



Charter Schools

Major Findings:

- In 2007, a greater percentage of Minnesota charter schools than district schools failed to make “Adequate Yearly Progress,” and students in charter schools generally did not perform as well on standardized academic measures as students in district schools.
- However, after accounting for relevant demographic factors and student mobility rates, the differences in student performance were minimal.
- Oversight of charter schools is unclear and complex, with duplication in some areas and gaps in others.
- 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.
- Both sponsors and MDE approve charter school applications, which leads to inefficiencies and duplication of effort.
- In contrast to school district board members, charter school board members are not required to attend financial management training and many do not.

- Minnesota’s conflict of interest laws for charter school boards are weaker than comparable federal requirements and do not fully address conflicts of interest with relatives, nonprofit organizations, and sponsors.
- Requiring a teacher majority on charter school boards creates a conflict of interest and makes it more difficult to obtain needed expertise.

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.
- MDE should implement standards for charter school sponsors and provide additional training to improve sponsor expertise.
- The Legislature should require all new charter school board members to attend financial management training within one year of being elected.
- The Legislature should expand the charter school board conflict of interest laws to parallel federal requirements.
- The Legislature should amend the charter school law to remove the requirement that teachers comprise a majority of charter school board members.

Accountability and oversight for charter schools and their sponsors should be strengthened.

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

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

Report Summary

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).

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 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.

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.

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.

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.

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.

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

Training requirements for charter school board members are inadequate.

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

Additionally, many charter school staff told us that their board members do not attend MDE's financial management training.

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.

Summary of Agency Response

In a letter dated June 24, 2008, Minnesota Department of Education Commissioner Alice Seagren wrote that "MDE is generally supportive of all of the OLA's recommendations regarding charter school oversight and intends to work with charter school stakeholders and legislators to develop legislative proposals that will address these recommendations prior to the 2009 session of the Minnesota Legislature." In addition, Commissioner Seagren stated that MDE "would welcome rulemaking authority to develop rigorous standards for sponsorship should the Legislature choose to grant it."

Regarding charter school academic performance, Commissioner Seagren noted that "The department has made it a priority to provide student assessment data that will allow more sophisticated evaluations of a school's impact on student academic performance over time as MDE implements a growth model for measuring student progress on the Minnesota Comprehensive Assessments, Series II (MCA-II) exams."

The full evaluation report, *Charter Schools*, is available at 651-296-4708 or:
www.auditor.state.mn.us/ped/2008/charterschools.htm