
Charter Schools Funding and Enrollment, Rules

The Background:

In 2009 Public Chapter 555 (Act), the State legislature revised the public charter school laws to provide more specific direction regarding the distribution of funds to public charter schools from the Basic Education Program (BEP). The Act also required lotteries for enrollment of eligible students to follow priorities in addition to the preferences already outlined in T.C.A. § 49-13-113.

The Act requires the Department of Education and the Board of Education to draft rules regarding the distribution of state and local funds from the BEP, and rules regarding the lotteries for eligible students.

The Act specifies that the rules on distribution of funds must include the criteria spelled out in paragraph (1). The paragraphs regarding adjustment based on growth (or lack of growth) in the current year are from a 2009 memo from the Department of Education to LEAs. And the paragraphs regarding participation in bond offerings and food service are included to resolve questions that have arisen from both charter school operators and LEAs (chartering authorities) during the last several years.

The Act adds enrollment priorities to be applied in districts where students eligible for free or reduced price lunch are eligible to enroll in a charter school.

The funding allocation rules were developed through consultation with and review by a task force comprised of state and local education agency (LEA) financial personnel, charter school leaders and board members, and attorneys. The rules regarding the lottery were developed in consultation with Eric Hilgendorf, the Director of Charter Schools Department of Education (who must, if requested by charter schools, certify that enrollment lotteries comply with the law). They were also drafted with input from the Tennessee Charter Schools Association and the Metro Nashville Public Schools' director of private and charter schools. They have also been distributed for review to charter school leaders and other LEA staff responsible for charter schools.

The Master Plan Connection:

This item ensures that eligible students have access to effective teachers and leaders at public charter schools, and that chartering authorities (LEAs) have clear guidance on providing sufficient resources to those students at the schools they attend.

The Recommendation:

State Board and Department staff recommend adoption of this item on final reading. A copy of the Act is attached for reference.

Proposed Rule Revisions

Rule 0520-14-01 is amended by inserting the following as new, appropriately numbered rules:

0520-14-01-.03 Allocation of State and Local Funds

- (1) State and local funds to charter schools shall be allocated pursuant to T.C.A. § 49-13-112.
 - (a) Allocations shall be based on one hundred percent (100%) of state and local funds received by the LEA, including current funds allocated for capital outlay purposes (excluding the proceeds of debt obligations and associated debt service);
 - (b) Student enrollments used in allocations shall be for the same period used in allocating state funds to the LEA under the basic education program; and
 - (c) Allocations to the charter school may not be reduced by the LEA for administrative, indirect or any other category of cost or charge except as specifically provided in a charter agreement. Any educational or operational services the authorizer provides for a fee may also exist in a separate contractual agreement between the charter school and the authorizer. However, approval of a separate services contract may not be a condition of approval of the charter agreement.
 - (d) Allocations must be delivered to the school at the time of receipt by the LEA. Allocations may be prepaid pursuant to agreement between the LEA and the charter school.
- (2) State and local fund allocations are determined for each LEA on the basis of prior year average daily membership (ADM). All 10 payments distributed by the State Department of Education are based on that figure. However, twice a year, once in February and once in June, funds are adjusted based on actual enrollment in the current year. The following specific criteria apply to allocations from the Department of Education.
 - (a) If payments to an LEA from the Department of Education are increased or reduced based on actual enrollment, and a charter school's actual enrollment is higher or lower than its prior year enrollment, or than its anticipated enrollment in the charter agreement, the payments to the charter schools shall be adjusted by determining pro-rata shares of adjusted distributions based on the current year's ADM for the LEA.
 - (b) If students attended a non-chartered public school in the prior year, and attend a public charter school in the same LEA in the current year, those students are being funded through the BEP formula, and funds for those students must be passed through to the public charter school in an amount equal to the per student state and local funds received by the LEA.
 - (c) If students are new to the LEA and enroll first in a public charter school, their enrollment would not be reflected in the BEP formula used to determine the initial distributions to the LEA. But their enrollment would be reflected in the growth funds distributed in February and June. Thus, as the LEA receives increased funding in subsequent distributions to reflect the increased ADM, the LEA must allocate the funds for those students to the public charter schools they attend. LEAs can determine the amount to allocate by determining pro-rata shares of growth money based on the current district wide ADM, and then divide the growth money by that figure to determine the amount to allocate to the public charter schools for each student.

- (d) If an LEA does not generate increased funding due to growth, the public charter school would receive no additional funding in the current year for the students new to the LEA.
 - (e) New charter schools or charter schools adding a new grade are funded based on anticipated enrollment in the charter agreement. Those figures are then subsequently adjusted to reflect the actual number of students enrolled.
- (3) Pursuant to T.C.A. § 49-13-124, the chartering authority may endorse the submission of the qualified zone academy bond application to the local taxing authority. The chartering authority may endorse such a bond application submitted by the charter school governing body, or the chartering authority may include the charter school's project as part of the chartering authority's bond application.
 - (4) School Nutrition Programs. If charter schools provide school nutrition programs, they may provide their own programs in compliance with United States Department of Agriculture regulations and State law or they may contract with the LEA for the provision of school nutrition programs.

0520-14-01-.04 Enrollment

- (1) Enrollment of eligible students, as defined in T.C.A. § 49-13-106, shall comply with T.C.A. § 49-13-113.
- (2) Students currently enrolled in a specific charter school do not need to reapply if they remain in that specific charter school. Students moving from one charter school to another, however—even if both schools share a sponsor or governing body—are subject to the priority and preferences outlined in T.C.A. § 49-13-113.
- (3) Charter schools operating in local education agencies (LEAs) in which students are not eligible to enroll in charter schools pursuant to T.C.A. § 49-13-106(a)(1)(E) shall apply the enrollment preferences in T.C.A. § 49-13-113(b) and (c) only.
- (4) Charter schools operating in LEAs in which students are eligible to enroll in charter schools pursuant to T.C.A. § 49-13-106(a)(1)(E) shall apply the enrollment priorities in T.C.A. § 49-13-113(d), as well as the enrollment preferences in T.C.A. § 49-13-113(b) and (c).
 - (a) Charter schools in these LEAs shall conduct an initial student application period of at least thirty (30) days. During this period, all eligible students may apply.
 - (b) If, at the end of the initial student application period, the number of eligible students seeking to be enrolled exceeds the school's capacity or the capacity of a program, class, grade level or building, then the enrollment of eligible students shall be determined on the basis of a lottery. Any such lottery shall be conducted within seven (7) calendar days of the close of the initial student application period.
 - 1. If the number of students meeting the requirements of T.C.A. § 49-13-106(a)(1)(A) exceeds the capacity of the school or the capacity of a program, class, grade level or building, then the enrollment of eligible students shall be determined by a lottery among those students only.
 - 2. If the number of students meeting the requirements of T.C.A. § 49-13-106(a)(1)(A) does not exceed the capacity of the school or the capacity of a program, class, grade level or building, but the number of students meeting the requirements of T.C.A. § 49-13-106(a)(1)(A)-(D) does, then the enrollment of eligible students in the slots remaining after all students meeting the

requirements of T.C.A. § 49-13-106(a)(1)(A) have been enrolled shall be determined by a lottery among the students meeting the requirements of T.C.A. § 49-13-106(a)(1)(B)-(D).

3. If the number of students meeting the requirements of T.C.A. § 49-13-106(a)(1)(A)-(D) does not exceed the capacity of the school or the capacity of a program, class, grade level or building, but the number of students meeting the requirements of T.C.A. § 49-13-106(a)(1)(A)-(E) does, then the enrollment of eligible students in the slots remaining after all students meeting the requirements of T.C.A. § 49-13-106(a)(1)(A)-(D) have been enrolled shall be determined by a lottery among the students meeting the requirements of T.C.A. § 49-13-106(a)(1)(E).

(c) If, at the end of the initial student application period, the number of eligible students seeking to be enrolled does not exceed the school's capacity or the capacity of a program, class, grade level or building, then the enrollment of eligible students may proceed on a first come, first served basis.

(d) If applicable, the preferences in T.C.A. § 49-13-113(b) and (c) shall be used in enrollment of students in charter schools operating in LEAs in which students are eligible to enroll in charter schools pursuant to T.C.A. § 49-13-106(a)(1)(E). Prioritizing enrollment according to the following chart shall satisfy the Department of Education review and approval process pursuant to T.C.A. § 49-13-113(d)(3).

	Siblings and children (fewer than 25 and 10%)* (49-13-113(c))	Previously enrolled in a charter (49-13-106(a)(1)(A))	Assigned to a school missing AYP, or (49-13-106(a)(1)(B)) Failing to test proficient on the TCAP/Gateway (49-13-106(a)(1)(C-D))	Eligible for free and reduced meals (49-13-106(a)(1)(E))
Enrolled in a school that converts to a charter (49-13-113(b)(2)(A)(i))	1	5	9	13
Attending a public school in the LEA (49-13-113(b)(2)(A)(ii))	2	6	10	14
Attending a non-public school in the LEA area (49-13-113(b)(2)(A)(iii))	3	7	11	15
Residing outside the LEA (49-13-113(b)(2)(A)(iv))	4	8	12	16

* Per TCA § 49-13-113 (c), a charter school may give initial preference to the siblings of a pupil already enrolled and to children of teachers, sponsors, and board members. This preference is limited to 10% of enrollment or 25 students, whichever is less.