

Background Information on Charter Schools

1. **Origin of Charter Schools.** Charter schools are nonsectarian public schools of choice that operate with freedom from many of the regulations that apply to traditional public schools. The “charter” establishing each school is a performance contract detailing the school’s mission, program, goals, students served, methods of assessment, and ways to measure success. The length of time for which charters are granted varies, depending on state law. At the end of the term, the entity granting the charter may renew the school’s contract. Charter schools are accountable to their sponsor to produce positive academic results and adhere to the charter contract. The basic concept of charter schools is that they exercise increased autonomy in return for this accountability.

The charter school movement has roots in a number of other reform ideas, including alternative schools, site-based management, magnet schools, public school choice, school privatization, and community-parental empowerment. The term “charter” may have originated in the 1970s when New England educator Ray Budde suggested that small groups of teachers be given contracts or “charters” by their local school boards to explore new approaches. Albert Shanker, the former president of the American Federation of Teachers (AFT) then publicized the idea, suggesting that local boards could charter an entire school with union and teacher approval. In the late 1980s, Philadelphia started a number of schools-within-schools and called them “charters.” Some of these schools were schools of choice. The idea was further refined in Minnesota and is based on the achievement of three basic values: opportunity, choice, and responsibility for results.

In 1991, Minnesota became the first state in the nation to authorize charter schools (first called outcome-based schools). The law, Minnesota Statutes, Sections 124D.10 and 124D.11, permits teachers, parents, and other community members to form and operate independent charter schools. To promote innovation, charter schools are exempt from many statutes and rules governing school districts but are held accountable for results. A Minnesota charter school is a public school and is part of the state’s public education system.

California followed suit by authorizing charter schools in 1992. By 1995, 19 states had enacted laws that allowed for the creation of charter schools, and by 1999 that number increased to 36 states, Puerto Rico, and the District of Columbia. By 2010, 41 states had enacted charter school laws. In total there were 5,453 schools enrolling 1.7 million students. As of the 2011-2012 school year, California leads the nation in the number of charter schools with 982 schools currently in operation, followed by Texas (578), Arizona (523), Florida (518), and Ohio (360).¹ Minnesota has 173 charter schools² with a total enrollment of slightly over 37,000.³

2. **Intent of and Requirements for a Minnesota Charter School.** Minnesota Statutes, Sections 124D.10 and 124D.11, require that a charter school must meet one or more of the following purposes:
 - improve student learning;
 - increase learning opportunities for students;
 - encourage the use of different and innovative teaching methods;
 - require the measurement of learning outcomes and create different and innovative forms of measuring outcomes;
 - establish new forms of accountability for schools; or
 - create new professional opportunities for teachers, including the opportunity to be responsible for a learning program at the school site.

Under Minnesota law, the organizers of a charter school must obtain a sponsorship from a school board, intermediate district board, education district, a Minnesota nonprofit organization other than a nonpublic sectarian or religious institution, eligible private college, community college, technical college, the University of Minnesota, or an eligible charitable organization. A sponsor must obtain approval from the Commissioner of the Minnesota Department of Education to authorize a charter school. If a school board elects not to sponsor a proposed charter school, the applicant may appeal this decision to the Commissioner of the Department of Education.

A charter school must be formed either as a cooperative or nonprofit corporation. An ongoing board must be elected by the end of the third year of operation, consisting of at least five unrelated members and include at least one teacher at the school, a parent of a student, and an interested community member who is not employed by the school nor the parent of a student. The majority of the board

¹ <http://dashboard.publiccharters.org/dashboard/select/state/CA/year/2012>

² <http://dashboard.publiccharters.org/dashboard/select/state/CA/year/2012>

³ http://nces.ed.gov/pubs2012/pesschools10/tables/table_03.asp

could be composed of teachers from the school. The chief financial officer and chief administrator are ex-officio non-voting members. Within constraints in law, the board determines all aspects of the school's education program, management, and administration. The board determines what responsibilities are maintained by the board and what responsibilities are delegated to staff or contracted to service providers. The charter school contract must include criteria, processes, and procedures that the sponsor will use for ongoing oversight of operational, financial, and academic performance.

3. Charter School Funding. A charter school may not charge tuition. Charter schools are eligible for all school aids, grants, and other revenue as though it were a school district, plus certain other aid specific to charter schools. Some key components are:
 - a. General Education Revenue. General education revenue is paid to a charter school as though it was a school district.
 - b. Building Lease Aid. Building lease aid may be granted by the Minnesota Department of Education based on an application from a charter school. Building lease aid funds must be used to lease space for instructional purposes. The amount of building lease aid is the lesser of 90% of approved costs or the number of pupil units served multiplied by \$1,200.
 - c. Charter School Start-up Aid. During the first two years of a charter school's operation, the charter school is eligible for start-up aid equal to the greater of \$50,000 per charter school or the number of pupil units served multiplied by \$500.
 - d. Transportation Aid. The charter school is eligible to receive transportation aid under formulas and procedures specified in law.
4. Charter School Accountability. Charter schools are subject to an annual audit. Minnesota law requires that the sponsor of a charter school must monitor the fiscal and student pupil performance of the charter school. If at any time the charter school is not meeting expected outcomes, the sponsor must work with the charter school to implement an improvement plan. The charter school must provide a public annual report providing details regarding school enrollment, student attrition, governance and management, staffing, finances, academic performance, operational performance, innovative practices and implementation, and future plans. If the charter school is not meeting pupil performance expectations, fails to meet generally accepted standards of fiscal management, or is in violation of the law and the sponsor intervention is not showing results, the charter school sponsor may act to terminate the contract. If the charter school has a history of financial mismanagement or of repeated violations of the law, the Minnesota Department of Education may act to terminate the school.
5. Charter School Employee Retirement Coverage. Under current law, the employees of charter schools who meet the definition of "teacher," as defined in Teachers Retirement Association (TRA) law, are covered for that employment by TRA even if the employment is within St. Paul or Duluth. All other employees of charter school must be covered by the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), if they meet requirements for coverage by that plan.

The requirement for charter school teachers to be members of a Minnesota teacher retirement plan was added in 1995 (1st Spec. Sess. Laws 1995, Ch. 3, Art. 9, Sec. 2, Subd. 20a). However, that provision did not specify the particular teacher retirement plan to provide coverage. Initially following the 1995 legislation, charter school teachers were allocated between TRA and first class city teacher retirement plans based upon a non-statutory agreement between TRA and the then-existing three first class city teacher plans. Under the agreement, teachers employed by any charter school located in a given first class city were covered by the applicable first class city teacher plan, and all other charter school teachers were covered by TRA. In 2002, the law was revised by specifying that effective July 1, 2002, all charter school teachers, regardless of the school's location or the location of the school's sponsor, would be covered by TRA.

The requirement for non-teaching charter school employees to be members of PERA-General was enacted in 1997 (1st Spec. Sess. Laws 1997, Ch. 4, Art. 5, Sec. 9). Neither the 1995 provision regarding charter school teachers nor the 1997 provision regarding other charter school employees was considered by or recommended by the Legislative Commission on Pensions and Retirement. Rather, these provisions appear to be policy initiatives by the education community or the Senate and House Education Committees.