



Funding Charter Schools

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New Hampshire Center for School Reform
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The Legislature's Intent

Former Senator Jim Rubens, Etna:

"We had a vision of specialized charter schools with innovative and specialized curricula, staffing, locations, and sponsors quilted in with our traditional public schools. We saw a more flexible and dynamic system of public schools helping more young people reach their potential."

We wanted to have a system with more offerings to meet needs and talents of students and parents. And we wrote purpose statements for our state's charter school law, because we wanted to be sure our goals were clear. We also wanted to ensure that charter schools would operate using a different accountability system: less paperwork and bureaucracy and a more direct relationship with parents.

Former Senator Jane O'Hearn:

"Our goal was to create public school opportunities for students who did not fit or did not thrive in the local neighborhood school. Local neighborhood schools cannot meet the needs of all children. And we recognized that.

Our vision was charter schools for the arts, for math and science, for special needs, for drop outs, or for technology. We saw an interest and we saw the need. We wanted to assure more opportunities so students could find a school where they would thrive."

Representative John Hunt:

"The purpose of Charter Schools was to reinvent Public Schools free of external bureaucratic control and able to focus on individual student and parental needs. Charter Schools are not measured by exceeding minimal standards but rather by how many students and parents want to have their children attending that particular charter school. The new charter school law was designed to kick start the program and take advantage of the new adequacy law."

RSA 194-B: 1-a: Statement of Purpose. It is the purpose of this chapter to:

- I. Promote and encourage the establishment and operation of charter and open enrollment schools in New Hampshire,
- II. Encourage school districts to allow public charter and open enrollment schools,
- III. Encourage the establishment of public charter schools with specific or focused curriculum, instruction, methods, or target pupil groups,
- IV. Improve pupil learning and increase opportunities for learning,
- V. Exempt charter schools from state statutes and rules, other than where specified, to provide innovative learning and teaching in a unique environment,
- VI. Enhance professional opportunities for teachers,
- VII. Establish results-driven accountability for public charter schools and require the measurement of learning,
- VIII. Make school improvement a focus at the school level, and
- IX. Encourage the establishment of public charter schools that meet the needs and interests of pupils, parents, communities, regions, and the state as a whole.

[Note: IX was added in 2004 for multi-district charter schools authorized by the state.]

The Numbers: based on approved schools 4/2006

As of April 2006
 11 SCHOOLS ARE APPROVED
 6 SCHOOLS ARE OPEN

2005-2006 = 244 Students
 2006-2007 = 480 Students
 2007-2008 = 837 Students

ENROLLMENT PROJECTIONS				
STATE-AUTHORIZED CHARTER SCHOOLS (11)				
OPEN OR OPENING THROUGH 2007-2008				
Updated April 11, 2006	2004-05	2005-06	2006-07	2007-08
STATE-AUTHORIZED SCHOOLS-2006				
STATEWIDE CHOICE SCHOOLS				
1) Franklin Career Academy	34	closed	35	50
2) Seacoast Charter School, Stratham	15	34	60	100
3) North Country Charter Academy	45	45	45	45
4) Laurent Clerc Academy, Concord (also has 12-16 part-time students)	6	8	10	16
5) Cocheco Arts & Technology, Dover	21	42	80	120
6) Academic/Equestrian, Rochester			25	50
7) Academy for Science and Design; Approved 3/06 to open 9/07			-	66
8) Strong Foundations Charter School; Approved 3/06 to open 9/07			-	60
9) Surry Village Charter School; Approved 3/06 to open 9/06			45	90
Subtotal	121	129	300	597
DISTRICT CHOICE SCHOOLS				
10) Great Bay eLearning Charter, Exeter	50	75	120	140
11) New Heights Academy, Goffstown	-	40	60	100
Subtotal	50	115	180	240
GRAND TOTAL: ENROLLMENT & PROJECTION				
STATE-AUTHORIZED CHARTER SCHOOLS	171	244	480	837
Subtotal: STATEWIDE CHOICE SCHOOLS	121	129	300	597
Subtotal: DISTRICT CHOICE SCHOOLS	50	115	180	240

Research

Charter schools are a wise investment. For every dollar spent, the state saves money in the long run.

Charter schools address early intervention, at-risk populations, and students who admit they could learn better and more in a different environment. They are accountable for achievement, literacy, and assuring graduation. Vast amounts of research recommend smaller, more personalized, and/or choice schools.

1. A recent national poll indicates 78% of Americans support creation of new public schools—charter schools—held accountable for results but without more cost per child.
2. Charter schools typically cost less per pupil. One state's study estimated 15-20% less cost per student per year. New Hampshire's 1995 charter school law is based on funding at 80% of the prior year's per pupil cost.
3. For every \$1.00 spent on early years of education, the benefit is \$10-\$17.00 in reduced special education, reduced drop-outs, and higher achievement.
4. Individualized programs for all “dramatically reduce” special education (approx. 20% of public school budgets). Most NH charter schools individualize programs for all.
5. Dropouts are 6 x more likely to be incarcerated and state supported. The average annual cost of maintaining a prisoner is 3 times the annual cost to educate a student.
6. Each year's dropouts cost the US 200 billion in lost income and unrealized tax revenue during their lifetime. Estimates of high school drop-outs: 20-35%.
7. 1 in 4 NH students drops out (NH Public Policy research 2002). DOE posting for 2005 is an average cumulative dropout rate of 13.3% (2,344). Some towns have over 20%.
8. Student dropouts lose lifetime earning potential: Males: \$365,707; Females: \$236,111. Lost wages = Lost economic gain for the state economy.
9. Deaf student dropout rate in New Hampshire is 3X the national average.
10. High School dropouts are 2.7 times more likely to receive needy family assistance and 3.7 times more likely to receive food stamps.

Funding Charter Schools

MONEY FOLLOWS STUDENTS



Local Authorization Scheme 1995

- At least 80% of local per pupil cost is paid by sending district
- Local special ed funding, follows student
- Federal & state grants follow the student
- Law allows for more or less than 80%
- Mutually-agreeable options encouraged with sending district(s)

State Authorization Scheme 2003

- State aid amount follows student
- State grants are also intended with budgeted state funds.
- Local special ed funding, follows student
- Federal & state grants follow the student
- Law allows for more or less than required
- Mutually-agreeable options encouraged with sending district(s)

FIXING THE FUNDING

State-authorized Charter Schools

The Facts:

- A. There are **2 types** of state-authorized charter schools:
- 1) schools that are district specific (2 of 11), and
 - 2) schools that are not district specific (9 of 11) and are open to students statewide.
- B. The 1995 charter school funding policy was for a 20% reduction in public funding for charter students. In fact, charter school students have a 70-80% reduction in public funding (2005-06).
- C. Statewide choice schools have no options for public funds without:
- 1) state supplemental funds, or 2) weighted state funds. Below are state average costs & the amount charter students would receive with a funding policy of 80%, 70%, or 60%.

<u>Elementary Schools</u>
2005 Total Average Cost
Approx. \$11,000
80% = \$8,800
70% = \$7,700
60% = \$6,600

<u>High Schools</u>
2005 Total Average Cost
Approx. \$11,800
80% = 9,440
70% = 8,360
60% = 7,080

- D. To give charter students 60% of state average funding would require per student state grants of \$3,100 (elem.) or \$3,580 (high school).

Base State Aid	\$3,500
+ State Grant	\$3,100
Fixed to 60%	= \$6,600

Base State Aid	\$3,500
+ State Grant	\$3,580
Fixed to 60%	= \$7,080

Considerations:

1. Deaf students need \$9,000 additional per student, minimum. These students typically cost \$30,000 - \$45,000 per student. The LCA charter school can serve these students for \$18,000 per student.
2. 2 of 11 schools are district choice schools, not statewide choice schools. The legislature must decide its funding policy as regards district charter schools. Their situation is quite different from the statewide choice schools.

WHAT FAIR FUNDING COSTS

STATEWIDE CHOICE SCHOOLS

[State Budget: Section 03 Department of Education, Section 01, Curriculum and Assessment, Line 95
Charter School Matching Grants.]

THERE ARE 9 STATEWIDE CHOICE CHARTER SCHOOLS					
	\$1,500 Grant per student	\$2,000 Grant per student	\$2,500 Grant per student	@60%	Variable per school
1 Franklin Career Academy					
Number of Students 2006-07 (est.)	35	35	35	35	35
Appropriation per Student	\$1,500	\$2,000	\$2,500	\$3,580	\$2,500
Total Grant	\$52,500	\$70,000	\$87,500	\$ 125,300	\$87,500
2 Seacoast Charter School					Variable
Number of Students 2006-07 (est.)	60	60	60	60	60
Appropriation Per Student	\$1,500	\$2,000	\$2,500	\$3,100	\$1,500
Total Grant	\$90,000	\$120,000	\$150,000	\$186,000	\$90,000
3 North Country Alternative School					Variable
Number of Students 2006-07 (est.)	45	45	45	45	45
Appropriation per Student	\$1,500	\$2,000	\$2,500	\$3,580	\$2,500
Total Appropriation amount requested	\$67,500	\$90,000	\$112,500	\$161,100	\$112,500
4 Laurent Clerc Academy, Concord					
Number of Students (Deaf/Hearing)	8/14	8/14	8/14	8/14	8/14
Appropriation per Student	\$9000/deaf	\$9000/deaf	\$9000/deaf	\$3100	\$9000/deaf
Total Grant	\$72,000	\$72,000	\$72,000	\$24,800	\$72,000
5 Cocheco Arts & Technology, Dover					
Number of Students 2006-07 (est.)	80	80	80	80	80
Appropriation per Student	\$1,500	\$2,000	\$2,500	\$3,580	\$2,500
Total Grant	\$120,000	\$160,000	\$200,000	\$286,400	\$200,000
6 Academic/Equestrian, Rochester					
Number of Students 2006-07 (est.)	25	25	25	25	25
Appropriation per Student	\$1,500	\$2,000	\$2,500	\$3,580	\$2,000
Total Grant	\$37,500	\$50,000	\$62,500	\$89,500	\$50,000
7 Academy for Science and Design					
Number of Students 2006-2007	0	0	0	0	0
Appropriation per Student	\$1,500	\$2,000	\$2,500	\$3580	0
Total Grant	\$0	\$0	\$0	0	\$0
8 Strong Foundations Charter School					
Number of Students 2006-2007	0	0	0	0	0
Appropriation per Student	\$1,500	\$2,000	\$2,500	\$3100	0
Total Grant	\$0	\$0	\$0	0	\$0
9 Surry Village Charter School					
Number of Students 2006-07 (est.)	45	45	45	45	45
Appropriation per Student	\$1,500	\$2,000	\$2,500	\$3100	\$1,500
Total Grant	\$67,500	\$90,000	\$112,500	\$139,500	\$67,500
Total Grant Funds Needed	\$445,500	\$574,000	\$702,500	\$1,112,60	\$679,500

WHAT FAIR FUNDING COSTS

DISTRICT CHOICE SCHOOLS

[State Budget: Section 03 Department of Education, Section 01, Curriculum and Assessment, Line 95
Charter School Matching Grants.]

Charter School Grant Funding

If state policy supports additional funds for district choice schools, these calculations show additional sums to consider.

THERE ARE 2 DISTRICT CHOICE CHARTER SCHOOLS					Variable Allocation
New Heights Academy, Goffstown	@\$1500 per	@\$2,000 per	@\$2,500 per	@60%	2006-07
Number of Students	60	60	60	60	60
Possible Allocation per Student	\$1,500	\$2,000	\$2,500	\$3580	\$1,500
Total Possible Grant	\$90,000	\$120,000	\$150,000	\$214,800	\$90,000
Great Bay eLearning Center, Exeter					
Number of Students	120	120	120	120	120
Possible Allocation Per Student	\$1,500	\$2,000	\$2,500	\$3580	\$2,000
Total Possible Grant	\$180,000	\$140,000	\$300,000	\$429,600	180,000
Total Grant 2006-2007 At various amounts per student	\$270,000	\$260,000	\$450,000	\$644,400	\$270,000

CHARTER SCHOOL LAW: BASICS

Excerpts are from RSA 194-B
The Charter School & Open Enrollment Act

Key Concept #1: . The charter school is an independent public school.

194-B:1 DEFINITIONS. – In this chapter:

III. "Charter school" means **an open enrollment public school, operated independent of any school board and managed by a board of trustees.**

Key Concept #2: Charter school students are officially transferred and their records are kept by the independent charter school. This is one more reason why there should be direct payment from the state to the charter school.

194-B:9 ENROLLMENT;

IV. For the purpose of this chapter, any resident pupil enrolled in a charter school **is to be considered reassigned** to the charter school for purposes of school attendance.

Key Concept #3: All students have a right to an adequate education. The funding for state-authorized charter schools needs to be set in legislation as a % or a weighted formula.

A variety of court rulings in every state over 25 years have underscored that one segment of public students cannot have disparate public funding. Accordingly, the majority of states are careful not to have charter school students receiving really inadequate sums for their public education.

CHARTER SCHOOL LAW: FUNDING

194-B:11 CHARTER AND OPEN ENROLLMENT SCHOOLS; FUNDING.

Black print = New Hampshire's funding statute for state-authorized charter schools.

Red print = editorial comment.

“Charter and open enrollment schools shall be funded as follows:

For any charter school authorized by the state board of education, **the pupil's resident district shall pay tuition beginning July 1, 2004 and every fiscal year thereafter, in an amount per pupil equal to the amount determined in RSA 198:40, I.”**

[**When** state-authorized chartered schools started and the first 2 schools applications were submitted, New Hampshire had a formula for targeted education funding. The formula seemed to keep changing but at the time, some recollect high school students receiving 20% additional and special ed students receiving 100% additional. Low income students received a weight of 0.6. RSA 198:40,I was the “targeted aid” formula for **Determination of Average Per Pupil Adequacy Cost**. Effective July 1, 2005, reference to RSA 198:40 was changed to a flat amount of \$3500. At the time, two (2) charter high schools with a preponderance of low income students were starting to operate. Between time of application, budgeting, and authorization, charter schools had had their funding reduced with no allowance for low income, high school, or special education students.]

“Tuition amounts shall be prorated on a per diem basis for pupils attending a school for less than a full school year. To the extent permitted by law, tuition payments shall coincide with the distribution of adequacy grants under RSA 198:42 or on such other terms as are mutually acceptable.”

[This basically means charter schools are paid on a day rate, and charter schools are supposed to receive their state funding on the same schedule as other schools. This actually is a very strict provision, as it doesn't give the charter school any time whatsoever to recruit in a student replacement. It is certainly not the state policy for a charter school to go all year without receiving its state funding.]

“ **II.** A school district lacking a meaningful basis to determine average expenditure per

pupil may use statewide average figures as determined by the department of education for the purposes of this chapter.”

[This provision relates to the funding scheme for district-authorized schools—no less than 80% of average costs, with exceptions allowed.]

“ **III.** In accordance with current department of education standards, **the funding** and educational decision-making process for educationally handicapped pupils attending a charter or open enrollment school **shall be the responsibility of the local education agency (LEA)** and shall retain all current options available to the parent and to the LEA.”

[Special education funding: the local school district is responsible for special education funding of its town’s students. The small charter schools could not be expected to take on the full expertise of special education management without a complete team of special education staff. It would be hugely expensive, chaotic, and would not serve the state’s interest to advance so many problems. All school districts have complete teams in place with expertise to handle special education laws and procedures.]

“ **IV.** Any **federal or other funding available** in any year to a sending district **shall**, to the extent and in a manner acceptable to the funding source, be **directed to a charter or open enrollment school** in a receiving district on an eligible per pupil basis. This funding shall include, but not be limited to, funding under federal Chapters I and II of Title II, and Drug-Free Schools, in whatever form the funding is available in any year.”

[States apply for and receive federal funds in several entitlement areas which are distributed to school districts. This section of law assures that students in charter schools participate in the funding programs for other students. For some of these funds, school districts already have to reach out to non-district schools in their town so the procedures related to sharing grant resources is already familiar to school districts and the state. Even so, almost no charter schools received these funds in 2004-2005.]

“ **V.** (a) A sending district **may provide funds**, services, equipment, materials or personnel to a charter or open enrollment school, in addition to the amounts specified in this section in accordance with the policies of the sending school district..”

[The law provides an option: districts can help the charter school and provide something more than required.]

“(b) A charter or open enrollment school **may** accept pupils at tuition rates at less than the amounts established by this chapter.”

[Another option: charter schools may accept less funding than the law allows. For example, IF the district provides teachers and facility, the charter school and district may contract for less funding per pupil. The legislature’s policy gave an estimate of 20% reduction but also great flexibility for district charter schools.]

“(c) A charter school, other than a charter conversion school, shall accept an otherwise eligible out-of-district pupil regardless of that pupil's sending district's tuition amount.”

[This relates to district-authorized schools where the 80% differs from town to town, because the amount each town spends per student is different. The segment of law prevents the charter school from accepting only students from high per pupil spending towns, because these students' 80% brings the charter school more money. This provision does not apply to the state-authorized, non-district charter schools.]

“**VI.** A charter or open enrollment school **may receive financial aid, private gifts, grants, or revenue** as if it were a school district. A charter school shall not be compelled to accept funding from any source.”

[Like other public schools, charter schools **MAY** receive philanthropy, but are not required to do so.]

“**VII. No school building aid** under RSA 198:15-a through 15-h shall be awarded to a charter school for the purpose of acquiring land or buildings, or for constructing, reconstructing, or improving the charter school, unless the building is owned by the school district, under lease to the charter school, and such lease does not include an option to purchase the building. A charter conversion school shall be eligible for school building aid.”

[Charter schools only receive building aid for construction or renovation if the building belongs to a school district. No source of funds specifically for facility is another hardship for charter schools. They must figure out facility and operational expenses with a 70% reduction of average total student allocations. Many states have now included a small, per student stipend for facility expenses, where schools must rent.

VIII. [Repealed.]

“**IX.** (a) The pupil's resident school district or department of education shall pay tuition in cash or may issue reimbursement anticipation notes as set forth in RSA 198:20-d for each year in which a resident pupil attends a charter school. Unless otherwise agreed upon, cash payment shall coincide with the schedule for grant payment set forth in RSA 198:42. The reimbursement anticipation note shall be in the amount specified for the year of attendance at the charter school, and shall be issued to the charter school prior to the beginning of the school year of the charter school. Each reimbursement anticipation note issued shall be for a term of 3 years from the date of issue or may be redeemable by the charter school at such time as the charter school or the pupil's resident school district receives adequate education grant amounts pursuant to RSA 198:42.”

[This section relates to new state-authorized charter schools. The anticipation note scheme doesn't work. Banks said they wouldn't be bothered with this expensive set of procedures for small sums and that districts could borrow without these machinations.

But it is clear that the district may incur debt (198:20-d says this) and it is clear that the school district or department of education has to pay one way or the other.]

“(b) Upon receipt of such reimbursement anticipation notes, the charter school may elect to borrow funds for the purpose of meeting general operating and maintenance expenses for charter school operations.”

[This provisions isn't helpful. Charter schools “may elect” to but they don't elect; they have almost no ability to borrow money with no assets, in any event. This relates to the provision of IX about anticipation notes which apparently doesn't work.

“ **X. There shall be an appropriation** in the fiscal year beginning on July 1, 2003 for the establishment of charter schools under this section. Charter schools which are eligible for grants under this program **shall match funds** provided by the state through private contributions in order to receive funding **that exceeds the state's average per pupil cost** for the grade level weight of the pupil. State funds shall be **provided in addition to any other sums provided by the state**. Grants under this section shall be **administered and determined by the state board of education** which shall have the authority to develop a grant application, written procedures and criteria used to determine eligibility for grants, and procedures for the administration of grants by recipients, including reporting requirements. **The total grants** provided under this program shall not exceed the amount of money appropriated in the budget, or transferred, or provided by gift or grant to the state for this purpose.”

[This provision for “state” grants to charter schools was in place when the state-authorized school pilot project passed. In addition to the adequacy funding, there was to be (“there shall be...” a state appropriation to fund establishment of state-authorized charter schools. The charter school has to “match” any \$\$ requested that is more than the state-average cost of education. This provision had received Attorney General clarification in 2004 vis-à-vis that matching component.

Nowhere in the country is “establishing a charter school” defined as getting the doors open for one year of a 5-year charter. These funds were available in the first year. They were budgeted for the next biennium and then removed from the budget.]

XI. Any money appropriated in the budget for matching charter school grants **that remains unused** after the department of education issues matching grants to eligible recipients under paragraph X shall **be used to provide a one-year transitional grant to public school districts** that have lost pupils as a result of the establishment of a charter school, and have paid tuition to the charter school in cash pursuant to subparagraph IX(a). For the first year in which a public school pupil leaves the public school and enrolls in a charter school, the school district that loses the pupil shall be eligible for a charter school transitional grant beginning July 1, 2004 and every fiscal year thereafter, in an amount per pupil equal to the amount determined in RSA 198:40, I. Such transitional grants shall be administered by the state board of education which shall have the authority to

determine eligibility and the amount of money to be awarded to school districts under this section, subject to the amount appropriated in the budget.

[This provided that money left over in the grant fund would go to school districts that had lost money (perhaps suffered a hardship as a result of lost funding) related to students attending charter schools.]

Source. 2003, 273:2, 3, eff. July 1, 2003.

194-B:12 CHARTER AND OPEN ENROLLMENT SCHOOLS; BUDGETS.

That portion of a school district's estimated expenditures on charter and open enrollment school tuition shall be shown as a separate line item in a school district's budget.

Problem. With a gross budgeting system, there's no way to show the net cost, so the charter school's total budget is listed as an additional cost in school district budgets, even if many of the expenses net out to zero. This is a problem. First, the school district budget then looks artificially higher, and this encourages a no vote. Also, by paying money "to" the charter school a district shows this as an expense and so the budget looks like it has increased its expenditures. These provisions prevent charter schools at the local level.

Source. 1995, 260:6, eff. July 1, 1995.

Charter School Funding Confusions: What Happened to the State Grants? (Other States' Solutions)

This memorandum was written January 18, 2005

Susan Hollins, Ph.D.

New Hampshire charter school funding needs attention now or our chartered public schools, just opened, will hit an avoidable financial wall. Per student funding should be weighted to at least reach the 80%-of-average-cost funding level proposed in the state's original school charter law (1995). And the flow of funds should flow directly from the state, if schools request this. For some but not all schools, guaranteed state funding for teaching costs still has not been forwarded from districts to students.

Two bills submitted by Representative John Hunt address 1) amount of charter school funding, and 2) the flow of state funds to charter schools. House Bill 103-FN-A suggests a reasonable appropriation for state-authorized charter schools. The House Finance Subcommittee squashed this bill yesterday, [deciding that funding decisions should take place during Department of Education budget hearings](#). House Bill 76 is alive and well, but it should offer an option for state funding to flow directly to charter schools.

FOUR SIGNIFICANT \$\$ CONFUSIONS

As of January 2005, funding confusions are rooted in three areas: how to provide reasonable state funding for state-authorized schools, a funding path that guarantees state funds reach the charter school on time, and the role of anticipation notes districts may choose to use. The "anticipation note" discussion is further confused by differing opinions as to whether or not adequacy grants are real time payments or prior-year reimbursements.

Current state adequacy grants were never meant to fully fund any student's education—and for the 2004-2005 school year, adequacy funding provides charter school students 30-40% of the average per pupil cost. Last year's weighted formula for high schools was banished for this year, hurting charter high schools. For state-authorized charter schools with no other public school funding, weighting or additional grants are needed to get schools up to 80% of funding, as originally proposed in 1995.

The Department of Education says state adequacy funding for charter schools must flow through schools districts because the state has no capacity for any other approach. This system, however, only makes sense if we can guarantee the charter school students receive funding intended for their education, and some have not. Charter schools will be unable to pay teachers if districts withhold these schools' only operational funds. Students in two charter schools currently have no public school funding whatsoever.

CHARTER LAW ON PAYMENT TIMELINE

New Hampshire statute underscores the right of charter school students to have state funding received on time:

1. Section B: 11, IX: “Unless otherwise agreed upon, cash payment shall coincide with the schedule for grant payment set forth in RSA 198:42, which states:

...from the education trust fund in 4 payments of 20 percent on September 1, 20 percent on November 1, 30 percent on January 1, and 30 percent on April 1 of each school year; provided that for a dependent school district, the grant determined in RSA 198:41 shall be distributed to the municipality, which shall appropriate and transfer the grant funds to its dependent school department.

It’s difficult to understand how this requirement can be construed to mean districts do not have to turn over a portion of state funds that come to the districts as revenue.

IS THIS YEAR’S ADEQUATE EDUCATION MONEY FOR THIS YEAR? OR LAST YEAR? (OR THE YEAR BEFORE)

A confusion within the state is whether or not the state adequacy grants received by school districts this year are real time payments for this year (2004-2005) or reimbursements for a prior year (2003-2004 or 2002-2003, or even 2001-2002).

The concept of borrowing in anticipation of future payment was likely based on a confused issue—that whatever money is received this year is payment for 1-2 years ago. [The Department of Education, however, has clarified that money received this year is a real time grant for this year.](#) They advise that using prior-year student data in the payment formula does not make payments a prior-year reimbursement. And so “districts issuing anticipation funds” must have been based on this prior-year reimbursement confusion, e.g. if state aid in any year is a reimbursement based on prior year student attendance, then the district’s payment for “current year students” will arrive “next” year; ergo, districts can issue anticipation notes and borrow in anticipation of this year’s reimbursement next year.

But if DOE clarifies that this year’s state payment is, in fact, for this year’s students, then what is there to anticipate with the anticipation note? It all just doesn’t make sense. The overarching accounting issue is revenue stream adjustment, and borrowing to anticipate the anticipated which isn’t generated seems a major accounting muddle.

WHO BORROWS & INCURS DEBT with anticipation notes?

The charter statute currently states that ‘the pupil’s resident school district or department of education shall pay tuition in cash or may issue reimbursement anticipation notes as set forth in RSA 198:20-d¹ for each year in which a resident pupil attends a charter school.’”

On its face the law currently states that the state (department of education) can forward money directly to the charter school. National wisdom says this is the most direct and least problematic approach. But the Department clarifies that the words “the department of education” do not mean

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“the department of education” and instead mean the school administration unit office. Well, let’s just change this to “the state” and keep this option.

RSA 198:20-d (Reimbursement Anticipation Notes) is referenced in statute to clarify how charter schools are funded: “a school district or a city with a dependent school district may incur debt in anticipation of reimbursement ...and...the governing body, after a hearing, may elect to borrow such funds....”

The schema for use of anticipation notes, then, “in accordance with RSA 198:20-d” does not suggest that charter public schools incur debt in order to obtain its only public funding or in relation to a district or city issuing anticipation notes.

These confusions are holding up timely payments to several charter schools. The legislature needs to step in with a solution now that charter schools are open.

HOW DO OTHER STATES FUND STATE-AUTHORIZED CHARTER SCHOOLS?

Let’s look at what other states do that seems to work:

1. **Arizona** has a “stimulus fund” and the amount per school is fixed at “up to \$100,000 during or before the first year of operation” and the school “may apply for one additional year of “up to \$100,000.” Note: Our law also includes a fund. We just have no appropriation or transfer to fill the fund. New Hampshire’s statutory charter school fund was not just for first year stimulus grants, but to equalize the amount of public funding for charter school students so they receive fair public funding—up to the state’s average per pupil cost.
2. **Connecticut** sets the amount of state money per student, currently at \$7,500, and for state-authorized schools, the money flows directly from the state to the charter schools. CT sets the amount based on state averages for different types of schools. Note: Most people interested in a workable solution want Connecticut’s model—fully-state-funded state-authorized charter schools with money passed directly from the state to the charter schools.
3. **Minnesota.** A charter school earns general education revenue on a per pupil unit basis as though it were a school district. The general education revenue paid to a charter school is paid entirely through state aid. [Note: NH could treat charter schools as districts, provide schools with a district code, and route funding directly.
4. **Delaware** provides the charter school an amount of state aid per student using a “weighted” formula. [Note: Until this year, New Hampshire had a weighted formula for state adequacy funding. Returning to a weighted formula would solve the problem.

RECAPPING THE PROBLEM AND SOLUTION

The New Hampshire charter school pilot program is underway with seven (7) schools approved to open and six (6) operating as of January 2005. The excitement and energy of these schools is fantastic. These schools address the goals of the legislature—innovation, new and different public schools with specific programs, new opportunities for teachers, offering choice in our state, meeting needs of communities, regions, or the state as a whole.

One school evolved from the State Commission for the Deaf and has broad state support; three (3) schools are closely tied to area school districts and were conceived with district administrators and boards; (3) operating schools are statewide open enrollment schools, taking students from all over the state.

New Hampshire's 1995 charter school law was based on providing at least 80% of average student funding to charter schools. This is a workable idea; certainly providing 30-40% of average student costs makes no sense. Furthermore, districts incurring anticipation notes for state funds that are real time payments also seems to make no sense. Districts not forwarding any state (required) or public funding (optional) to the charter school leaves this group of public students with zero public funding. And that makes no sense.

We need to correct the charter school funding confusions now and assure these exciting, demonstration schools have a chance to thrive. In the end, we are redistributing our resources, addressing interests and needs, and making sure all public school students in our state have a fair portion of public education resources.

²THE MUNICIPAL FINANCE ACT on ANTICIPATION NOTES

CHAPTER 33:7 Tax Anticipation Notes. –

I. CITIES AND TOWNS. Cities and towns may incur debt in anticipation of the taxes of the financial year in which the debt is incurred, in order to pay current maintenance and operation expenses, and may issue notes therefore to an aggregate principal amount not exceeding the total tax levy during the preceding financial year, provided that after the tax levy of the current year has been determined any city or town may borrow an amount not exceeding in the aggregate the total tax levy of the city or town for the current financial year. In order to meet necessary expenses which may arise during the period from the beginning of the financial year to the date of the annual town meeting, the treasurer of any town, with the approval of the selectmen, may issue notes, without a vote of the town therefore, to an aggregate principal amount not exceeding 30 percent of the total receipts from taxes during the preceding financial year.

II. VILLAGE DISTRICTS Village districts may incur debt in anticipation of taxes and other revenue of the financial year in which the debt is incurred, in order to pay current maintenance and operation expenses, and may issue notes therefore to an aggregate principal amount not exceeding the total tax levy of the district during the preceding financial year. In order to meet necessary expenses which may arise during the period from the beginning of the financial year to the date of the annual district meeting, the treasurer of any district with the approval of the governing board, may issue notes, without a vote of the district therefore, to an aggregate principal amount not exceeding 30 percent of the total tax levy during the preceding financial year.

III. All notes issued under authority of this section shall be general obligations. They may be sold at discount and shall be payable not later than one year from their date. Notes issued for a shorter period than one year may be refunded or renewed, pursuant to a vote or resolution of the governing board, or the city councils in the case of cities, by the issue of other notes maturing within the required period, provided, however, that the period from the date of issue of the original loan to the date of maturity of the refunding or renewal loan shall not be more than one year.

IV. A village district established pursuant to RSA 52:1 may apply to the town it is situated in for tax anticipation money before the tax rate has been established for the town if said district presents to the selectmen a district budget, approved at a properly constituted district meeting called for the purpose of approving a budget. Towns may advance to any village district a share of any money borrowed by the town in anticipation of taxes, not exceeding the total approved budget amount to be paid to such district. The town may charge the district a proportionate share of the interest due on that town's tax anticipation notes.

V. For tax anticipation notes only, any town or village district at an annual meeting may adopt an article authorizing indefinitely until specific rescission of such authority the issuance of tax anticipation notes. The following shall apply:

(a) Such warrant article to be voted on shall read: "Shall the town (or village district) accept the provision of RSA 33:7 providing that any town (or village district) at an annual meeting may adopt an article authorizing indefinitely, until specific rescission of such authority, the selectmen (or commissioners) to issue tax anticipation notes?"

(b) If a majority of voters voting on the question vote in the affirmative, the proposed warrant article shall be in effect in accordance with the terms of the article until such time as the town (or village district) meeting votes to rescind its vote.

Source. 1953, 258:1, par. 7. RSA 33:7. 1957, 95:1; 98:1. 1967, 305:1. 1969, 171:1. 1979, 140:1. 1993, 176:4, eff. Aug. 8, 1993; 361:1, eff. Sept. 22, 1993. 1997, 105:3, 4, eff. Aug. 8, 1997.

ATTORNEY GENERAL CLARIFICATION AS TO MATCHING GRANTS:

TO: Keith Herman
Office of the Governor

FROM: Kelly A. Ayotte
Deputy Attorney General

CC: Ann Larney, Associate Attorney General
Anne Edwards, Associate Attorney General

RE: Charter School Question

Date: April 20, 2004

I am responding to your inquiry regarding what monies must be matched by the charter school seeking grants under RSA 194-B:11, X and XI. RSA 194-B:11 (Supp. 2003) (emphasis added) provides in relevant part:

There shall be an appropriation in the fiscal year beginning on July 1, 2003 for the establishment of charter schools under this section.
Charter schools which are eligible for grants under this program shall match funds provided by the state through private contributions in order to receive funding that exceeds the state's average per pupil cost for the grade level weight of the pupil. State funds shall be provided in addition to any other sums provided by the state.

Based on the plain language of RSA 194-B:11 underlined above, **it is our conclusion that charter schools only have to match funds provided by the State for any amount that a charter school receives in excess of the state's average per pupil cost.** This interpretation is further supported by the sentence providing that “[s]tate funds shall be provided in addition to any other sums provided by the state.” RSA 194-B:11 (emphasis added). The legislature’s use of the term “in addition to” anticipates that the charter schools are eligible for the base amount of the per pupil cost and may be eligible for other types of aid, such as building aid under certain circumstances (see RSA 194-B:11, VII), regardless of the amount of private monies raised.

I hope this answers your question.
Please do not hesitate to call me if you have any additional questions.

LEGISLATIVE HISTORY

Many Changes Have Resulted in Few People Knowing the Intent of Funding Policy

First Written, 2005
Susan Hollins.

**RSA 194-B passed in 1995, effective July 1, 1995.
It was amended in 1997, 1998, 1999, 2003, 2004, and 2005.**

The initial 1995 “pilot program” under Section 20 automatically repealed effective July 1, 2000.

Significant amendments needed in 2006 are:

- **Fixing the state policy on funding of statewide choice schools**
- **Assuring direct access to funds**
- **Fixing the local approval model so it works, and is used**

Amendments of 1997:

- added section B: 1-a: Statements of Purpose;
- changed wording to clarify that the students were fully the responsibility of the charter school “for purposes of school attendance” instead of “in accordance with 193:3 (I recollect no one understood 193:3 so it was just better to lay this out clearly).
- Added “application and” to “To ensure compliance with its application and contract”
(this specific change was made in multiple sections of 194-B)
- Numerous corrections to Section 3, having to do with applications in 1997, 98, and 99

Amendments of 1998:

- Deleted “prior fiscal year’s” preceding “average cost” and added “using the most recent available data as reported by the district to the department” following “department of education” in the third sentence.
- Added “for public information purposes only” to Section 5 (reporting to the district) to prevent districts from superimposing huge reporting requirements that overwhelmed the schools.

Amendments of 1999:

- Section III (e) substituted “raise and appropriate the necessary funds and ratify” for “ratify and fund” in the form. (pertains to locally-authorized charter schools)
- Other amendments regarding application and processing of locally-approved charter schools

Amendments of 2003

- Created the new state pilot program allowing the state board of education to authorize 20 schools over a decade (added Section 3-a)
- B: 11 (funding), Paragraph I: Inserted “authorized by the school district” in the third sentence, added the fourth sentence and substituted “tuition payments shall coincide with the distribution of adequacy grants under RSA 198:42” for “for a pupil attending a charter or open enrollment school shall be paid on the same time schedule as the resident district’ and “are” for “the school and the funding source may find” preceding “mutually” in the 6th sentence
(goal was to assure the charter school was a partner to any decision to change the payment schedule and to prevent a delay being imposed on them by the district)
- Inserted “public” preceding “charter” in two places of section 14 (issue here was making the law clearer that charter schools were public schools)
- Section 5: authority of the board, added paragraphs IV and IV-a

Amendments of 2004

- Added an accountability plan to the charter application (based on the goals of the charter school)
- Paragraph III added to B: 17 “the state board shall annually report to the joint legislative oversight committee established in RSA 194-B:21 regarding charter school approvals and denials for the preceding 12 months and the reasons for such approvals or denials.”
- Section 5 (Authority and Duties of Board): rewrote introductory paragraph asserting general authority and control of the board
- Curriculum section of application amended to say “that meets or exceeds the state standards in the subject areas offered”
- Budget application section amended to say “and a projected budget for the next 2 years”
- Added #9 to the statement of purpose so that all charter schools would not be based on one district’s opinion or issues, consistent with the idea of state-authorized schools
- Inserted the word “public” in section 3-a to emphasize that charter schools are public schools

Amendments of 2005

- Section 12 amended on nonseverability provided that “If the New Hampshire supreme court declares any provisions of ...194-B to be unconstitutional under either the New Hampshire constitution or the United States Constitution, then sections 1-20 of this act are hereby repealed on the date such unconstitutionality is declared.”
- Funding: Paragraph 1, Section 11, rewritten to substitute “equitable” for “adequate” preceding “education grant amounts” in the last sentence,
- Funding: Substituted “
- RSA 198:41” for “RSA 198:40, I” in the second sentence

PROBLEM SOLVING 1-2-3: THE NEEDS WERE CLEAR IN 2005

Written May 2005
Susan Hollins.

Problem #1: As of May 25th, 2005, some public students have still not received one cent of the public education funding. The state has a duty to assure this funding.

Solution: Amend RSA 194-B: 11 to have direct payment of state funds.

For any charter school authorized by the state board of education, the [~~pupil's resident district~~] *state* shall *directly* pay [~~tuition beginning July 1, 2004 and every fiscal year thereafter, in an amount per pupil equal to the amount determined in RSA 198:40,]~~ *the amount of state funding applicable in a fiscal year to the charter school.*

Problem #2: The charter public schools have no ability to borrow money for a lease/buy arrangement and so they are trapped in high rents with no end in sight.

Solution: A small facility stipend.

Example: New Mexico offers charter schools a base rate of \$3300. An arts high charter receives \$5,800 based on a series of upward adjustments and a **\$120 per student facility stipend**. NH has a charter school stimulus fund. A purpose-based facilities stipend guarantees funding to repay a loan or lease/buy payment. Many states offer \$200 or \$300 facility stipend.

RSA 194-B:11,VII. No school building aid under RSA 198:15-a through 15-h shall be awarded to a charter school for the purpose of acquiring land or buildings, or for constructing, reconstructing, or improving the charter school, unless the building is owned by the school district, under lease to the charter school, and such lease does not include an option to purchase the building. A charter conversion school shall be eligible for school building aid. *The state may offer a facility stipend per child in addition to any amount of state aid provided to a charter school.*

Problem #3: Funding Amount: Assure all students receive equitable public funding.

Solution: Create a vendor code (e.g. SAU #) for the charter schools. Count charter students in the total count of all students. Use approved population numbers from approved charter applications plus confirmation data. Allow open enrollment, charter schools a weighted allocation, e.g. \$2,000-3,000 per student as per the pilot program's initial funding policy.

Understanding Charter Schools

Updated April 11, 2006
Susan Hollins

What is a Charter School?

Charter schools are public schools--independent, tuition-free, non-religious, highly-accountable, cost- efficient public schools--operated according to a specific, mission-driven charter which has been authorized according to a state's legislative guidelines. Chartered public schools have their own Board of Trustees that basically have the same responsibilities of a public school board.

As of October 2005, 3,600-4,000 chartered public schools are operating in 40 states and the District of Columbia. Eleven (11) charter schools have been authorized by New Hampshire's State Board of Education; six (6) are open and operating in New Hampshire as of March 2006. Students are thriving.

Schools of Choice

Chartered public schools are schools of choice. Students and teachers choose to attend a chartered public school--no one is assigned based on residence. Thus, the school only thrives if it meets the needs of parents, teachers, and students. The federal The No Child Left Behind Act of 2002 requires districts to offer "choice" schools to students under certain situations (or to provide supplemental services).

New Hampshire's charter school law has two types of choice charter schools--schools that are a choice for students within one school district, and schools that are not tied to one school district and are a choice for students from anywhere in the state.

Independent and Public

Chartered public schools are public schools--under state and federal law. They operate independent of any district although they can, and often do, have agreements with area school districts for services, food, sports, etc. Chartered public schools handle their own budgets, decide their own salary and benefit structures, and must have an audit of financial records each year. These schools must follow public accounting, public meeting, and public records guidelines for public schools.

In New Hampshire, the charter public school is like a small public school district in all areas except special education. Special education decision-making and funding responsibility stays with the local school district.

Accountable

The charter school concept permits more freedom and independence in exchange for greater accountability. Charter schools must focus on results--outcomes. In business they say: What gets measured, gets done. Each charter has specific goals and objectives which must be measured to demonstrate learning gains and goal attainment.

If the chartered public school does not meet its goals or is poorly managed, the charter to operate can be revoked.

The New Hampshire charter schools must provide quarterly reports, annual financial audits, and a year-end accountability report on progress meetings its goals. Most of the charter schools in New Hampshire have individual program goals and plans for each student so that achievement is closely tracked.

Financially Efficient

Nationally, charter schools operate for approx. \$2,000 less per student. The original (1995) NH funding policy for district charter schools was 80% of a district's per pupil cost following the student (provisions allowed for more or less than 80%).

Under state authorization (2003, RSA 194-B:3-a), charter school funding policy had two parts which, in the first year of state-authorized schools, equaled 60% of state average costs. The two parts were: state aid which was passed from districts to charter schools, and 2) state grants.

Federal start-up grants help new schools with initial non-operational costs. Federal entitlement grant funds and special education funds were also to follow the child under both authorization models (district and state).

As an independent school and employer, the chartered public school is not part of any other district union, so is not bound by any existing union contract. These schools develop their own salary and benefit programs. Many chartered schools accommodate their decreased per pupil cost through new and different ways of doing business.

A Market System Model of School Reform

Chartered public schools are market driven and subject to market forces. They typically have a less hierarchical organizational structure, known to result in greater productivity. Like US colleges, chartered schools are designed to attract and then satisfy education customers and are results-oriented. Most chartered schools in New Hampshire are quite small—and this feature, particularly at the high school level, allows every student to be known as an individual, a quality that attracts and helps many teenagers.

Types of Charter Schools

New Hampshire law specifically outlines 1) district-authorized charter schools (provides a choice for students in the district), 2) state-authorized charter schools (provides a choice for students statewide), and 3) conversion schools (district teachers vote to convert to charter status with the district's approval). These schools can be any size, any grade level(s) including just one grade level, and can have any type of program as long as there are high standards in core academics.

Facilities and New Hampshire Charter Schools

In New Hampshire, chartered public schools cannot bond or tax for school construction. They must locate and use space based on lease, purchase, or gift. Creative use of existing facility space is an incentive for local districts to consider charter schools. Districts can

create a choice school in an available space, extract a portion of students from an overcrowded school, and usually save tax dollars as a result.

Potential Benefits

Charter schools are the federal government's top choice for meeting No Child Left Behind provisions. Charter schools are considered one of the best ways to address drop-out recovery and drop-out prevention, a national high school initiative. And the chartered public school is one way a community can grow without huge taxable debt for new buildings. Most important, the small charter school provides a choice for students, and usually these schools serve students who are not thriving in the larger system but who thrive in these unique systems.

Sound Basic Concepts

The basic concepts of chartered public schools are:

1. Smaller schools with a specific purpose or style give parents and students a choice about their public school.
2. The focus on outcomes and reporting stimulates traditional public schools. This is called the ripple effect and is seen in most states. Some people think this phenomenon is related to competition; others believe that the new dialogue about success and achievement is just contagious.
3. New Hampshire charter school law states a purpose: to encourage "public charter schools with specific or focused curriculum, instruction, methods, or target pupil groups."

National Goal

Currently, our national education goals include: expanding choice in public education, stimulating many more "quality" chartered public schools, decreasing the number of high school drop-outs, raising our levels of achievement, and assuring all students thrive in the public education system. Research suggests that more types of schools to assure "choice" and "fit" is the wave of the future.

National Support

Federal grants and programs to support charter school planning and start-up exceed \$400 million. The average start-up award this year was \$450,000 (for 36 months). New Hampshire was awarded a \$7.2 million, 3-year grant to provide charter school planning and start-up here. An additional \$500,000 was awarded because of so much interest in these unique schools from all corners of the state.

For more information, a complete listing of schools, statewide news coverage, and outstanding reports of progress, go to www.nhschoolreform.org 603-224-0366