

BACKGROUND PAPER 03-03

CHARTER SCHOOLS

Nevada Revised Statutes 386.500 – 386.610

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I. BACKGROUND

The charter schools concept has been traced back to a New England educator in the 1970s, Ray Budde, who suggested the idea of giving contracts (“charters”) to teachers in an effort to encourage innovation and reform. Charter schools are one of several reform options for public schools, along with magnet schools, alternative schools, open enrollment, and other forms of school choice. Minnesota was the first state to enact charter school legislation in 1991 with California close behind in 1992. Today, in 2003, 40 states have charter school legislation and nearly 2,700 charter schools are in operation across the United States.

A. Definition of a Charter School

Charter schools are simply described as “independent public schools.” In the December 2001 issue of *The Progress of Education Reform*, the Education Commission of the States defined charter schools as: “public schools founded by educators, parents, community groups or private organizations that operate under a written contract, typically for three to five years, with a state, district or other entity. This contract, or charter, details such matters as how the school will be organized and managed, what students will be taught and expected to achieve, and how success will be measured. Underlying this contract is an explicit exchange of deregulation for accountability, in which states apply less regulation to charter schools and demand a higher level of accountability for results. Charter schools may be closed for failing to satisfy the terms of their charter.”

B. Characteristics of Charter School Legislation

Charter school laws vary widely across the nation. According to the Center for Education Reform (CER), a national charter school advocacy organization, strong laws allow for a significant number of charter schools and contribute positively to their growth and development by: (1) allowing for multiple authorizers and applicants; (2) permitting the conversion of existing schools as well as new schools; (3) giving control over personnel; and (4) providing charter schools legal and fiscal autonomy. Weak laws allow for a limited number of schools and pose significant challenges to sustaining a prolific and healthy charter environment by: (1) limiting authorization to school boards; (2) restricting the extent of automatic waivers from state rules; and (3) allowing conventional education agencies to regulate the establishment and operation of charter schools.

Specifically, the Center for Education Reform rates the “strength” and “weakness” of each state’s charter school law based on several criteria:

- Number of schools allowed;
- Multiple chartering authorities;
- Eligible charter applicants;
- New starts allowed;
- School may start without evidence of local support;
- Automatic waiver from state/district laws;
- Legal/operational autonomy;
- Guaranteed full per-pupil funding;
- Fiscal autonomy; and
- Exempt from collective bargaining agreement/ district work rules.

Accountability in exchange for freedom from regulation is the cornerstone of the charter school concept. However, defining accountability and monitoring achievement are sometimes elusive goals. The national debate over how to measure achievement and implement accountability is no less heated in the context of charter schools. Complicating matters, charter schools focusing on at-risk populations have different starting points than traditional public schools. Freedom from regulation can also be an elusive goal. Charter schools are still subject to local health and safety laws and waivers from state and local laws and regulations are generally not absolute.

In time, it is expected that successful state models will emerge. As stated by the Progressive Policy Institute in a brief on charter schools – “policymakers should keep the focus on the bigger picture – whether the charter school strategy is working as a means to improve education.”

II. NATIONAL OVERVIEW OF CHARTER SCHOOLS

A. Proliferation of Charter Schools

According to the CER, there are almost 2,700 charter schools operating in 36 states and the District of Columbia, serving over 575,000 students. Appendix A is reprinted from the CER Web site (www.edreform.org) and illustrates the distribution of charter schools in the U.S. As can be seen from the table, seven states (Arizona, California, Florida, Michigan, Ohio, Texas, and Wisconsin) account for over 67 percent of all charter schools.

B. Charter School Legislation

The one constant of charter school legislation is its wide variability. According to the CER, 20 states are ranked as having strong to medium strong charter school laws and 20 states are ranked as having weak to failing charter school laws. Nevada receives a “C” grade from CER and is considered to have a “weak” charter school law. Two states with charter school laws have no operating charter schools (Iowa and New Hampshire) and Mississippi and Wyoming have only one.

Since the impetus for charter schools was, in large part, to provide new options in public education, it is not surprising that many states have focused on at-risk student populations in their charter school laws. Further, although initial fears were that charter schools would serve elite or white populations, the evidence shows that charter schools are fairly similar to public schools in regard to diversity.

States have continued to amend their charter school laws to deal with emerging issues, including funding, cyberschools, educational management organizations, and satellite schools. California, Delaware, Georgia, and Hawaii have recently amended their charter school laws to provide additional regulatory oversight for charter schools. As evidence of the acceptance of charter schools, some states have increased or done away with caps on the number of charter schools.

Under the Federal No Child Left Behind Act of 2001 (P.L. 107-110), charter schools are encouraged through grants in Title V (Innovative Programs, §5101, and Charter School Programs, §5201) and are identified as an option under school choice provisions in Title I, Part A, §1111. With regard to the annual assessments and other accountability requirements in Title I, Part A, of the No Child Left Behind Act, Section 1111(b)(2)(K) states: “The accountability provisions under this Act shall be overseen for charter schools in accordance with State charter school law.” Balancing charter schools’ desire for autonomy and innovation with the structure of the federal law, will be a challenge for states and charter schools.

C. Pro-Con Arguments

Charter school advocates claim that charter schools offer a needed alternative to traditional public schools by allowing opportunities for innovation and improved student achievement. Opponents counter by arguing that charter schools dilute the limited public education resources without solid proof of any improvement in student achievement. Although clearly an educational reform option that is here to stay, opinions about charter schools vary widely. According to the Education Commission of the States and the National Conference of State Legislatures, arguments, pro and con, for charter schools can be summarized as follows:

Advantages	Disadvantages
Allow public schools to be created outside the existing education system.	Might use public funds to support private schools or home schools.
Encourage creativity and innovation by reducing excessive bureaucracy and regulation.	May create elite institutions doing nothing to serve at-risk or special education populations.
Increase the range of educational options available to children and parents.	Will constitute a net financial loss for the school district.
Promote results or “outcomes” such as increased achievement rather than “inputs” such as the amount of time students spend in classes or compliance with regulations.	Emergence of educational management organizations as charter school proprietors result in corporate governance far removed from the school.
Incorporate market forces in public education and, by providing competition, will improve traditional public schools.	Due to business-like atmosphere, market forces may result in closures and disruption of students’ education.
Involve parents and the community directly in the operation of the school.	Are generally small, isolated institutions not readily accessible to most students.
Serve as laboratories for educational experimentation and allow the development of new learning strategies that can be exported to all schools.	Benefits are limited to a few students and accountability is difficult to measure or document.

D. Financing Charter Schools

The financial difficulties faced by most charter schools are well-documented. As public schools, charter schools are prohibited from charging tuition. However, charter schools are not always on an equal footing financially with traditional public schools. In some states, charter schools receive only a percentage of the per-pupil funding or must negotiate with the school district for funds; while in other states, charter schools are guaranteed full per-pupil funding. The cost of providing special education or other specialized services can also be a financial challenge for charter schools. With the advent of cyber-charter schools, several states are struggling to determine the need for funding adjustments, if any.

Capital needs present another set of challenges as most charter schools do not have access to local district bond funds and states typically do not provide additional funds for the costs associated with facilities. Few, if any, charter schools can issue bonds. Only one in five charter schools receives capital budget funds. A survey by the Charter Friends National Network found that the average charter school spends \$700 per student on facilities costs, but that such costs are usually paid out of operating funds.

Colorado has addressed this problem by passing legislation that provides charter schools access to the Colorado Postsecondary Educational Facilities Authority to assist in securing bonds. Arizona has provided capital assistance to charter schools. Other states have set up grant or loan programs to help charter schools with start-up costs for operations or facilities needs. The Federal Government provides grants for charter schools through its Public Charter School Program.

Appendix B is an action paper by the Center for Education Reform titled *Solving the Charter School Financing Conundrum* that addresses the financing problems of charter schools in more detail and includes state examples of programs designed to assist charter schools overcome their financial hurdles.

E. Charter School Research and Evaluations

According to the National Conference of State Legislatures (NSCL), there is no definitive research demonstrating the effectiveness of charter schools. A policy brief in August 1999 by the Progressive Policy Institute (PPI) notes that, while more research is needed, some conclusions can be drawn. In particular, PPI cites the rapid growth of charter schools, the diverse appeal of charter schools, and emergent impacts such as parent satisfaction, innovations in education, and impacts on school districts.

Research and evaluations have provided information about the students attending charter schools. The United States Department of Education published a fourth year report titled *The State of Charter Schools* in January 2000 that found, among other things:

- Most charter schools are small – the median enrollment in all charter school sites is 137 students per school as compared to traditional public schools with a median enrollment of about 475 students.
- Nearly half of the charter schools have a grade configuration that deviates from the traditional elementary, middle, high school configuration.
- Seven out of 10 charter schools are newly created schools.
- The median student-to-teacher ratio for charter schools, 16 students per teacher, was slightly lower than for all public schools – 17 to 2.
- There is significant variation across states in the proportion of enrollment of minority students.
- Charter schools enroll a slightly higher percentage of students eligible for free or reduced-price lunch than do all public schools; while the percentage of limited English proficient students is roughly similar.
- The reported percentage of students with disabilities attending charter schools is approximately 8 percent, lower than the 11 percent total for all public schools in those states.

Several state studies completed in Arizona, California, Colorado, Massachusetts, Michigan, Minnesota, New Jersey, North Carolina, and Texas, report high levels of student, parent, and teacher satisfaction, as well as a relatively diverse student population. However, according to the NCSL, most of the state studies are generally found to be inconclusive on student performance although individual charter school successes have been documented.

The following list of Web citations provides more information on federal, state, or organizational reports and evaluations of charter schools:

National Reports/Evaluations:

- Center for Education Reform — <http://www.edreform.org/charterschools/>
- The Charter School Experience — www.charterfriends.org
- ECS — <http://www.ecs.org/ecsmain.asp?page=/html/issues.asp>
- NCSL — <http://www.ncsl.org/programs/educ/charter.htm>
- National Association of Charter School Authorizers — www.charterauthorizers.org

- The State of Charter Schools 2000 — www.ed.gov/pubs/charter4thyear/
- SRI International - Evaluation of Charter Schools Effectiveness — http://www.lao.ca.gov/sri_charter_schools_1297-part1.html

State Evaluations/Reports:

- Arizona Charter School Reports — http://www.ade.state.az.us/charterschools/info/reps_pubs.asp
- Colorado Charter School Evaluation — <http://www.cde.state.co.us/cdechart/charsurv.htm>
- Connecticut Charter School Evaluation — <http://www.wmich.edu/evalctr/charter/ctcharter.html>
- Los Angeles Unified School District Charter School Evaluation — http://www.wested.org/policy/pubs/full_text/lausd.htm
- Michigan Charter School Evaluation (First Evaluation) 1999 — <http://www.wmich.edu/evalctr/charter/micharter.html>
- Michigan Charter School (Second Evaluation) Final Report 2000 — <http://www.wmich.edu/evalctr/charter/michigan/>
- Minnesota Charter Schools Final Report: May 1998 — <http://education.umn.edu/CAREI/Reports/charter/default.html>
- Evaluation of New Jersey Charter Schools — <http://www.newjersey.gov/njded/chartsch/evaluation/>
- Texas Charter School Reports — <http://www.tea.state.tx.us/charter/>

III. NEVADA CHARTER SCHOOLS AND LAWS

A. Nevada Charter School Legislation

The first charter school legislation in Nevada was enacted in 1997 in Senate Bill 220 (Chapter 480, *Statutes of Nevada 1997*). Nevada's charter school law was substantially amended in each of the next two sessions by Assembly Bill 348 (Chapter 606, *Statutes of Nevada 1999*) and by Senate Bill 399 (Chapter 599, *Statutes of Nevada 2001*).

For a more thorough listing of statutory provisions governing charter schools, Appendix C contains a summary of the current charter school laws in Nevada.

Following is a brief summary of the major provisions:

Limits on numbers: The initial limits on the number of charter schools set forth in *Nevada Revised Statutes* (NRS) 386.510 are still in effect with a sunset date of July 1, 2006. Currently, six charter schools are allowed in Clark County, two charter schools in Washoe County, and one charter school in each of the remaining counties. There is no limit on charter schools dedicated to serving "at-risk" pupils. While private schools can "convert" to a charter school, home schools may not.

Sponsors: The local school boards and the Nevada Department of Education are authorized to be sponsors of charter schools. However, the Department is limited to sponsoring charter schools whose applications are denied by the local school district or that exclusively serve special education students. The Department was added as a potential sponsor in the 2001 Session, but no applications for state sponsorship have been filed.

Charter Applicants: A committee to form a charter school must have at least three licensed teachers and may include members of the public, and representatives of nonprofit organizations, businesses, or higher education institutions. In 2001, a requirement was added that a majority of the committee must be Nevada residents. The statutes also define a "teacher" as a person holding a current license to teach and who has at least two years of employment experience as a teacher (does not include substitute teaching).

Application Process: The Department reviews applications for completeness. If the Department denies the application, it must give notice and provide 30 days to correct the deficiencies. Upon approval by the Department, the application is then submitted to the local school board for its review. If the local school board denies an application, it must also give notice of the deficiencies and 30 days to correct them. If the application is denied the second time by the local school board, then the applicant may apply to the State Board for sponsorship. The State Board must approve an application if it is in compliance with the applicable statutes and regulations. Charter schools that exclusively serve special education students may apply directly to the State Board.

Term of Charter: Charters are valid for six years and may be renewed. Charters may also be revoked for a number of reasons, including failure to comply with the terms and conditions of the charter or applicable statutes and regulations, failure to comply with standards of accounting and fiscal management, due to bankruptcy, or threats to the health and safety of pupils or personnel.

Governance: Charter schools are overseen by a governing body that must consist of at least three licensed teachers and may include parents, or representatives of nonprofit organizations, businesses, or higher education institutions. Governing bodies are considered public bodies and subject to the open meeting law requirements. In addition, governing bodies are similar to school boards and enjoy statutory protection against certain liabilities. A majority of the members of the governing body must be Nevada residents.

Funding: Charter schools receive the full per-pupil funding for their students. School districts are obligated to share any state or federal funds, such as for special education students, on a proportionate basis. The Nevada Department of Education received a three-year federal grant for charter schools in the amount of \$2.4 million per year. The Department provides subgrants to new and existing charter schools.

Charter School Students: Students may enroll in a charter school anywhere in the state. Although charter schools may not discriminate based on race, gender, ethnicity, or disability status, charter schools may be formed to exclusively serve students classified as: special education, at-risk, or severe discipline problems.

Educational Program: At a minimum, charter schools must provide instruction in the core academic subjects and the courses of study required for promotion to the next grade or high school graduation. However, charter schools have some flexibility in setting graduation standards and determining other aspects of the educational program. Charter schools are required to participate in the statewide accountability and assessment system.

Personnel: Charter schools have certain exemptions from the requirement to employ licensed teachers and administrators. School districts must grant a leave of absence of up to six years for teachers wishing to work at a charter school. Teachers on a leave of absence from a school district are covered by the collective bargaining agreement for three years. Otherwise, the charter school makes all employment decisions and employees of the charter schools are eligible to collectively bargain under Chapter 288.

Regulations: The Department has adopted numerous regulations to assist in the implementation of the charter school law, including:

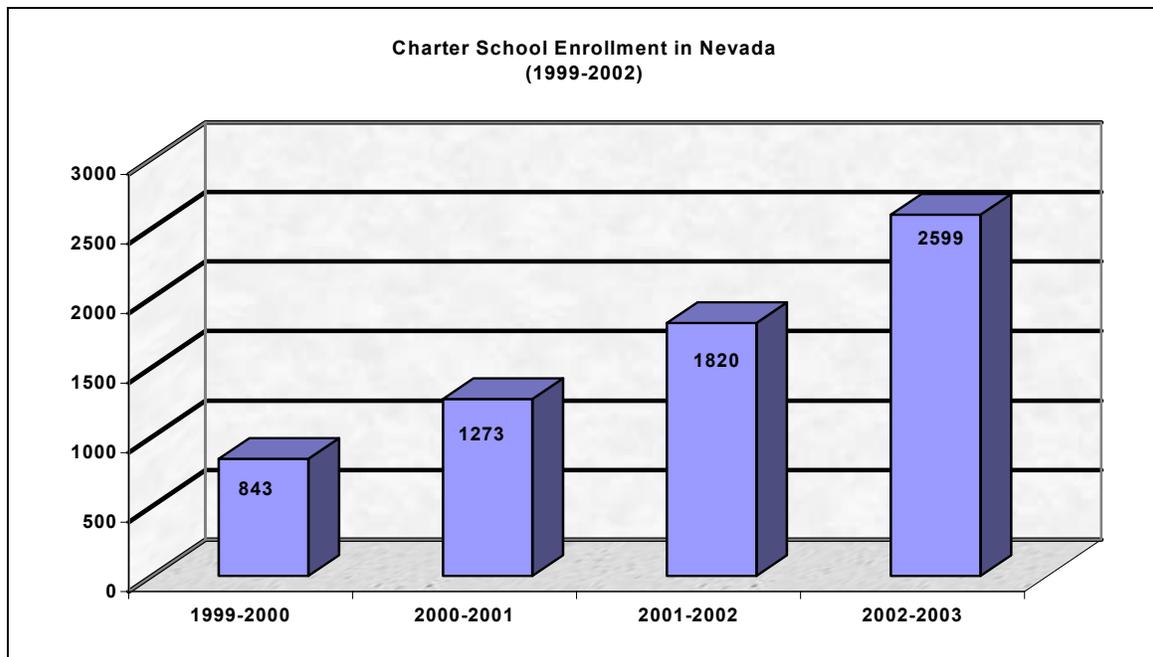
- Definition of “at-risk” schools and reporting requirements to monitor status;
- Definition for, and limitation on the use of, educational management organizations;

- Deadlines for applications and school openings;
- Limitations on the number of representatives from nonprofit organizations or businesses serving on a governing body;
- County residency requirements for governing body members; and
- Prohibition of satellite facilities.

B. Nevada Charter Schools

There are 13 charter schools operating for School Year 2002-2003. All of the current charter schools are sponsored by their local school board. Four schools are located in the Clark County School District (CCSD), eight in the Washoe County School District, and one in the Churchill County School District. The four charter schools in the CCSD and the charter school in Churchill County are deemed “at-risk” schools. Washoe County has reached its limit of two non-at-risk charter schools.

The following chart illustrates the growth of charter school enrollment in Nevada.



The oldest charter school is I Can Do Anything (ICDA) Charter High School that opened in 1998 in the Washoe County School District. Three charter schools are new this year. One charter school (Sierra Tahoe Academy) in the Douglas County School District is approved but not yet operational. It is estimated that 2,600 students attend charter schools in Nevada; representing one-half of 1 percent of the total student population. According to the Department, there are nine pending applications for SY 2003-2004.

To date, one charter school has closed – Techworld Charter School in the CCSD closed in January of 2001 due to its inability to find an adequate facility. In December 2002, the WCSD revoked the charter of Nevada Leadership Academy but the school has remained open while the revocation is challenged in court.

Following is a listing of the charter schools in SY 2002-2003 in Nevada:

SCHOOL	COUNTY	YEAR STARTED	CURRENT ENROLLMENT	GRADES SERVED
Academy for Career Education	Washoe	2002	114	10-12
Agassi College Preparatory	Clark	2001	206	3-6
Bailey Charter Elementary School	Washoe	2001	219	K-6
Coral Academy of Science	Washoe	2000	57	6-9
Gateways to Success Charter School	Churchill	1999	65	9-12
High Desert Montessori School	Washoe	2002	41	K-8
I Can Do Anything High School	Washoe	1998	373	9-12
Keystone Academy	Clark	1999	53	9-12
Mariposa Academy of Language/Learning	Washoe	2002	95	K-3
Nevada Leadership Academy	Washoe	2000	82	K-8
Odyssey Charter School (K-8)	Clark	1999	577	K-8
Odyssey Secondary Charter School	Clark	2001	410	9-12
Sierra Nevada Academy.	Washoe	1999	307	K-8

Source: Nevada Department of Education, *Public Schools, 2002-2003 School Year*

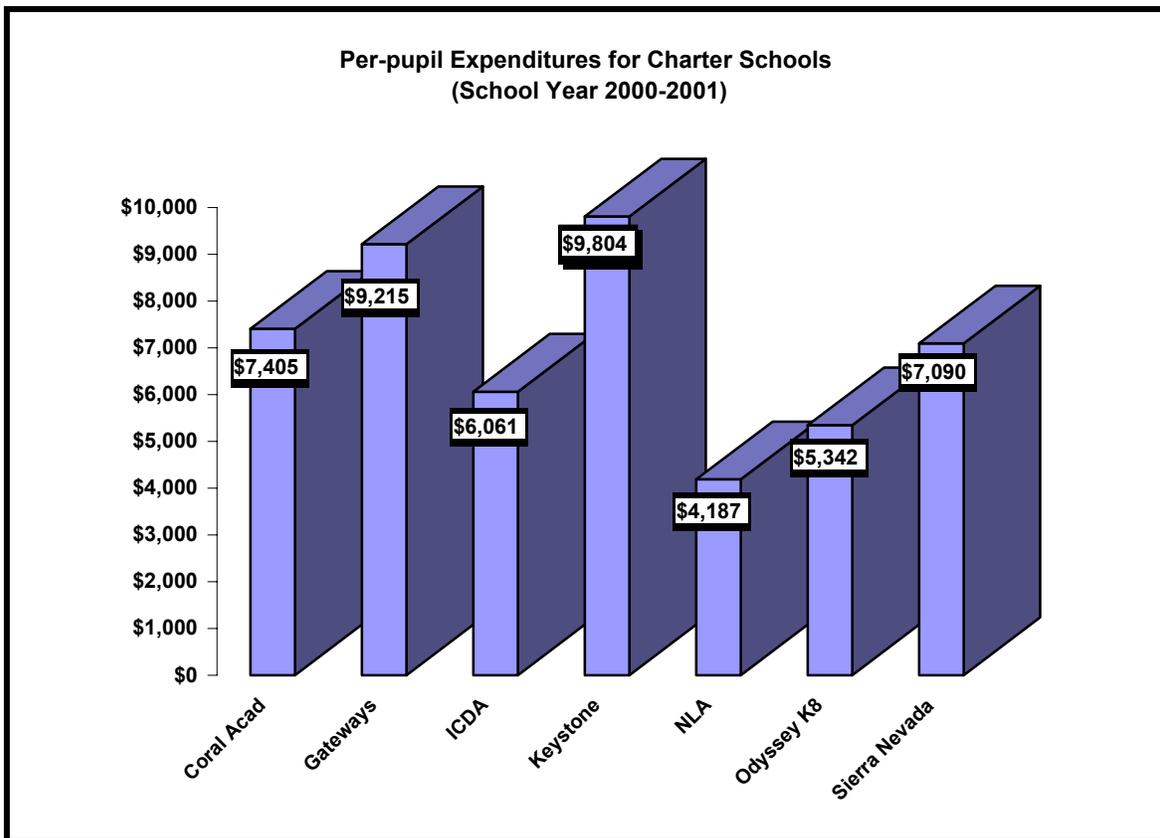
C. Evaluation of Nevada Charter Schools

In 2002, the Legislative Bureau of Educational Accountability and Program Evaluation (LBEAPE) in the Fiscal Analysis Division of the Legislative Counsel Bureau (LCB), contracted for an evaluation of Nevada’s five oldest charter schools (ICDA, Sierra Nevada, Odyssey, Keystone, and Gateways). A copy of the report may be obtained from the LCB. The major findings from the evaluation are:

- Charter schools take about three years to get established;
- Charter schools face enormous fiscal challenges and this is the single biggest obstacle;
- Charter schools often purchase “off the shelf” programs instead of developing their own instruction program;
- Charter schools have low student-teacher ratios;
- Focus is on personalized approaches;
- The decision-making structure is usually decentralized with more parent and teacher involvement than in traditional public schools; and
- Relationships between charter schools and their sponsors can be troublesome, especially in smaller school districts.

D. Financial Information on Nevada Charter Schools

As part of Senate Bill 2 (Chapter 12, *Statutes of Nevada 2001 Special Session*), funding for the In\$ite financial analysis program included charter schools for the first time. Appendix D contains fiscal information from In\$ite about charter schools. Additional information can be obtained from the Fiscal Analysis Division of LCB. The following chart shows per-pupil expenditures in the charter schools in operation for SY 2000-2001:



IV. CONCLUSION

Charter schools continue to generate discussion and controversy in the nation and Nevada. As education reform efforts across the country continue, charter schools will continue to be at the forefront and under the microscope. As in all schools, accountability will be debated and measured and debated again.

Emerging developments in cyber-schools, educational management organizations, and federal education law, will have significant effects on charter schools. Funding, especially for capital needs, will also garner attention at both the state and federal levels.

With more research and evaluation and more experience gained, perhaps consensus about the true value and impact of charter schools will be reached.

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APPENDIX A

Charter Schools in Operation in United States for Fall 2002

Charter Schools in Operation in United States for Fall 2002

State	New Schools for 2002-03	Total Schools for 2002-03	Approved to Open 2003-04	State	New Schools for 2002-03	Total Schools for 2002-03	Approved to Open 2003-04
Alaska	1	15	0	Missouri	5	26	2
Arizona	49	464	11	Nevada	4	13	0
Arkansas	3	8	0	New Hampshire	0	0	0
California	89	428	7	New Jersey	2	56	0
Colorado	6	93	0	New Mexico	7	28	4
Connecticut	0	16	0	New York	7	38	10
Delaware	2	11	0	North Carolina	5	93	2
District of Columbia	2	39	0	Ohio	31	131	0
Florida	38	227	4	Oklahoma	0	10	0
Georgia	8	35	3	Oregon	6	25	1
Hawaii	0	25	0	Pennsylvania	15	91	2
Idaho	5	13	1	Rhode Island	3	7	0
Illinois	3	29	0	South Carolina	7	13	0
Indiana	10	10	3	Tennessee	0	0	0
Iowa	0	0	0	Texas	25	221	0
Kansas	2	30	0	Utah	4	12	1
Louisiana	2	20	0	Virginia	2	8	0
Massachusetts	6	46	6	Wisconsin	22	130	0
Michigan	3	196	12	Wyoming	1	1	0
Minnesota	18	87	0				
Mississippi	0	1	0	Total	393	2695	69

Source: Center for Education Reform at www.edreform.org, January 2003.

Note: These numbers are subject to change, as the status of some schools have yet to be formally reported.

APPENDIX B

Solving the Charter School Financing Conundrum

Solving the Charter School Financing Conundrum

Charter schools are an important component of education reform. Unfortunately, charter schools often have difficulty obtaining capital financing and the funds needed to cover initial operating expenses and other start-up costs. This one of the most challenging obstacles that charter schools face, but state legislators can make it easier. They can advance education reform by implementing favorable charter school financing policies. Here are some policies lawmakers should consider implementing in their states to alleviate financing burdens on charter schools.

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Charter schools in many states rely heavily on grants from a federally authorized fund called the *Public Charter Schools Program*. Often in these states, this federal grant money is the only source of start-up funding available to charter schools. This should not be the case. There are several policy options available to the states that can provide the funding and the flexibility necessary to foster new charter schools. Some of these policy strategies are outlined by the Charter Friends National Network 1999 publication, *Paying for the Charter Schoolhouse* (www.charterfriends.org).

Four Ways to Improve Charter School Finance

- 1. Provide alternative sources of cash flow, other than per pupil spending, to be used expressly for the purposes of capital and start-up costs.**

This payment can be based on projected attendance and should be scheduled to arrive early enough to cover capital and start-up costs. Legislators must also be sure to equalize per pupil funding between charter and non-charter public schools.

- 2. Allow charter schools to take advantage of the same tax-exempt and low-cost financing that is available to more traditional institutions.**

Typically, school districts finance new facilities and capital needs by selling tax-exempt bonds that are backed by the faith and credit of a local authority, usually the government. State lawmakers can legally define charter schools so that they

can take advantage of this financing option. State lawmakers can also provide tax breaks for those who lease facilities to charter schools wherein the benefit is returned to the charter school in the form of lower lease payments.

3. Encourage the growth and expansion of specialized loan programs and financing pools that lend money to charter schools on favorable terms.

Legislators have the power to create loan programs and financing pools. They can appropriate funds from the state budget to these new financing pools, pre-existing financing pools, or loan programs. They should also encourage other investors to contribute to these loan programs and pooled sources of funds.

4. Consider ways to improve the viability of charter schools as an investment opportunity and find ways to encourage organizations to lend support to the charter school.

Investors are leery of charter schools because they are public institutions with low earning potential and futures dependent upon performance. Good charter laws will provide incentives that encourage public and private organizations to work with charter schools. These incentives should include tax breaks for investors.

Where these Solutions are at Work

Sources of Cash Flow

Federal and private grants are welcomed but insufficient and charter schools should not rely upon them. To provide sufficient aid, state legislators are amending their charter laws so charters can access state funds to pay for more costly capital and start-up costs. Many states have begun to offer grants and/or increases in per-student allocations that are to be used for such capital expenses as facilities, purchases and renovations or construction. The states that have adopted this strategy are blazing a trail that charter advocates and lawmakers in other states should follow.

- **Arizona** provides access to grants from a Stimulus Fund that was established in the State Treasury specifically for the use of charter schools. The State Department of Education administers this fund that can be used for start-up costs, as well as for the cost of renovating or remodeling buildings. Qualifying schools may receive an initial grant of up to \$100,000 during or before their first year of operation and schools that received an initial grant may apply to receive an additional grant of up to \$100,000. Arizona also provides an additional \$400 per

student to charter schools for both capital and operational funding to help equalize their revenue. In Fall 2000, all public schools will receive an additional \$350 per student.

- In 1999, the **Minnesota** legislature moved to provide additional support for charter schools. Charter schools in their first two years of operation may receive grants in the amount of \$50,000 per school or \$500 times the number of students served, whichever is greater. The state's Department of Children, Families and Learning must provide the grant within 45 days of the first day of school.

To assist with lease payments, the state provides "lease aid." Charter schools may apply to the state for building lease aid when, on the one hand, they determine that it may be economically advantageous to lease a building or land and, on the other, the school's total operating capital revenue is insufficient to cover the lease payments. The program provides to charter schools no less than 90 percent of the cost or \$1,200 per student, whichever is smaller. New schools are to receive ten percent of this lease aid by July 15th every year.

- **Massachusetts** makes competitive grants available to charter schools for planning, developing, and leasing and/or constructing facilities. Charter schools can also apply *Goals 2000* funds and other federal sources of money to cover start-up costs. In 1998-99 school year the state provided an additional one-time appropriation of \$270 per student specifically for facilities.
- **Florida** is one of the few states that incorporates capital and facility expenses into its charter law. Charter schools receive one-fifteenth of the capital cost per pupil allocated by the state for specific grade levels. Charter schools also receive monies to purchase property, conduct construction or renovations, or to make lease payments through its School Infrastructure Thrift (SIT) Awards. Once a charter school reaches its third year, it may receive monies from the Public Education Capital Outlay (PECO) and Service Trust Fund.
- **Utah** makes grant monies available to charter school for start-up costs at the discretion of the Superintendent of Public Instruction. Once a charter school has secured a facility in the form of a written agreement for the use of space, the Superintendent can then award a one-time grant to the charter school of \$62,500.
- **New York's** 1998 charter law created a Charter School Stimulus Fund to assist schools with start-up and facilities costs, which in 1999 began with \$1 million.
- The **District of Columbia** provides \$600 per student, which is 60 percent of the District's per pupil capital expenses. Moreover, although it is the responsibility of the District to provide charter schools with preferential bidding rights for vacant public school space, this task has proved daunting.

Access to Tax-Exempt/Low-Cost Financing

Perhaps the most efficient and most effective way to help charter schools obtain much needed capital is in providing access to tax-exempt bonds. The sale of tax-exempt bonds helps with the financial needs of schools. The interest payments on these bonds are not subject to federal income tax, and, in some cases, state or local income tax, making the project more financially feasible. Two policy approaches of this kind of financing exist: **direct** and **indirect**. State should also consider creating **tax credits** for the landlords of charter schools.

Direct financing allows charter schools to issue bonds on their own behalf, rather than going through a special bond issuer, thereby eliminating transaction costs. In order to utilize direct financing, however, charter schools must attain "public agency" status as defined by the IRS. Traditionally, public agency status requires substantial control by the state. Charter schools are unusual in that they are public agents, but are not controlled by the state. Therein lies a legal ambiguity that lawmakers will need to clarify.

Indirect financing allows states to create and fund new bonding authorities that can lend to charter schools with tax-exempt status. The authority (such as a local government) sells the bonds for the school and then transfers the proceeds to the school for its capital needs. The school then assumes the debt and must repay it with interest. Again, since the income that the bonds' buyers would earn from the bond is tax-exempt, the bonds can remain attractive to investors, even with a lower interest rate. Lower bond interest rates translate into lower interest payments for the charter schools.

In providing easier access to financing, legislators must be aware if their state is a Dillon Rule state. The Dillon Rule says that unless a public agency is explicitly allowed to take an action, it cannot take such action. This rule could prevent bond authorities from issuing bonds to charter schools, since they are not expressly

allowed to do so. To resolve such issues, states legislatures must explicitly authorize bond-issuing authorities to issue bonds on behalf of charter schools as Colorado, North Carolina, and Arizona have done.

- In 1998, **Colorado** expanded the list of eligible beneficiaries of the new Colorado Education and Cultural Facilities Authority. This list now includes organizations with "an educational program pursuant to a charter from a school district." In 1999 Colorado also gave charter schools direct access to bonds at a public rate by defining charters as a "governmental agency." The Colorado Department of Education has also recommended that the legislature provide institutions of higher education specific authority to construct associated charter schools with their capital funds. This recommendation was modeled on the University of North Carolina's Lab School in Greeley, **North Carolina**. The school has been in existence for over 100 years, but only recently converted to charter school status.
- In 1998, **North Carolina** expanded its Educational Facilities Finance Agency to include non-profit organizations providing K-12 public education. The authority can now sell bonds for charter schools and then transfer the proceeds to the school for its capital needs.
- In **Arizona**, non-profit charter schools may apply for financing from Industrial Development Authorities (IDAs). IDAs lend the proceeds from a bond sale to qualifying groups that now include public charter schools. In March 2000, Arizona began to demonstrate how such a program would work. The Maricopa County Industrial Development Authority pooled the proceeds of a \$27 million bond sale, the first such pool to come to market in the nation. By pooling the financing to accommodate the combined needs of seven charter schools, the Maricopa IDA was able to earn an investment-grade rating of Baa3 on the debt from Moody's Investors Service. Debt proceeds will be distributed to the seven schools, five of which are located within the metropolitan Phoenix area. "The benefit is that they can share the cost of issuance and that they can basically support each other financially at some level," Charles Lotzar, bond counsel with Kutak Rock, told the *Bond Buyer*. According to Yaffa Rattner, a vice president with Moody's, this is important because, "as the charter schools' need to increase their access to the capital market [grows,] financial advisers, underwriters, and bond counsels will need to, in some instances, come up with structures that enhance the credit quality of an individual charter."

Legislatures should consider providing local government agencies incentives to provide indirect financing to charter schools. The more agencies that are willing to provide indirect financing the more likely it is that charter schools will receive the best rates available and that the ability of the charter schools to make informed

decisions will improve. Competition that drives rates down and produces more information for consumers must always be encouraged.

For example, in Colorado, the Education and Cultural Facility Authority has the authority to issue bonds on behalf of charter schools. They are the only authority that may do so, and this creates high transaction costs in terms in process paperwork and delays. If the legislature provided cities or counties with the authority to issue bonds then the charter schools would be able to choose the most economical and consumer friendly option.

Tax Credits: While these solutions do not entirely solve the facilities crisis of charter schools, used wisely, they can help make a significant dent in the financing burden. Policy makers can also provide a variety of tax incentives that ease the difficulty of obtaining capital financing. For example, charter schools may be exempt from local property taxes. Landlords who lease property to charter schools can obtain this tax exemption and pass the savings onto the schools.

- **In Florida,** charter schools are exempt from ad valorem taxes. The owner of the property is directed to work with the charter school to ensure that the school receives the benefit of the tax break through annual or monthly credits to the school's lease payments.

Specialized Loan Programs and Financing Pools

Specialized Loan Programs: The creation or expansion of specialized loan programs, specifically for charter schools, would also expand access to low cost financing, thereby providing charter schools with additional funds with lower interest rates. Today, there are two major strategies being employed to create this funding avenue: **individual loans** and **pooled financing**.

Governments or private organizations can create **individual loans** tailored to the charter school's needs. Charter schools can dip into this pool for loans to help bridge their financial gap; and as charter schools become successful and pay off their loans with nominal interest, these programs grow and offer financing

opportunities for more charter growth. State and private agencies in Louisiana, New Jersey, and Texas are developing this approach.

- In Louisiana, certain classes of charter schools may apply for an interest free loan of up to \$100,000 that is payable over three years. Charter schools can use the money for purchases of equipment and other material items that may become the loan's collateral if other collateral has not been secured. Should a charter school default on the loan, the items purchased by the loan are transferred to state ownership.
- The Prudential Foundation's Charter School Lending Program, founded in January 1997, assists thirteen New Jersey charter schools in covering their start up and early operating costs. Schools qualify by submitting a developed business plan to the foundation that demonstrates the ability to generate revenue and control expenses. Loans are secured and carry at an interest rate of 2.5 percent to five percent, considerably less than market rates. The loan amount is based on school enrollment with a maximum of \$1 million and can be used for leasehold improvements and start-up costs rather than major capital expenses such as construction or purchase of facilities. Schools can also receive the loans as many as seven months ahead of the planned opening date with multiple withdrawals, giving the school more flexibility with which to secure start-up needs. By offering this loan with low interest rates, the Foundation helps charter schools establish much needed credit history.
- In Texas, the Financial Foundation for Texas Charter Schools was established to provide capital funds for the early stages of charter schools. The foundation has already raised \$3.27 million for its mission from the Texas banking and business communities. Eighty percent of that is the form of loans and twenty percent in the forms of grants. In 1999, 29 charter schools received loans at six percent (subject to change) for working capital.
- At the national level, the National Cooperative Bank (NCB) provides financing for improvements, construction expansions, acquisitions, equipment, and for the short-term working capital needs of charter schools through the Bank's nonprofit affiliate, NCB Development Corporation. NCB is working in California, Colorado, the District of Columbia, Minnesota, North Carolina, and Pennsylvania, and has six closed loans, with many more committed and pending.

Lawmakers can ease the process of loan acquisition by helping charter schools accumulate the collateral with which to secure loans. For example, legislators can authorize charter schools to own property. They can promote work-place-charter schools like Florida's charter school law promotes. The state

encourages charter schools to increase business partnerships, reduce school and classroom overcrowding, and transfer the burden of high facility costs to their business partners. They can also require that vacant public space be made available to charter schools at a discount rate. Not only does this provide charters with needed collateral but it also promotes neighborhood development and community investment.

Pooled Financing is a loan program that, as the title implies, gathers money and then lends it to charter schools on favorable terms. The idea is to have non-profit community developers create a fund to which investors, private donors, and public appropriations can contribute. Community developers are then able to lend money from the pool to charter schools that may not be able to strike a deal elsewhere. Since such community developers cannot turn a profit, they administer the loans at a lower interest rate.

- In **North Carolina**, a non-profit program titled Self Help administers the North Carolina Community Facilities Fund, which is used for community and charter school development. Loans of up to \$1 million are available with favorable terms such as fixed-rate borrowing for large projects.
- The **Chicago** Public School District invested \$2 million in a fund maintained by the Illinois Facilities Fund (IFF), a non-profit community developer. The IFF now lends out this money at a modest five percent interest rate.
- In **California**, the California Charter School Revolving Loan Fund provides interest free loans of up to \$250,000 to help start up charter schools with capital and other needs. The fund is comprised of federal funds obtained by the state for charter schools and any other funds appropriated or transferred to the fund through the annual budget process. As of October 1, 1999 a total of approximately \$5.5 million was available for loans from this fund.

A twist on the pooling idea is to combine charter schools into larger education entities. The **Colorado League of Charter Schools** is researching this strategy. Essentially, the idea calls for investors to make funds available to the administering body such as a charter school resource center instead of the individual schools. The schools under the blanket of the administering body then

withdraw portions of the funds provided by investors. Those schools that participate can reduce the cost of financing by dividing up any financing fees among them. Spreading loan payments among multiple schools lowers the risk charter schools pose since the probability of multiple charter schools failing or defaulting is smaller than just one. With the lower risk, more investors might be willing to provide funds to the administering body, especially if charter schools flourish.

Attracting Private Investment

To attract private investment dollars to charter schools, states need to increase incentives for investors and obviate any investor apprehension. As with landlords, states can offer tax credits to investors as an incentive to invest in charter schools. Reduced tax burdens for investors mean more favorable financing rates for charter schools. The federal and state governments commonly use this method to encourage investments in the renovations of historical buildings. Such an approach can reduce the project costs up to 40 percent. Indeed, such benefits can make investing in charter schools more attractive.

One model tax credit program is the federal **Qualified Zone Academy Bonds**. This program provides a federal income tax credit to lenders who invest in schools that are located in either an "empowerment zone" or in an "enterprise community," or that serve low-income students. States could mimic this tax credit to drive down the cost of financing charter schools.

Tax credits provide extra incentives for investors, but states will need to do more to increase investor confidence. The risks that charter schools potentially pose to investors are most likely the largest roadblock to adequate access to private funding. Like with any business venture, there are a variety of financing options available to charter schools, but selling a new idea to investors can be difficult. Policy makers must consider ways to improve the charter school's

operating environment in order to improve the security of the investment and the confidence of the investors.

A simple solution is to have states, cities or the federal government guarantee loans to charter schools. By providing the schools with the full faith and credit of the government, investors will regard charter schools as a stable business proposition and be more willing to offer them access to financing.

Lengthening the period of charter school validity will also help investors warm up to charter schools. Most states set the initial renewal term of the charter up to five years, but some states are expanding that period. In practice, however, a charter has to demonstrate its credibility every year to remain open and enrolled.

Political obstacles can be a major impediment for charter schools. The degree of the barrier varies from state to state and community to community depending on the area's understanding of charter schools. Protecting charter schools from the politics of revocation and non-renewal is another way to provide stability. The state should advocate clear standards for revocation and create a process to appeal the revocation to protect schools from arbitrary non-renewal. This will assure investors that a school will be not closed down without good cause.

* * * *

These are only a few of the more popular avenues for policy change that can make it easier for charter schools to gain access to much needed capital financing. These ideas can create a fertile environment in which new charter schools can grow and prosper.

For more information on charter school financing, please refer to: the Charter Friends Network "*Paying for the Charter Schoolhouse*" February, 1999; and the Center for Market-Based Education "*School Facilities: Charter School Case Studies*" May 23, 2000.

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July, 2000

The Center for Education Reform is a national, independent, non-profit advocacy organization founded in 1993 to provide support and guidance to individuals, community and civic groups, policymakers and others who are working to bring fundamental reforms to their schools. For further information, please call (202) 822-9000 or visit our area About Charter Schools.

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Source: The Center for Education Reform, January 2003 (Web site: <http://www.edreform.org/pubs/charterfinance.htm>)

APPENDIX C

Current Nevada Laws

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
Purpose	<p>Each school must focus on at least one of the following goals:</p> <ol style="list-style-type: none"> 1. Improving learning opportunities for pupils; 2. Encouraging the use of effective teaching methods; 3. Establishing public school accountability; 4. Accurately measuring pupil achievement; 5. Providing a method of measuring achievement based upon public school performance; and 6. Creating new professional opportunities for teachers. <p>NRS 386.520(2)(b)</p> <p>Charter schools are public schools. NRS 385.007; NRS 388.020(5)</p> <p>Charter schools shall not operate for profit. NRS 386.553</p>
Number of Schools	<p>The current limit on the number of charter schools is six in Clark County School District and two in Washoe County School District. The remaining school districts are allowed one charter school each. The caps on charter schools will sunset in July 2006. <u>Note</u>: There is no limit on the number of charter schools dedicated to serving “at-risk” pupils. NRS 386.510</p>
“At-Risk” Students	<p>For purposes of charter schools, “at-risk” students have an economic or academic disadvantage such that they require special services/assistance for educational success. Includes, without limitation, pupils:</p> <ol style="list-style-type: none"> 1. From economically disadvantaged families; 2. With limited English proficiency; 3. At-risk of dropping out; and 4. Who do not meet minimum standards of academic proficiency. <p><u>Note</u>: “At-risk” does <u>not</u> include pupils with disabilities. NRS 386.500</p>
Type of Schools	<p>The Legislature is not authorizing charter schools:</p> <ol style="list-style-type: none"> 1. As a justification to keep open public schools that would close otherwise; 2. To provide financial assistance to private schools or home study; or 3. To form based on a single race, religion, or ethnicity. <p>NRS 386.505</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	<p>Private schools may cease to operate and reopen as charter schools in compliance with statute. NRS 386.505</p> <p>Public schools or home study programs/schools may not be converted to charter schools. NRS 386.506</p>
Sponsors	<p>The sponsor of a charter school is the county school district board of trustees. The school board of trustees must apply to the Nevada Department of Education for authorization to sponsor a charter school. NRS 386.515(1)</p> <p>If a charter school is denied by the school district, or if the charter school exclusively serves special education students, the State Board of Education may sponsor a charter school. NRS 386.515(2); NRS 386.525(4), (5), (6)</p> <p>The district board of trustees may donate surplus property and approve the use of school buildings in the district. NRS 386.560</p> <p>The sponsor shall not:</p> <ol style="list-style-type: none"> 1. Assign any student or any employee to a charter school; or 2. Interfere with the operation or management of the charter school except as authorized in the charter, and the applicable statutes and regulations. <p>NRS 386.565</p>
Applicant – Committee to Form Charter School	<p>A committee to form a charter school must consist of at least three licensed teachers, and may include:</p> <ol style="list-style-type: none"> 1. Members of the general public; 2. Representatives of nonprofit organizations and businesses; or 3. Representatives of colleges/universities within the University and Community College System of Nevada (UCCSN). <p>A majority of the committee must be residents of Nevada at the time the application is submitted to the Department. NRS 386.520(1)</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	<p>For purposes of the committee to form a charter school, a teacher is a person who holds a current license to teach and who has at least two years of employment experience as a teacher (not employment as a substitute).</p> <p>NRS 386.520(4)</p>
Application Contents	<p>Applications are submitted to the Department, and must include:</p> <ol style="list-style-type: none"> 1. How the school will carry out the charter school statutes; 2. The school's mission and goals (See "Purpose," above); 3. The projected enrollment; 4. The proposed dates of enrollment; 5. A description of the governance system, including governing body selection, terms, and numbers; 6. The method for resolving disputes between the governing body and the sponsor; 7. The proposed curriculum; 8. The textbooks to be used; 9. The qualifications of teachers/instructional personnel; 10. The process for negotiating employment contracts with employees; 11. A financial plan; 12. The proposed pupil transportation plan, if transportation will be provided; 13. Procedure for conducting teacher evaluations; 14. Time by which academic or educational goals will be achieved; 15. If applicable, the requirements for a high school diploma; and 16. Kind of school (elementary, middle, or high) to be operated. <p>NRS 386.520(2)</p>
Application Process – Review	<p>The Department reviews an application for completeness and provides written notice of approval or denial to the applicant. Upon approval by the Department, the committee to form a charter school submits an application to the school district board of trustees to review for compliance with applicable statutes and regulations and completeness under Department regulations. The charter may be approved if it is in compliance.</p> <p>NRS 386.520(3); NRS 386.525</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	<p>The Department shall adopt regulations for:</p> <ol style="list-style-type: none"> 1. The process for submission and contents of applications; 2. The criteria and type of investigation for charter school approvals; and 3. Other regulations necessary to carry out charter school statutes. <p>NRS 386.540</p> <p>If the charter schools will exclusively serve special education students, application may be made directly to the subcommittee on charter schools of the State Board of Education.</p> <p>NRS 386.525(4)</p>
Application Process – Deficiencies and Denials	<p>If the Department denies an application, the notice must include the reasons for denial and deficiencies. The applicant has 30 days after receipt of the notice to correct deficiencies and resubmit the application.</p> <p>NRS 386.520(3)</p> <p>If the school district denies the application, then the notice must include the reasons for denial and deficiencies. An applicant has 30 days after receipt of notice to correct deficiencies and resubmit the application.</p> <p>NRS 386.525(3)</p> <p>If the school district denies the resubmitted application, the charter school may apply for state sponsorship to the subcommittee on charter schools of the State Board of Education. The subcommittee and state board shall approve the application if it satisfies the requirements.</p> <p>NRS 386.525(4), (5), and (6)</p>
Application Process – Appeals	<p>If the state board denies the application, the applicant may appeal to district court.</p> <p>NRS 386.525(7)</p>
General Conditions for Operation (Assurances)	<p>The applicant must agree to the following conditions:</p> <ol style="list-style-type: none"> 1. Comply with all applicable laws concerning discrimination and civil rights; 2. Remain nonsectarian; 3. Refrain from charging tuition, levying taxes, or issuing bonds;

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	<ol style="list-style-type: none"> 4. Comply with desegregation plans, if applicable; 5. Comply with the open meeting law provisions of Chapter 241 of NRS; 6. Provide the same number of days of instruction required by the school district for other schools, unless a waiver is obtained; 7. Cooperate in the administration of achievement and proficiency examinations required by NRS 389.015 and 389.550; 8. Comply with applicable statutes and regulations governing achievement and proficiency; 9. Provide instruction in the core academic subjects per NRS 389.018, and the courses required by statute or regulation for promotion or graduation; 10. Refrain from using public money to purchase property without approval of sponsor; 11. Hold harmless, indemnify, and defend the sponsor against claims/liabilities arising from acts or omissions of the charter school; 12. Provide parents with written notice of the school's accreditation (for high schools); and 13. Adopt a final budget in accord with Department regulations. <p>NRS 386.550</p>
Charter Term and Amendment	<p>The term of a charter is for six years. NRS 386.527(2)</p> <p>The governing body of a charter school may request an amendment of the charter and the request must be approved if it is in compliance with statutes and regulations applicable to charter schools. If a charter school proposes to add grades that are within the "kind of school" identified in the charter, then the charter school must apply for an amendment of the charter. If the charter school proposes to add grades outside the "kind of school," then the charter school must make a new application. NRS 386.527(3)</p>
Charter Renewal	<p>The application for renewal must be submitted 90 days prior to the charter's expiration <u>or</u> may be submitted after three years of operation. The sponsor shall conduct an intensive review in accordance with regulations of the Department, and must</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	approve the renewal application unless grounds for revocation are found. An applicant has 30 days to correct deficiencies. NRS 386.530
Charter Revocation	<p>The sponsor may revoke the charter for:</p> <ol style="list-style-type: none"> 1. Failure to comply with the terms and conditions of the charter; 2. Failure to comply with generally accepted standards of accounting/fiscal management; 3. Failure to comply with provisions of charter school statutes and regulations; 4. Bankruptcy or severe financial impairment; 5. Threats to the health/safety of pupils or employees; or 6. Prevention of damage/loss to community or school property. <p>A charter school has at least 30 days to correct deficiencies after written notice of revocation. NRS 386.535</p> <p>Failure to pay the reimbursement requested by a sponsor is grounds for revocation of a charter. NRS 386.570(3)</p>
Charters Not Prepared to Commence Operation on Date of Approval	<p>The state board shall adopt objective criteria for issuing charters to schools not prepared to commence operation on the date of approval, including the period for which such a charter is valid and timelines for satisfying criteria. Such a charter shall not be designated "conditional" and shall not receive apportionments until the requirements have been satisfied. NRS 386.527(4) and (5)</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
Governance and Liability	<p>A governing body shall consist of at least three licensed teachers, and may consist of parents, representatives of businesses, or nonprofit organizations (but is not limited to such individuals). The governing body is a public body, subject to the open meeting law (NRS 241.020), and its duties and authority are specified by statute. NRS 386.549</p> <p>A majority of the governing body must reside in Nevada. If the membership of the governing body changes, the governing body must notify the sponsor within ten working days. Governing body members must submit affidavits indicating that they have not been convicted of a felony or an offense involving moral turpitude. NRS 386.549(1)</p> <p>The governing body shall hold a meeting in the county where the charter school is located at least once during each calendar quarter. NRS 386.549(3)</p> <p>For purposes of a governing body, a teacher is a person who holds a current license to teach and who has at least two years of employment experience as a teacher. Note: Term does not include employment as a substitute teacher. NRS 386.549(4)</p> <p>The process for selection of the governing body, the number of members, and the terms, must be specified in the application. NRS 386.520(2)(e)</p> <p>A member of a school district or local board of trustees may not solicit or accept any gift from a member of a committee to form a charter school, a governing body, or an officer or employee of a charter school. NRS 386.563</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	<p>Governing body of a charter school is a “political subdivision” and, therefore, has statutory protections against liability. No action may be brought against a governing body or charter school employee for: (1) acts/omissions within the scope of public duties; (2) acts/omissions exercising due care in the execution of a statute/regulation; (3) performance or failure to perform a discretionary function; and (4) miscellaneous others. NRS 41.0305 through NRS 41.039</p> <p>If a bankruptcy is filed or the school is declared bankrupt, the State and the sponsor are <u>not</u> liable for any claims. NRS 386.575</p> <p>There is no cause of action against the governing body or sponsor for billings presented six months after the obligation was incurred. NRS 386.573(4)</p> <p>The charter school must hold the sponsor harmless and indemnify and defend it against any claim arising from an act or omission of the governing body. NRS 386.550(l)</p> <p>The State shall have a security interest assigned to it for any property (real or personal) purchased with State money NRS 386.570(7)</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
Enrollment Process	<p>Eligible students must be enrolled based on the order in which the applications are received, or by lottery if applications exceed space available. Racial composition must not differ by more than 10 percent from the composition in the attendance zone, if practicable. Applications cannot be accepted based on race, gender, religion, ethnicity, or disability. <u>Note:</u> Charter schools may be dedicated exclusively to students:</p> <ol style="list-style-type: none"> 1. With disabilities; 2. With severe discipline problems; or 3. "At-risk." <p>NRS 386.580</p> <p>Enrollment of children in kindergarten and first grade must be in compliance with age limitations in NRS 392.040. NRS 386.550(1)(j)</p> <p>Charter schools shall enroll students from other public schools, private schools, or home school students, in classes that are not otherwise available to that student and subject to space availability. Charter schools may also revoke such approval if the student fails to comply with applicable rules. NRS 386.580(4) and (5)</p> <p>Charter schools may not enroll home school students in distance education classes. NRS 386.550(2)</p>
Courses of Study	<p>Charter schools must provide instruction in the core academic subjects per NRS 389.018, and the courses required by statute or regulation for promotion to the next grade or graduation. The charter school may require other courses. NRS 386.550(i)</p> <p>With the approval of the sponsor, charter school students may participate in public school classes or extracurricular activities, if space is available, and if they are otherwise qualified. Participation in sports is further limited to public schools in the same attendance zone as the charter school or the attendance zone of the pupil. Approval for participation may be revoked. NRS 386.560(4), (5), and (6)</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	<p>Charter schools providing a distance education program shall comply with the statutes and regulations applicable to such programs.</p> <p>NRS 386.550(1)(o)</p>
Student Policies and Achievement	<p>Transfers of credit to public school must be allowed for successful completion of equivalent courses.</p> <p>NRS 386.582</p> <p>The governing body must adopt rules for academic retention and behavior, including punishments. Truancy rules may be adopted if they are at least as restrictive as Chapter 392 of NRS.</p> <p>NRS 386.583; NRS 386.585</p> <p>Student achievement is determined using the achievement and proficiency examinations prescribed in Chapter 389 of NRS.</p> <p>NRS 386.550(h)</p> <p>The governing body is responsible for administering achievement and proficiency examinations.</p> <p>NRS 389.015(1); NRS 389.550(2)</p>
Exceptions	<p>Courses of study may deviate from state board requirements, except for courses required for promotion or graduation.</p> <p>NRS 385.110(3); NRS 389.018(2); NRS 391.260(2)</p> <p>Charter schools may impose graduation requirements for high school that are different from the school district in which the charter school is located provided the graduation requirements comply, at a minimum, with state statutes and regulations. If the charter school imposes a lesser requirement than the school district, the diploma shall clearly indicate it is a charter school diploma. NRS 386.584</p> <p>Library books need not be approved by Superintendent.</p> <p>NRS 385.240</p> <p>School attendance zones do not affect charter schools.</p> <p>NRS 388.040(2)</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	<p>Charter schools are not subject to the Class Size Reduction Program. NRS 388.700(6)</p> <p>Textbooks need not be selected by State Board of Education. NRS 390.140</p> <p>Unlicensed personnel are not subject to supervision by licensed personnel. NRS 391.273(9)</p> <p>Academic retention requirements do not apply. NRS 392.125(4)</p>
Employment of Teachers	<p>Teachers in kindergarten and grades 1 through 5 must be licensed. Teachers in core academic subjects (English, mathematics, science, and social studies), in grades 6 through 12, must also be licensed.</p> <p>Teachers in schools which specialize in subjects such as arts, humanities, physical education, health education, and the construction or building industries, must be licensed in those specialty subjects.</p> <p>At least 70 percent of the teachers must be licensed. At least 50 percent of the teachers in a vocational school must be licensed. The remaining teachers must have a degree, license, or certificate, in their field, and two years of experience. NRS 386.590</p>
Employment Contracts	<p>All employees of a charter schools are deemed public employees. NRS 386.595(1)</p> <p>For teachers on a leave of absence from a school district, the collective bargaining agreement in the school district applies to the employee for three years. For teachers not on a leave of absence, the charter schools make all employment decisions unless a collective bargaining agreement entered into by the governing body applies. The sponsor shall grant a leave of absence, up to six years, to enable a school district employee to work for a charter school. Other provisions provide protection and benefits for charter school employees. NRS 386.595</p>

CHARTER SCHOOLS	
Item	Senate Bill 220 (1997), Revised by Assembly Bill 348 (1999) and Senate Bill 399 (2001)
	<p>Employees are public employees and therefore participate in the Public Employees' Retirement System. NRS 386.595(1); NRS 41.0307</p> <p>If outside a collective bargaining agreement, the process for negotiating employment contracts is in the application. NRS 386.520(2)(j)</p>
Budget and Operations	<p>The governing body may contract with the sponsor or UCCSN for facilities/services and may solicit and accept donations from the public, businesses, or agencies. Charter schools receive a proportionate share of funds from the Distributive School Account and any other federal, state, or local sources. The governing body may negotiate with the sponsor for additional money to pay for services it wishes to offer. NRS 386.570</p> <p>A charter school may request an advance from the Distributive School Account in the first year of operation. NRS 387.124(2)</p> <p>Charter school funds must be deposited in a financial institution in Nevada. NRS 386.570(2)</p> <p>The sponsor of a charter school may request reimbursement for administrative costs associated with sponsorship if the sponsor provided such services. Reimbursement shall not exceed 2 percent of the amount appropriated for the first year of operation, and, for subsequent years, shall not exceed 1 percent of the amount appropriated for that school year. NRS 386.570(3)</p> <p>The Legislature created the fund for charter schools as a revolving loan fund to be used for preparing a charter school to commence operation in its first year or to improve an existing charter school. The fund may accept grants and donations but no state appropriation was made to the fund. NRS 386.576; NRS 386.577; NRS 386.578</p>

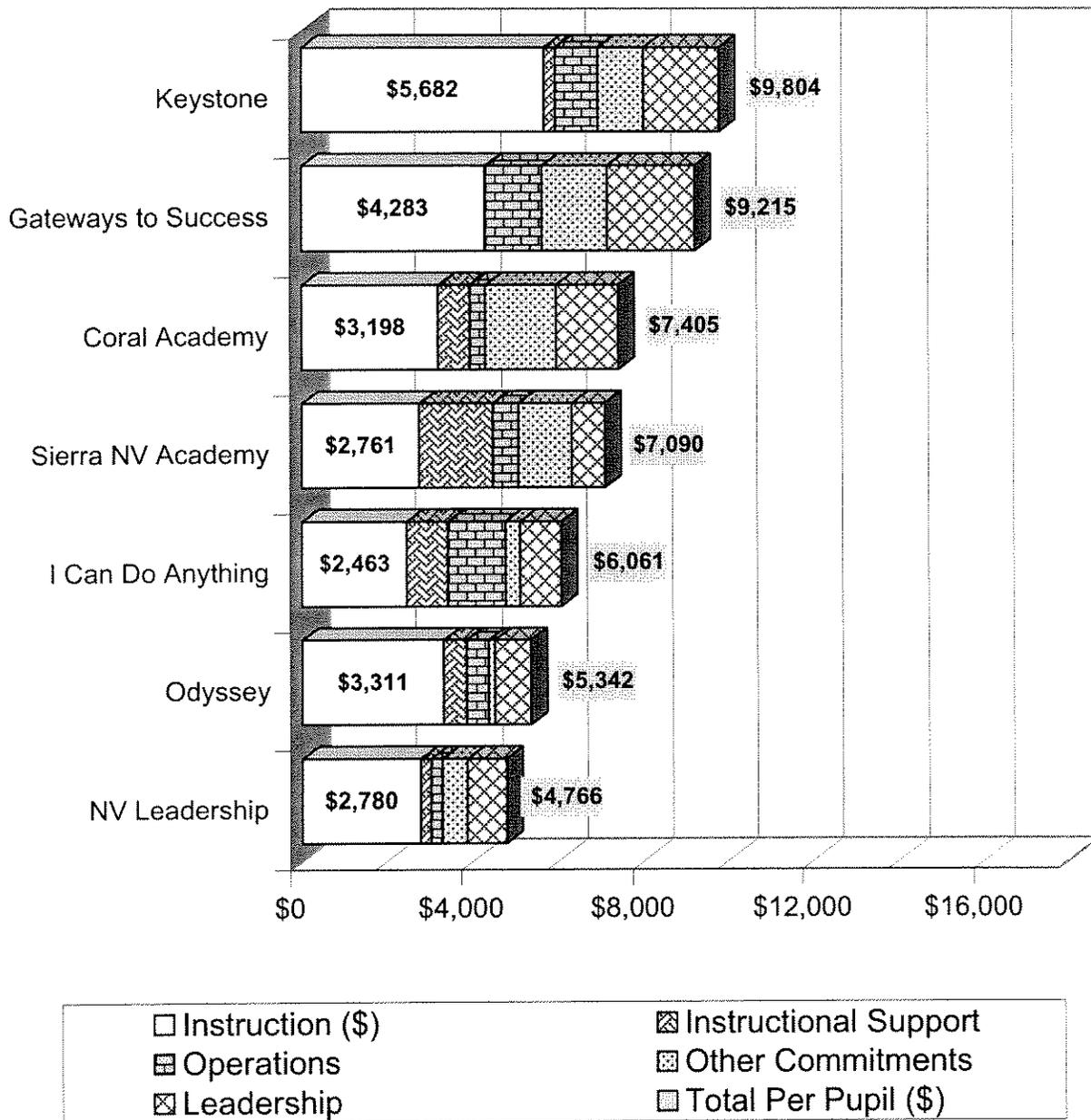
[Note: This chart is a summary of major provisions relating to charter schools and should not be substituted for a full reading of the provisions of Chapter 386 of the *Nevada Revised Statutes* and related statutes and regulations in the *Nevada Administrative Code*.]
W24119-1

Research Division, Legislative Counsel Bureau
Revised: January 30, 2003

APPENDIX D

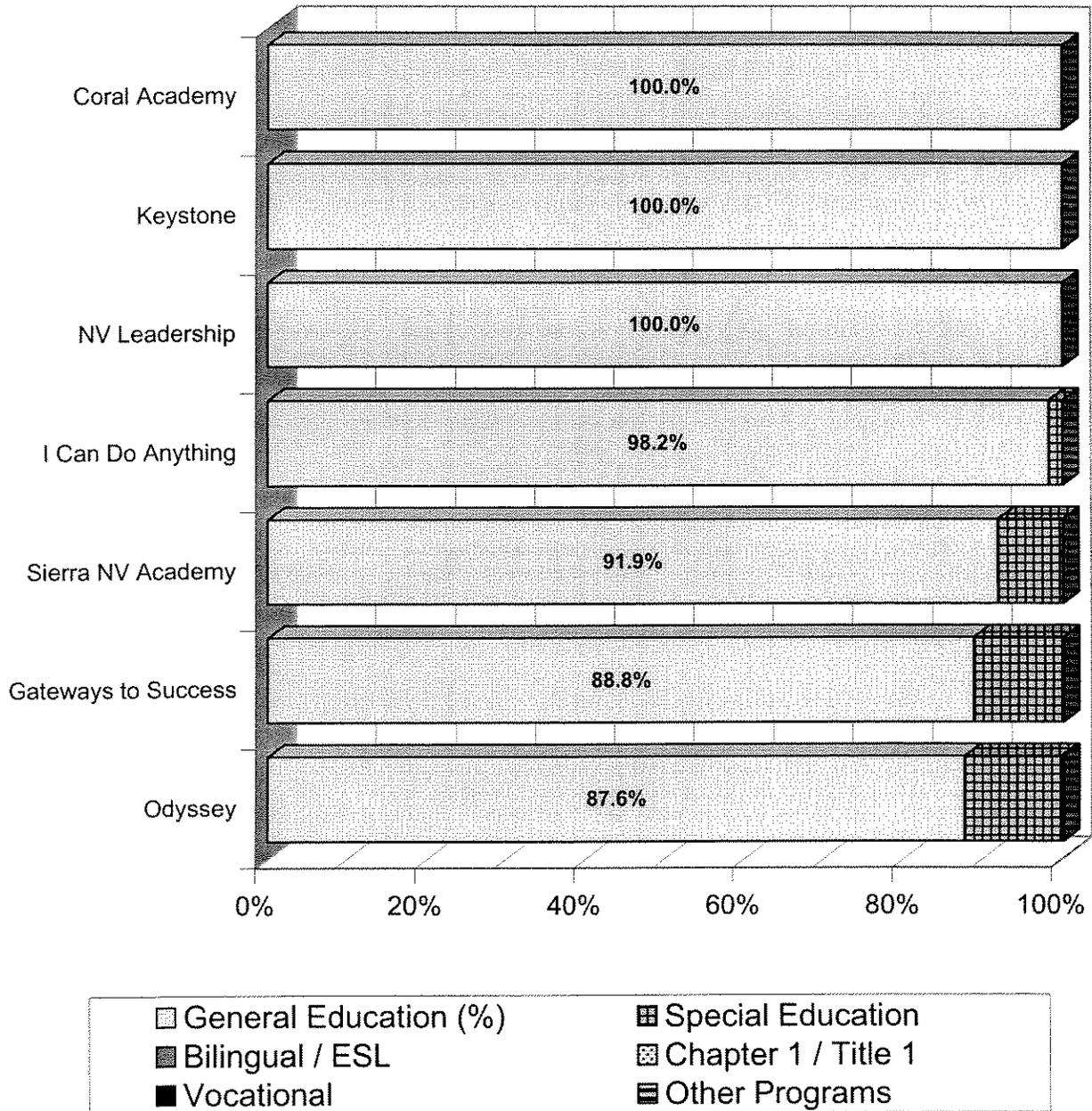
Fiscal Information — In\$ite Comparatives

**#1.2 Nevada Comparative: Each Charter School
Per Pupil Operating Expenditures
By Five Functions
2000/2001 School Year**



#2.2 NV Comparative: By Charter School %-To-Total By 5 Functions 2000/2001 School Year		Keystone \$9,804 Per Pupil																																				
<p>Nevada Statewide \$8,300 Per Pupil</p> <table border="1"> <tr><th>Function</th><th>Percentage</th></tr> <tr><td>Instruction</td><td>36.3%</td></tr> <tr><td>Instructional Support</td><td>29.6%</td></tr> <tr><td>Operations</td><td>14.5%</td></tr> <tr><td>Other Commitments</td><td>14.5%</td></tr> <tr><td>Leadership</td><td>5.2%</td></tr> </table>		Function	Percentage	Instruction	36.3%	Instructional Support	29.6%	Operations	14.5%	Other Commitments	14.5%	Leadership	5.2%	<table border="1"> <tr><th>Function</th><th>Percentage</th></tr> <tr><td>Instruction</td><td>58.0%</td></tr> <tr><td>Instructional Support</td><td>18.3%</td></tr> <tr><td>Operations</td><td>10.9%</td></tr> <tr><td>Other Commitments</td><td>10.3%</td></tr> <tr><td>Leadership</td><td>2.6%</td></tr> </table>	Function	Percentage	Instruction	58.0%	Instructional Support	18.3%	Operations	10.9%	Other Commitments	10.3%	Leadership	2.6%												
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<p>Gateways to Success \$9,215 Per Pupil</p> <table border="1"> <tr><th>Function</th><th>Percentage</th></tr> <tr><td>Instruction</td><td>46.5%</td></tr> <tr><td>Instructional Support</td><td>22.4%</td></tr> <tr><td>Operations</td><td>16.6%</td></tr> <tr><td>Other Commitments</td><td>14.4%</td></tr> <tr><td>Leadership</td><td>0.1%</td></tr> </table>	Function	Percentage	Instruction	46.5%	Instructional Support	22.4%	Operations	16.6%	Other Commitments	14.4%	Leadership	0.1%	<p>Coral Academy \$7,405 Per Pupil</p> <table border="1"> <tr><th>Function</th><th>Percentage</th></tr> <tr><td>Instruction</td><td>43.2%</td></tr> <tr><td>Instructional Support</td><td>19.6%</td></tr> <tr><td>Operations</td><td>22.5%</td></tr> <tr><td>Other Commitments</td><td>4.9%</td></tr> <tr><td>Leadership</td><td>9.9%</td></tr> </table>	Function	Percentage	Instruction	43.2%	Instructional Support	19.6%	Operations	22.5%	Other Commitments	4.9%	Leadership	9.9%	<p>Sierra NV Academy \$7,090 Per Pupil</p> <table border="1"> <tr><th>Function</th><th>Percentage</th></tr> <tr><td>Instruction</td><td>38.9%</td></tr> <tr><td>Instructional Support</td><td>17.7%</td></tr> <tr><td>Operations</td><td>10.9%</td></tr> <tr><td>Other Commitments</td><td>8.5%</td></tr> <tr><td>Leadership</td><td>23.9%</td></tr> </table>	Function	Percentage	Instruction	38.9%	Instructional Support	17.7%	Operations	10.9%	Other Commitments	8.5%	Leadership	23.9%
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<p>I Can Do Anything \$6,061 Per Pupil</p> <table border="1"> <tr><th>Function</th><th>Percentage</th></tr> <tr><td>Instruction</td><td>40.6%</td></tr> <tr><td>Instructional Support</td><td>16.0%</td></tr> <tr><td>Operations</td><td>5.6%</td></tr> <tr><td>Other Commitments</td><td>22.1%</td></tr> <tr><td>Leadership</td><td>15.7%</td></tr> </table>	Function	Percentage	Instruction	40.6%	Instructional Support	16.0%	Operations	5.6%	Other Commitments	22.1%	Leadership	15.7%	<p>Odyssey \$5,342 Per Pupil</p> <table border="1"> <tr><th>Function</th><th>Percentage</th></tr> <tr><td>Instruction</td><td>62.0%</td></tr> <tr><td>Instructional Support</td><td>15.8%</td></tr> <tr><td>Operations</td><td>2.7%</td></tr> <tr><td>Other Commitments</td><td>9.6%</td></tr> <tr><td>Leadership</td><td>9.9%</td></tr> </table>	Function	Percentage	Instruction	62.0%	Instructional Support	15.8%	Operations	2.7%	Other Commitments	9.6%	Leadership	9.9%	<p>Nevada Leadership \$4,766 Per Pupil</p> <table border="1"> <tr><th>Function</th><th>Percentage</th></tr> <tr><td>Instruction</td><td>58.3%</td></tr> <tr><td>Instructional Support</td><td>19.2%</td></tr> <tr><td>Operations</td><td>12.1%</td></tr> <tr><td>Other Commitments</td><td>5.4%</td></tr> <tr><td>Leadership</td><td>4.9%</td></tr> </table>	Function	Percentage	Instruction	58.3%	Instructional Support	19.2%	Operations	12.1%	Other Commitments	5.4%	Leadership	4.9%
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**#3.2 Nevada Comparative: Each Charter School
%-To-Total Operating Expenditures
By Six Programs (Five Functions)
2000/2001 School Year**



**#4.2 Nevada Comparative:
Total Charter School Enrollment
2000/2001 School Year**

