



## Corvallis School District 509J

*Honoring Diversity*

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March 15, 2011

House Revenue Committee  
State of Oregon  
Salem OR 97301

RE: HB 3397

Distinguished Committee Members:

There are currently two bills related to funding of charter schools being considered. House Bill 3397 would increase the charter schools funding from 80 percent to 95 percent and House Bill 3551 would require 100 percent of the funding per student to be passed through to charter schools. My recent experience negotiating a renewal of a charter agreement leads me to believe there are different ways to measure the financial impact of charter schools on districts. It is important to identify the oversight and support school districts provide for sponsored charter schools.

The Corvallis School District sponsors Muddy Creek Charter School. Muddy Creek began operating in September 2008 and an initial three year charter is being renewed. As a part of that renewal process, the charter asserted the district's costs for oversight and support did not exceed the 20 percent funding retained by the district.

In some ways, the request to account for district services caught me off guard. During the first two years of the charter, I do not recall Muddy Creek asking the district about the cost of oversight and support provided by the district and as such staff was not asked to track their time spent on activities that involved Muddy Creek. To help frame the discussion of the funding percent, I looked at a couple of ways to measure the financial impact of Muddy Creek.

One method would be to look at the resources generated by the students enrolled at the charter school less amounts paid to other districts, the indirect fees for district administrative services, the net cost of students on IEPs, and any other direct costs, such as audit fees, reimbursed to the charter school.

Total general purpose formula revenue (66.27 ADMw x \$5,882)	389,800
Paid to Muddy Creek (80 X 66.27 ADMw x \$5,918)	(313,749)
Paid to home districts (16.52 ADMw x .10 x \$5,918)	(9,777)
Net amount retained by Corvallis School District 509J	66,274
Additional funding for students on IEP (5 x \$5,882)	29,410
Less: Indirect costs (4.36 percent x \$341,250)	(14,962)
Estimated Special Education services	(50,000)
Net retained by CSD and available for students	30,723

Updated 3/11/11

Under this method, it would appear the net amount retained by the school district is about \$30,000. However, the indirect costs included in this method do not measure the oversight and support of the charter school provided by the Instructional Services Department. The district is responsible for monitoring Muddy Creek's school improvement plan that outlines measurable student achievement goals, strategies and timelines to meet the student achievement goals, and professional development plans for staff. This is the responsibility of the Instructional Services Department. The district is also responsible for reviewing the curriculum of Muddy Creek to ensure it is in alignment with the Common Core Standards in reading/language arts and mathematics and that student progress is measured and monitored based on the Common Core Standards.

Schools are about educating children and part of that effort is gathering and tracking information about our students. The charter agreement with Muddy Creek directs them to use the district's student information system for tracking student information as a way of ensuring compliance with both state and federal requirements. There is no charge to Muddy Creek for using the student information system. The district relies on the student information to report average daily membership, class size, physical education and demographic information required by the Oregon Department of Education. The reporting requirements are constantly changing; being a part of the district's student information system, the charter school avoids maintaining its own system. We offer training on the student information system to the charter school and encourage them to take advantage of this opportunity.

The Instructional Services Department supports the charter school by providing professional growth opportunities to the charter school's teachers at no cost to the charter school. Examples of these trainings include teaching with technology, working with students from poverty, and closing the achievement gap.

Some of the services provided to the charter school that fall under the umbrella of indirect services include submitting information to the Department of Education for Adequate Yearly Progress (AYP) and No Child Left Behind (NCLB) reports.

The Business Services Department transfers money to the charter school and reconciles the amount based on the charter school's Average Daily Membership. Since charter schools operate at arm's length from the district, we review the charter school's monthly financial statements to closely monitor financial compliance with state regulations. The charter school is included in the district's financial statements as a component unit and we rely on the independent auditor's opinion as to the fairness of those financial statements.

The safety of students is a paramount concern and the Human Resources Department monitors the charter school to ensure criminal background checks are done on all employees.

Another way of measuring the financial impact of the transfer of resources from the district to the charter school is to look at the amount the district spends on instruction services from the state school fund compared with the transfer to the charter school. The net transfer of state school fund resources from the district to the Muddy Creek charter school is approximately \$225,000 or about \$4,538 per in-district student enrolled at Muddy Creek.

Amount paid to Muddy Creek for in district students (49.75 x \$5918 x .80)	235,536
Amount retained by district for out of district students (16.52 x \$5918 x .10)	(9,777)
<u>Net transfer of resources to Muddy Creek</u>	<u>225,759</u>

By comparison, the district's general fund budget for elementary instruction (net of local option funding) is approximately \$9,351,000 or about \$3,717 per elementary student, about \$821 less than the amount per student transferred to Muddy Creek. Expressed in terms of the average cost of a teacher, \$225,759 is about 2.55 FTE.

The district looked at the addresses of the charter school students to determine the elementary school each student would have attended. This analysis indicated the charter school students would be fairly distributed among the district's elementary schools and could be accommodated at a minimal cost to the district. Even if all of the 50 charter school students attended a single elementary school, the resources retained by the district would provide funding for approximately 2.5 teachers, likely resulting in lowering the average class sizes at that school.

Another way of looking at charter schools is to compare them side by side with a district elementary school. A review of the 2009-10 report card as published by the Oregon Department of Education for Muddy Creek Charter School and Adams Elementary School shows that both schools met the federal AYP benchmark and both schools' overall ratings were outstanding. The

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section on elementary class size shows that Muddy Creek had three classes with fewer than 20 students and one class with 20-25 students. Adams Elementary had two classes with fewer than 20 students, nine classes with 20-25 students and six classes with 26-30 students. The charter school was able to achieve smaller class sizes on average with the funding level based on 80 percent.

Charter schools by their very nature duplicate some of the administrative costs incurred by a school district. As a separate legal entity, charter schools must contract for their own audit of the financial statements. Charter schools are responsible for providing a safe facility for students and as separate legal entities maintain their own accounting systems. These costs are part of running a charter school.

Sincerely,

  
Roy Burling  
Business Services Director

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