, a charter school board must have at least five members.[2] Minnesota is the only state that requires licensed teachers employed at the charter school to comprise a majority of the school's board, although the commissioner of MDE has the authority to waive this requirement upon request.[3] Charter schools must incorporate as a cooperative or as a nonprofit corporation under Minnesota law.[4]

**Every charter school must have a sponsor who authorizes the school and monitors the school's fiscal and academic performance.**

Each charter school must also have a sponsor. The sponsor authorizes establishment of the school and later must monitor and evaluate the fiscal and academic performance of the school.[5] As outlined in law, sponsors must be one of the following types of organizations: (1) school boards, intermediate school district school boards, or education districts;[6] (2) nonprofit organizations with an end-of-year fund balance of at least $2 million; or (3) Minnesota higher education institutions.[7]

In law, charter schools are exempt from "all statutes and rules applicable to a school, a board, or a district," except for those requirements set forth in *Minnesota Statutes* 124D.10.[8] For example, unlike district school administrators, charter school administrators are not required to hold an administrator's license.[9] However, statutes require charter schools to meet many of the same requirements as district schools, such as health and safety requirements and special education requirements, among others.[10] Table 1.1 lists select education laws that apply to district schools that also apply to charter schools. As noted in the table, charter school students are held accountable to the state's education standards and must take Minnesota's standardized assessments.

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[1] *Minnesota Statutes* 2007, 124D.10, subds. 8(c), 8(f), and 9.

[2] *Minnesota Statutes* 2007, 124D.10, subd. 4(c).

[3] Unless they receive a waiver, charter schools must have a teacher majority on their school boards by the end of their third year of operation. See *Minnesota Statutes* 2007, 124D.10, subd. 4(c).

[4] *Ibid.*

[5] *Minnesota Statutes* 2007, 124D.10, subds. 4 and 15(b).

[6] Education districts are multi-purpose education cooperatives that serve a number of school districts. Typically, education districts provide staff development opportunities and special education services, among other things.

[7] *Minnesota Statutes* 2007, 124D.10, subd. 3. Certain other nonprofit organizations that have less than $2 million in assets may also sponsor charter schools if (1) the charter school has already been in operation for at least three years, and (2) the nonprofit organization has existed for at least 25 years. MDE sponsors ten charter schools under a continued provision of a previous law; however, the department is prohibited from sponsoring any additional charter schools.

[8] *Minnesota Statutes* 2007, 124D.10, subd. 7.

[9] *Minnesota Statutes* 2007, 124D.10, subd. 11.

[10] *Minnesota Statutes* 2007, 124D.10, subds. 8 and 12.

## Table 1.1: Select Minnesota Education Laws that Apply to District and Charter Schools

Charter schools must:

- Adhere to compulsory attendance laws;
- Administer statewide standardized assessments;
- Comply with educational data requirements;
- Comply with requirements regarding the length of the school year;
- Comply with special education requirements;
- Comply with the Minnesota Human Rights Act;
- Comply with the Pupil Fair Dismissal Act regarding when and how to suspend, exclude, and expel students;
- Conduct financial audits, follow audit procedures, and comply with audit reporting requirements;
- Conform to required academic standards;
- Enforce requirements regarding reciting the Pledge of Allegiance;
- Ensure equal opportunity in athletic programs;
- Ensure that teachers satisfy teacher licensure requirements;
- Follow all relevant state and local health and safety requirements; and
- Follow the Minnesota Public School Fee law regarding authorized and prohibited fees.

SOURCES: *Minnesota Statutes* 2007, 13.32; 120A.22; 120B.021; 120B.30; 121A.04; 121A.11; 121A.40 to 121A.56; 123B.34 to 123B.39; 124D.10; 125A; and 363A.

**Charter schools must comply with numerous state education laws.**

To open a charter school, charter school developers (parents, teachers, or community members) must submit an application to a sponsor, who then decides whether to approve the application and authorize the school. Once the sponsor approves the application, the sponsor must file an affidavit with MDE stating its intent to authorize the school. MDE must review the sponsor's affidavit and approve or disapprove it. If MDE does not approve the sponsor's affidavit, the sponsor may not authorize the charter school.[11]

Once MDE approves a sponsor's affidavit to authorize a charter school, the sponsor and developers enter into a contract, or "charter." Through the contract with its sponsor, a charter school must demonstrate how it will fulfill at least one of the following six charter school purposes outlined in law:

- Improve pupil learning;
- Increase learning opportunities for pupils;
- Encourage the use of different and innovative teaching methods;
- Require the measurement of learning outcomes and create different and innovative forms of measuring outcomes;

[11] *Minnesota Statutes* 2007, 124D.10, subd. 4(b).

- Establish new forms of accountability for schools; or
- Create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site.[12]

Additionally, the contract must outline how the sponsor will oversee the fiscal and student performance of the charter school. In return for this oversight, the sponsor may assess a charter school $30 per student, up to a maximum of $10,000 in the school's first three years, and $10 per student, up to a maximum of $3,500, in subsequent years.[13]

**A charter school can be closed for cause by either its sponsor or the Minnesota Department of Education.**

By law, the duration of a charter school contract may be no longer than three years.[14] Before the contract can be renewed, the sponsor must conduct an evaluation of the charter school and submit the evaluation to MDE for review and comment. Sponsors can also choose not to renew a contract at the end of the contract term. Sponsors may terminate a charter school contract during the term of the contract for a school's failure to meet the pupil performance requirements in the contract, failure to meet generally accepted standards of fiscal management, violations of law, or other "good cause."[15] Additionally, MDE may terminate a charter school contract if the school has a history of financial mismanagement or repeated violations of the law.[16] MDE has never used this authority.

A charter school may apply to MDE to change its sponsor if the school or its existing sponsor chooses to terminate or not renew the contract. MDE must approve the change in sponsor, and the existing sponsor must report to the new sponsor on the school's fiscal and student performance. In total, 19 Minnesota charter schools have changed sponsors since 1992. MDE has never approved a transfer of sponsorship for a charter school whose sponsor has terminated or not renewed its contract for cause.

# CHARTER SCHOOL OVERVIEW

Table 1.2 shows the number of charter schools that were approved, opened, or closed since 1991, as well those that were operating each year. In the 2007-08 school year, there were 143 charter schools in operation and 15 schools approved but not yet open. As shown in Figure 1.1, the schools are located across the state, although a majority are located in the Twin Cities metropolitan area. More specifically, almost one-quarter of the state's charter schools are located in Minneapolis, about 20 percent are located in St. Paul, and more than 20 percent

[12] *Minnesota Statutes* 2007, 124D.10, subds. 1 and 6(1).

[13] *Minnesota Statutes* 2007, 124D.10, subd. 15(b).

[14] *Minnesota Statutes* 2007, 124D.10, subd. 6(9).

[15] *Minnesota Statutes* 2007, 124D.10, subd. 23(b).

[16] *Minnesota Statutes* 2007, 124D.10, subd. 23(d).

## Table 1.2: Charter Schools Approved, Opened, Operating, and Closed, 1991 to 2007

| | Number of Charter Schools: | | | |
|---|---|---|---|---|
| | Approved | Opened[a] | Operating | Closed |
| 1991 | 1 | 0 | 0 | 0 |
| 1992 | 3 | 1 | 1 | 0 |
| 1993 | 3 | 5 | 6 | 0 |
| 1994 | 7 | 7 | 13 | 0 |
| 1995 | 5 | 4 | 17 | 0 |
| 1996 | 1 | 3 | 19 | 1 |
| 1997 | 8 | 6 | 24 | 1 |
| 1998 | 13 | 14 | 38 | 0 |
| 1999 | 22 | 16 | 53 | 1 |
| 2000 | 16 | 14 | 62 | 5 |
| 2001 | 14 | 11 | 66 | 7 |
| 2002 | 13 | 12 | 77 | 1 |
| 2003 | 21 | 12 | 87 | 2 |
| 2004 | 31 | 19 | 104 | 2 |
| 2005 | 8 | 22 | 121 | 5 |
| 2006 | 18 | 12 | 131 | 2 |
| 2007 | 11 | 15 | 143 | 3 |
| Total | 195 | 173 | 143[b] | 30 |

NOTE: Years reported are calendar years.

[a] Seven of the approved charter schools never opened and 15 plan to open no earlier than September 2008.

[b] Number of schools operating as of December 2007.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education charter school data.

**The number of charter schools in Minnesota has increased each year since they were first authorized.**

are located in the Greater Metropolitan area excluding the two inner cities. Just over one-third of the state's charter schools are located in Outstate Minnesota.[17]

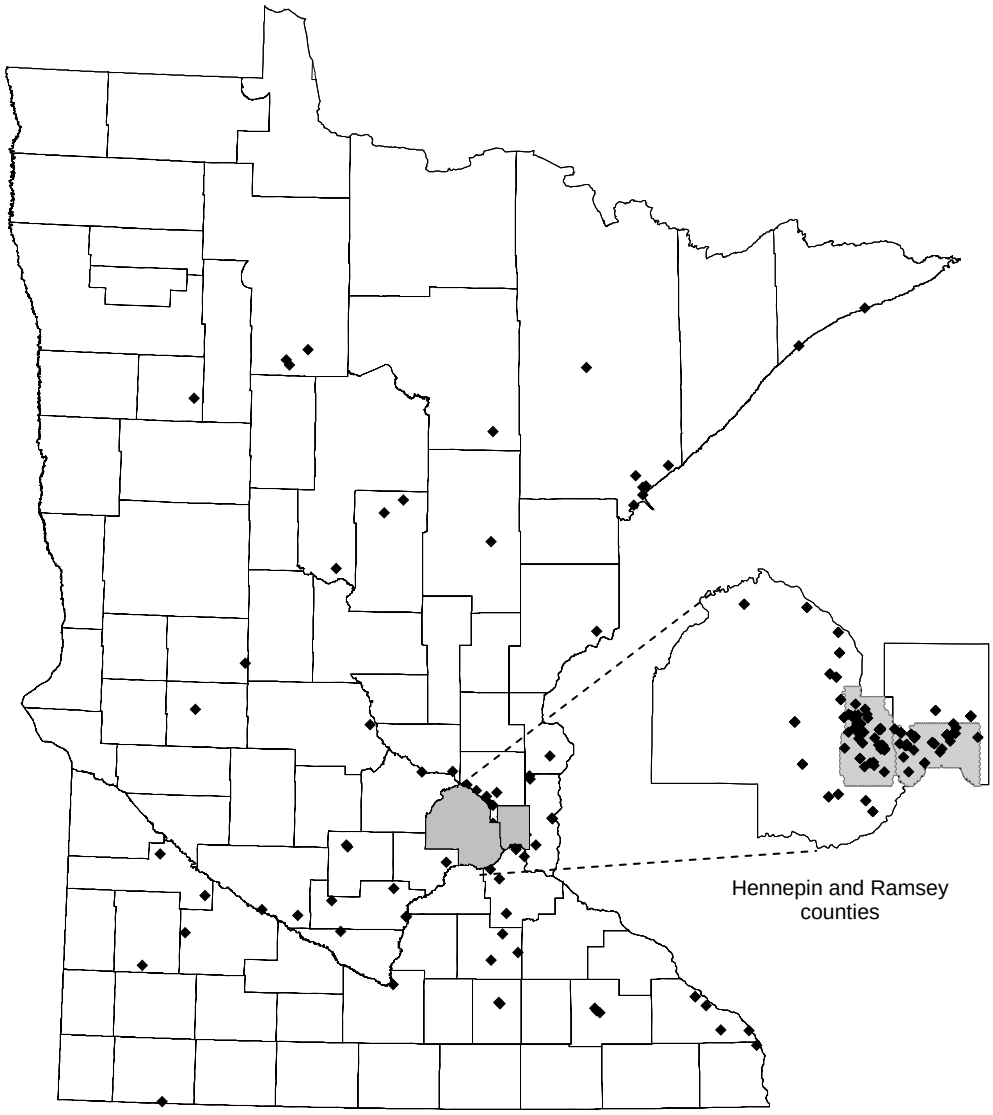
# Charter School Characteristics

Most charter schools are small, with total enrollment of fewer than 200 students. In the 2006-07 school year, only one-third of charter schools had more than 200

[17] In this report, "Greater Metropolitan area" refers to the seven-county metropolitan region (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties) excluding Minneapolis and St. Paul. "Outstate Minnesota" refers to the parts of the state outside of the seven-county metropolitan region.

## Figure 1.1: Charter School Locations, 2008

**Charter schools are located across Minnesota.**




NOTE: Minnesota had 143 charter schools with 169 sites in the 2007-08 school year. This map shows the 169 charter school sites operating in the 2007-08 school year.

SOURCE: Office of the Legislative Auditor.

students; the largest charter school had over 500 students.[18] This is in contrast to district schools, which enrolled an average of more than 400 students; some district schools enrolled more than 3,000 students. Charter schools serve all grade levels and have a variety of grade configurations, such as pre-kindergarten

[18] Four other charter schools had larger enrollments in the 2006-07 school year (of about 600, 800 and almost 1,300 students) but all had multiple school sites.

through eighth grade, sixth through twelfth grade, and ninth through twelfth grade.

Charter schools provide students and families a variety of educational options in terms of the mission of the school, the subject focus, and the type of students served. For example, some charter schools, such as Cedar Riverside Community School in Minneapolis and Ridgeway Community School in Houston, emphasize civic responsibility and community service. Other schools, such as Augsburg Academy for Health Careers in Minneapolis, Ubah Medical Academy Charter School in Hopkins, and the St. Paul Conservatory for Performing Arts in downtown St. Paul, center their programs on specific careers. Some charter schools focus on a certain student population, such as African-American, Native American, Hmong, or immigrant students; or students recovering from alcohol or drug dependency.

**Charter schools have increased educational choices for Minnesota students.**

Rather than focus on a certain subject matter or group of students, some charter schools center their programs on an educational model or curriculum. For example, Minnesota New Country School in Henderson, Jennings Experiential High School in St. Paul, and River Heights Charter School in West St. Paul, among others, use a project-based learning approach.[19] Other charter schools employ a specific type of curriculum. For example, Minneapolis Academy and Beacon Academy in Plymouth use the Core Knowledge curriculum;[20] Swan River Montessori Charter School in Monticello and The World Learner School of Chaska both use a Montessori curriculum.[21]

Regardless of whether a charter school's focus is on serving a particular student body, implementing an educational model, or employing a specific curriculum, collectively, charter schools have increased educational choices for Minnesota students.

# Charter School Student Demographics

During the 2006-07 school year, almost 24,000 students, or about 3 percent of Minnesota's K-12 student population, attended charter schools. Minnesota charter school students differed from students who attended district schools in Minnesota.

In the 2006-07 school year, Minnesota charter schools served significantly larger percentages of minority students, students eligible for free or reduced-price

[19] Under a project-based learning approach, students work on projects they have developed and that address their specific interests. Students often work independently and at their own pace, outside of a structured classroom setting. Students fulfill state academic standards through their work on these projects.

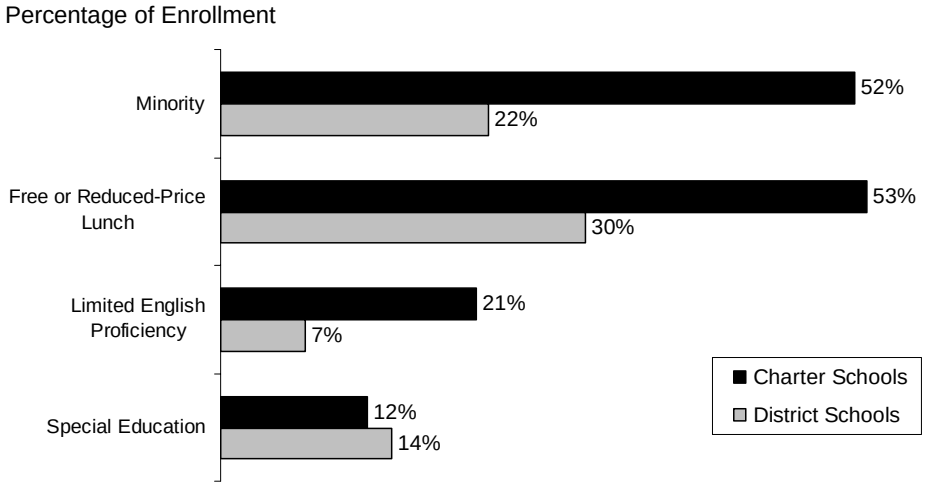
[20] The Core Knowledge curriculum is a specific curriculum that outlines what students should learn for every grade level and subject. For example, the Core Knowledge curriculum outlines specific books to read and subjects to cover.

[21] In a Montessori program, students are clustered in multi-age groups, and the curriculum is integrated across a number of disciplines. Emphasis is on students learning through direct experience, rather than through teacher-directed lectures.

lunch, and students with limited English proficiency than district schools. As shown in Figure 1.2, in the 2006-07 school year, 52 percent of charter school students were minority students, as compared with 22 percent of district school students. During the same school year, 53 percent of charter school students qualified for free or reduced-price lunch, while only 30 percent of district school students qualified for this program. Similarly, 21 percent of charter school students were designated as having limited English proficiency during the 2006-07 school year, in contrast with 7 percent of district school students. Charter schools had a slightly lower percentage of students participating in special education programs than district schools (12 percent as compared with 14 percent).

## Figure 1.2: Demographic Characteristics of Charter and District School Students, 2007

**Overall, Minnesota charter schools enroll higher percentages of minority students, students eligible for free or reduced-price lunch, and limited English proficiency students than district schools.**




NOTE: Data are for all charter schools and noncharter public schools operating during the 2006-07 school year.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education demographic data.

Demographic differences between charter and district schools varied by region. As shown in Table 1.3, Minneapolis charter schools served a larger percentage of minority students, students eligible for free or reduced-price lunch, and students with limited English proficiency than Minneapolis district schools. Notably different than charter schools in Minneapolis, St. Paul charter schools had lower percentages of these students than St. Paul district schools. In the Greater Metropolitan area and Outstate Minnesota, charter and district schools served roughly comparable groups of students, although charter schools in both of these

## Table 1.3: Demographic Characteristics of Charter and District School Students by Region, 2007

| | Minority | | Free or Reduced-Price Lunch | | Limited English Proficiency | | Special Education | |
|---|---|---|---|---|---|---|---|---|
| | Charter | District | Charter | District | Charter | District | Charter | District |
| Minneapolis | 85% | 72% | 78% | 65% | 37% | 23% | 9% | 16% |
| St. Paul | 73 | 74 | 66 | 69 | 36 | 40 | 11 | 17 |
| Greater Metropolitan | 28 | 22 | 26 | 20 | 7 | 6 | 13 | 13 |
| Outstate Minnesota | 16 | 12 | 39 | 32 | 3 | 3 | 17 | 14 |
| Statewide | 52% | 22% | 53% | 30% | 21% | 7% | 12% | 14% |

NOTES: Schools were grouped within four geographic regions: Minneapolis; St. Paul; the Greater Metropolitan area (the seven-county metropolitan region—Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties—excluding Minneapolis and St. Paul); and Outstate Minnesota (the parts of the state outside of the seven-county metropolitan region). Data for "districts" include all noncharter public schools. Data are for all charter schools and noncharter public schools operating during the 2006-07 school year.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education demographic data.

regions had higher percentages of minority students and students that qualified for free or reduced-price lunch.[22]

Charter school student demographics also vary within each region; a school's demographics can mirror the local community or be quite distinct. For example, the average St. Paul district school had minority enrollment of 74 percent in the 2006-07 school year. In contrast, the Twin Cities German Immersion Charter School in St. Paul had minority enrollment of less than 10 percent, and the Higher Ground Charter School and Hmong Academy Middle School, both also in St. Paul, had 100 percent minority enrollment. Similar disparities in the percentages of students who qualify for free or reduced-price lunch, limited English proficiency services, and special education services exist among charter schools across the state.

[22] Because nearly half of all Minnesota charter schools are located in Minneapolis and St. Paul, charter schools in these regions may drive the student demographics for charter schools statewide.

# 2 Charter School Performance


**SUMMARY**

***In general, Minnesota charter schools did not perform as well as district schools on Minnesota's 2007 standardized assessments, and a smaller percentage of charter schools made Adequate Yearly Progress than district schools. However, charter school performance varied significantly by geographic region. In addition, when we took account of region, percentage of minority students, percentage of students eligible for free or reduced-price lunch, and student mobility rates, the differences between charter and district school student performance were minimal. Based on indicators related to year-end fund balances, charter schools' financial health is comparable to that of school districts.***


Although charter schools are free from some state regulations, they must meet many of the same academic and financial standards as district schools. Specifically, to comply with the federal No Child Left Behind Act (NCLB), charter schools must demonstrate Adequate Yearly Progress (AYP)—a measure based on overall student attendance, academic performance, and graduation rates—and students attending charter schools must meet academic proficiency rates in math and reading on state standardized assessments. Moreover, charter schools must demonstrate fiscal stability through annual financial audit requirements.

This chapter compares charter and district schools' academic and fiscal performance. Specifically, this chapter addresses the following questions:

- **How does the academic performance of charter schools compare with that of district schools? What factors contribute to any differences?**

- **To what extent have charter schools experienced financial difficulties?**

To assess charter schools' academic performance, we examined charter and district school data from the Minnesota Department of Education (MDE) for the 2006-07 school year.[1] Specifically, we analyzed statewide AYP data for charter and district schools, and we compared the scores of charter school students with those of students in district schools on the state's standardized assessments—the Minnesota Comprehensive Assessments, Series II (MCA-II). To account for potential differences in student populations, we also grouped charter schools with district schools that had similar student demographics and compared scores

[1] In this chapter, we refer to the 2006-07 school year as 2007.

within these groupings. To examine other factors that may affect the performance of some charter schools, we looked at the extent to which charter schools face high rates of student mobility, high percentages of students with limited English proficiency, or high percentages of special education students compared to district schools. We then analyzed these factors in relation to charter and district school student performance on the MCA-II assessments.

To understand other methods used by some charter schools to measure achievement, such as alternative assessments, we interviewed school directors and school board members from 14 (about 10 percent) of the charter schools in Minnesota. We also reviewed the results of these assessments for some of the schools that we visited.

To evaluate the fiscal health of charter schools, we examined the fund balances of charter and district schools over a five-year period. We also evaluated the extent to which the same charter schools experienced financial difficulties from year to year. We compared these results to the Office of the Legislative Auditor's (OLA) 2003 evaluation, *Charter School Financial Accountability*, to assess whether charter schools have improved their fiscal stability since that time.

**To make comparisons, we matched each charter school with similar district schools.**

While the analysis in this chapter provides important insights into charter school student performance, the results should be interpreted with care given the challenges and limitations of the analysis. A key challenge was finding appropriate district schools to compare with each charter school. A key limitation was having to rely on achievement-based assessments such as the MCA-II tests, which measure student performance at one point in time, rather than tests that measure growth in student performance.[2]

To find appropriate district schools to compare with each charter school, we grouped schools based on three characteristics: region, percentage of minority students, and percentage of students eligible for free or reduced-price lunch.[3] Through our grouping process (discussed further in the methodology section on page 19 and in Appendix A), we were able to somewhat control for the effect of these three factors on student performance. Because of the limitations of relying on MCA-II assessment data, it is important to note that our analysis reflects academic performance at one point in time, rather than growth in performance while enrolled in school. Thus, if students in one school outperform students in a second school, the difference could be due to the fact that students in the first school were already ahead of students from the second school when they first enrolled in the school, or that students from the first school progressed faster than the other students while in school. Statewide data are not adequate to determine the extent to which test score differences are due to these two factors.

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[2] The challenges and limitations we faced in conducting this analysis are prevalent in national research on student academic performance.

[3] Eligibility for free or reduced-price lunch is a proxy for income level. To qualify for free school lunch, students must have family income less than or equal to 130 percent of the federal poverty income guidelines. To qualify for reduced-price lunch, students must have family income less than or equal to 185 percent of the federal poverty income guidelines.

The following sections present analysis of charter school academic performance bearing these challenges in mind. First, we discuss statewide performance in charter and district schools by comparing their respective AYP results and examining statewide charter and district school student performance on state standardized assessments. We then discuss the performance of charter and district schools within the same region and with similar student demographics. Subsequent sections examine other factors that may affect student performance, such as schools' student mobility rates, percentages of students with limited English proficiency, and percentages of special education students.

# ACADEMIC PERFORMANCE

Charter schools in Minnesota are subject to the same state laws regarding education standards and academic performance as school districts.[4] Specifically, charter schools must meet the state's requirements for student testing participation rates, graduation or attendance rates, and student proficiency on state standardized assessments in math and reading. Based on our assessment of AYP and MCA-II assessment data, we found that:

- **In 2007, students in Minnesota charter schools generally did not perform as well on standardized academic measures as students in Minnesota district schools; however, after accounting for certain demographic factors and student mobility, the differences in performance were minimal.**

**The performance of charter schools is mixed.**

In 2007, a smaller percentage of charter schools made AYP than district schools. Similarly, students in charter schools did not perform as well on state standardized assessments in math and reading as students in district schools. However, charter schools in some regions of the state performed better than district schools in the same region. For example, charter schools in Minneapolis and St. Paul made AYP at a higher rate than district schools in those cities.

In addition to controlling for regional differences, we controlled for certain student and school characteristics and then analyzed charter and district school performance. When comparing the MCA-II scores of charter schools with district schools that have similar characteristics (region, the percentages of minority students and students eligible for free or reduced-price lunch, and student mobility rates), the disparities between charter and district school performance diminished significantly.[5]

[4] *Minnesota Statutes* 2007, 124D.10, subd. 10; 120B.02, subd. 2; 120B.021, subd. 1; and 120B.30, subds. 1 and 1a.

[5] In this chapter, we discuss a *school's* performance on the MCA-II assessments. To measure the performance of a school (or group of schools), we first converted student test scores to a standard scale. This made the scores comparable across grade levels. We then averaged the student test scores to determine a composite math and reading score for each school or group of schools.

# Statewide Results

As noted above, charter schools statewide did not perform as well as district schools on the state's academic measures. The following sections contain detailed discussions of charter and district school AYP results and performance on the MCA-II assessments.

## Adequate Yearly Progress

**Like district schools, charter schools must demonstrate Adequate Yearly Progress (AYP) and comply with federal requirements under the No Child Left Behind Act.**

In order to make AYP and comply with NCLB, a Minnesota school must reach MDE-determined targets in testing participation rates and in math and reading proficiency rates. (Students are considered proficient if they meet or exceed expectations on the MCA-II math and reading assessments.) Proficiency targets increase every year until 2014, when 100 percent of students must attain proficiency for a school to make AYP. In addition to the academic requirements, every school must demonstrate adequate progress in graduation rates (for schools that serve students through grade 12) or attendance rates (for schools that do not serve graduating students).[6]

NCLB accountability models use disaggregated data. To make AYP, a school must reach participation and proficiency targets for its entire student population and eight student demographic subgroups.[7] Each subgroup must have a minimum of 40 students to count toward participation rates and at least 20 students to be factored into proficiency calculations. All subgroups large enough to be measured must make AYP in both participation and proficiency in order for a school to make AYP in a given subject. If the entire student population or any subgroup that is large enough to be measured fails to make AYP in either subject (math or reading), or in the school's additional measure (graduation or attendance rates), the school as a whole will fail to make AYP. Schools that fail to make AYP in the same subject for two or more consecutive years are subject to federal consequences.[8]

Based on our analysis of charter and district school AYP rates, we found that:

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[6] Students are tested in math and reading starting in grade three. In 2007, 28 Minnesota schools served students only through grade two. Since students in these schools do not take the MCA-II assessments, AYP for these schools is based solely on attendance rates.

[7] The NCLB student demographic subgroups are: American Indian, Asian/Pacific Islander, Hispanic, Black, White, limited English proficiency, special education, and free or reduced-price lunch.

[8] Federally-mandated consequences for failure to make AYP only apply to those schools that receive federal Title I funding. Title I grants are intended to help schools improve educational opportunities for low-income children. About half of the schools in Minnesota received Title I funding in 2007, with a higher percentage of Minnesota charter schools receiving this funding than district schools. Schools receiving Title I funding that fail to make AYP in the same subject for two or more consecutive years must dedicate some of their federal funds to implementing school improvements required by NCLB. While the federal consequences only apply to Title I schools, MDE calculates and reports AYP results for all Minnesota schools.

- **In 2007, a smaller percentage of charter schools made AYP than district schools. However, in Minneapolis and St. Paul, charter schools made AYP at a higher rate than district schools.**

As shown in Table 2.1, more than two-thirds of Minnesota's district schools made AYP in 2007; only half of the charter schools we analyzed made AYP that year.[9] Statewide, 66 percent of all public schools (both district and charter schools) made AYP in 2007.

**Only half of Minnesota charter schools made AYP in 2007.**

## Table 2.1: Schools Making AYP by School Type, 2007

| | Number Making AYP | Percentage Making AYP | Total Number of Schools |
|---|---|---|---|
| Charter Schools | 73 | 50% | 145[a] |
| District Schools | 1,000 | 68 | 1,471 |
| All Public Schools | 1,073 | 66% | 1,616 |

NOTE: Schools that made Adequate Yearly Progress (AYP) met Minnesota Department of Education-determined targets in all categories (reading and math participation and proficiency, as well as graduation or attendance rates) for all demographic subgroups.

[a] Although a total of 131 charter schools were operating in the 2006-07 school year, some of these schools had multiple sites (such as an elementary school and a middle school). Analysis in this table is based on 145 charter school sites.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education AYP data.

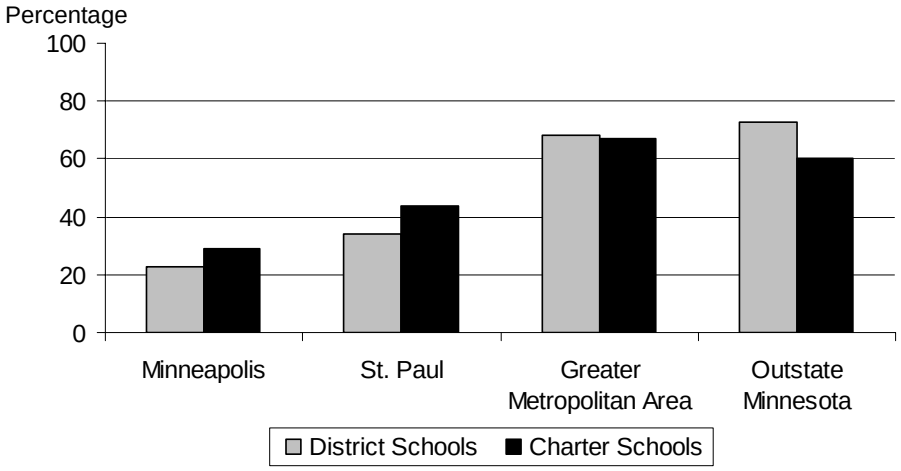
While charter schools did not make AYP at the same rate as district schools statewide in 2007, results varied by region. We examined charter and district school AYP results within four geographic regions: Minneapolis, St. Paul, the Greater Metropolitan area, and Outstate Minnesota.[10] As illustrated in Figure 2.1, a greater percentage of public schools (both district and charter) in the Greater Metropolitan area and Outstate Minnesota made AYP in 2007 than schools in the Twin Cities. However, in Minneapolis and St. Paul, a larger percentage of charter schools made AYP than district schools. In the Greater Metropolitan area and Outstate Minnesota, a larger percentage of district schools made AYP than charter schools, though the difference was small in the Greater Metropolitan area. The difference was largest in Outstate Minnesota, where 73

[9] Although a total of 131 charter schools were operating in the 2006-07 school year, some of them had multiple sites (such as an elementary school and a middle school). Our data analysis in this chapter is based on the total number of charter school *sites* (153). Thus, the number of charter schools included in the analysis in Chapter 2 is higher than the total number of charter schools reported in Chapters 1 and 3. In our analysis of AYP data, we did not include charter or district schools that focused on unique learning programs (such as alternative learning programs), as students in these schools may face extenuating circumstances that affect performance. Excluding these schools brought the total number of school sites to 145.

[10] In this report, the "Greater Metropolitan area" refers to the seven-county metropolitan region (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties) excluding Minneapolis and St. Paul. "Outstate Minnesota" refers to the parts of the state outside of the seven-county metropolitan area.

**Charter schools in Minneapolis and St. Paul were more likely to make AYP than district schools in those cities.**

## Figure 2.1: Percentage of Schools Making AYP by Region and School Type, 2007




NOTES: Schools that made Adequate Yearly Progress (AYP) met Minnesota Department of Education targets in all categories (reading and math participation and proficiency, as well as attendance or graduation rates) for all demographic subgroups. Schools were grouped within four geographic regions: Minneapolis; St. Paul; the Greater Metropolitan area (the seven-county metropolitan region—Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties—excluding Minneapolis and St. Paul); and Outstate Minnesota (the parts of the state outside of the seven-county metropolitan region).

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education AYP data.

percent of district schools made AYP compared with 60 percent of charter schools.

### State Standardized Assessments (MCA-II)

By law, students in Minnesota must take the MCA-II math assessment in grades 3 through 8 and 11, and the MCA-II reading assessment in grades 3 through 8 and 10.[11] These assessments help schools measure student progress toward Minnesota's academic standards and the requirements of NCLB and, as discussed previously, are used to determine whether schools make AYP.

To evaluate student performance on the MCA-II assessments in Minnesota's charter and district schools, we compared the average scores of all charter and district school students statewide in math and reading. Students take different assessments at each grade level, and actual average scores differ among grades. In order to combine assessment results for different grade levels, we converted all scores to a scale with a statewide mean of 50 and a standard deviation of 15 for both math and reading.[12] For both math and reading, students in the 75th

[11] *Minnesota Statutes* 2007, 120B.02; and 120B.30, subd. 1.

[12] The standard deviation is a statistical measure of variation in scores; typically in a "normal" distribution, about two-thirds of the scores are within one standard deviation of the mean.

percentile scored 10 or more points above the mean and students in the 95th percentile scored 23 points or more above the mean. The highest score in the state was 100 for math and 97 for reading. As with the AYP data, we analyzed student performance at the statewide level and within the geographic regions of Minneapolis, St. Paul, the Greater Metropolitan area, and Outstate Minnesota.

Based on our analysis of the statewide MCA-II data, we found that:

- **Statewide, charter school students generally did not perform as well on Minnesota's 2007 standardized assessments as students in district schools. However, results varied by geographic region.**

Overall, students from charter schools statewide did not perform as well on the MCA-II assessments as students who attended district schools, although in some cases, these differences were fairly small. Charter school students on average scored more than six fewer points on the 2007 MCA-II math and reading exams than district school students. While six points is not a very large difference for any two students, we consider the difference to be moderately large for comparisons among schools. However, the disparities among charter and district schools varied across geographic regions. On average, students in St. Paul charter schools scored about the same as students in St. Paul district schools on both the math and reading MCA-II assessments. Minneapolis charter school students fared the worst, scoring six fewer points on average than Minneapolis district school students on both the math and reading assessments.[13] In both the Greater Metropolitan area and Outstate Minnesota, charter school students scored five fewer points on average than district school students in math and about three fewer points in reading.

# Comparable District Schools

**Research suggests demographic factors are related to student performance.**

In addition to comparing all charter and district schools statewide and within a given region, we compared smaller groups of charter and district schools that shared similar demographic characteristics. The sections that follow describe our methodology for grouping charter schools with comparable district schools and the results of our comparisons.

## Methodology

National research suggests that certain demographic factors, including student socioeconomic and minority status, are related to student performance on standardized assessments. Specifically, research shows that minority students and students from low-income families (as indicated by a student's eligibility for free or reduced-price lunch) generally perform worse on standardized assessments nationwide. For example, a 2005 study by the National Assessment of Educational Progress (NAEP) found that in reading, fourth- and eighth-grade

[13] As stated in Chapter 1, nearly half of all Minnesota charter schools are located in Minneapolis and St. Paul. As such, charter schools in these regions may drive the results for charter schools statewide.

students who were eligible to receive free or reduced-price lunch were more than two grade levels behind their peers who were not eligible for free or reduced-price lunch programs.[14] Similarly, 2007 NAEP data indicated that eighth-grade African-American and Latino students were about three grade levels behind white students in math.[15]

As discussed in Chapter 1, charter schools in Minnesota serve significantly higher percentages of minority students and students eligible to receive free or reduced-price lunch than district schools. To account for the potential affects of these demographic differences on charter and district school MCA-II scores, we compared charter school students' performance with that of students in district schools with similar demographics. We analyzed the data by grouping charter schools with district schools located in the same geographic region (Minneapolis, St. Paul, the Greater Metropolitan area, and Outstate Minnesota) that served comparable percentages of minority students and students who qualified for free or reduced-price lunch.

**We grouped charter and district schools in the same region with similar percentages of minority students and students eligible for free or reduced-price lunch.**

Specifically, we used 2007 demographic data to match each charter school with district schools in the same region whose percentages of minority students and students who qualified for free or reduced-price lunch were within 10 percentage points of the charter school's student populations in those subgroups. For example, the Academy for Science and Agriculture in Vadnais Heights is located in the Greater Metropolitan area and had a 2007 student population composed of about 25 percent minority students and about 15 percent students who were eligible for free or reduced-price lunch. As such, this charter school was grouped with district schools in the Greater Metropolitan area that served between 15 and 35 percent minority students and 5 and 25 percent students eligible for free or reduced-price lunch. Within these groupings, we compared the average math and reading MCA-II scores of the charter school students with the average scores of students in the comparable district schools.[16] The appendix at the end of this report contains a more detailed discussion of our methodology for comparing charter and comparable district school MCA-II scores.

Based on our grouping methodology, we were able to compare the performance of students from 119 charter schools to the performance of students from district schools with similar demographics.[17] We were unable to match 34 (of the 153)

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[14] National Assessment of Educational Progress (NAEP), "Utah NAEP 2005 Trends: Further Achievement Gap Analyses of Key Subgroups in Reading, Math & Science," http://www.schools.utah.gov/assessment/DOCUMENTS/NAEP_Gap_Analysis_Grade_4_8_SMR_2005.pdf, accessed May 8, 2008.

[15] National Assessment of Educational Progress (NAEP), "Closing the Achievement Gap?", http://web.ebscohost.com/ehost/pdf?vid=2&hid=2&sid=a5cbc91a-f1d8-4453-a218-108a007582eb%40SRCSM2, accessed May 8, 2008.

[16] The groups that resulted from this matching contained as few as 1 district comparison school and as many as 126. A given district school could be matched with multiple charter schools as long as it met the regional and demographic requirements.

[17] One charter school did not take the math assessment because it serves grades that are not assessed in math (ninth and tenth grades); thus, the total number of grouped charter schools that took the math assessments is 118 and the total number that took the reading assessments is 119.

charter school sites with any district schools due to unique student and school characteristics.[18] For example, some charter schools in Minneapolis and St. Paul had relatively low percentages of minority students or students who qualified for free or reduced-price lunch. Because the demographics of these charter schools differed markedly from those of the cities' district schools, we were unable to identify comparable district schools. We omitted these charter schools (25 charter schools in total) from our analysis. In addition, some charter schools focus exclusively on unique learning programs, such as online learning programs, alternative learning programs, or programs for special education students. We also omitted these charter schools (nine charter schools in total) from our analysis. See Table B.1 in the appendix for a list of charter schools omitted from our analysis.

## Comparison of Schools with Similar Demographics

Based on our analysis of the MCA-II scores of charter schools and their comparison district schools, we found that:

- **Even when more narrowly compared to district schools in the same region with similar demographics, charter schools generally did not perform as well on standardized assessments as comparable district schools.**

**Only about 15 percent of charter schools performed better on the 2007 MCA-II math and reading assessments than district schools in the same region with similar student demographics.**

As shown in Table 2.2, in total, only about 15 percent of charter schools performed better on the 2007 MCA-II math and reading assessments than district schools in the same region with similar student demographics. About half (51 percent) of charter schools performed worse than their comparison groups of district schools on the math assessment, and 38 percent of charter schools performed worse on the reading assessment. In many cases, however, there was no significant difference between the scores of charter schools and their district comparison schools (34 percent of the comparisons in math and 48 percent in reading did not yield statistically significant differences).[19]

Minneapolis and St. Paul charter schools were more likely to outperform comparable district schools than charter schools in the Greater Metropolitan or Outstate regions of the state.[20] Specifically, as shown in Table 2.2, 26 percent of Minneapolis charter schools and 25 percent of St. Paul charter schools performed

[18] The unmatched schools represent 22 percent of charter school sites and 18 percent of charter school students.

[19] Significance was determined at the 95-percent confidence level. Lack of statistical significance resulted from small differences in test scores (68 percent of the reading score comparisons and 73 percent of the math score comparisons that had no significant difference) or too few charter school students taking a particular assessment (32 percent of the reading comparisons and 27 percent of the math comparisons with no significant difference).

[20] These results differ from our statewide analysis of MCA-II scores for charter and district schools that were not grouped based on demographic characteristics. Our previous analysis included *all* charter and district schools in Minnesota; the analysis presented here includes only those charter and district schools that could be matched.

## Table 2.2: Comparable Charter and District School Student Performance, 2007 MCA-II Assessments, by Region

| | Number and Percentage of Charter Schools in: | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Minneapolis | | St. Paul | | Greater Metropolitan Area | | Outstate Minnesota | | Total | |
| **MCA-II Math Assessments** | | | | | | | | | | |
| *Unmatched* | *11* | -- | *7* | -- | *7* | -- | *9* | -- | *34* | -- |
| Charter School Performed Better | 8 | 26% | 5 | 25% | 2 | 7% | 3 | 8% | 18 | 15% |
| No Significant Difference | 17 | 55 | 5 | 25 | 5 | 19 | 13 | 33 | 40 | 34 |
| Charter School Performed Worse | 6 | 19 | 10 | 50 | 20 | 74 | 24 | 60 | 60 | 51 |
| Total[a] | 31 | 100% | 20 | 100% | 27 | 100% | 40 | 100% | 118 | 100% |
| **MCA-II Reading Assessments** | | | | | | | | | | |
| *Unmatched* | *11* | -- | *8* | -- | *6* | -- | *9* | -- | *34* | -- |
| Charter School Performed Better | 6 | 19% | 4 | 20% | 4 | 14% | 3 | 8% | 17 | 14% |
| No Significant Difference | 16 | 52 | 8 | 40 | 11 | 39 | 22 | 55 | 57 | 48 |
| Charter School Performed Worse | 9 | 29 | 8 | 40 | 13 | 46 | 15 | 38 | 45 | 38 |
| Total[a] | 31 | 100% | 20 | 100% | 28 | 100% | 40 | 100% | 119 | 100% |

NOTES: Charter schools were compared to district schools with similar student demographics and located in similar geographic regions of the state. Specifically, district comparison schools had plus or minus 10 percentage points of the charter school's percentage of minority students and plus or minus 10 percentage points of the charter school's percentage of students who qualified for free or reduced-price lunch. Schools were grouped within four geographic regions: Minneapolis; St. Paul; the Greater Metropolitan area (the seven-county metropolitan region—Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties—excluding Minneapolis and St. Paul); and Outstate Minnesota (the parts of the state outside of the seven-county metropolitan region). Thirty-four charter schools could not be matched with comparable district schools and were not included in this analysis. Percentages may not sum to 100 due to rounding.

[a] Totals exclude the unmatched charter schools.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education demographic and Minnesota Comprehensive Assessments, Series II (MCA-II) assessment data.

better than comparable district schools on the MCA-II math assessments. In contrast, fewer than 10 percent of charter schools in the Greater Metropolitan area or Outstate Minnesota performed better than their comparable district schools on these assessments.

The regional differences in the charter and district comparisons for reading were not as large as those for math. Eight percent of the charter schools in Outstate Minnesota and 14 percent of the charter schools in the Greater Metropolitan area performed better on the MCA-II reading assessments than district schools with similar demographics. Minneapolis and St. Paul charter schools fared slightly better, with 19 and 20 percent of charter schools in each region, respectively, outperforming their comparable district schools on the reading assessments.

Within our charter and district school groupings, performance on the MCA-II assessments also varied by the percentage of minority students and students eligible to receive free or reduced-price lunch in the charter school. To examine this issue, we analyzed MCA-II scores of charter schools and their comparable district schools based on the charter school's demographics. We found that:

- **Charter schools with large percentages of minority students or students eligible to receive free or reduced-price lunch were more likely than other charter schools to perform better than their comparable district schools.**

As shown in Table 2.3, 30 percent of the charter schools with very high percentages (between 75 and 100 percent) of students eligible to receive free or reduced-price lunch performed better on the MCA-II math assessments than district schools located in the same region with similar student demographics.

## Table 2.3: Comparable Charter and District School Student Performance, 2007 MCA-II Assessments, by Percentage of Students Eligible for Free or Reduced-Price Lunch (FRL)

| | Number and Percentage of Charter Schools with: | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 0 to less than 25 percent FRL | | 25 to less than 50 percent FRL | | 50 to less than 75 percent FRL | | 75 to 100 percent FRL | | Total | |
| **MCA-II Math Assessments** | | | | | | | | | | |
| *Unmatched* | *14* | *--* | *6* | *--* | *6* | *--* | *8* | *--* | *34* | *--* |
| Charter School Performed Better | 3 | 9% | 1 | 5% | 0 | 0% | 14 | 30% | 18 | 15% |
| No Significant Difference | 5 | 15 | 7 | 35 | 8 | 47 | 20 | 43 | 40 | 34 |
| Charter School Performed Worse | 26 | 76 | 12 | 60 | 9 | 53 | 13 | 28 | 60 | 51 |
| Total[a] | 34 | 100% | 20 | 100% | 17 | 100% | 47 | 100% | 118 | 100% |
| **MCA-II Reading Assessments** | | | | | | | | | | |
| *Unmatched* | *14* | *--* | *6* | *--* | *6* | *--* | *8* | *--* | *34* | *--* |
| Charter School Performed Better | 5 | 14% | 0 | 0% | 1 | 6% | 11 | 23% | 17 | 14% |
| No Significant Difference | 14 | 40 | 11 | 55 | 9 | 53 | 23 | 49 | 57 | 48 |
| Charter School Performed Worse | 16 | 46 | 9 | 45 | 7 | 41 | 13 | 28 | 45 | 38 |
| Total[a] | 35 | 100% | 20 | 100% | 17 | 100% | 47 | 100% | 119 | 100% |

NOTES: Charter schools were compared to district schools with similar student demographics and located in similar geographic regions of the state. Specifically, district comparison schools had plus or minus 10 percentage points of the charter school's percentage of minority students and plus or minus 10 percentage points of the charter school's percentage of students who qualified for free or reduced-price lunch. Schools were grouped within four geographic regions: Minneapolis; St. Paul; the Greater Metropolitan area (the seven-county metropolitan region—Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties—excluding Minneapolis and St. Paul); and Outstate Minnesota (the parts of the state outside of the seven-county metropolitan region). Thirty-four charter schools could not be matched with comparable district schools and were not included in this analysis. Percentages may not sum to 100 due to rounding.

[a] Totals exclude the unmatched charter schools.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education demographic and Minnesota Comprehensive Assessments, Series II (MCA-II) assessment data.

This is in contrast to charter schools with lower percentages (less than 25 percent) of students who qualify for free or reduced-price lunch, where only three charter schools (9 percent) performed better than comparable district schools on the MCA-II math assessments. Of the charter schools with less than 25 percent of students eligible to receive free or reduced-price lunch, the vast majority (76 percent) performed worse on the math assessments than district schools located in the same region and with similar student demographics. Table B.2 in the appendix presents these data in a different format (with percentages based on

charter school performance rather than on percentages of students eligible for free or reduced-price lunch).

Results for charter schools with varying percentages of minority students are similar to those presented above for charter schools with varying percentages of students eligible to receive free or reduced-price lunch, as seen in Appendix tables B.3 and B.4. Table B.3 shows that 33 percent of charter schools with high percentages of minority students (75 to 100 percent minority) performed better on the MCA-II math assessments than district schools in the same region and with similar student demographics; only 7 percent of charter schools with lower percentages (less than 25 percent) of minority students performed better than comparable district schools on this assessment.[21]

# OTHER FACTORS

**Student mobility and other student characteristics may be related to charter school performance.**

In addition to the concentration of minority students and students who are eligible to receive free or reduced-price lunch, factors such as student mobility—a measure of how much turnover there is among a school's student body during a given school year—and the percentages of students with limited English proficiency (LEP) or special education students may be related to charter school performance. Charter schools face much higher rates of student mobility than district schools. Moreover, as discussed in Chapter 1, charter schools serve somewhat different student populations than district schools, including higher percentages of students with LEP.

Our previous analysis controlled for region and the percentages of minority students and students who receive free or reduced-price lunch. In this section we also evaluate the impact of these other factors.[22] First, we examine student mobility data for charter and district schools and evaluate the extent to which it may be related to student performance. We then analyze the extent to which additional factors, such as the percentages of LEP or special education students in charter and district schools, have an impact on student performance.

## Student Mobility

MDE calculates a school's student mobility index each school year by dividing the total number of transfers throughout the year (students who move into or out of a school after Labor Day) by the school's student enrollment count on October 1 of that school year. Student transfers are counted over the entire year;

[21] While charter schools in Minneapolis and St. Paul may have largely driven the finding that charter schools with high percentages of minority students or students eligible for free or reduced-price lunch performed better than comparable district schools, they do not fully explain these results. Some charter schools in other regions of the state with high percentages of these students also outperformed comparable district schools.

[22] We examined charter and district schools' assessment results with respect to other factors as well, such as the type of organization that sponsors charter schools and the number of years the charter school had been in operation. However, these other factors did not appear to be related to student performance.

enrollment numbers are a snapshot of a single day. As such, a school could have a mobility rate of 100 percent or higher if the number of students who entered or left the school at any point during the year exceeded the number of students who were enrolled on October 1.[23] For example, Lighthouse Academy of Nations in Minneapolis had 119 students enrolled as of October 1, 2006 for the 2006-07 school year, and 149 transfers (into and out of the school) throughout the year; its mobility rate was 125 percent.

Several national studies have linked high rates of student mobility with poor academic outcomes.[24] We found that:

- **Some charter schools have extremely high rates of student mobility, which may impact student performance.**

**Almost 15 percent of charter schools had 100 percent mobility or greater in 2007.**

In 2007, Minnesota charter schools had significantly higher student mobility rates than district schools. Specifically, nearly 15 percent of charter schools, but less than 1 percent of district schools, had 100 percent mobility or greater in 2007. In general, the majority (78 percent) of schools with high mobility rates were charter schools. The vast majority (90 percent) of district schools had mobility rates of 25 percent or less. Mobility rates also varied by region, as seen in Table 2.4. In Minneapolis, 23 percent of charter schools, versus 2 percent of district schools, had mobility rates of 100 percent or greater. A significant portion of charter schools (15 percent) in the Greater Metropolitan area also had mobility rates of 100 percent or more.

We analyzed the relative academic performance of charter schools with mobility rates higher than, similar to, and lower than district schools with similar student demographics. In this analysis, we also controlled for charter schools' regions, percentages of minority students, and percentages of students eligible for free or reduced-price lunch by comparing each charter school's mobility rate to the average mobility rate of its established comparison group. A charter school's mobility rate was considered higher if it exceeded its comparison district schools' rate by at least 10 percentage points; it was considered similar if the district schools' mobility rate was within 10 percentage points of the charter school's mobility rate; and it was considered lower if the charter school's mobility rate was at least 10 percentage points lower than its comparison district schools.

As shown in Table 2.5, almost half (55 out of 116) of the charter schools we analyzed had similar mobility rates to those of district schools with comparable

[23] Having a mobility rate of 100 percent or more does not necessarily mean that all students who enrolled in a school on October 1 are no longer enrolled in the school at the end of the school year. Schools with high mobility rates (50 percent or greater) were more likely to maintain or increase their student enrollment than to experience net outflows of students.

[24] See, for example, Rhodes, Virginia, "Kids on the Move: The Effects of Student Mobility on NCLB School Accountability Ratings," http://www.urbanedjournal.org/articles/article0020.html, accessed May 14, 2008; and Finch, Holmes, David Lapsley, and Mary Baker-Boudissa "Predictors of Student Mobility and Retention in Charter Schools: 2003-2006," http://www.nd.edu/~dlapsle2/Conference%20Papers/Finch,_Lapsley,_Baker-Boudissa_aera_2008v2Formatted.pdf, accessed May 14, 2008.

## Table 2.4: Charter and District School Student Mobility Rates by Region, 2007

| | Percentage of Schools | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Minneapolis | | St. Paul | | Greater Metropolitan Area | | Outstate Minnesota | | Total | |
| Mobility Rate (Percentage) | Charter Schools | District Schools | Charter Schools | District Schools | Charter Schools | District Schools | Charter Schools | District Schools | Charter Schools | District Schools |
| *(Number of Schools)* | *(39)* | *(66)* | *(26)* | *(65)* | *(34)* | *(431)* | *(45)* | *(907)* | *(144)* | *(1469)* |
| Less than 10 | 8% | 8% | 12% | 20% | 26% | 52% | 18% | 57% | 16% | 51% |
| 10 to less than 25 | 26 | 32 | 46 | 43 | 26 | 42 | 40 | 40 | 34 | 40 |
| 25 to less than 50 | 21 | 47 | 23 | 37 | 18 | 6 | 22 | 3 | 21 | 7 |
| 50 to less than 100 | 23 | 12 | 12 | 0 | 15 | 0 | 13 | <1 | 16 | 1 |
| 100 or greater | 23 | 2 | 8 | 0 | 15 | <1 | 7 | 0 | 13 | <1 |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

NOTES: Schools were grouped within four geographic regions: Minneapolis; St. Paul; the Greater Metropolitan area (the seven-county metropolitan region—Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties—excluding Minneapolis and St. Paul); and Outstate Minnesota (the parts of the state outside of the seven-county metropolitan region). One charter school did not report mobility data. Percentages may not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education student mobility data.

**After accounting for mobility—in addition to region, percentage of minority students, and percentage of students who qualify for free or reduced-price lunch—the differences in charter and district school performance diminished.**

demographics.[25] Among charter schools with higher mobility rates than district schools (47 charter schools), the majority were more likely to under-perform than outperform district schools in their comparison groups. More specifically, 74 percent of charter schools with higher mobility rates performed worse on the MCA-II math assessment than their comparable district schools; 56 percent performed worse on the MCA-II reading assessment. In contrast, charter schools with lower mobility rates than their comparable district schools were more likely to perform better than their district counterparts (50 percent performed better on the MCA-II math assessment and 38 percent performed better on the MCA-II reading assessment than their comparable district schools).

Although charter school students generally did not perform as well as district school students on the 2007 MCA-II tests, the differences diminished significantly after accounting for differences in demographics and mobility rates. As we discussed earlier, the 2007 statewide average score for charter school students was more than six points below the average score for district school students for both math and reading, a difference we considered to be moderately large. When we account for region, percentage of minority students, and

[25] One charter school did not take the math assessment because it serves grades that are not assessed in math (ninth and tenth grades). As such, the total number of schools that took the math assessments is 115, while the total number that took the reading assessments is 116. Student mobility data was missing for three comparison groups.