

THE CHARTER SCHOOL STUDY

THE LEAGUE OF WOMEN VOTERS OF MICHIGAN

1998

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Adopted at State Convention 1995
Interim Report Issued November 1996
Two-year extension adopted at State Convention 1997

Original Scope: To study the charter school concept: the benefits and/or disadvantages of charter schools. (What effect on traditional public schools; equality of opportunity; rules under which they should operate, e.g. should teachers be certified; efficiency in delivery of education and in cost.)

At Convention 1997, when the Study was renewed, the scope was expanded to include study of oversight by chartering institutions.

Charter School Study Committee with League affiliation:

Mary A. Koch—Detroit Metropolitan Area—Chair
Bill Hass—Downriver Wayne County—Vice Chair
Carole Head—Midland Area—Secretary
Margaret Strome—Kalamazoo Area—Treasurer
Mary Ann Barkach—Oakland Area
Jean Cogill—Livonia
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Elizabeth Garber—Berrien/Cass
Barbara Griffith—Dearborn/Dearborn Heights
Jim Head—Midland Area
Sheila McEntee—Oakland Area
Maggie McMullen—Oakland Area
Mary B. Monaghan—Lansing
Barbara Ort-Smith—Grand Traverse/Leelanau Area
Sue Rochester—Jackson County
Barbara Rosalik—Rochester Area
Sue Stafford—Oakland Area
Florence Stibitz—Alpena
Scott and Mickey Street—Ann Arbor Area
Connie Ferguson—Kalamazoo Area—Reviewer
Louise Sause—Lansing Area—Reviewer
Jean M. Gal—LWVMI Board Liaison
Charles Swinehart—Lansing Area—LWVMI Board Liaison
Flora J. McRae—Livonia—State President (ex officio)

ACKNOWLEDGEMENTS

At the State Convention in June 1995 a two year study of Charter Schools in Michigan was approved by the delegates. Nine League members volunteered and held their first meeting in late August 1995. The Charter Schools (Public School Academies) were newly legislated. Developing a scope of study and funding was a challenge. Many thanks to Sue Rochester who tenaciously sought special grants and prepared the required proposals. Funds were received from the Jackson Education Association, Michigan Association of School Administrators, the Upton Foundation, local Leagues, and individual members.

The printing of this document was donated by the Michigan Association of School Boards. The committee members also donated their time, mileage, postage, e-mail, blood, sweat and tears. Jim and Carole Head painstakingly compiled the data and prepared the interim report, which was sent to all Leagues. The 1997 Convention approved continuation of the study. A few of our committee members resigned and new members joined. All members are listed. Carole Head recorded and mailed our minutes and Margaret Strome kept our fund intact.

A personal thank you to Bill Haas for keeping on task, while I was incapacitated. He is also a great driver. An estimated 800 hours of volunteer time, not including driving time, was donated. We very much appreciate our typists, office staff and proofreaders in helping to prepare this study for printing and distribution. Without these generous donations this project would not have been possible. Material for this study was developed to stimulate discussion in order to answer consensus questions. A consensus position, if one is reached, will be prepared for the 1999 League of Women Voters of Michigan Convention. This material was compiled from many sources. These included personal interviews, original research and reports and studies published by other organizations or individuals.

—Mary A. Koch, Chair

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The League of Women Voters does not support or oppose political parties or candidates; it does support or oppose issues after thorough study and membership agreement.

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INTRODUCTION

Charter schools were authorized in Michigan with the signing of PA 362 by the Governor in January 1994. Public Act 291 of 1995 (Sections 511a and 517a of the Revised School Code) sets a dear legislative directive to develop an annual report on public school academies (PSAs) with findings and recommendations to be submitted to the House and Senate Committees on Education.

The legislation requires that the State Board of Education prepare a descriptive report on each public school academy that includes at a minimum the purposes outlined in Section 511a of the Revised School Code. The primary purposes stated in the code are listed below:

- To improve achievement for all pupils, including, but not limited to, educationally disadvantaged pupils, by improving the learning environment.
- To stimulate innovative teaching methods.
- To create new professional opportunities for teachers in a new type of public school in which the school structure and educational program can be innovatively designed and managed by teachers at the school site level.
- To achieve school accountability for pupil educational performance by placing full responsibility for performance at the school site level.
- To provide parents and pupils with greater choices among public schools, both within and outside their existing school districts.
- To determine whether state educational funds can be more effectively, efficiently, and equitably utilized by allocating funds on a per pupil basis directly to the school rather than through school district administration.

The Charter School Study Committee of the League of Women Voters of Michigan has over the past three years studied the progress of the charter schools of Michigan. This report is the result of such study and presents the facts and observations of the committee members and of many other league members who have contributed by examination of individual PSAs.

The data presented have been gathered from various sources including the annual reports prepared by the State Board of Education and a state Auditor General report of Central Michigan University's PSA activities. Comments and observations about the data and about PSAs in general as well as comments about specific PSAs are intended to stimulate thinking about and discussion of the developmental status of the charter school movement in Michigan. The committee's data about each individual PSA have been presented to the PSA for additions and or corrections.

The material in this report is presented solely for the purpose of informing members of the League of Women Voters about the progress of and current status of PSAs in Michigan. It is one resource, among others, for use in continued study at the local level. Such study can lead to answers to the consensus questions accompanying this material. If substantial agreement is achieved in such answers, a LWVMI position statement will then be prepared for adoption at the 1999 convention. The report does not offer and must not be construed as offering any conclusions regar&g the charter school program in Michigan.

LWVMI POLICY AND STUDIES

Since 1969, when LWVMI mandated a study of financing public education, there have been many efforts to support the League's position on issues relating to public education funding. Current education position statements are in the appendix.

At the 1995 convention delegates adopted a proposal that the charter school concept be studied. In August of that year a committee was convened and since that time has met 21 times. The original committee of 10 has been greatly helped by 17 other League members who have attended one or more meetings. During this time several local Leagues held information meetings regarding charter schools and visited local charter schools. The committee effort was focused on two objectives: (a) to understand the laws and regulations governing charter schools and (b) to acquire information about each school which had been chartered. This latter effort was greatly aided by local League members throughout the state who visited schools and reported to the committee.

This first look at charter schools disclosed that in the first year of operation three distinct types of charter schools emerged.

(a) Fifteen consisted largely of job training and adult education schools. These were already in existence but converted to charter school status as a reaction to severe cuts in funding for their programs under the state school aid act.

(b) Twenty-two formerly private schools converted to charter status in order to receive state funding.

(c) Seven new schools opened in 1995-96 under the new law.

In November 1996 an interim report of the study committee was issued and supplied to all local Leagues. This report was the basis for the decision at the 1997 convention to renew the charge to the study committee for another two years. The study was expanded to include more consideration of the role and responsibilities of the chartering institutions. The continued study was also able to obtain more data from the State Department of Education via legislatively mandated reports. Visits to all chartering institutions have been useful in obtaining additional data. Such visits have also produced some insight into the problems of appropriate oversight of the charter schools.

A set of consensus questions was developed by the committee, tested with some local League groups and refined for use in arriving at a LWVMI position statement to be presented at the 1999 convention.

A BRIEF HISTORY OF THE CHARTER SCHOOL MOVEMENT IN MICHIGAN

After the *Nation at Risk* reports of the 1980s pointed out the inadequacies of our nation's schools, the Reagan Administration established the National Commission on Excellence and policy makers around the country formed "think tanks" to deal with the problem. Keeping in mind the Goals 2000 of succeeding administrations, attention was paid to innovations such as schools of choice, including magnet schools (choice within a school system) and charter schools (choice outside a traditional school system). The following highlights the major events regarding the charter school movement in Michigan.

1990 Representatives from business, government and education formed the Michigan Partnership for New Education with the purpose of connecting resources and personnel from all three to explore new ways to improve learning in Michigan schools.

1991 In March, the Partnership decided to provide a network of professional development schools with area partnerships and extension services with colleges and universities. In September the Mackinac Center for Public Policy released a study calling for school choice.

1993 The Michigan legislature amended the school code to require a mandated core curriculum to be implemented in the 1997-98 school year. In October Governor Engler delivered a Special Message to the legislature in which he promoted schools of choice, including "charter public schools." He also proposed a shift from property to sales tax to support public education. The legislature amended the state School Code to permit the establishment of Public School Academies (PSAs or charter schools).

1994 In March the people of Michigan voted for Proposal A and sales tax support of public schools. On November 1, the Ingham County Circuit Court declared the 1993 charter school law (PA 362) unconstitutional and said that PSAs are not public schools since they are not under the exclusive control of the State or the complete supervision of the State Board of Education (also that home schooling cannot be supported by the State as a public school with "distance" learning). The state legislature then adopted PA 416 which specified that the state Board has general supervision of the Academies (charter schools).

1995 The Michigan Partnership for New Education was granted funding by the legislature to assist in charter school development and asked to oversee a Guaranteed Loan Program for charter schools funded by a private sector initiative the first of its kind in the nation. The legislature voted to increase the number of charter schools that universities can authorize from 75 to 150 by 1999. The term mandated core curriculum was changed to model core curriculum in PA 289 of 1995.

1996 Further legislation increased opportunities for choice by allowing students to transfer from one school district to another if the receiving district indicates in advance its willingness to receive them. Special appropriations were allotted to the state Charter School Office (\$421,000), the Charter School Performance Study (\$300,000), Trade Academy Grants (\$500,000), and to the Central Michigan University Charter School Assistance Center (\$500,000). Several PSAs experienced management and communication problems with personnel and chartering agencies. One was placed on probation. An Expo of PSAs was held in Lansing in May to demonstrate their achievements.

THE CHARTER SCHOOL LAW

The Michigan Legislature acted in 1993 to allow the establishment of charter schools with passage of Public Act 362. The purposes of public school academies as stated in the law are listed in the introduction of this report. This act set requirements for public school academies and authorized the governing boards of local schools, intermediate school districts, community colleges and state public universities to enter into contracts with persons wishing to create and operate a public school academy. These contracts are public documents.

The law uses the name "public school academy" instead of charter school and this report often uses only the initials PSA. These schools are supported with taxpayer funds, but are not a part of local or intermediate school districts.

The authorizing body (chartering agency) has the responsibility to oversee the PSA's compliance with the contract and applicable law. The authorizing body is the fiscal agent for the PSA and for their oversight costs may retain up to 5% of the per pupil allowance paid by the state to the school. This per pupil allowance is to be equal to that of other public schools where the PSA is located. No more than 5% of the state funding may be used for capital expenditures.

A local district may charter a school which must operate within the school district boundaries. The contract for such a charter must include all charter school employees in the appropriate district bargaining units. Intermediate school boards and community colleges may issue contracts only to schools within their boundaries. Public universities may authorize charter schools in every part of the state. The total number of charters to be granted by universities is limited to 150 in 1999 with no more than 50 percent chartered by any one institution.

A public school academy is formed when an authorizing body enters into a contract to sponsor the legal entity that has applied for a contract (charter). A public school academy shall not be organized by a church or other religious organization. These new government agencies are then organized and administered under the direction of a board of directors appointed by the authorizing (chartering) agency. They differ from the boards of education elected by citizens living in the school district. These elected boards report both to the citizens and directly to the State Department of Education.

In the summer of 1994 nine groups applied for and were granted charters. The State Department of Education approved all except one and since that time each year has seen an increase in the number of PSAs being established.

In November 1994 an Ingham County Circuit Court decided in Council Against Parochial et al. v. Engler et al. that, as permitted by Public Act 362, public school academies are not public schools eligible to receive public money. On December 13, 1994, the legislature passed Public Act 416 which remedied some of the earlier acts' defects. Public Act 416 states that a PSA shall use certificated teachers "except as otherwise provided by law."

The law also states that at least annually the State Board of Education shall submit a comprehensive report, with findings and recommendations to the House and Senate Committees on Education. The report shall evaluate public school academies generally, including, but not limited to purposes listed above. The progress of the pupils in each PSA shall be assessed using at least a Michigan Education Assessment Program (MEAP) test.

The school shall not charge tuition and shall not discriminate in its pupil admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude or status as a handicapped person, or any other basis that is illegal. If applications for enrollment exceed openings, acceptance must be determined by random selection.

In March 1996, the Court of Appeals upheld the Circuit court ruling. One reason for finding the original law invalid was the appellate court's conclusion that a school financed with public dollars cannot have a privately selected board of directors.

In July 1997 the Michigan Supreme Court ruled in a split decision that the use of an appointed board of directors for a PSA was constitutional and did provide state control over programs funded by the state. It also ruled that the legislature could enact a provision that one part of the law (P. A. 416) could be repealed based on a decision of the court relative to that law. Little in the actual operation of the PSAs was changed by this court ruling, but it did state that the board (State Board of Education) retains its constitutional authority over PSAs.

Since September 1994 when the first PSAs opened, the number of charters granted has increased each year. Recently there have been some changes in law to regulate the number of charters that can be issued. In addition, many amendments to the state School Aid Act of 1979, regulating the funding of public schools, have been made since 1994 to include PSAs.

CHARTERING INSTITUTIONS

According to Michigan Law, Public School Academies may be chartered by local school districts, by Intermediate School Districts, community colleges and public universities. The following charters have been issued so far.

1 chartered by a community college

- Washtenaw Community College (Washtenaw Technical Middle College)

11 chartered by Intermediate School Districts

- Bay Arenac ISD (Bay Arenac Community High)
- Hillsdale ISD (Sauk Trail Academy)
- Midland ISD (Windover Enterprise High)
- Saginaw ISD (Saginaw County Transitional, Curtis House Academy, Academy for Technology & Enterprise)
- St. Clair ISD (St. Clair Learning Academy, Academy for Plastics Manufacturing Technology)
- Washtenaw ISD (Honey Creek Community School)
- Wayne RESA (ISD) (Henry Ford Academy, Ser Casa Environmental & Technology)

4 chartered by local school districts

- Detroit Public Schools (Aisha Shule/W.E.B. DuBois Preparatory Academy, Martin Luther King Center)
- Manistee Schools (Caskan Alternative Academy)
- Wyoming Public Schools (Horizons Community High School)

90 chartered by public universities

- 49 chartered by Central Michigan University
- 18 chartered by Grand Valley State University
- 13 chartered by Saginaw Valley State University
- 3 chartered by Eastern Michigan University
- 4 chartered by Oakland University
- 3 chartered by Northern Michigan University

Issuing Charters

The charter institutions have the responsibility of reviewing applications for PSAs. Applications have several major components:

Education Component: program and goals, curriculum, population to be served, methods of pupil assessment, school calendar, projected enrollment, grade levels offered.

Governance and Management: organizing groups of initial incorporators, proposed Board of Directors, management agreements (if applicable), admission policy and public notice of enrollment procedures.

Finance and Facilities: funding sources for start-up, financial plan, physical plant description.

Human Resources: description of staff responsibilities (teachers, assistants, specialists, clerical, custodians, counselors, etc.), personnel policies

Because school board directors are appointed rather than elected, the chartering institution has to determine the method of selection, length of term and number of directors. Board members are screened for potential conflicts of interest or criminal violations. Although each board is responsible for total management of the school, some choose to contract with a for-profit group to actually manage the school. The board must be independent of the service agency.

Oversight Responsibilities

Each PSA is accountable to its authorizing agency, with the State Board of Education serving as the responsible elected body in such oversight.

The authorizing agency is responsible not only for receiving and disbursing state funds to the PSAs, but for seeing that the PSAs complete and submit all reports and information required by the State of Michigan. Authorizing agencies receive a service fee up to three percent of the state funds allotted to the school.

Teachers must be certified except that schools chartered by a public university or community college may utilize full-time tenured staff members as teachers in a school that they have chartered. Teachers in charter schools are not eligible for tenure under the Michigan Teacher Tenure Act unless the charter is granted by a local school district.

Charters may be issued for up to 10 years. All must be reviewed after five or seven years. Review and renewal will be based on all performance factors, but performance will be compared with other schools in the same environment not with state averages.

The data collected from individual chartering institutions show wide diversity in the degree of oversight being exercised. Some universities have concentrated largely on helping charter schools get organized and started in operation and have not yet developed procedures for the required oversight. Rules are set by the chartering institution and vary in some details.

Central Michigan University

Central Michigan University, with the largest number of chartered schools, has developed the most comprehensive procedures of oversight. Yet the Office of the Auditor General conducted a performance audit of 13 CMU charter schools in 1997 and found 15 areas of less than adequate monitoring. CMU is seeking to correct the problems.

At Central Michigan, the Oversight and Compliance Office lists the requirements of PSAs that include an annual audit, meeting health and safety requirements, meeting educational goals, and complying with the terms and conditions of their contract. The Compliance Office logs in reports and has developed a procedure for follow-up for non-compliance.

A) If a report or other required material is 10 days overdue, a first notice of noncompliance citing the specific contractual commitment is sent to the school administration requesting action within 10 days.

B) If no response is received, a second notice is sent to the Chairperson of the school's Board of Directors citing the failure to respond and stating that failure to correct the deficiency within 10 days may result in legal action to initiate revocation of the charter.

C) If no corrective action is taken, a third notice is sent to all members of the Board of Directors of the school requiring correction within 10 days. This notice points out that a violation of the contract also constitutes a violation of State law. This notice also states that failure to correct will result in the issuance of a formal "notice to show compliance" which is the first step in the legal process that could lead to revoking the charter. The formal legal revocation process provides for a hearing in 30 days and allows a 60 day response time.

Central Michigan University also was granted \$500,000 in 1995-96 for the Michigan Resource Center for Charter Schools. The Resource Center serves as a broker of services to PSAs, is a clearinghouse for information, sponsors seminars and conferences, and maintains a web site, <http://charter.ehhs.cmich.edu/html/mrcc.html>.

Although it is difficult to draw definite conclusions about such a recent experiment, the concept of institutional oversight of public schools needs to be compared with the oversight exercised by locally elected boards. With an elected board, parental problems and concerns can become the subject of challenge and debate in a school board election and thus subject to direct local control. In contrast, an appointed board is responsible primarily to the authorizing institution and to the terms of its contract. PSA parents will "vote" by keeping their child in or removing their child from the PSA. It is a matter of debate whether or not this form of oversight will produce enhanced responsiveness or be a barrier to parental and community involvement.

THE CHARTERING INSTITUTIONS

School Year 1997-98

| Institution | Schools Chartered | Staff | Students | State Funds | Service Fee 3% |
|---------------------------------|--------------------------|--------------|-----------------|--------------------|-----------------------|
| Central Michigan University | 49 | 7 | 11,597 | \$66,100,00 | \$1,980,000 |
| Grand Valley State University | 18 | 2 | 2,826 | \$16,100,000 | \$480,000 |
| Saginaw Valley State University | 13 | 1.5 | 1,997 | \$11,400,000 | \$340,000 |
| Eastern Michigan University | 3 | 1 | 768 | \$4,400,000 | \$130,000 |
| Oakland University | 4 | 1 | 640 | \$3,600,000 | \$110,000 |
| Northern Michigan University | 3 | 1 | 411 | \$2,300,000 | \$70,000 |
| Intermediate School Districts | 10* | ** | 1,337 | \$7,800,000 | ? |
| Local Districts | 4 | ** | 608 | \$3,500,000 | ? |
| Community College | 1 | 0.5 | 150 | \$900,000 | ? |

*Does not include Henry Ford Academy of Manufacturing (Greenfield Village)

**Oversight duties distributed to established staff.

CHARTERING INSTITUTIONS

| The Institution | Central Michigan University | | | |
|---|------------------------------------|----------------|----------------|--------|
| Operational PSAs | 1995-96 | 1996-97 | 1997-98 | |
| Number chartered | 27 | 40 | 46 | |
| Students enrolled | | 3,492 | 7,169 | 11,597 |
| State funds distributed | \$19,500,000 | \$40,900,000 | \$66,100,000 | |
| Fee retained | \$587,000 | \$1,225,000 | \$1,980,000 | |
| Charter office staff | 3 | 5 | 7 | |
| PSA financials reviewed by in house CPA | no | yes | yes | |
| PSA Boards file conflict of interest statement | yes | yes | yes | |
| Non-compliance letters issued | ? | ? | | |
| Disciplinary actions initiated | 0 | 12 | 2 | |
| PSA data collection | | | | |
| Student turnover | no | no | yes | |
| Teacher turnover | no | no | no | |
| Performance measures | | | | |
| MEAP tests required | no | yes | yes | |
| Other criteria required | no | no | yes | |

CMU also operated the Michigan Resource Center for Charter Schools for which \$500,000 funding was supplied in 1995-96.

The Office of the Auditor General conducted a performance audit of CMU's charter school activities and found 15 areas of less than adequate monitoring.

CHARTERING INSTITUTIONS

| The Institution | Grand Valley State University | | |
|---|--------------------------------------|----------------|----------------|
| Operational PSAs | 1995-96 | 1996-97 | 1997-98 |
| Number chartered | 3 | 12 | 18 |
| Students enrolled | 370 | 1,600 | 2,826 |
| State funds distributed | \$2,000,000 | \$9,100,000 | \$16,100,000 |
| Fee retained | \$62,000 | \$275,000 | \$480,000 |
| Charter office staff | 1 | 2 | 2 |
| PSA financials reviewed by in house CPA | no | no | no |
| PSA Boards file conflict of interest statement | ? | yes | yes |
| Non-compliance letters issued | ? | ? | ? |
| Disciplinary actions initiated | ? | ? | ? |
| PSA data collection | | | |
| Student turnover | no | no | no |
| Teacher turnover | no | no | no |
| Performance measures | | | |
| MEAP tests required | no | yes | yes |
| Other criteria required | no | no | no |

CHARTERING INSTITUTIONS

The Institute

Saginaw Valley State University

Operational PSAs

1995-96 1996-97 1997-98

| | | | |
|---|-------|-------------|--------------|
| Number chartered | 0 | 7 | 13 |
| Students enrolled | 0 | 922 | 1,997 |
| State funds distributed | \$0 | \$5,165,000 | \$11,400,000 |
| Fee retained | \$0 | \$155,000 | \$340,000 |
| Charter office staff | 0 | 1.5 | 1.5 |
| PSA financials reviewed by in house CPA | | no | no |
| PSA Boards file conflict of interest statement | | yes | yes |
| Non-compliance letters issued | | 0 | |
| Disciplinary actions initiated | | 0 | |
| PSA data collection | | | |
| Student turnover | | no | no |
| Teacher turnover | | yes | yes |
| Performance measures | | | |
| MEAP tests required | | yes | yes |
| Other criteria required | | no | no |

CHARTERING INSTITUTIONS

| The Institution | Eastern Michigan University | | |
|--|------------------------------------|----------------|----------------|
| Operational PSAs | 1995-96 | 1996-97 | 1997-98 |
| Number chartered | 0 | 2 | 3 |
| Students enrolled | 0 | 260 | 768 |
| State funds distributed \$0 | \$1,475,000 | \$4,400,000 | |
| Fee retained | \$0 | \$44,000 | \$130,000 |
| Charter office staff | 0 | 1 | 1 |
| PSA financials reviewed by in house CPA | | no | no |
| PSA Boards file conflict of interest statement | | ? | ? |
| Non-compliance letters issued | | 0 | |
| Disciplinary actions initiated | | 0 | |
| PSA data collection | | | |
| Student turnover | | no | no |
| Teacher turnover | | no | no |
| Performance measures | | | |
| MEAP tests required | yes | yes | |
| Other criteria required | no | yes | |

CHARTERING INSTITUTIONS

| The Institution | Oakland University | | |
|---|---------------------------|----------------|----------------|
| Operational PSAs | 1995-96 | 1996-97 | 1997-98 |
| Number chartered | 0 | 1 | 4 |
| Students enrolled | 0 | 0 | 640 |
| State funds distributed | \$0 | \$0 | \$3,600,000 |
| Fee retained | \$0 | \$0 | \$110,000 |
| Charter office staff | 0 | 1 | 1 |
| PSA financials reviewed by in house CPA | | no | no |
| PSA Boards file conflict of interest statement | | ? | ? |
| Non-compliance letters issued | | 0 | |
| Disciplinary actions initiated | | 0 | |
| PSA data collection | | | |
| Student turnover | | no | no |
| Teacher turnover | | no | no |
| Performance measures | | | |
| MEAP tests required | | yes | yes |
| Other criteria required | | no | ? |

CHARTERING INSTITUTIONS

| The Institution | Northern Michigan University | | |
|---|-------------------------------------|----------------|----------------|
| Operational PSAs | 1995-96 | 1996-97 | 1997-98 |
| Number chartered | 2 | 2 | 3 |
| Students enrolled | 329 | 344 | 411 |
| State funds distributed | \$1,840,000 | \$2,000,000 | \$2,300,000 |
| Fee retained | \$55,000 | \$58,000 | \$70,000 |
| Charter office staff | 1 | 1 | 1 |
| PSA financials reviewed by in house CPA | no | no | no |
| PSA Boards file conflict of interest statement | ? | ? | ? |
| Non-compliance letters issued | ? | ? | ? |
| Disciplinary actions initiated | ? | ? | ? |
| PSA data collection | | | |
| Student turnover | | no | no |
| Teacher turnover | | no | no |
| Performance measures | | | |
| MEAP tests required | no | yes | yes |
| Other criteria required | no | no | ? |

FINANCING PSAS

Funding

PSAs are primarily supported by state funds as are other public schools. The per pupil allowance is the same as the allowance for the other public schools within the geographic district in which they are located. This amount is established in the annual state school aid act. With an enrollment of 20,709 in 1997-98 this amounts to approximately \$124 million. This amounts to approximately \$6,000 per student. The PSAs use the same rules as do other public schools for counting students. The official student count days in September and February determine the number for payment by the state. No adjustments are made for other changes during the year.

Charter schools are entitled to funding for any programs for which regular school districts receive funds (special education, Head Start, etc.).

Financial Reporting

As state entities, PSAs must file quarterly and annual financial statements that are also audited annually. The annual reports are due July 20 and audits are due in October. In 1995-96, five schools reported substantial (over 20 percent) unused funds. These funds are the property of the PSA and can be used in future years at the discretion of the Board. The reporting and audit procedures are designed to prevent diversion or misuse of these funds. On the other hand, financial deficits occurred in several PSAs in 1995-96. Michigan law does not allow governmental units to operate at a deficit and corrective plans must be filed before further funds can be distributed.

Other Funding

No more than five percent of operating funds may be used for capital expenditures. Because PSAs cannot levy taxes or issue bonds, private funds must be raised for expenses not covered by the per pupil allowance from the state. The federal government has provided Michigan with \$3.8 million for start-up costs.

Management Services Companies

The origins of school management companies can be traced to the decades after World War II and the War on Poverty that saw an expanded federal role in education. Increasing demands for accountability grew, which lead to performance contracting. Some Defense department officials were convinced that their success in the manufacture of complex weapons systems and management technologies could be used to develop new techniques for education. Armed with "teacher proof" teaching machines, instructional strategy based on stimulus-response theory, for-profit performance contracting businesses began teaching children in troubled school districts. Due to lack of success, testing scandals and withdrawal of big federal dollars, performance contracting vanished in the 1970s, only to be revived in the 1980s and 1990s.

Demand for more school accountability grew again after the "A Nation at Risk" report. This coincided with the end of the Cold War and a shift toward service industries. There was also an increased federal and state effort to privatize government services.

In Michigan in 1996-97, two smaller PSAs went out of business and many others found it necessary to contract for management services from one of the several companies which have developed to offer such services as hiring, payroll, curriculum development, facilities leasing and maintenance, accounting and auditing and other such activities. The PSA single school districts cannot afford to have all of these types of expertise on staff. Fees charged by the management groups vary from 8 to 10 percent. Since an additional fee of three percent is collected by the chartering institution, the total management and oversight costs for PSAs may be equal to or greater than those found in present public school districts.

The use of management services by some PSAs raises a concern about potential conflict of interest. While the Board of each PSA is legally responsible for all affairs of the PSA, the close tie-in of the academy and the management company makes the autonomy of the Board questionable. The statutes provide that expenditures above a certain limit be approved only after the Board accepts competitive bids. The study committee has found no reports of cases in which competitive bids were requested by any PSA before awarding a management contract. The more common practice is for a management group to plan a school, select a board and then, after securing a charter, ask the board to endorse a management contract with the founding group. The founding group frequently has obtained a building and offers this as rental space for the school. The new PSA and its Board, in many cases, have no choice but to accept the terms and conditions laid out by the founding group and thus no possibility of operating outside the control of the management group. Thus, while the Board of each PSA has full legal responsibility, in many cases it has little or no control. This problem is the subject of court cases in other states.

The largest management companies operating in Michigan are The Leona Group that manages 10 Michigan PSAs as well as charter schools in Arizona, the National Heritage Academies that manages eight and the Charter School Administration Services that manages the academies of Detroit Schools. Some of the newly formed management companies promise to meet their educational goals as well as making a profit. However, the companies are so new that their effectiveness has yet to be proven.

For Profit Management Companies

Operating PSAs in Michigan During the 1997-98 School Year

| | Schools Managed | Total Students |
|--|--------------------|-------------------|
| Charter School Administrative Services | 6 | 2100 |
| Edison Project | 2 | 998 |
| Educare, Inc. | 2 | 430 |
| Education Development Corporation | 1 | 300 |
| National Heritage Academies | 8 | 1600 |
| The Leona Group, LLC | <u>10</u> | <u>2200</u> |
| | 29 | 7628 |

STUDENT SELECTION

1. PSAs must be open to all applicants and must select by lottery if more apply than they can accommodate. Nearly half of all PSAs conducted lotteries for the available spaces in fall 1997.
2. At least nine Michigan PSAs have strong cultural bias. All are assumed to be teaching culture not religion. The segregation observed in these schools appears to be a result of self selection based on cultural identity and interest.
3. More obvious selectivity has been observed in several PSAs. One school reported a drop of enrollment of 20 percent during the first year of operation as parents withdrew students unable to cope with strict performance standards. Another school issued letters to parents suggesting that they not enroll their child for another year because of performance problems. Still another school practices preselection through informing parents of potential students of the rigorous nature of the planned curriculum.
4. While there appear to be no obvious technical violations of the requirement that PSAs be open to all applicants, there is obviously a high degree of segregation along cultural, religious, racial, ethnic and economic lines.

Sample

Academy of Your Town

1234 Any Street • Your Town, MI 49000

March 18, 1998

Dear

This letter is written to inform you of your child's re-enrollment status at the Academy of Your Town.

When your child enrolled, you were informed of our school policies and philosophies at an orientation session and given a Student/Parent Handbook. A contract was signed by both you and the student (third grade and higher), stating you agreed to abide by the contents of our Student/Parent Handbook.

After careful review during this school year, we feel you and/or your child's philosophy does not coincide with ours. Therefore, your child will not be invited to re-enroll for the 1998-99 school year.

Should you need additional information, your request must be made in writing to:

**Academy of Your Town
1234 Any Street
Your Town, MI 49000**

Thank you for allowing us the opportunity to serve your child this school year.

Sincerely,

Principal

STATE DEPARTMENT OF EDUCATION EVALUATION OF PSAS

During 1997 two contracts were let by the Department of Education for the "Evaluation of the Public School Academies of Michigan." A plan for this evaluation was prepared and published in March 1997 by Western Michigan University. As the introduction to the evaluation plan states:

"The WMU Evaluation Center did not attempt to conclude from this project, nor will it make a judgment about, the success of the Michigan public school academy initiative. But much has been learned that is of value to those who will ultimately make such judgments and, more importantly, to those who want to give public school academies every possible opportunity to succeed in giving Michigan's young people educational choice."

In addition, legislation requires that the State Board of Education prepare a descriptive report on each public school academy that includes at a minimum the purposes outlined in Section 511a of the Revised School Code. The law also requires that the descriptive report contain all of the following for each PSA for the immediately preceding school year:

- A detailed financial report
- The number of pupils served
- A summary of the curricula
- Aggregate test scores of pupils on MEAP tests and other standardized tests
- A copy of the academy's mission statement
- Attendance statistics and dropout rate
- Number of and comments on supervisory visits by the authorizing body

The Descriptive Report issued in March 1997 was very incomplete and fragmentary. The report due in March 1998 is late. We were told that it would be available in June, but it was not. The Office of the Superintendent also indicated that the legal requirement for this report was no longer binding as this requirement was part of the material voided by the Court ruling of July 1997.

As of July 22 the report had been drafted and sent to the Office of the Superintendent for approval. If approved it will then be sent to the State Board of Education, and only after that will it be made available to the public.

Data from this descriptive report will be included in the PSA survey data sheets as soon as it is available but probably not before mid-September at the earliest.

FULFILLING THE GOALS—CHARTER SCHOOLS

Charter schools, statutorily identified as public school academies in Michigan, were authorized in the State of Michigan by 1993 PA 362 (Revised 1995 PA 291). The purposes of this legislation and initiative are described in Section 511 of the School Code: (The italicized material describes the School Code goals; the non-italicized material is based upon observations by the LWV Charter School Committee members.)

To improve the public elementary and secondary schools of this state, public school academies may be established within this state's system of public schools, as provided under this part, as means of achieving the following purposes.

1. *Improve pupil achievement for all pupils, including, but not limited to educationally disadvantaged pupils, by improving the learning environment.*

- a- If enthusiasm is a measure of improving the learning environment, this goal has been met in many schools.
- b- Practices found in many PSAs are requiring parent involvement and having smaller class sizes.
- c- We do see some problems when, for example, a principal and board clash over how to run the school, and the results filter down to the students.

2. *To stimulate innovative teaching methods.*

We know of no innovative teaching methods at this time. No innovative methods have been shared or replicated by other public schools.

3. *To create new professional opportunities for teachers in a new type of public school in which the school structure and educational program can be innovatively designed and managed by teachers at the school site level.*

- a- All PSAs are independent single school districts. Such governance presents, for some PSAs, an overwhelming responsibility for teachers and parents. The amount of paperwork can be burdensome. Some PSAs have contracted with management firms and are retreating from the site based concept to a fixed plan of the management firm. This often includes curricula and school direction.
- b- Some teachers in PSAs managed by private companies have expressed dissatisfaction with not having input regarding the educational program of the school.

4. *To achieve school accountability for pupil educational performance by placing full responsibility at the school site level.*

- a- All PSAs are required to use the MEAP test results to measure student academic achievement. According to the Associated Press report of June 15, 1998 of a computer analysis of MEAP test scores, charter schools still lag behind public schools on the tests. (Only 4th, 5th, 7th, 8th, 10th and 11th grade students take the MEAP test.)
- b- High parental involvement could enhance test scores.

5. *To provide parents and pupils with greater choices among public schools, both within and outside their existing school districts.*

This goal is being met within geographic limitations.

6. *To determine whether state educational funds can be more effectively, efficiently, and equitably utilized by allocating funds on a per pupil basis directly to the school rather than through school district administration.*
 - a- Some PSAs have had to operate with a deficit while some have reported unexpended funds. According to the Michigan Department of Education report of January 1997, seven PSAs had budget deficits totaling about \$291,000. The report states that two of the three schools that broke even closed. Twenty-nine ended their first year with unexpended fund balances totaling \$3 million. Some PSAs have received federal or state special grants or have had support from business firms or foundations.
 - b- About half of the PSAs serve only elementary pupils and are given the same state per pupil allowance as school systems serving K-12 students. The traditional public school cost per pupil for middle and high school students is greater than that of public school elementary education. This means that PSA elementary schools are receiving more dollars than their local counterparts.
 - c- Average teachers' salaries are one-half to two-thirds that of nearby public school teachers. The minimal data provided by PSAs suggest a high teacher turnover in PSAs. This could imply that these teachers are inexperienced and/or are first year teachers.
 - d- Total administration costs of PSAs may exceed those of traditional public schools. The chartering institution receives a three percent fee and the management firm usually is paid 10 percent of this pupil allocation.

ISSUES RAISED BY THE INTRODUCTION OF CHARTER SCHOOLS IN MICHIGAN

Parental Involvement

Research shows parental involvement to be among the most significant factors in educational achievement. PSAs do foster and some require such involvement in the contract that parents sign with a PSA when they enroll their children. Public school teachers in traditional schools have a responsibility to educate *all* children regardless of whether the parents are involved or not. While they deplore a lack of parent involvement, they cannot require it.

With the average PSA enrolling less than 200, (36 had more than 200 in 1997-98) parents and students may have easier access to their teachers or principal when problems arise. Although many regular school districts have more than 18,000 pupils, parents can contact their children's teachers, school principals, superintendent and members of their locally elected school boards. In addition, many school districts reach out to parents through newsletters, cable TV broadcasts of school board meetings, advisory committees and parent-teacher organizations.

School Choice

PSAs can provide options within public education. A PSA can be a choice for parents who feel the needs of their children are not being met in the local school and who do not have the means to send their children to a private school. Many parents believe their children are safer in PSAs.

While offering a choice by being open to all students in a geographic area, PSAs have yet to offer many parents a choice as they are only a small fraction of all public schools and are therefore not widespread throughout the state. About 20,000 students are enrolled in 108 PSAs or one percent of Michigan 1.7 million school children. We may never see a large number of PSAs due to the difficulty of finding good facilities and the high cost of starting a school.

In addition to PSAs, Michigan students can choose among traditional public schools if space is available. Intra-district choice is also sometimes an option. In actuality, real choice is somewhat illusory as convenience, distance and particularly the availability of transportation limit where parents will send their children to school. Each school district sets its own policy regarding transportation. In addition, Michigan is notably deficient in funds provided for public and mass transportation.

Many PSAs simply duplicate programs already offered by regular public schools. For example, year-round schools, alternative schools for children with special needs, programs for the gifted, vocational schools, schools-within-schools, and magnet schools are already in place in some school districts.

Educational Choice

PSAs offer parents, educators, community and business leaders the opportunity to found and operate forms of schooling not offered by local districts. PSAs might serve special education groups such as dropouts, hearing impaired students and pregnant teenagers. They could be schools more appreciative of diverse cultures offering culturally based programs for African-Americans, Hispanics, Native-Americans or Arab-Americans. They could offer a particular educational philosophy such as Montessori or a curriculum focus such as specialized technical training, business or the arts. Traditional schools already offer many of these programs.

Diversity

When charter schools were first proposed in Michigan, critics claimed the schools would serve an elite school population. The opposite has occurred in many PSAs. Many parents whose children have had problems in other schools are turning to PSAs. In Michigan, PSAs are attracting a high number of urban and minority students. It must be noted that individual PSAs are highly segregated.

PSAs offering culturally based programs to ethnic populations such as Armenians, Hispanics, Native-Americans, African-Americans, and Arab-Americans are challenged and encouraged to provide diversity within the staff and student population. Traditional public schools reflect the community in which they exist.

PSAs as Catalysts for Change

PSAs can become agents of change within public school systems by providing examples of innovative ways of teaching and learning. At this time this cross-fertilization has not taken place. PSAs offer parents, educators, and community members the opportunity to create programs free of bureaucratic restraint. However, many public school teachers feel they are already free to be creative within their own classrooms. PSAs are free to hire for-profit educational companies that promise to raise educational achievement.

The response of school districts has varied from ignoring PSAs, to resisting them or becoming motivated to make changes to compete with them. So far the presence of PSAs has resulted in neither dramatic improvement nor noticeable suffering in school districts.

If traditional public education is replaced by large numbers of charter schools with widely varying goals and teaching methods, students may have difficulty moving from one school to another when the need arises. Students need some continuity as they change schools.

Quality of Educational Achievement

It is generally accepted that smaller school size and class size lead to improved student achievement. On average, PSAs offer small school size but often no smaller teacher/pupil ratios than neighboring traditional schools. However, educational achievement can be compromised in PSAs by high teacher turnover. This can occur because PSAs usually pay lower teacher salaries and have higher workloads for their staff.

PSAs have the potential to raise the educational achievement of their students, but it will take a few years to determine their success. Although MEAP test scores in PSAs were very low, some PSAs had been open only a few months when they had to administer the tests. Also at this time PSAs are not, in many cases, attracting the top students but students who are having problems in traditional schools. In addition some PSAs serve only K-3 pupils where MEAP tests are not given.

In assessing educational achievement a PSA should also be judged, in part, on how well it fulfills its specified mission statement and educational goals. For example, how well is a youth offender who has experienced a lot of problems or a student in a culturally based school where English may be the student's second language expected to do on the MEAP?

Because PSAs were authorized to improve educational achievement, it is important that proper and sufficient data are collected in-order to evaluate the extent to which PSAs achieve this purpose. Many educational experts believe it is necessary to develop other methods of testing and evaluation in addition to the MEAP.

Public Oversight

In traditional public schools the tax-paying public exercises oversight through an elected local board of education which has responsibility for a number of schools within a school district. PSAs differ in that for each school an appointed board of directors and a chartering institution substitute for the elected board of directors and the voters. Both traditional public schools and PSAs are ultimately under the general supervision of the State Board of Education.

PSA chartering institutions are responsible for seeing that PSAs live up to their contracts and fulfill their fiscal and legal responsibilities. But the authorizing agency may or may not monitor their performance adequately, as shown by a recent report by the State Auditor General which pointed out that the oversight of Central Michigan University, which charters nearly half of the PSAs in Michigan, has been very limited. If a school does not live up to its commitment, it can be put on probation or can have its charter revoked without recourse.

Some PSAs are turning to private for-profit entities that operate nationwide to manage their schools. This puts an entity between the school and the public which some have pointed out negates the whole impetus for PSAs: that is, to have parents, teachers and community leaders start and be involved in innovative schools. Will companies headquartered in other parts of the country and hoping to expand really have the best interest of Michigan students to receive a broad based quality education as their purpose? Or are they more likely to be looking at the bottom line? Will children be treated as commodities or products and not as individual human beings when the profit motive prevails?

If the state allows large numbers of PSAs, it will be almost impossible for the public, who funds them, to monitor them. Can a state bureaucracy do the job?

Economic Implications

PSAs are currently funded on a \$5,500-\$5,900 per pupil basis, the same as regular public school students. Start up costs and finding appropriate facilities are a constant problem for PSAs. Unlike regular school districts, PSAs cannot levy bond issues; therefore, they must find other ways of fundraising.

PSAs are currently diverting about \$124 million dollars from the regular public school system. Even though the number of students leaving regular public schools for PSAs is not large, it does represent a significant amount of money. The public school districts still must meet fixed costs for teachers, maintenance, etc., which they cannot reduce although one or two students per class or school may have left.

The greatest potential for draining funds from a local district when parents opt for a PSA is primarily in rural, small town and small urban areas with stable or declining student populations. In school districts where enrollments are increasing, a PSA can provide relief. Their impact, however, is yet to be determined because the PSAs are in their first few years of operation and their numbers are limited.

Many PSAs contract with private companies such as Edison Project and The Leona Group to provide for administrative services and to take advantage of a wide range of instructional and support services that they lack the staff or expertise to provide for themselves. These companies, which are all quite new, claim they can better manage the taxpayers' dollars while offering quality education. So far it appears that the administrative costs of PSAs using contract services are about the same as those of regular public schools. There is concern as to the degree of autonomy retained by the schools under such contracts.

At least 20 schools that were formerly private have now become PSAs, although this trend seems to have slowed or stopped. Although these conversion schools are now required to comply with PSA requirements, critics contend they are a grab for tax money for private and sectarian schools.

THE SCHOOL REFORM MOVEMENT NATIONWIDE

The following text presents an overview of the school reform movement nationwide. This topic has been the subject of numerous books, articles, and federal reports.

Proponents of Change

No discussion of charter schools can be complete without at least a brief review of the forces that motivated the latest school reform movement. In 1983, the National Commission on Excellence in Education published a federal report *A Nation at Risk*. This highly critical report stated that our commerce, industry, science and technological innovation were being overtaken by the rest of the world, and that our educational foundations were being eroded. The report cited falling SAT scores, a decline in science achievement scores, an increase in remedial courses in public colleges, and poor reading and writing skills. It also reported that high school curriculum contained too many insubstantial electives and too few core subjects, that the amount of homework had decreased, that expectations had been lowered, and that teachers were poorly prepared. In 1989, George Bush and the nation's governors initiated Goals 2000, pledging to make this country the world leader in education.

A key recommendation of The National Commission on Excellence in Education (1983) was that all high-school graduates be required to take a core academic curriculum including four years of English, three years of social studies, three years of science, three years of mathematics, and one-half year of computer studies. In addition they recommended two years of a foreign language for college bound students.

A wide variety of school reform movements have sprung up throughout the country. The common thread running through recent school reform proposals is the belief that free market principals of competition, privatization and consumer choice be introduced into the public school system. This coincides with a push to privatization in many other areas of our society.

Charter Schools Across the Nation

It is in this context, that the charter school movement nationwide was born in response to demands for better public schools and more choice among public schools. Charter schools receive public funds but operate free of many local and state regulations governing other public schools. In exchange for this freedom, they are to be held accountable for improving student achievement and achieving the goals of their charter contract.

Twenty-five states now allow charter schools, and Michigan is a leader with 108 charter schools.

Charter school legislation varies widely from state to state. The U.S. Department of Education Study of Charter Schools (1997) reports the following approaches:

- *How many charter schools are permitted?* The number of charter schools is limited in 25 charter states. Nine states have no limit on the number of charter schools. (In Michigan there is no cap on the total number of charter schools, but there is a limit on the number of schools which universities can authorize.)
- *Who grants charters?* In 12 states, the local school board is the only authority that can grant a charter. In the remaining 13 states (including Michigan) and the District of Columbia, other agencies may grant charters.
- *Who may start charter schools?* All but three of the 25 states and the District of Columbia permit the creation of brand new schools (including Michigan). All states and the District of Columbia have provisions to allow for conversion of public schools to charter schools. Just six states (including Michigan) have allowed the conversion of private schools to charter schools.

- *Who sets personnel policies?* In 15 states (including Michigan) and the District of Columbia, charter schools may act as employers in their own right. In the remaining 10 states, teachers remain, or become, employees of the local district. In 13 states, charter schools are subject to state collective bargaining laws; but legislation in six other states is silent as to the status of collective bargaining arrangements. The remaining states and the District of Columbia either exclude charter schools from collective bargaining arrangements or allow schools to address collective bargaining as part of their charters.

RESULTS OF LWVMI PUBLIC SCHOOL ACADEMIES STUDY

The data for each PSA are largely self explanatory. The data on racial make-up and free lunch programs were procured in order to provide a basis for comparison of the student bodies of the PSAs with those of nearby regular public schools. Most PSAs do not have reduced price or free lunch programs. It should also be noted that PSAs do not provide transportation. This places a burden upon parents which further indicates that a strong degree of parental support for PSA students is needed.

The MEAP scores reported for PSA students do not reflect the advantages offered to these students in the form of parental support. It appears that many PSA students are those who were formerly doing poorly in regular public schools in spite of strong parent interest. As pointed out in a *Detroit Free Press* analysis of MEAP scores the parental support would have been expected to lead to higher scores than were reported. MEAP scores for second year PSA students showed some improvement in both reading and writing. This may be a result of better teaching or may be the result of an enthusiastic new atmosphere. Visits to PSAs by League members resulted in reports of high enthusiasm and dedication. The fact that math and science scores did not show parallel improvement may be attributed to the quality of the teaching offered by the PSAs. The generally lower salaries may be reflected in lower teacher qualifications in terms of training or experience.

MEAP scores remain the only reported measure of the quality of the education offered by PSAs. As such, greater effort is required, not only to track such scores but also to appropriately adjust the scores for outside factors (such as economics) which have been found to strongly influence the MEAP score performance in the regular public schools.

Some PSAs started with small class sizes but class size increased the second year of operation to approach that of the average in the local ISD.

Data on student and teacher turnover were difficult to obtain. Where available they showed very high turnover rates among teachers, possibly salary related. Not enough student turnover data were available to draw any conclusions.

DATA SOURCE

The original study design called for the collection of data from each PSA by visits from League members. This approach encouraged the local Leagues to search out Charter Schools in their area. A questionnaire was developed and teams of local members interviewed administrative staff at schools identified by our committee. Obtaining base line data was difficult. Most of the data requested was simply not available because the individual PSAs had not yet developed or organized any management functions.

Most of the data was derived from the Michigan School Report issued by the Department of Education, each August. The data in the 1996 report was very incomplete with regard to PSAs. The 1997 and 1998 reports were more complete and filled in some of the missing data from the earlier years. Data from the 1998 report issued the week of August 17 is included in this report.

Another source of data was the annual Descriptive Report on Charter Schools, also issued by the Department of Education. Unfortunately, the report covering the 1996- 97 school year, due in March 1998, had not yet been issued at the time of printing this LWV study.

The data is presented for each PSA in operation during the school years 1995-96 and 1996-97. For comparison purposes the data is also presented for the ISD in which the PSA is located. This represents the best available data on performance in the area from which the PSA students were drawn.

MEAP and HSPT scores are recorded in terms of that percentage of students deemed proficient. The middle and low scoring percentages were not collected. NA indicates not applicable (i.e. this grade level not in the school).

Student turnover was thought to be a measure of satisfaction with PSA performance. The Department of Education collects such data only for the upper grades to measure drop-out rates. CMU reported a plan to collect such data for all PSAs which they have chartered. Results of this CMU data collection have not been made available to the public.

Teacher turnover was also thought to be of significance. SVSU has collected such data for schools which they chartered. This data is included. Other chartering institutions have not reported such data.

Teacher salary data is from the Michigan School Report. Other financial data was collected by review of the audited annual financial statements filed with the chartering institutions. Such reports were made available by CMU and SVSU.

Noncompliance and disciplinary action reports were supplied by CMU. No such data was available from other chartering institutions.

(The Charter Schools Comparison section which follows was not available electronically. Please consult a paper copy of the document located at the G.A. Dow Memorial Library, Midland, MI or call LWV League President Fran Hamburg, 517/631-4769)