



Texas Charter System

TEXAS EDUCATION AGENCY

HOUSE PUBLIC EDUCATION COMMITTEE, AUGUST 8, 2018

Texas Charter School System Overview

A charter school is a type of public school:



- The Texas Legislature authorized the **establishment of charter schools in 1995**. Some of the first charters have been in operation since Fall 1996.
- The state **monitors** and **accredits** charter schools just as the state monitor and accredits school districts.
- Reduced regulations for charter schools encourage **innovation** and allow more **flexibility**.
- State law requires **fiscal and academic accountability** for charter schools.

There are four types of charters in Texas:

- **Subchapter B: Home-rule School District Charters** - There are no home-rule school district charters in Texas.
- **Subchapter C: Campus or Campus Program Charters** - Independent school districts authorize and oversee these charters.
- **Subchapter D: Open-enrollment Charters** - Most charters in Texas fall under this category. The commissioner authorizes these charters. Before SB 2 passed in 2013, the State Board of Education (SBOE) was the authorizer.
- **Subchapter E: University or Junior College Charters** - The commissioner authorizes Subchapter E charters. Eligible entities include public colleges and universities.

Admissions Procedures

	Traditional ISD	Charter District
Residency	Must live within the boundary of the school district.	<ul style="list-style-type: none"> ▪ Must live within the boundaries established under the charter. ▪ May exclude based on criminal offense or disciplinary problems. ▪ May exclude based on artistic ability if operating a performing arts charter.
Transfer	May choose to accept transfer student from outside the school district boundary.	May not accept students from outside the service boundary established under the charter.
Expulsion	May only expel students for conduct requiring or permitting expulsion under TEC Chapter §37	May expel students for reasons authorized TEC Chapter §37.007 or specified in its code of conduct that may result in expulsion

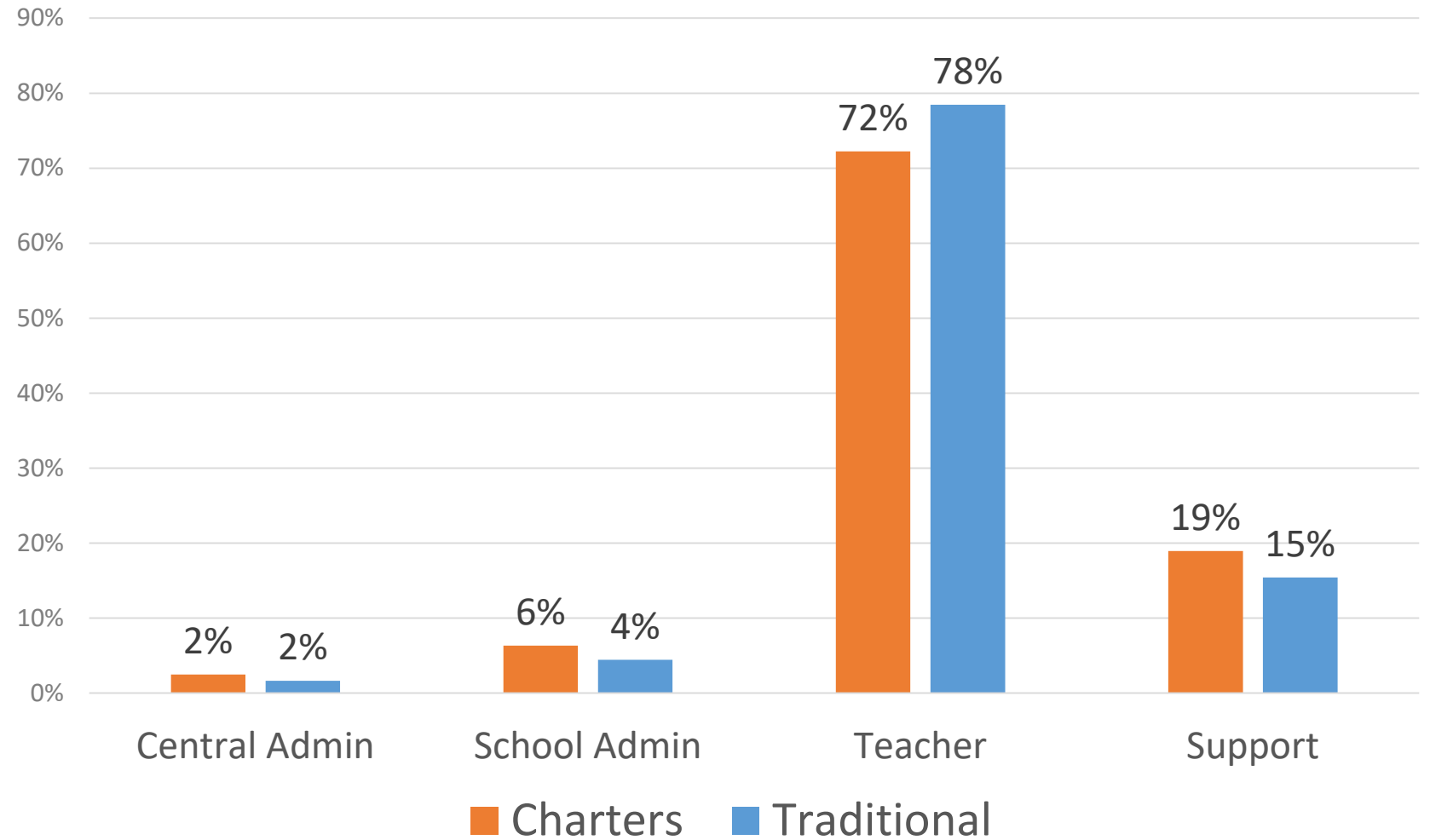
Enrollment Procedures

	Traditional ISD	Charter District
Open Enrollment	<ul style="list-style-type: none"> Any student may enroll If applications exceed available slots, a lottery is used 	<ul style="list-style-type: none"> Any student may enroll at any campus If applications exceed available slots, a lottery is used.
Selective (Magnet) Enrollment	Students must audition or test in	<ul style="list-style-type: none"> Not authorized at the charter campus level Only authorized at the open-enrollment charter school level if operate a performing arts charter school.
Zoned Enrollment	Students enroll in campus based on home address	Open-enrollment charter schools can establish zoned enrollment at the campus level. This is usually done with zip codes.
Blended Socio-economic Enrollment	Similar to open enrollment, except enrollment weights are established for students from different income groups to create a more integrated school	Not authorized if open-enrollment charter school seeks federal start-up funds.

Texas Charter School System Portfolio Demographics

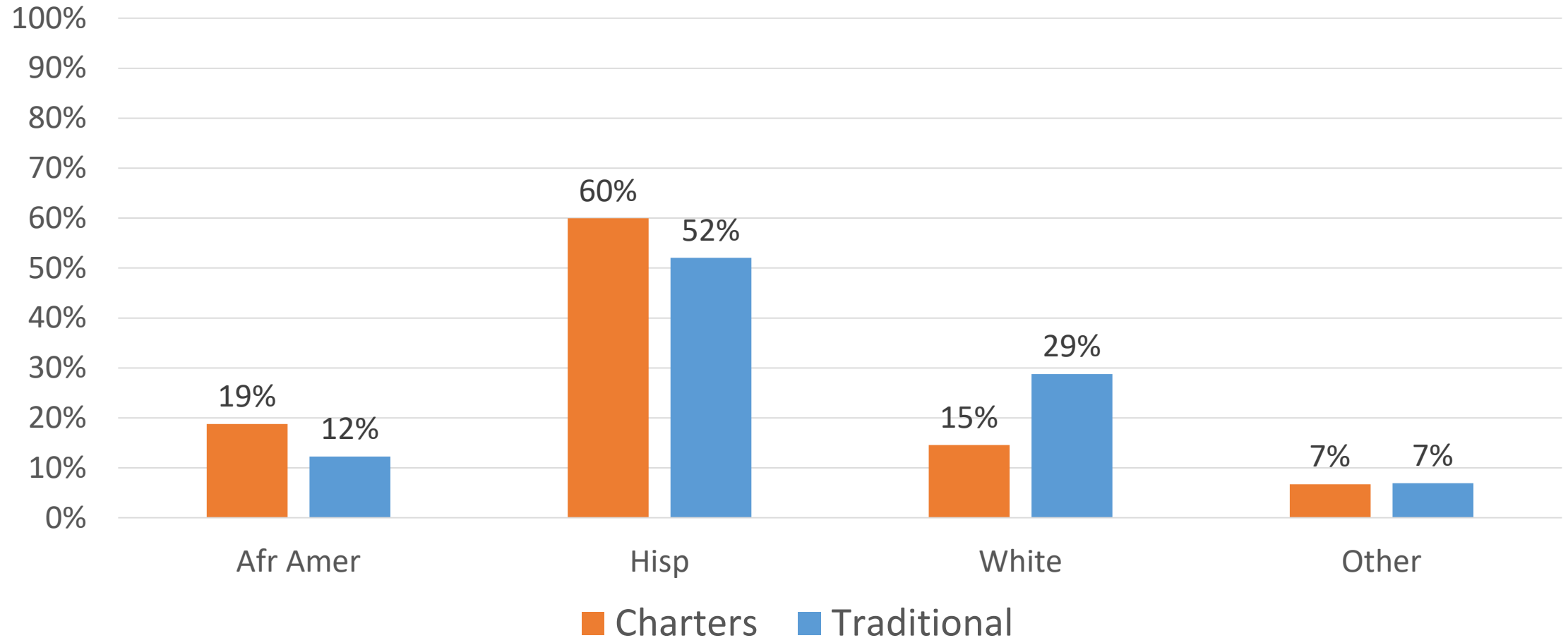
Professional Staff Comparisons

Charters employ more than 15,000 teachers



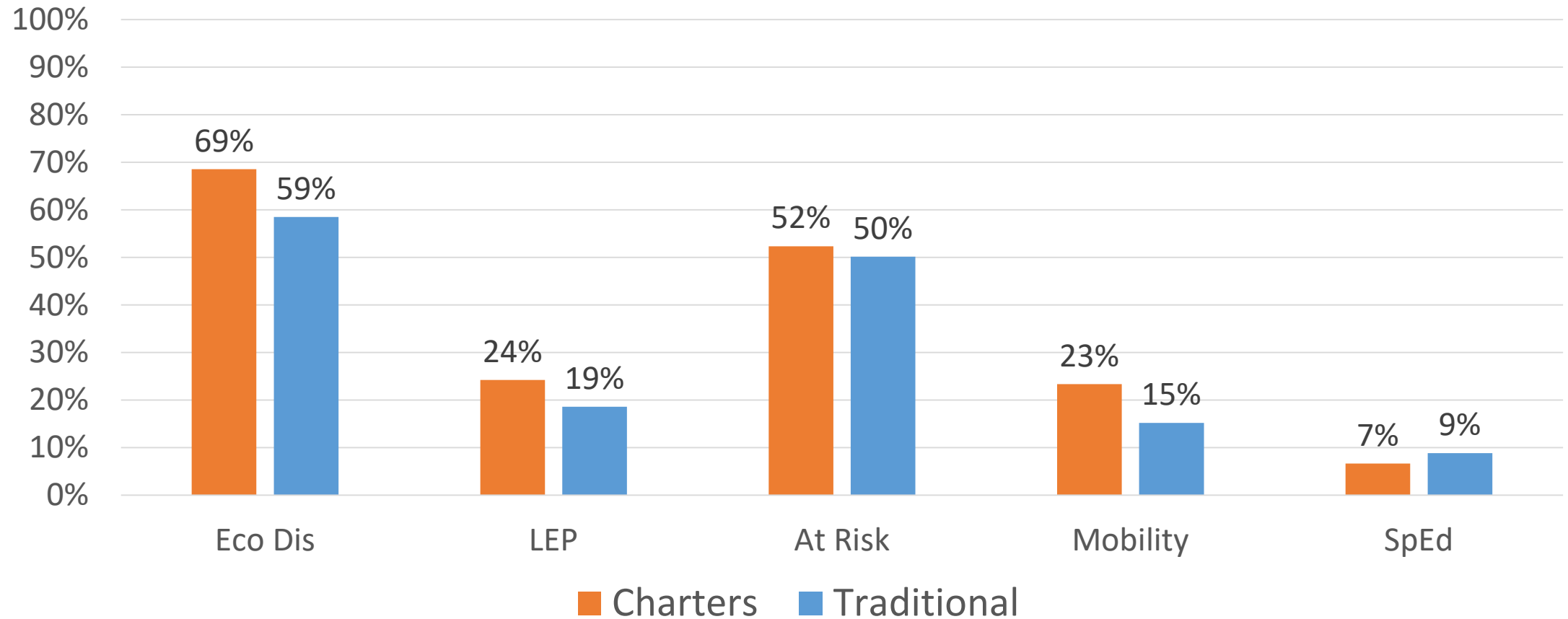
Student Enrollment Comparisons

Ethnic Distributions

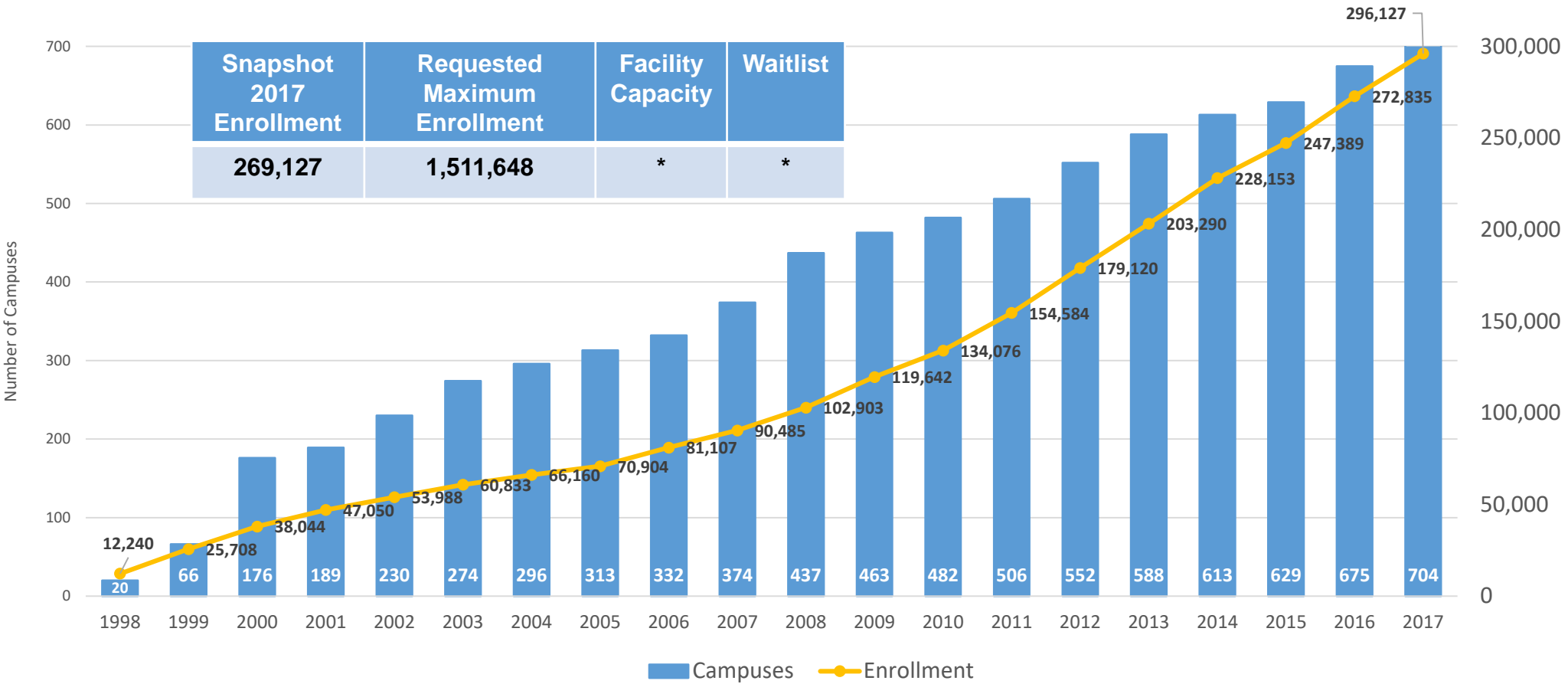


Student Enrollment Comparisons

Student Groups



Charter Student Enrollment



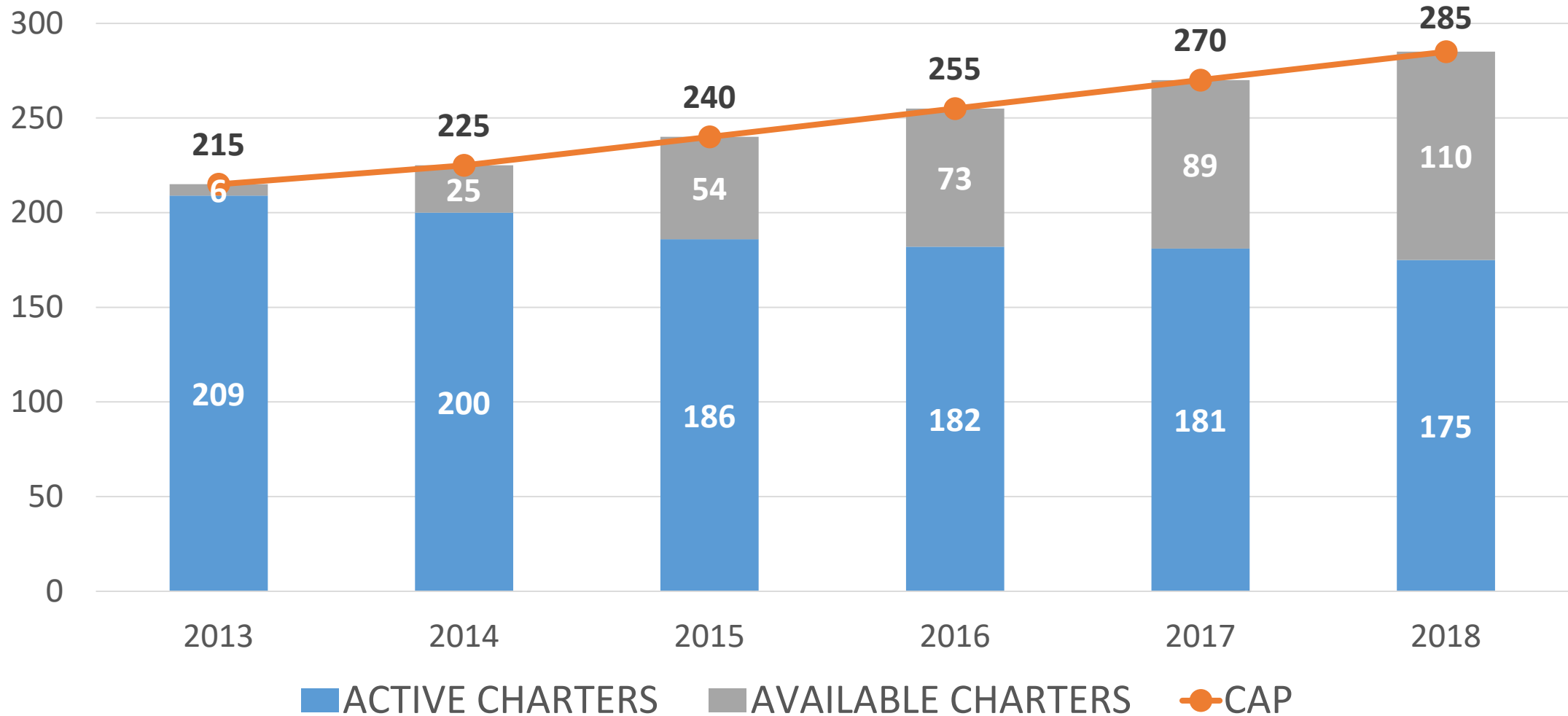
Snapshot 2017 Enrollment	Requested Maximum Enrollment	Facility Capacity	Waitlist
269,127	1,511,648	*	*

5.5% of Texas Students

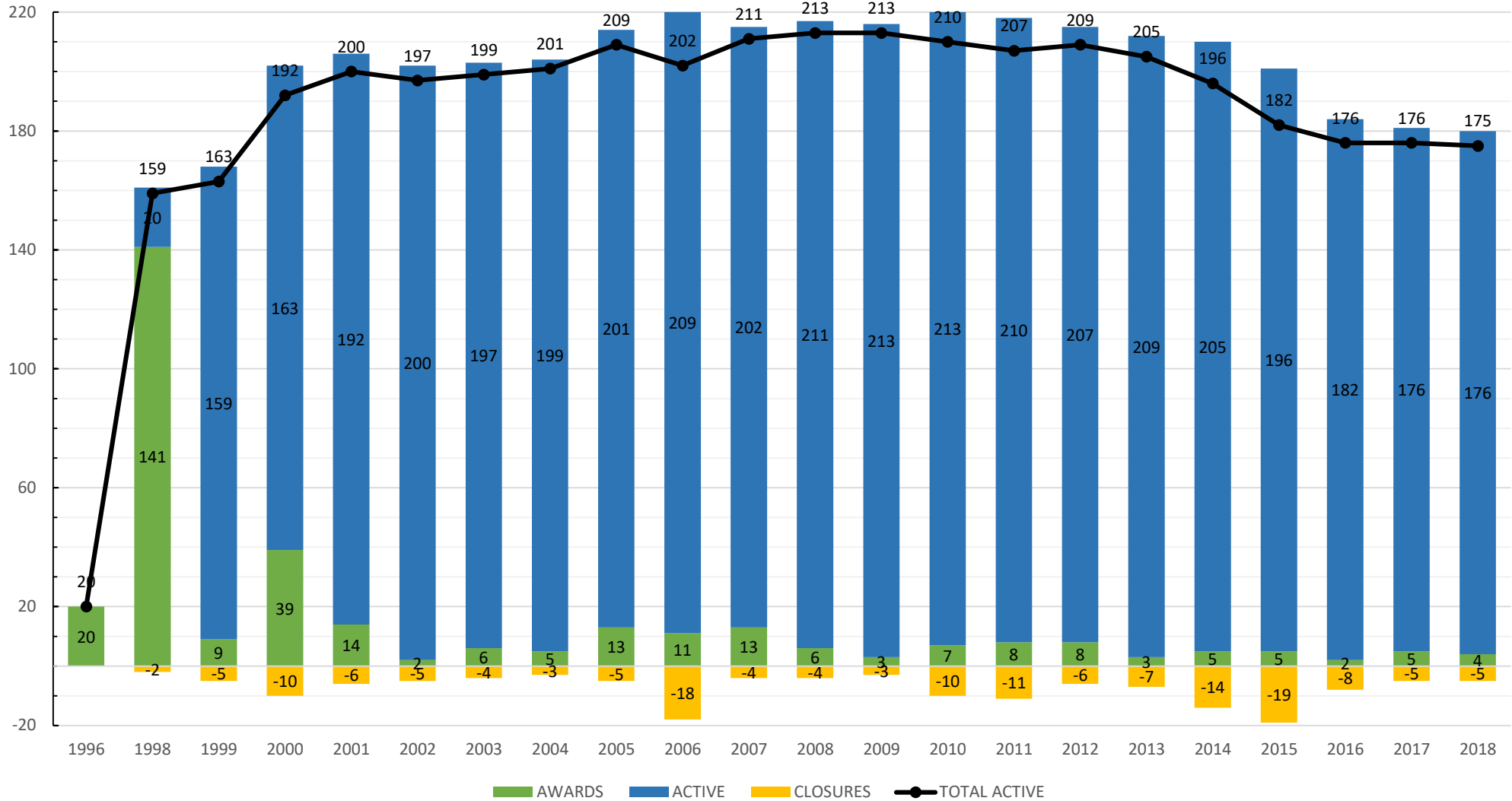
* Inability to collect capacity or waitlist information due to differences in municipality reporting and lack of mandate.

Texas Charter School System Portfolio Numbers

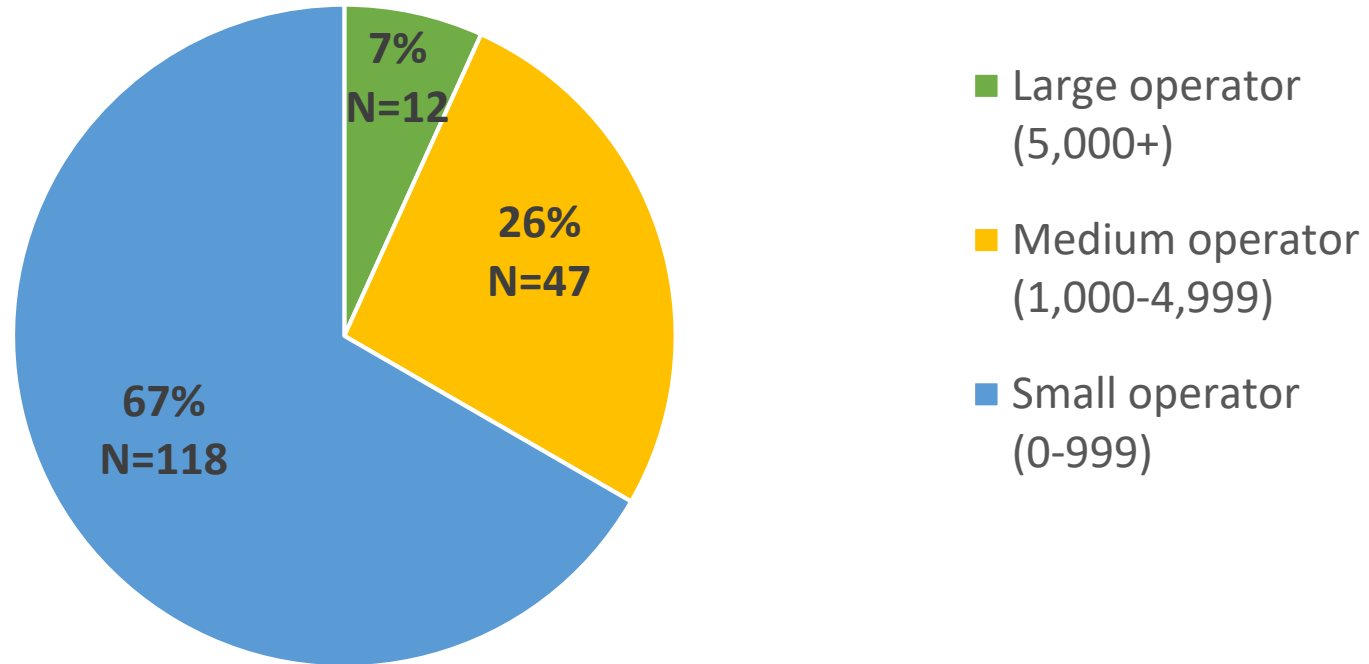
Charter School Cap



Charter Awards and Closures

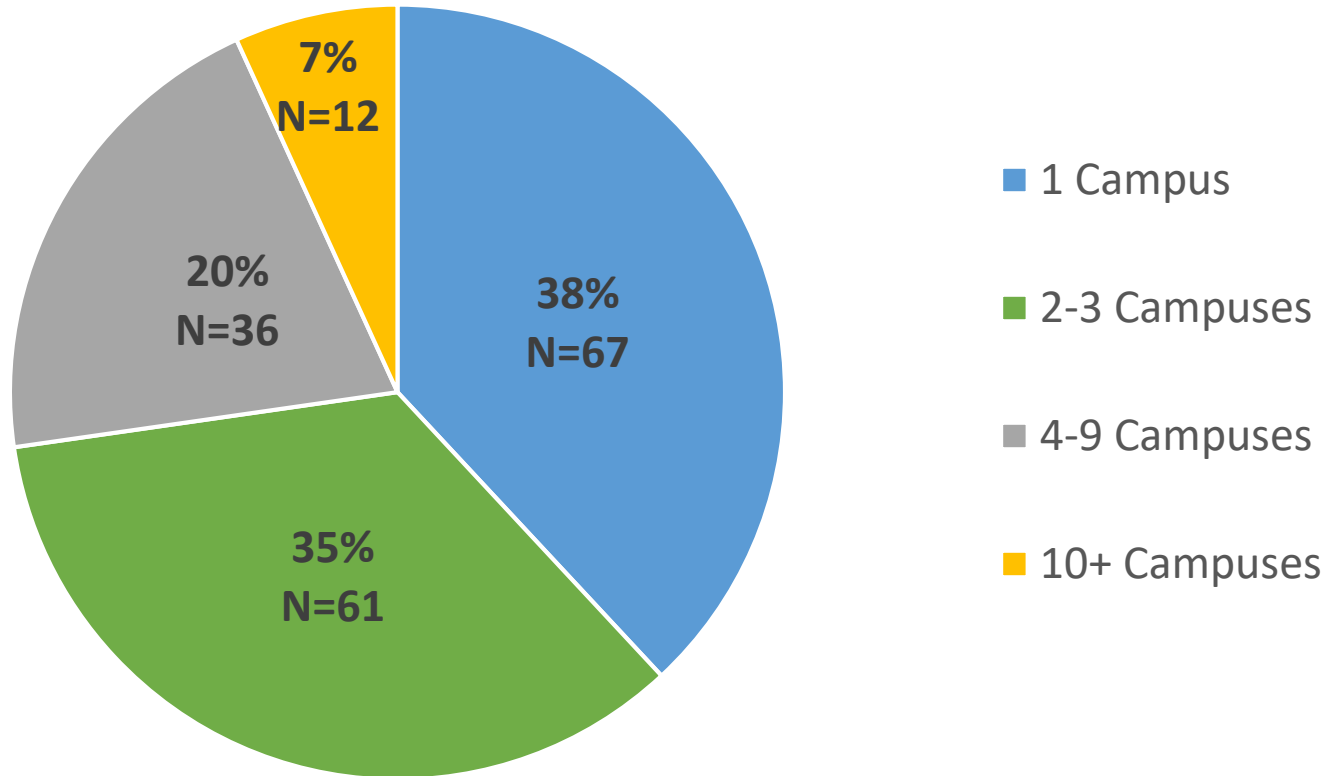


Charters by Enrollment Size



State-Authorized Charter Campuses

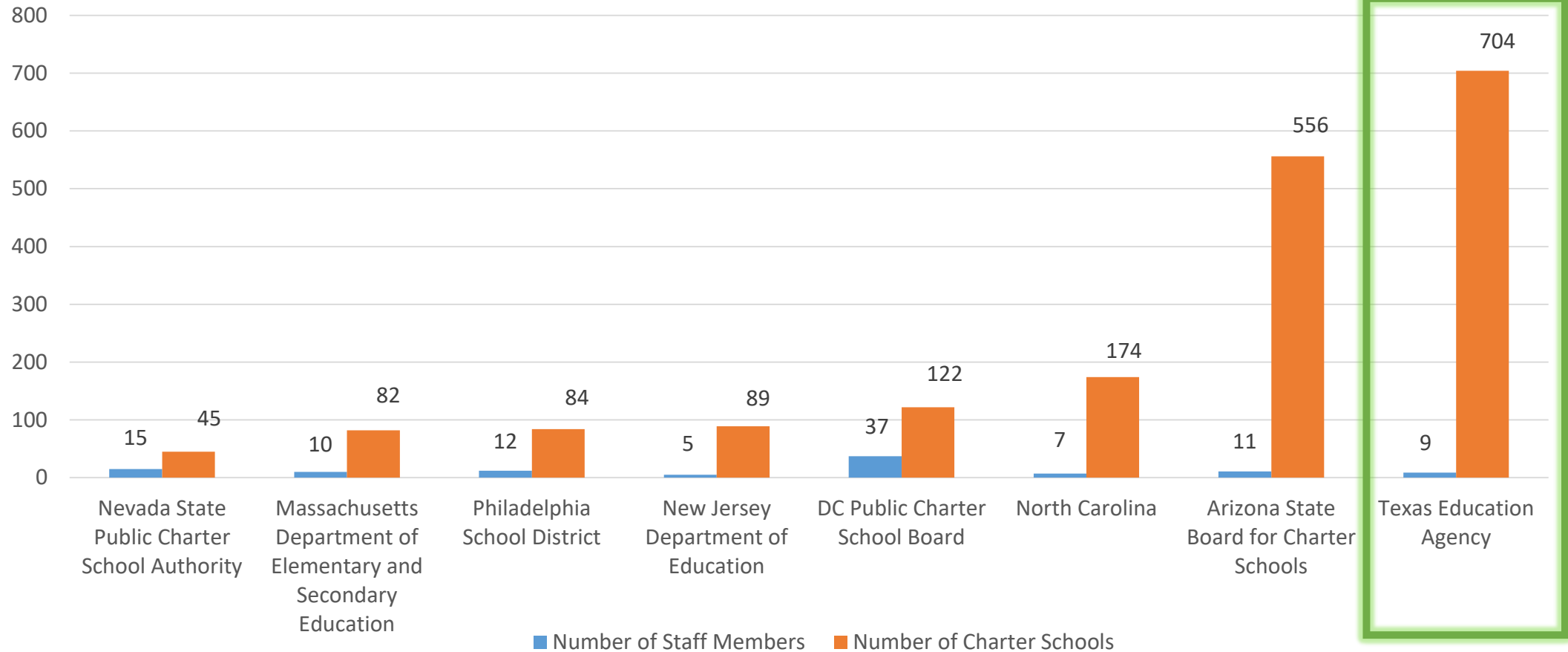
Campuses per Charter



Texas Charter School System Authorization

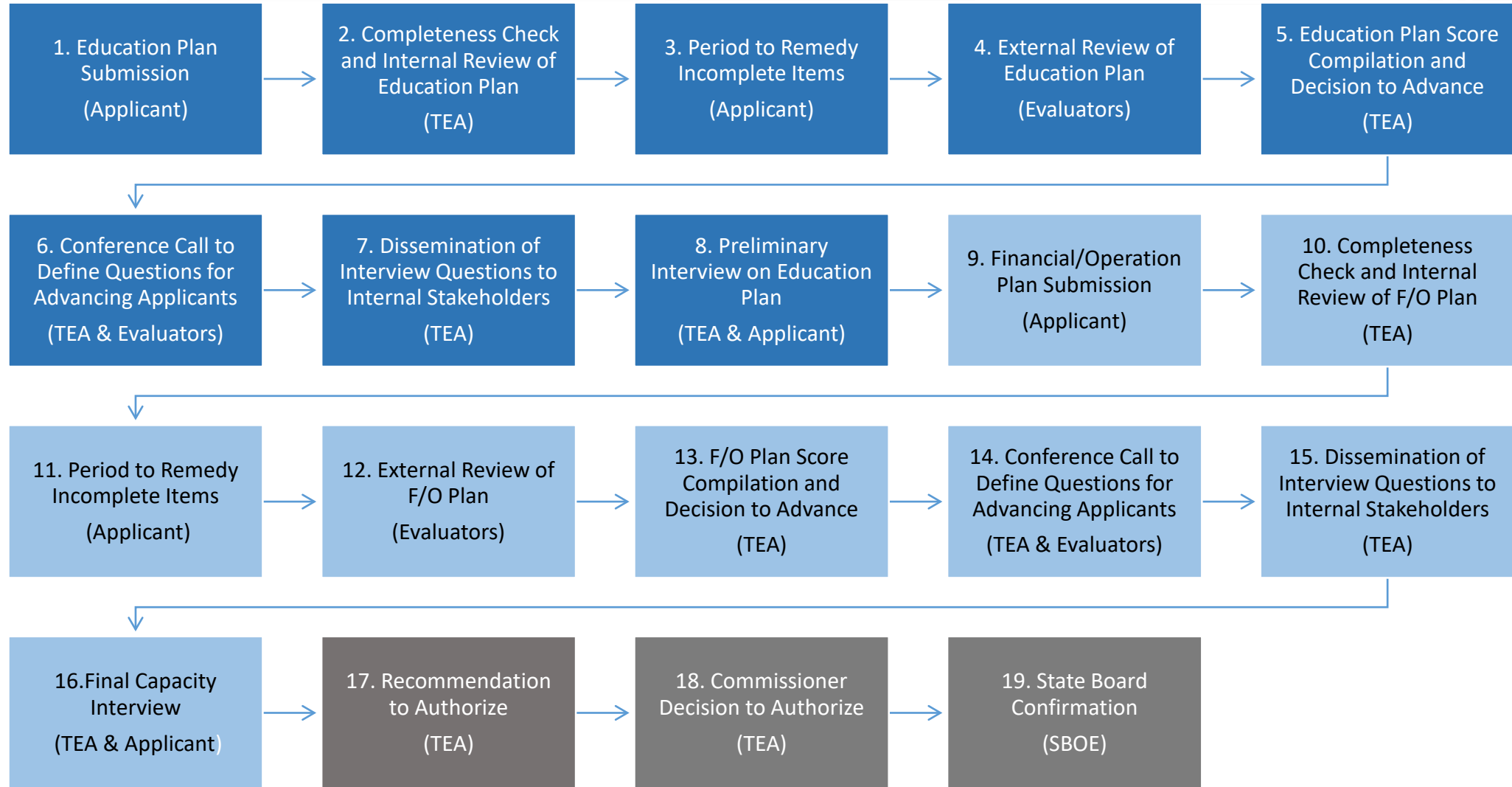
Authorization Offices and Portfolio Size

Authorizer Staff Members and Number of Charter Campuses



Revised Charter Application Process

Phase 1: Education Plan



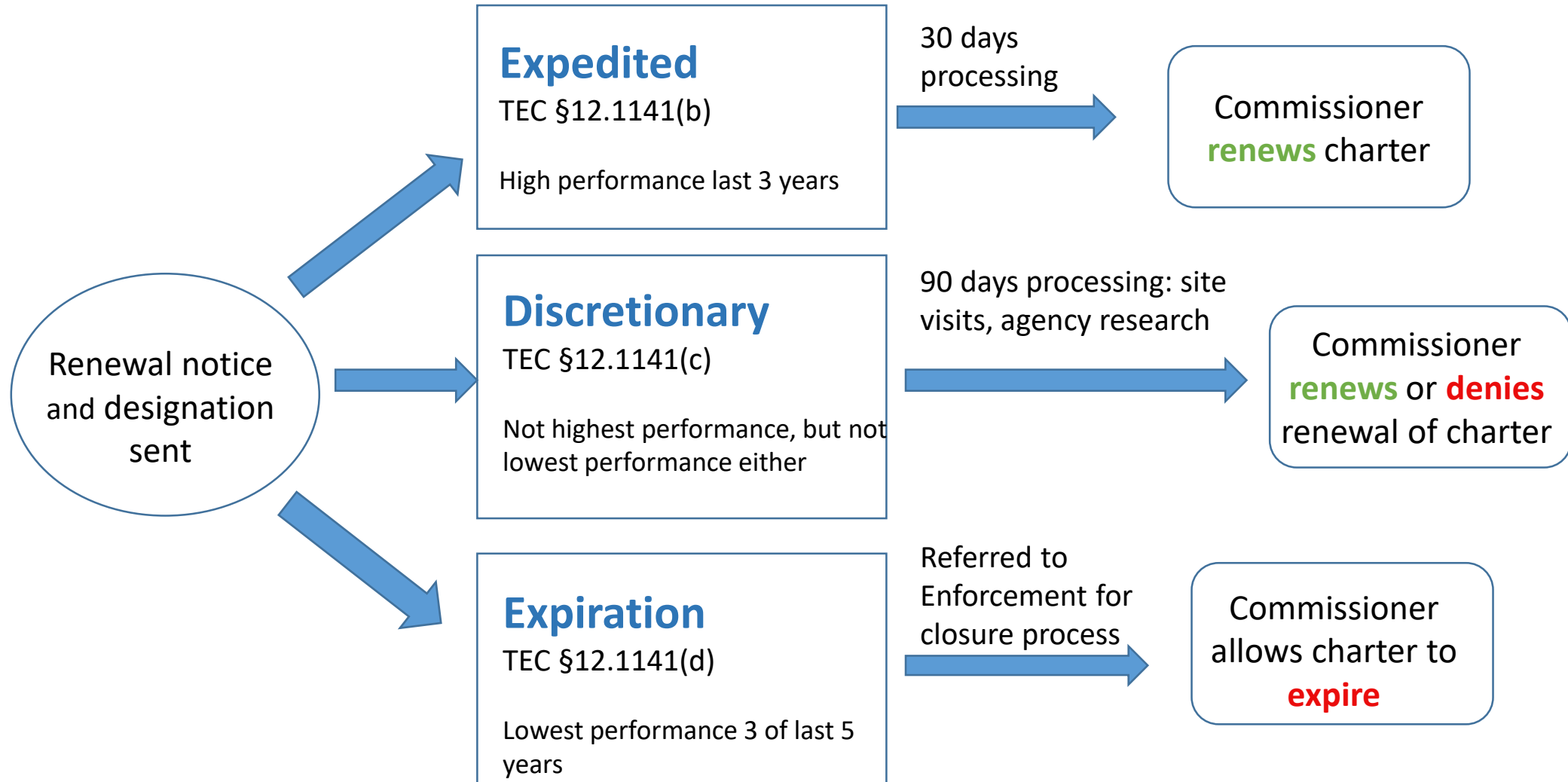
Phase 2: Evidence of Capacity

State-Authorized Charters

Generation	COE Approval Date	Applications Received	Complete & Sent to External Readers		Interviewed		Proposed		Awarded	
18	9/20/2013	31	17	55%	12	39%	4	13%	3	10%
19	8/20/2014	27	16	59%	11	41%	5	19%	5	19%
20	6/2/2015	38	27	71%	19	50%	6	16%	5	13%
21	5/31/2016	30	22	73%	3	10%	3	10%	2	7%
22	5/24/2017	34	27	79%	9	26%	5	15%	5	15%
23	5/31/2018	21	14	67%	4	19%	4	19%	4	19%

Texas Charter School System Renewals

Renewal Procedures

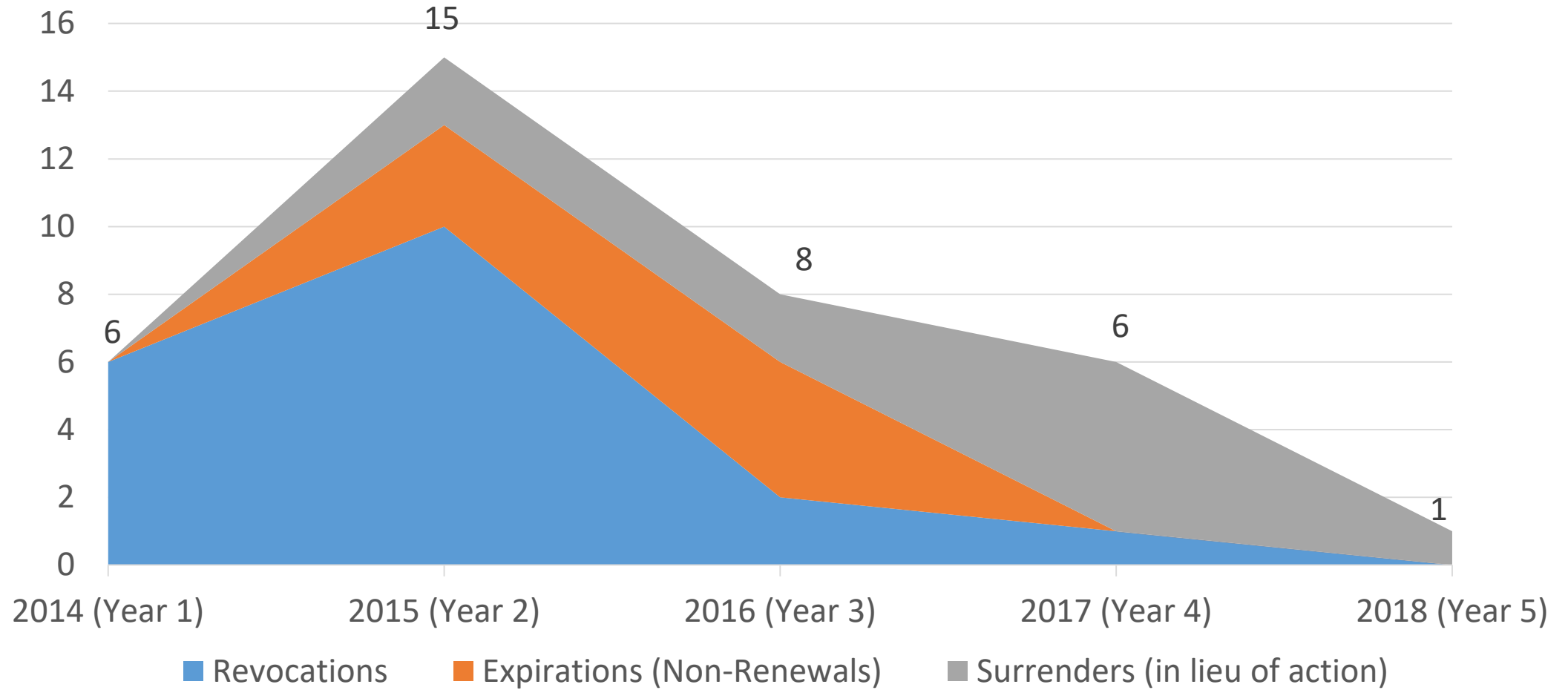


Contract Renewals 2014-2018

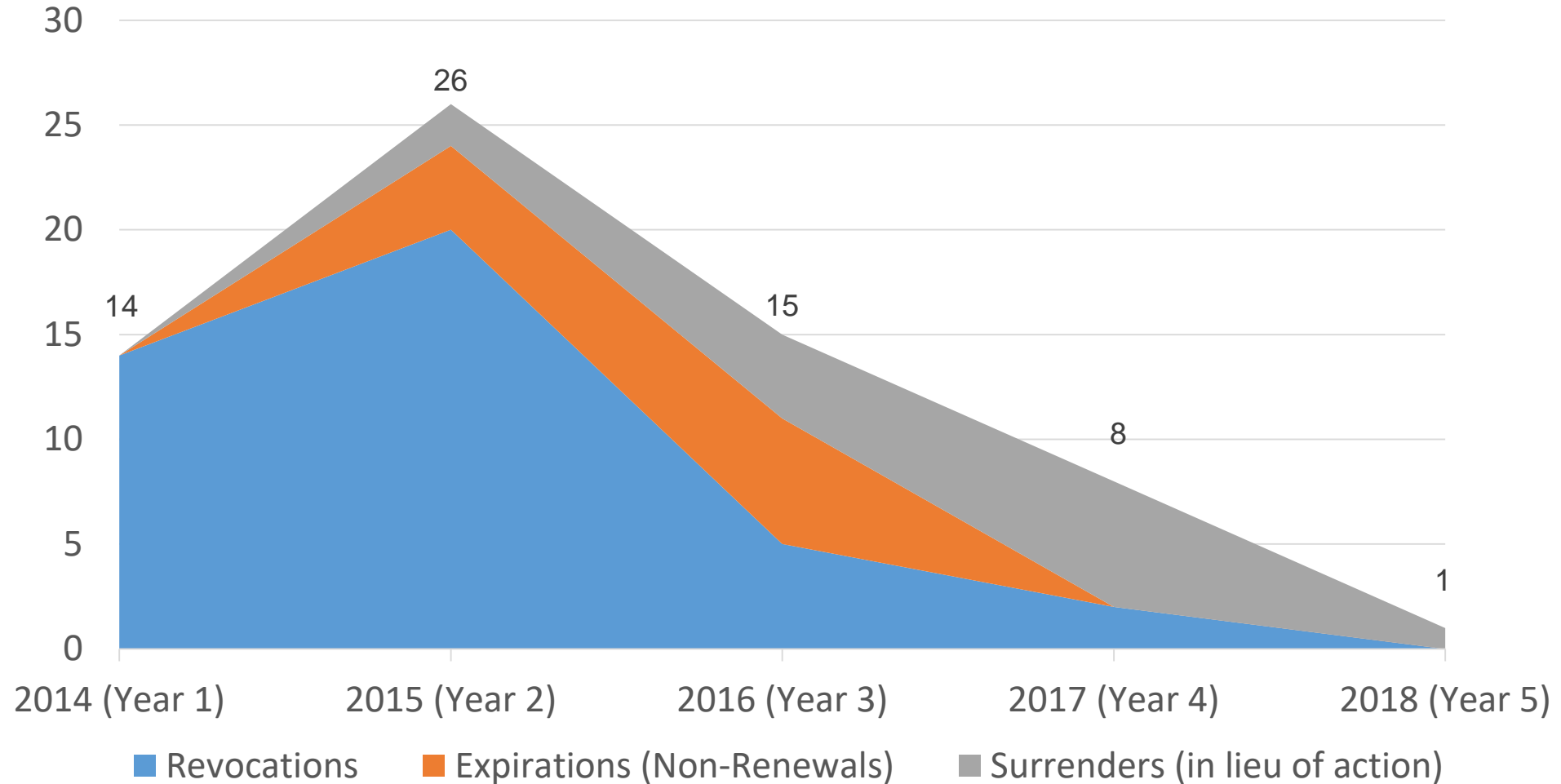
RENEWALS	EXPEDITED	DISCRETIONARY	EXPIRATION
2014	0	9	0
2015	13	17	3
2016	3	6	4
2017	3	4	3
2018	9	5	0

Texas Charter School System Closures- Revocations, Expirations, Surrenders

Charter School Closures (Post SB2)



Charter Campus Closures (Post SB2)



Texas Charter School System Expansions

Charter School Expansions

- An expansion amendment is a substantive amendment that permits a charter school to:
 - add an instructional facility **campus/site**;
 - increase its maximum allowable **enrollment**;
 - extend its **geographic boundaries and the students from those boundaries**; or
 - extend the **grade level** it serves.

199 Expansion Requests filed since December 1, 2017

127	Additional Campus/Site Requests
19	Additional Enrollment – Maximum Enrollment Increase
39	Additional Geographic Boundary Requests
14	Additional Grade Levels
+17	Substantive Waiver Requests

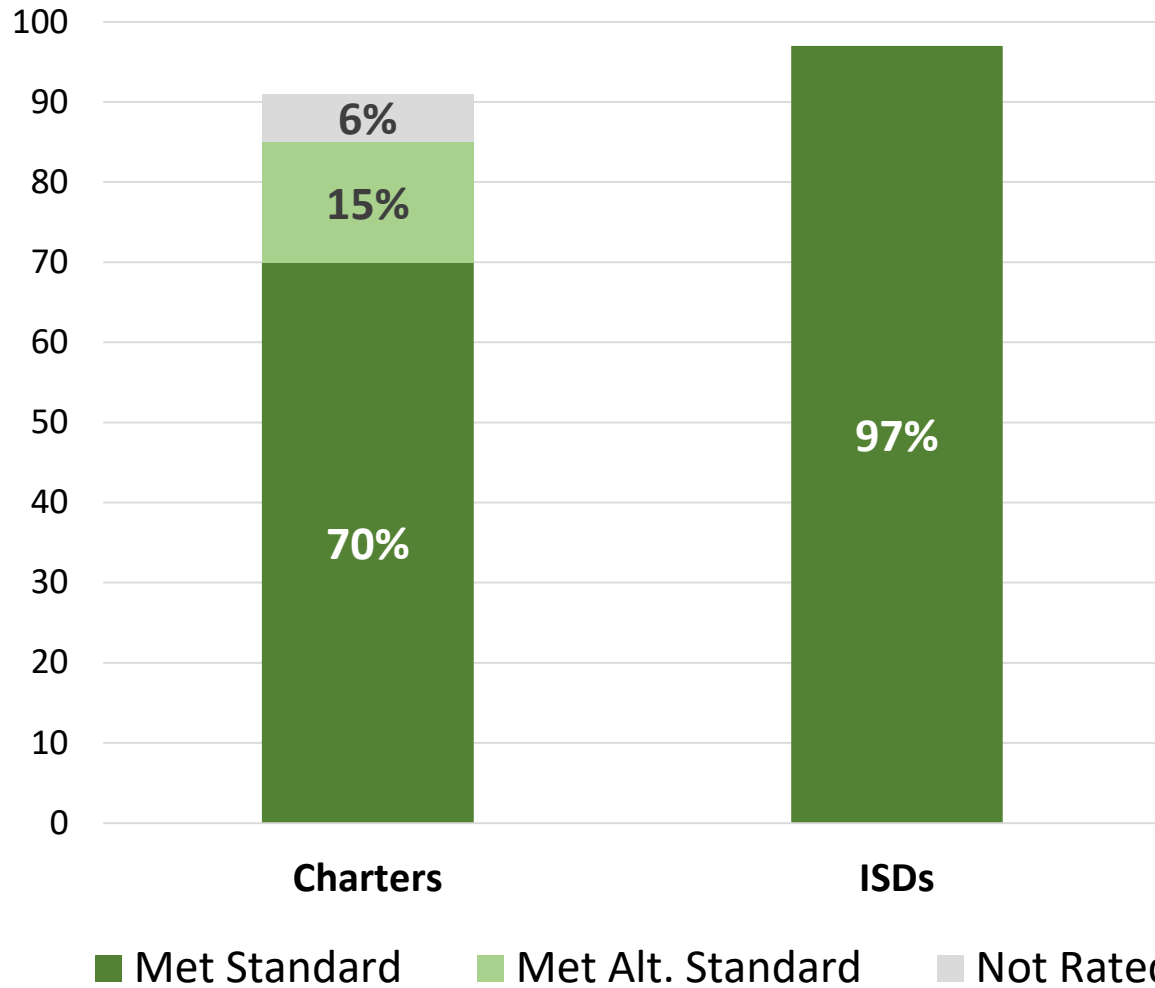
Expansions- Traditional ISD Notification

Types of Expansion Amendments	Notification Requirement
Additional Site	Certified mail receipts required
Maximum Enrollment Increase	None required
Additional Grade Levels	None required
Geographic Boundary Increase	Electronic notification is acceptable
Expedited expansions	Certified mail receipts required for districts and representatives TEC §12.1101

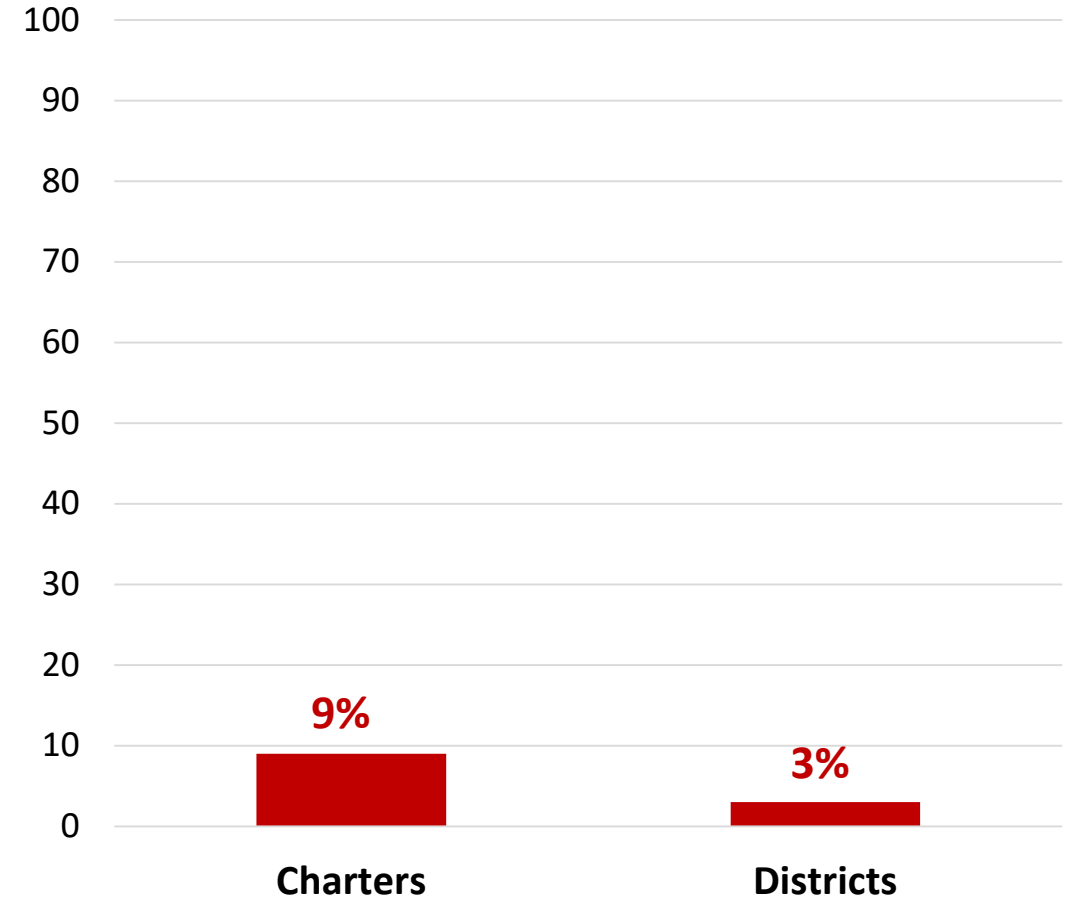
Texas Charter School System Accountability

2017 Accountability Ratings: Traditional ISDs and Charters

Met Standard/Not Rated

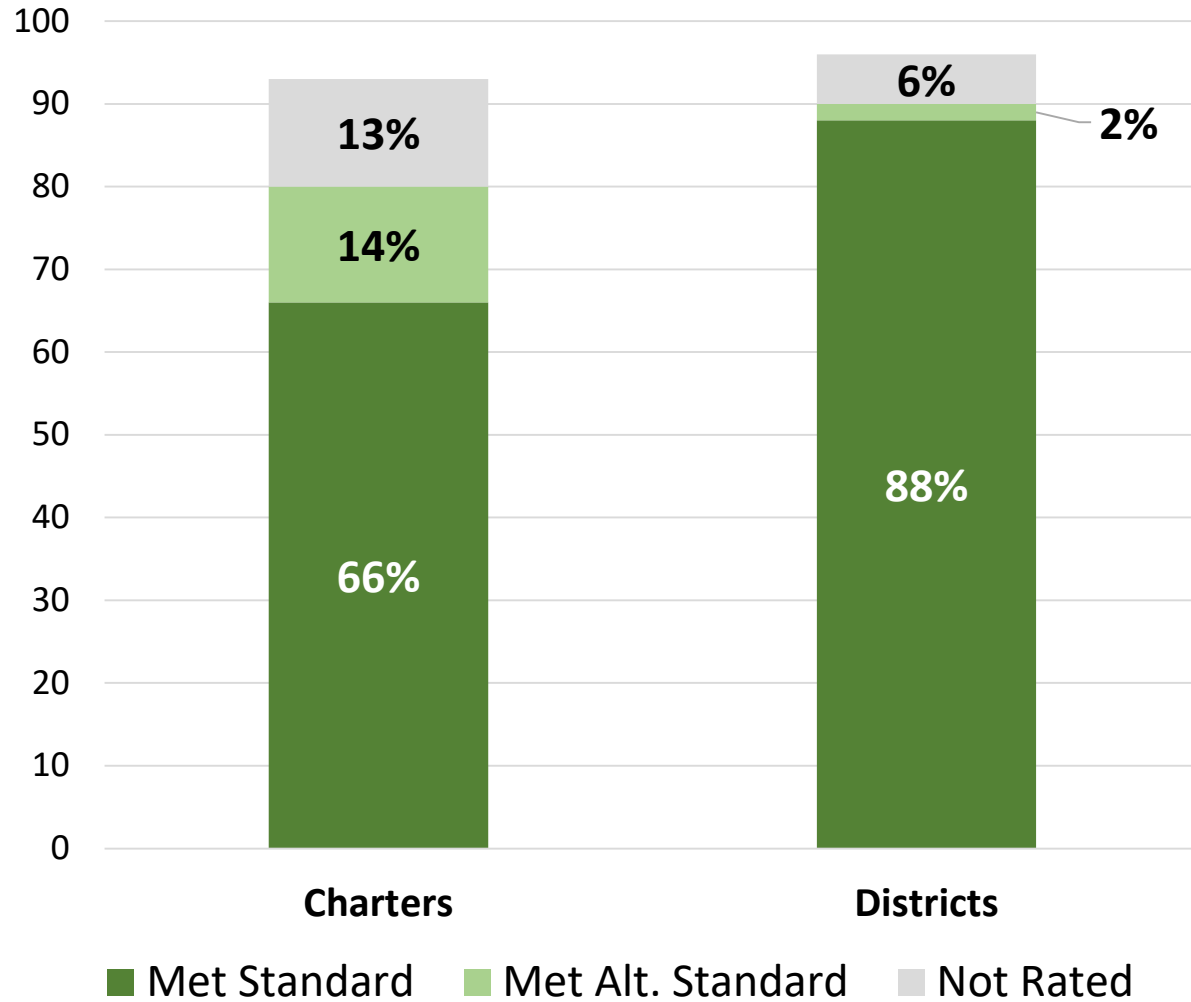


Improvement Required

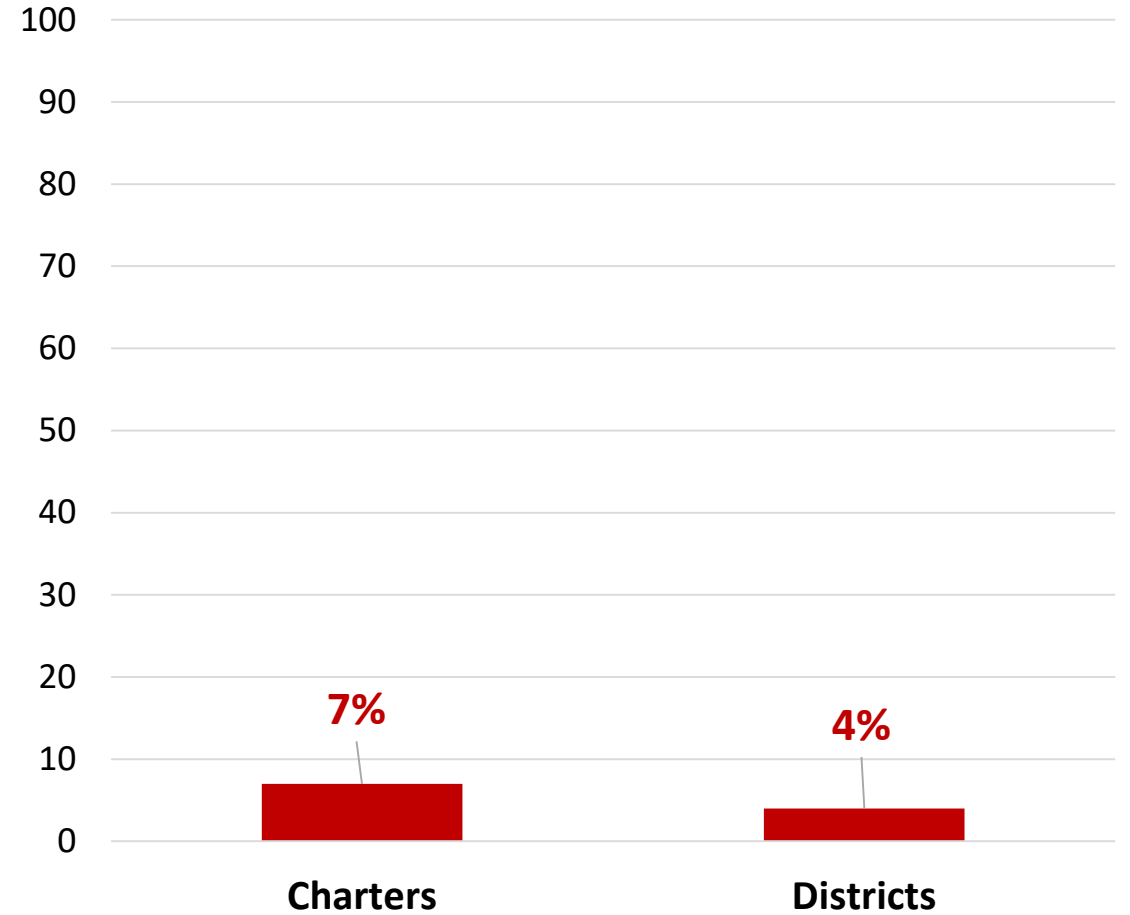


2017 Accountability Ratings - Campus

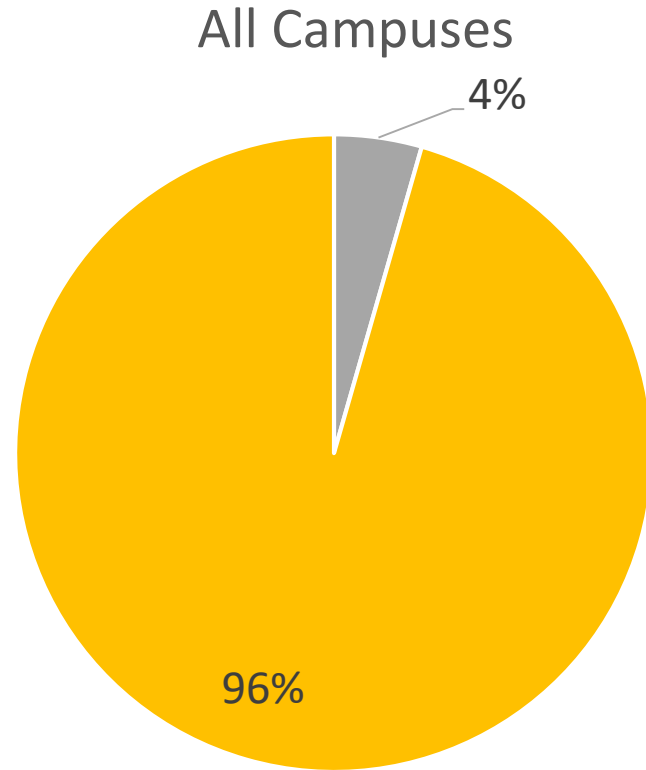
Met Standard/Not Rated



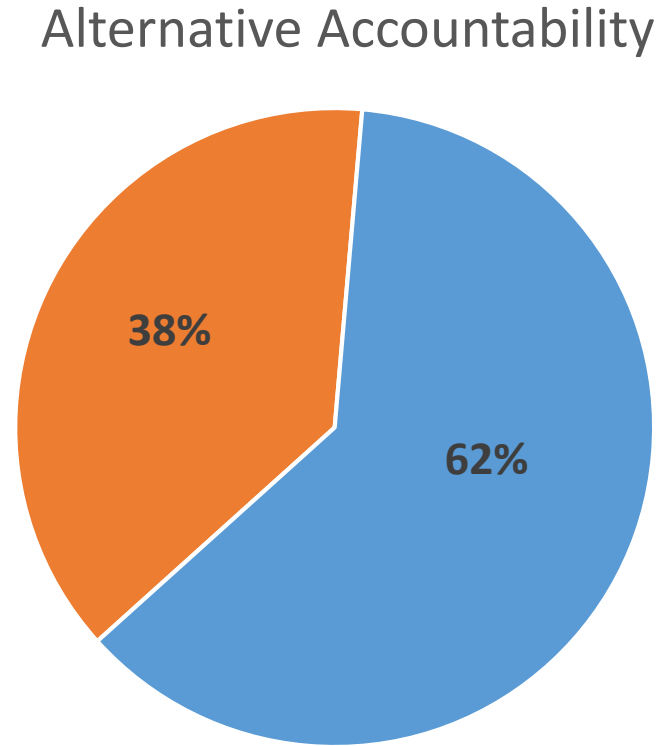
Improvement Required



Alternative Education Accountability



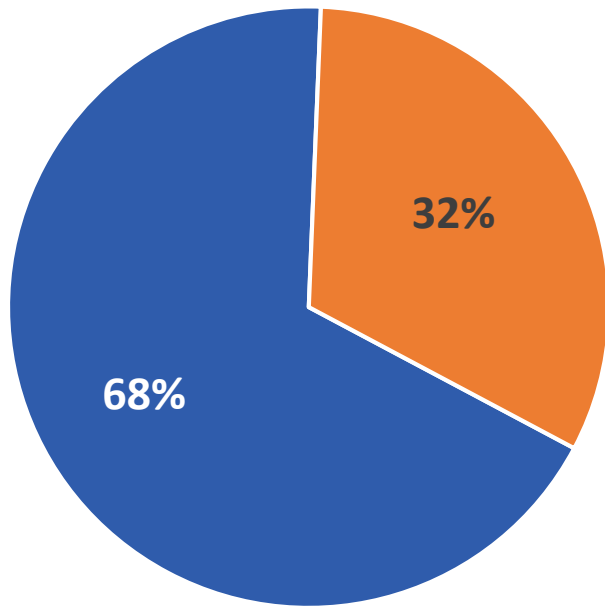
- Alternative Accountability
- Standard Accountability



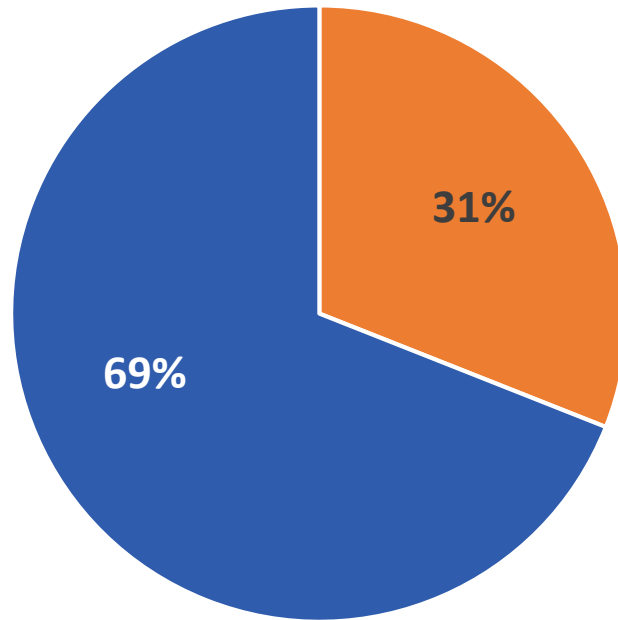
- Charter
- Traditional

High-Poverty Campuses

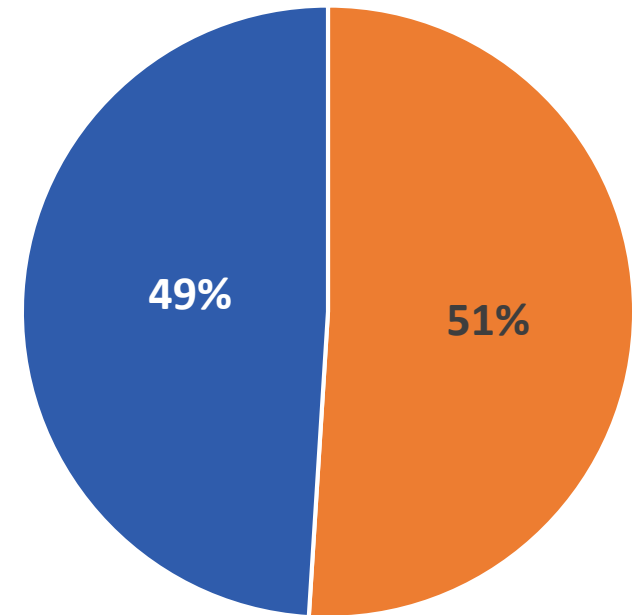
Statewide Campuses



Traditional ISDs



Charters



- Greater than 80% of students are Eco Dis
- Less than 80% of students are Eco Dis

Texas Charter School System Funding

TRS Contributions

- Contribution overview
- Comparison between school districts and charter schools

HB21 – Facilities Funding

- Statutory overview
- Implementation Status

Charter School FSP Funding

- FSP funding overview
- Charter school funding trends
- Comparison to school districts

SB1882 School District Funding

- Statutory overview (funding)
- Sample calculations

TRS: Statutorily Minimum Calculation—Districts

- School districts are required to pay certain employees based on a minimum salary schedule outlined in the TEC, §21.402(c-1).
- The state pays an amount to TRS on behalf of school districts based on the minimum salary schedule multiplied by 6.8%, the current state contribution rate.
- School districts are required to pay the portion of the state TRS contribution for the amount that an employee salary exceeds the state adjusted minimum salary with local funds.

TRS: Statutorily Minimum Calculation—Charters

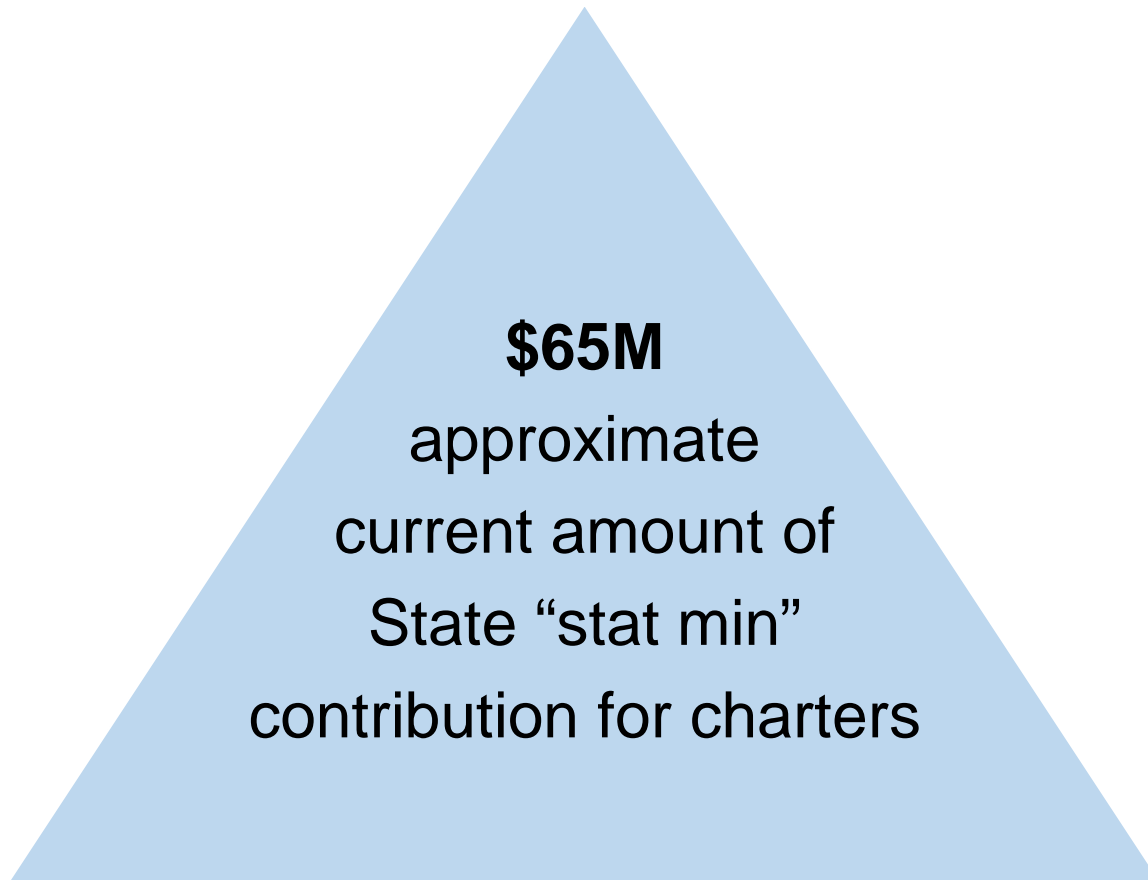
- Charter schools do not have a requirement to pay their employees based on the state minimum salary table in the TEC, §21.402(c-1).
- The state pays 6.8% on the total amount of charter school employees' salaries for their TRS contributions.
- Charter schools do not pay TRS contributions based on the state adjusted minimum salary schedule.

Example of the difference in TRS contributions between school districts and charter schools

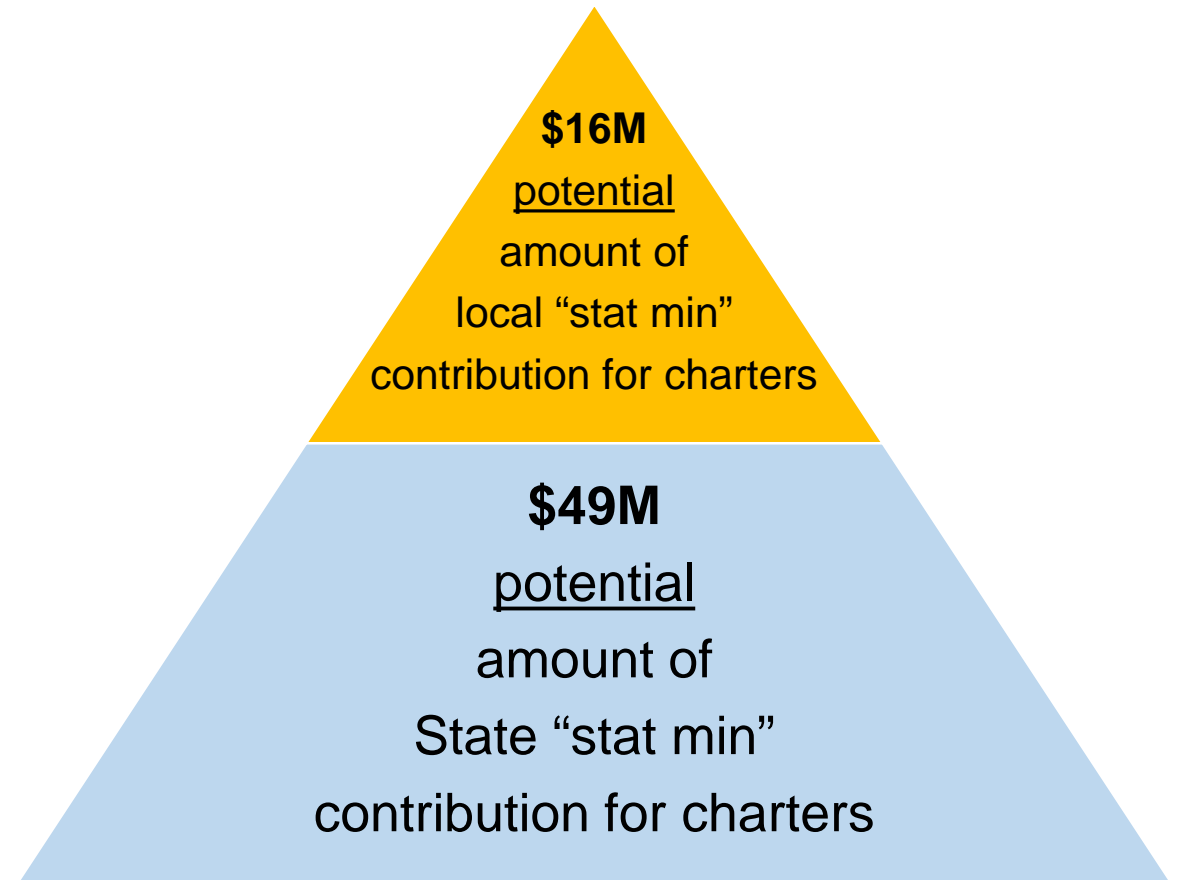
A teacher with three years of experience earns an \$42,000	School District with a 1.17	Charter Schools
Teacher Salary	\$42,000	\$42,000
Total required employer contribution into the TRS covered member account (6.8% of the full salary)	\$2,856	\$2,856
Minimum salary for three years experience	\$29,890	NA
Adjusted minimum salary per TEC, §21.402(c-1) (Minimum Salary × Cost of Education Index (1.17))	\$34,971	NA
Amount of salary over the adjusted minimum (State does <u>not</u> pay the TRS contribution on this amount for districts)	\$7,029	NA
State Portion of the required TRS contribution (\$34,971 × 6.8%)	\$2,378	\$2,856
District portion of the required TRS contribution	\$478	NA

Comparison of “State and Local” TRS Contributions for Charter Schools - current law vs. district treatment

Charter Schools – Current Law



Charter Schools – Hypothetical Calculation



This is a high-level illustration that was modeled using a weighted average CEI of 1.1259 and only considered employees subject to the minimum salary schedule in the TEC, (teachers, nurses, librarians, counselors and superintendents) and does not represent the full amount of TRS contributions TRS for all charter school employees.

Facilities Funding Implementation – HB21

- Beginning in FY2019, certain charter schools will be eligible to receive a facilities allotment calculated using the state average debt service tax rate for school districts (estimated at 21 cents), limited to \$60 million in additional statewide funding.
- Funding is currently estimated at approximately **\$202** per student in average daily attendance (ADA), and is subject to change.

Facilities Funding Implementation – HB21

- The Agency is undergoing the rule adoption process to select the academic rating year that will be used to determine eligibility for the funding allotment. The rule is scheduled to be finalized in September 2018 prior to the first Foundation School Program payment of FY2019.
- Only charter schools that demonstrate acceptable academic performance under TEC Sec. Chapter 39, (Subchapter C) will be eligible for the allotment.

Facilities Funding Implementation – HB21

Pursuant to TEC, Section 12.106(f), funds received by a charter holder may only be used:

1. to lease an instructional facility;
2. to pay property taxes imposed on an instructional facility;
3. to pay debt service on bonds issued to finance an instructional facility; or
4. for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility.

Charter School Funding Overview

- Charter schools are entitled to Tier I and Tier II state aid, but, because they do not have the ability to generate the local share through a property tax base, the state funds 100% of the entitlements.
- Charters are funded using state average funding variables for Tier I, and state average tax rates for Tier II.
- Charter schools are not eligible for facilities funding under IFA or EDA but do qualify for NIFA as part of the Tier I calculation and will qualify for facilities funding beginning in FY2019.

Charter School Funding – Tier I

- At an adjusted allotment of \$6,540, charter schools are funded like a “small-size” school district with a regular program ADA of 824, a CEI of 1.0795, and with fewer than 300 square miles.
- While 66% (116) of charter schools have less than 824 ADA, they only account for 40,000 ADA (16% of total charter ADA).
- The nine largest charters have 114,000 ADA (44% of total charter ADA) but are still funded at the “small-size” state average level.
- It is worth noting that over 95% of students enrolled in school districts attend a school district with an adjusted allotment below \$6,540

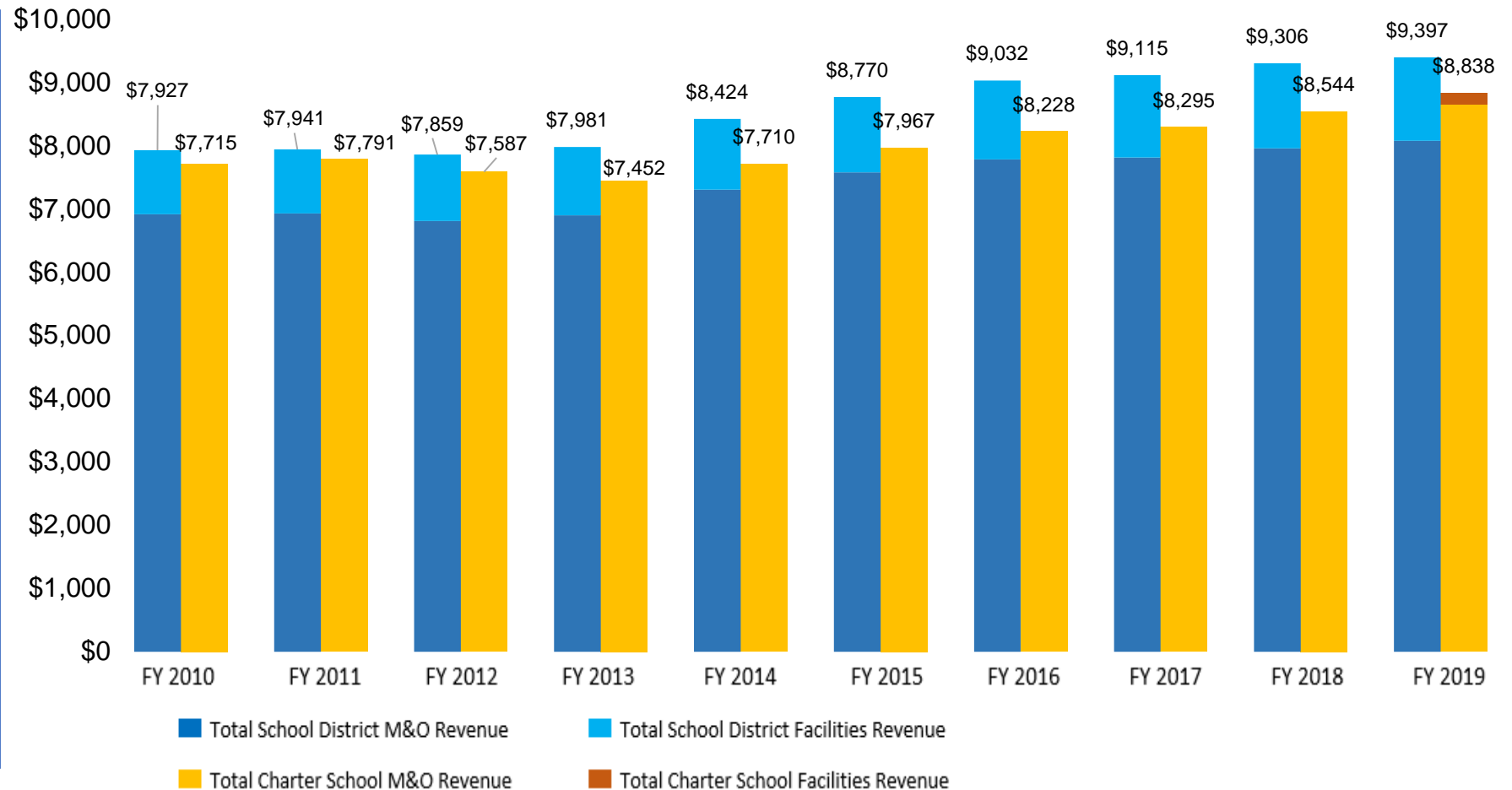
Charter School Funding – Tier II

- Charter schools do not have the authority to levy a tax rate, therefore they cannot raise local property taxes.
- Therefore, charter schools' Tier II allotments are calculated using the state average M&O tax rates for the golden and copper pennies (\$0.0573 and \$0.0490, respectively in FY2019).
- Charters benefit as more districts hold elections to increase their M&O tax rates above \$1.04.

FSP Trends: M&O and Facilities revenue per enrolled student for districts and charters

Since FY2010, school district M&O and facilities revenue per student has grown by 19%. Meanwhile, charter revenue per student has grown by 15%.

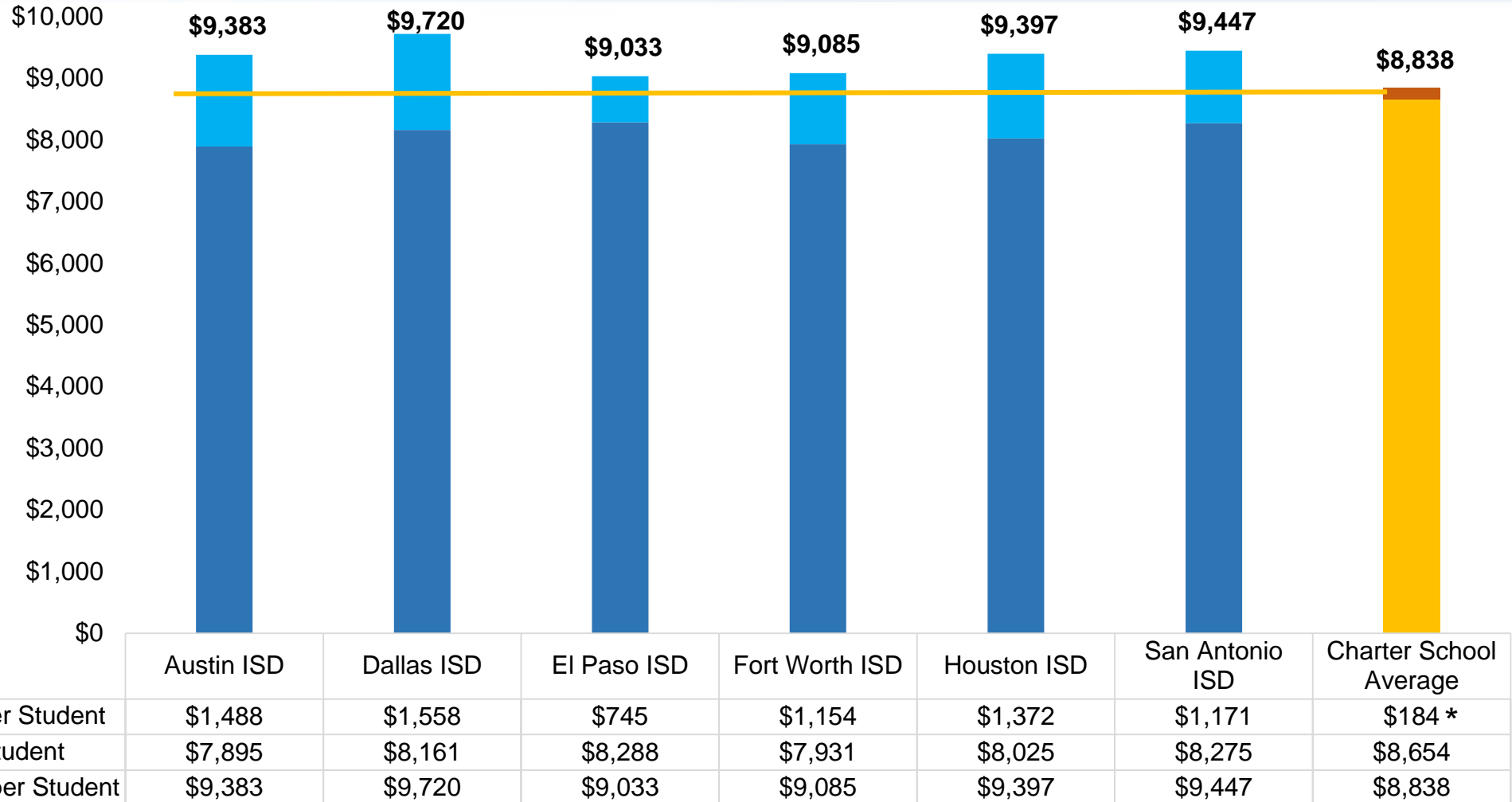
For FY2019, it is projected that on the aggregate, school districts will have \$559 more than charter schools, per enrolled student.



Sources: TEA Statewide Summary of Finances, July 2018 (funding for school districts is net of recapture) (FY2018 and FY2019 data are preliminary)
 *Charter schools must have an acceptable academic performance under TEC Chapter 39 (Subchapter C) in order to qualify for facilities funding



FY2019 comparison of M&O and Facilities Revenue per enrolled student between charter schools and some of the larger districts across the state



Sources: TEA Statewide Summary of Finances, July 2018 (funding for school districts is net of recapture) (FY2019 data is preliminary)

*Charter schools must have an acceptable academic performance under TEC Chapter 39 (Subchapter C) in order to qualify for facilities funding)

So, do charter schools receive more, or less funding per student than traditional school districts?

The answer is both. It depends on a number of assumptions and decisions about what are appropriate measures of comparison (i.e. context is everything)

How do we determine the answer?

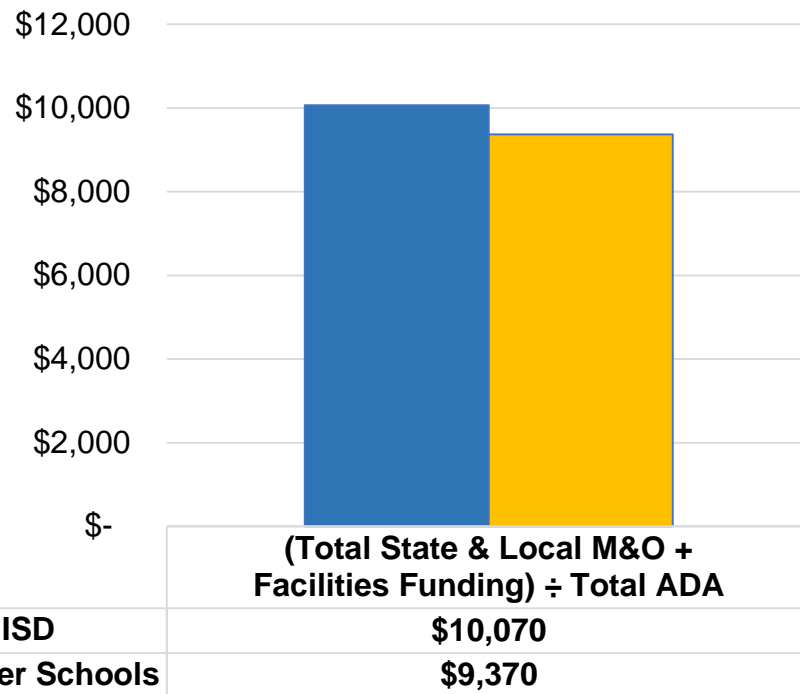
- First, a decision needs to be made about whether to assume the numbers and types of students enrolled are identical between a school district and a charter school, or whether to compare the funding that has flowed as a result of actual student enrollment, which may differ between entities.
- Second, a decision needs to be made about whether to consider general operating (M&O) funds only, or “all funds”, including funding for facilities, which has traditionally only been available to school districts.
- Dividing total funding by the total number of students in each category of public school is what has traditionally been done. SB1882 controls for differences in the types of students between districts and charters, and ultimately highlights differences in entitlements caused by a specific district’s “district-level” funding adjustments, and the state averages for the adjusted allotments (after the CEI and small and mid-size adjustments) and tax rates, etc.

SB 1882

Funding of District – Charter Partnerships

How SB 1882 differs from traditional methods of funding comparisons

Despite Houston ISD having an estimated \$700 more per ADA than charter schools across the state (including \$1,567 for facilities funding) in FY2018, the district would have been entitled to approximately \$1,800 per ADA under SB1882.



Why is this?

SB 1882 allows school districts that contract with a partner to operate a campus to receive additional funding equal to the difference in the Tier I and Tier II entitlements normally provided to those districts and the Tier I, Tier II and facilities entitlements provided to charter schools:

- SB1882 would run actual Houston ISD enrollment on an eligible campus through the charter state average formula.
- Houston ISD's adjusted allotment is nearly \$900 lower than that of the state average.
- Houston ISD's tax rate is \$1.04, which is six cents below the state average of \$1.10
- SB1882 recognizes the facilities funding made available to charter schools in HB21.



Estimated State Aid for Austin ISD under TEC Sec. 42.2511 for a campus of 500

	Austin ISD Using Charter Formula		Austin ISD
Compressed M&O Tax Rate	\$	0.99	\$ 1.00
M&O Tax Rate	\$	1.09	\$ 1.08
Cost of Education Index (CEI)		1.08	1.10
Adjusted Allotment		\$6,540	\$5,505
Average Daily Attendance		455	455
Total Tier I Entitlement		\$3,802,452	\$3,200,709
Total Tier II Entitlement		\$516,499	\$431,854
Charter school facilities funding*		\$82,475	\$0
Total Entitlement (No Local or State Share Considered)		\$4,401,427	\$3,632,563
Total Entitlement per ADA		\$9,663	\$7,975
Additional State Aid under new TEC Sec. 42.2511		NA	\$768,863
Additional State Aid per ADA		NA	\$1,688
For Context (Other Revenues Available to Austin ISD not considered as part of the SB1882 Calculation)			
	FY2019 State & Local Facilities Funding per ADA		\$1,641
	FY2019 Other State & Local M&O Funding per ADA		\$731
	FY2019 Total State & Local Funding per ADA		\$10,347

SB1882 Funding Amount per ADA



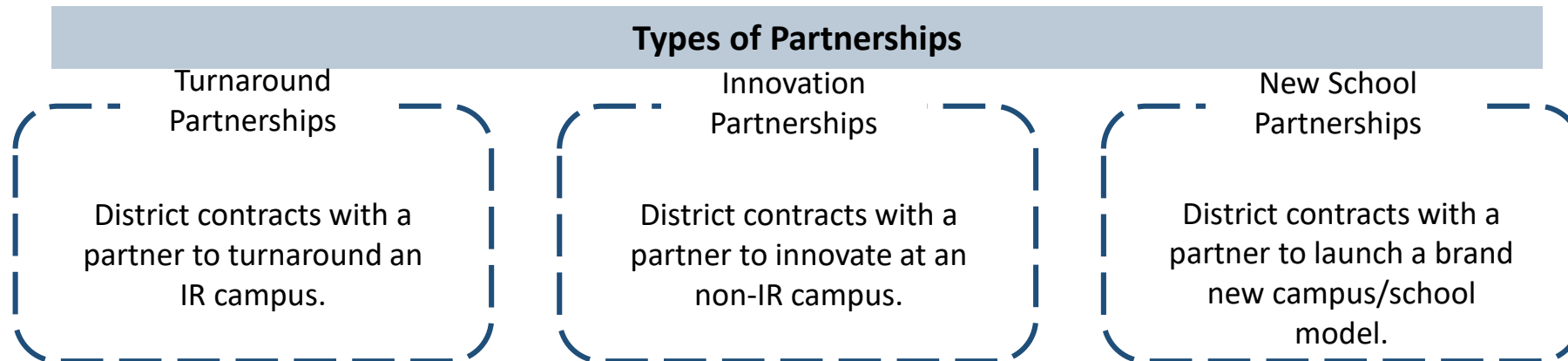
*Charter school facilities funding assumes charter school demonstrates acceptable academic performance under TEC Sec. Chapter 39, (Subchapter C) Comparison uses the same inputs (i.e. charter funding is based on the same school district student characteristics (special program participation and attendance rates), and also uses the same assumed campus enrollment of 500, and excludes other line items found in Chapters 41, 42 and 46

SB 1882

District – Charter Partnerships

SB 1882 Partnerships

SB 1882 Partnership - A school district initiative to partner with a charter school, non-profit, institution of higher-education, or government entity to operate a school. Eligible partnerships have access to financial and accountability incentives.



Key Requirements

- 1) A SB 1882 partnership must be authorized as an in-district charter.
- 2) A performance contract formalizes the performance and role expectations of the district and the partner.

2018-2019 Partnerships

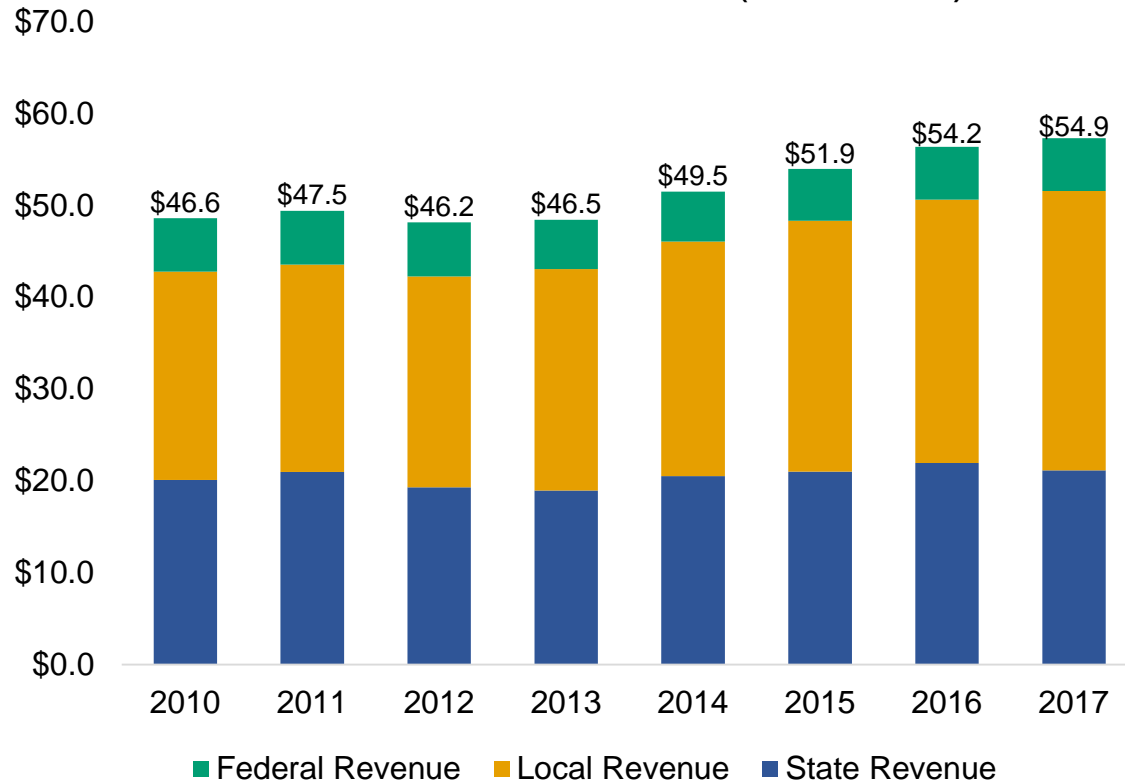
Applicants	Under Review	Approved
<ul style="list-style-type: none"> 17 districts submitted LOIs 	<ul style="list-style-type: none"> 4 New School Partnerships 2 Innovation Partnerships 	<ul style="list-style-type: none"> 6 Turnaround Partnerships

2018 – 2019 SB 1882 Partnerships				
District	Partner	Partnership Type	# of Campuses	Status
Grand Prairie ISD	Uplift Education	Innovation Partnership	1 Campus	Under Review
San Antonio ISD	CAST Tech	Innovation Partnership	1 Campus	Under Review
Austin ISD	Mainspring Schools	New School Partnership	1 Campus	Under Review
San Antonio ISD	Texans Can Academy	New School Partnership	1 Campus	Under Review
Edgewood ISD	PreK4SA	New School Partnership	1 Campus	Under Review
Galveston ISD	Moody ECE	New School Partnership	1 Campus	Under Review
San Antonio ISD	Relay Lab Schools	Turnaround Partnership	2 Campus	Approved for Benefits
San Antonio ISD	Democracy Prep	Turnaround Partnership	1 Campus	Approved for Benefits
Ector County ISD	Ector County Success Network	Turnaround Partnership	1 Campus	Approved for Benefits
Hearne ISD	Hearne Education Foundation	Turnaround Partnership	2 Campus	Approved for Benefits
Waco ISD	Transform Waco	Turnaround Partnership	5 Campus	Approved for Benefits
Austin ISD	T-STEM Coalition	Turnaround Partnership	1 Campus	Approved for Benefits

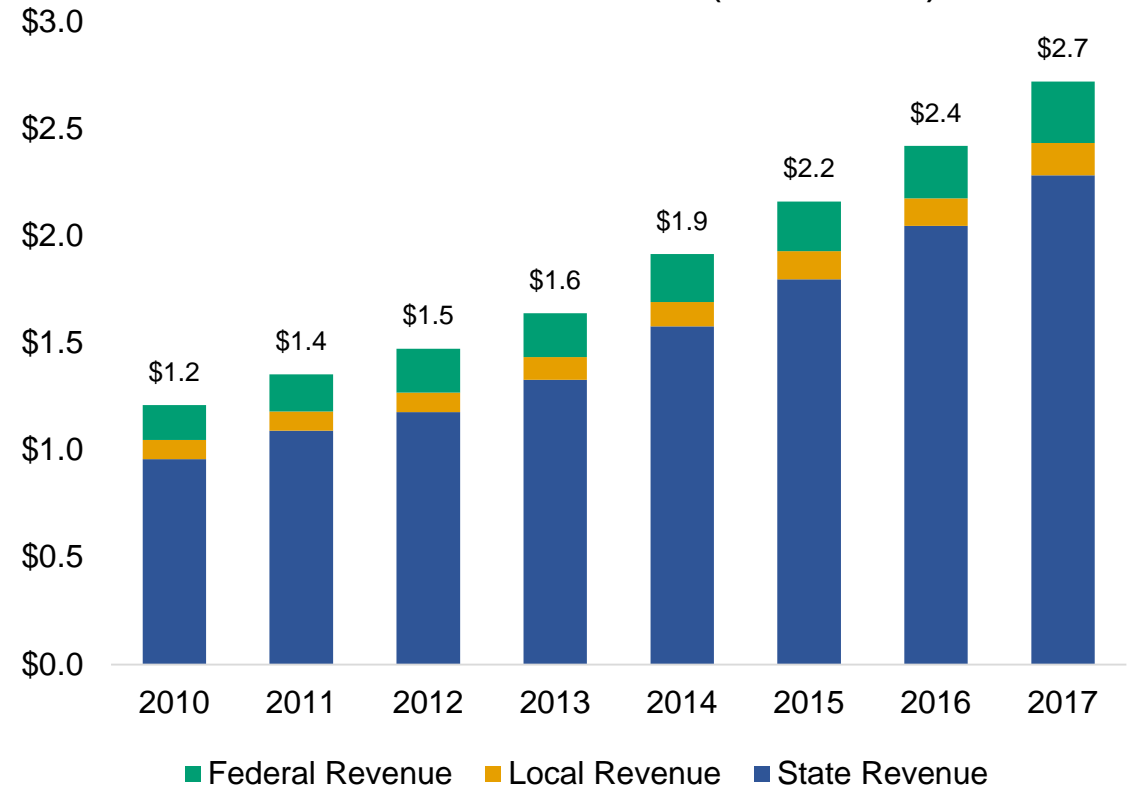
Appendix

Total Revenue (All funds): School Districts & Charter Schools

School Districts Revenue (in billions)



Charter Schools Revenue (in billions)



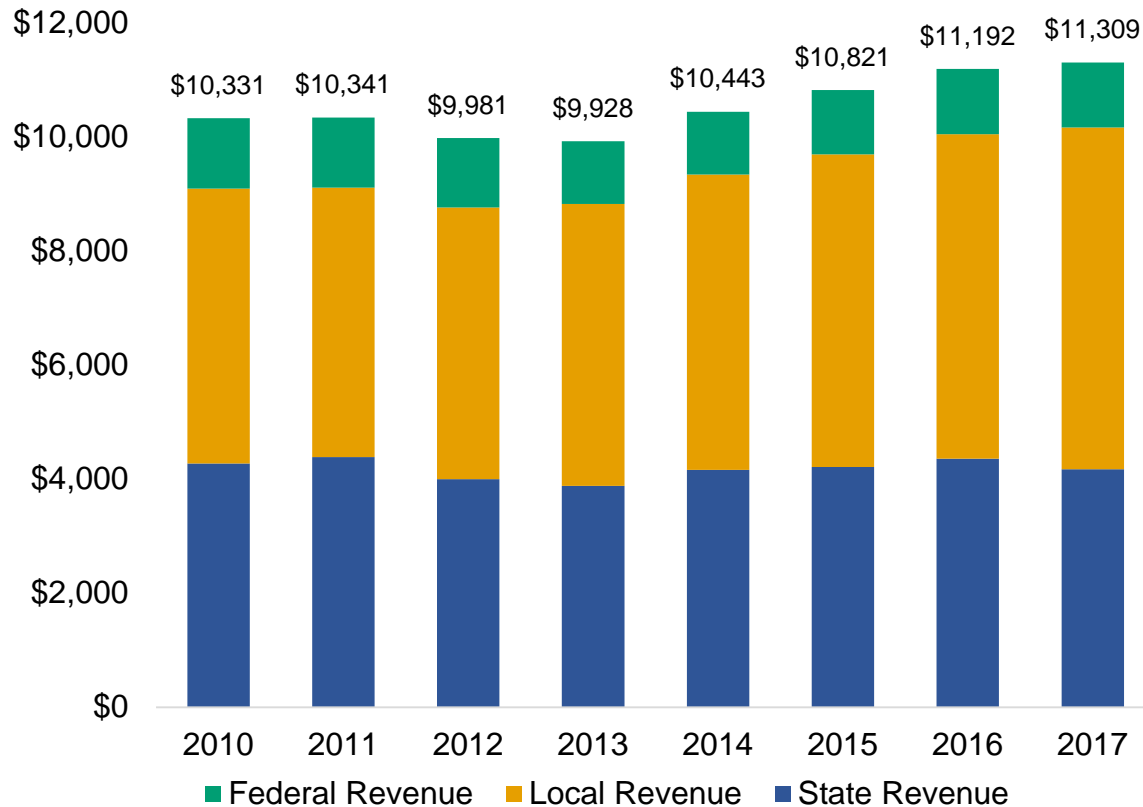
Source: TEA PEIMS Financial Standard Reports

Note: Because school districts and charter schools are subject to different accounting rules, school district revenues include the State's TRS on-behalf contributions, whereas charter schools are not required to record the State's on-behalf contribution.

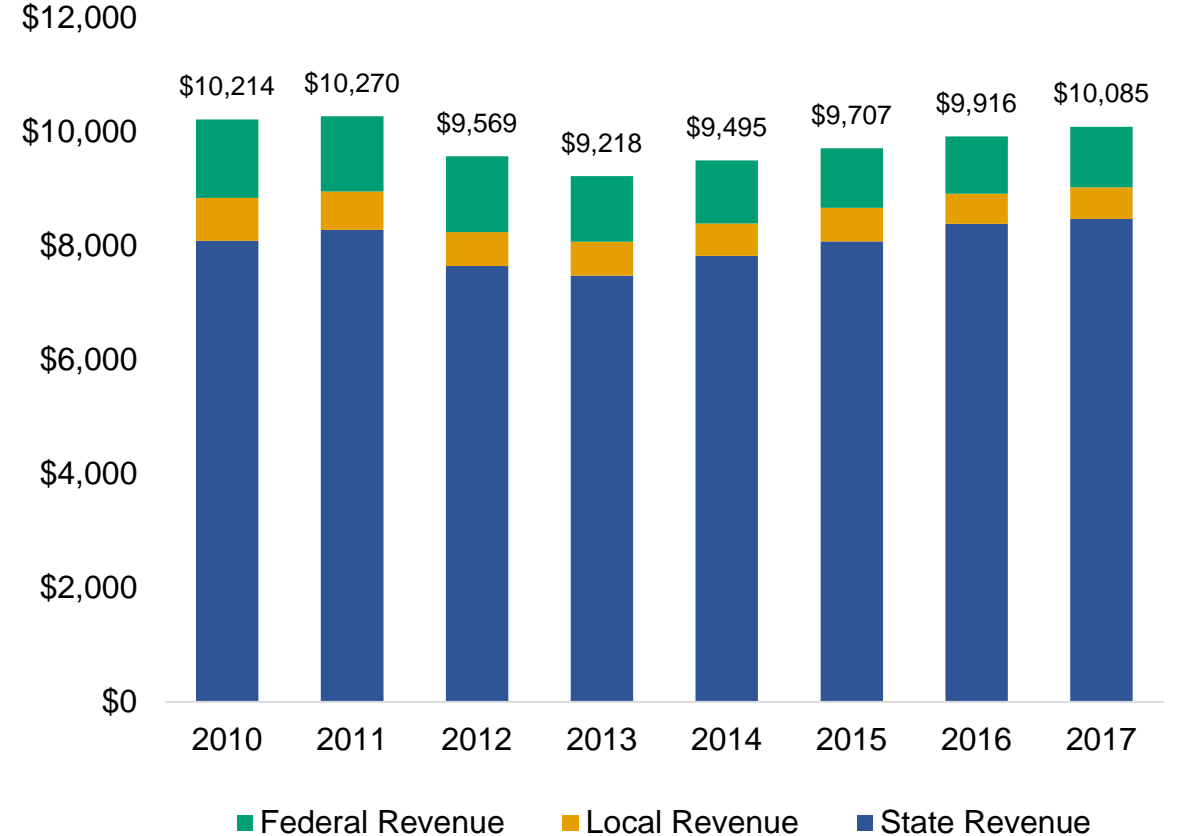


Total Revenue (All funds) per enrolled student: School Districts & Charter Schools

School District Revenue per Student



Charter School Revenue per Student



Source: TEA PEIMS Financial Standard Reports

Note: Because school districts and charter schools are subject to different accounting rules, school district revenues include the State's TRS on-behalf contributions, whereas charter schools are not required to record the State's on-behalf contribution.