

## Authorizer Fee Payments

### Purpose

[Tenn. Code Ann. § 49-13-128](#) and [SBE Rule 0520-14-01-.05](#), provides guidance surrounding authorizer fee payments. Per this guidance, if the local board of education is the authorizer of a charter school, then the local board shall receive an annual authorizer fee that is a percentage of the school's per student state and local funding as allocated under [Tenn. Code Ann. § 49-13-112](#).

### Authorizer Fee Determinations

- The annual authorizer fee shall be the lesser of 3% of the charter school's per student state and local allocations or \$35,000 per school.
- The annual authorizer fee amount shall initially be based on the charter school's current year adjusted average daily membership (ADM) count in October.
- If a charter school experiences a change in student enrollment such that the authorizer fee calculation is impacted, the annual authorizer fee shall be adjusted and reflected in the February invoice.

### Charter School Payments

- Charter schools shall pay the annual authorizer fee in two (2) installments to its authorizing LEA upon receipt of invoice in October and February.
- Charter Management Organizations (CMOs) may combine payment for all authorized charter schools within an LEA.
- Upon notification to the Department that a charter school has failed to submit the required authorizer fee payment to its authorizing LEA within 30 calendar days of receiving an invoice, the Department shall withhold an amount equal to the authorizer fee and distribute the funds directly to the LEA.

### LEA Invoicing

- The LEA shall annually invoice each of its authorized charter schools in October and February.
- **In October:**
  1. Authorizing LEAs shall send each charter school its adjusted ADM count in October for verification and reconciliation.
  2. If a charter school does not respond to its authorizing LEA within 5 calendar days to verify the ADM count, the LEAs ADM count shall be used.
  3. After verification and reconciliation of ADMs have occurred, the first invoice shall be sent to each charter school.
  4. The first invoice shall be for an amount equal to half of total annual authorizer fee amount owed from the charter school.
- **In February:**
  1. Authorizing LEAs shall send each charter school its adjusted ADM count in February for verification and reconciliation.

2. If a charter school does not respond to its authorizing LEA within 5 calendar days to verify the ADM count, the LEAs ADM count shall be used.
3. After verification and reconciliation of the ADMs have occurred, the second invoice shall be sent to each charter school.
4. The second invoice shall be for an amount reflecting the remaining authorizer fee due from the charter school and shall reflect any adjustments needed to the calculation.

### **LEA Revenue Code**

- All authorizer fee funds received by an LEA shall be coded in the LEA's budget using the revenue code 43548 and shall be subject to all audit and reporting requirements.

### **Reconciliations**

- Reconciliations including any amount owed to or due from the charter school should be addressed during the final June payment calculation.

### **Allowable Use of Authorizer Fee Funds**

LEAs shall use the annual authorizer fee exclusively for fulfilling the following authorizing obligations:

1. Charter school application approval process, including:
  - a. Implementation of State Board approved quality authorizing standards; and
  - b. Stipends or travel for external reviewers.
2. Interim review process required by [Tenn. Code Ann. § 49-13-121\(k\)](#), including review of the progress of the school in achieving the goals, objectives, pupil performance standards, content standards, and other terms of the approved charter agreement.
3. Charter school renewal process required by [Tenn. Code Ann. § 49-13-121](#), including:
  - a. Review of the renewal application;
  - b. Stipends or travel for external reviewers; and
  - c. Development of the renewal evaluation required to be submitted to each charter school.
4. Monitoring and oversight activities, including:
  - a. Development of a performance framework;
  - b. Annual monitoring visits;
  - c. Data meetings;
  - d. Any software or data management tools required by the LEA exclusively for charter schools. Authorizer fees may not be used to purchase software systems utilized by all students in the LEA such as student management, purchasing, human resources, etc.
  - e. Monitoring of all legal requirements; and
  - f. School closure responsibilities outlined in [Tenn. Code Ann. § 49-13-130](#).
5. Personnel costs for LEA staff supporting charter schools, including:
  - a. Salaries and benefits for full-time or part-time personnel with exclusive charter school

- responsibilities;
- b. Salaries for LEA personnel who spend a portion of their time on direct charter school responsibilities. Any funds spent on salaries must be pro-rated to reflect the amount of time spent only on charter support work. Salaries for LEA personnel may only be paid for with authorizer fee funds if the activities and duties of the LEA personnel are beyond the scope and capacity of the LEA charter school office or personnel;
  - c. External consultants or other consultancy or legal fees to support LEA charter authorizing obligations; or
  - d. Reasonable costs associated with recruiting or hiring charter support or authorizing staff.
6. Operational expenses for LEA staff supporting charter schools.
  7. Annual reporting, including:
    - a. Review of annual charter school performance reports required under [Tenn. Code Ann. § 49-13-120](#);
    - b. Creation of the authorizer fee report required by [Tenn. Code Ann. § 49-13-128\(f\)](#);
    - c. Reporting of vacant and underutilized properties owned or operated by the LEA pursuant to [Tenn. Code Ann. § 49-13-136](#); and
    - d. Reporting of student directory information required by [Tenn. Code Ann. § 49-13-132](#).
  8. Ongoing charter school support services, including:
    - a. Interventions or authorizer-led supports;
    - b. Maintenance of facilities or other capital outlay obligations that are not otherwise outlined in a lease agreement between the authorizer and charter school;
    - c. Professional development, orientation, or onboarding of charter school employees; or
    - d. Contract services for specialized or targeted charter supports.

## State-Level Authorizers

The following requirements are applicable only to state-level authorizers.

### Achievement School District

If the achievement school district (ASD) authorizes a charter school, then the ASD shall receive an annual authorizer fee of up to three percent (3%) of the public charter school's per pupil state and local funding as allocated under [Tenn. Code Ann § 4913-112\(a\)](#).

- By May 1 of each year, the Commissioner shall set the percentage of a public charter school's per pupil state and local funding that the ASD shall receive as the annual authorizer fee for the next school year.
- The ASD shall use the annual authorizer fee exclusively for fulfilling the authorizing obligations listed above.

### Tennessee Public Charter School Commission

If the Tennessee public charter school commission (Commission) authorizes a charter school, then

the Commission shall receive an annual authorizer fee of up to three percent (3%) of the public charter school's per pupil state and local funding as allocated under [Tenn. Code Ann § 4913-112\(a\)](#).

- By May 1 of each year, the Commissioner shall set the percentage of a public charter school's per pupil state and local funding that the Commission shall receive as the annual authorizer fee for the next school year.
- The Commission shall use the annual authorizer fee for:
  - fulfilling the authorizing obligations listed above; or
  - to fulfill obligations consistent with the authority of the Commission as set forth in Tennessee Code Annotated Title 49, Chapter 13.

### **Authorizer Fee Report**

By December 1 of each year, each LEA that collects an annual authorizer fee shall report to the Department the total amount of authorizer fees collected in the previous school year and the authorizing obligations fulfilled using the fee. Reports shall be submitted on a reporting form developed by the Department and posted to the Charter Schools website.

Each completed authorizer fee report will be posted on the Department of Education's website.

### **Unspent or Misallocated Funds**

- Any unspent authorizer fee funds shall be identified in the authorizer fee report due annually on December 1.
- Any excess funds collected by an LEA shall be distributed to its authorized public charter schools in the fiscal year immediately following the fiscal year in which the excess fees were collected by the LEA.
- Unspent funds shall be distributed in proportionate share to all charter schools authorized by the LEA.
- Any amount owed in unspent funds shall be adjusted in the February invoice for each charter school.
- If the Department determines authorizer fees were misallocated by an LEA, the Department shall withhold an amount equal to the misallocated funds in the following fiscal year and shall distribute the funds in a proportionate share directly to each charter school.