
Charter Schools Funding and Enrollment, Rules

The Background:

2011 Public Chapters 466 and 507 amended the public charter school laws to require local education agencies (LEAs) to prepay the amount of local funding they expected to receive to public charter schools. This was already the practice in most districts with public charter schools. The districts can then adjust payments if actual local revenues differ from anticipated revenues. Those public chapters also removed the enrollment priorities of T.C.A. § 49-13-113.

The State Board Rules are being modified to reflect these changes. These changes were reviewed by and revised based on feedback from state and local education agency (LEA) financial personnel and the Tennessee Charter Schools Association.

There are two main changes to the rules. New paragraph three (3) of Rule 0520-14-01-.03 regarding local funding quotes directly from 2011 PC 507:

“Each LEA shall include as part of its budget submitted pursuant to § 49-2-203, the per pupil amount of local money it will pass through to charter schools during the upcoming school year. Allocations to the charter schools during that year shall be based on that figure. The LEA shall distribute the portion of local funds it expects to receive in no fewer than nine (9) equal installments to the charter schools in the same manner as state funds are distributed. If the amount of local funds received increases or decreases from the budgeted figure, the LEA may adjust payments to the charter schools in February or June. Before adjusting payments to the charter schools, the LEA shall receive approval from the commissioner.”

The priorities and sample enrollment chart from Rule 0520-14-01-.04 were deleted in accordance with the removal of enrollment limitations in 2011 PC 466.

One amendment was made following the first reading: a change to the date when projected enrollments will be used to determine funding for new charter schools or charter schools adding a new grade from May 1 to March 1.

The Master Plan Connection:

This item ensures that eligible students have access to effective teachers and leaders at public charter schools.

First to the Top Connection:

This item supports the FttT assurances by ensuring that chartering authorities (LEAs) have clear regulations regarding the provision of sufficient resources to effective teachers and leaders at public charter schools.

The Recommendation:

The Department of Education recommends adoption of the rule amendments on final reading. The SBE staff concurs with this recommendation.

Charter Schools Proposed Rule Revisions

Rule 0520-14-01-.03 Allocation of State and Local Funds is amended by deleting the present language in its entirety and replacing it with the following:

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. State and local fund allocations are determined for each LEA on the basis of prior year average daily membership (ADM).
 - (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) 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.
 - (e) 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.
 - (f) 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.
 - (g) 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. Initial payments will be based on enrollment projections for the next school year as of March 1.
- (2) All ten (10) payments distributed by the State Department of Education are based on prior year weighted average daily membership (ADM) 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.
- (3) Local funds. Each LEA shall include as part of its budget submitted pursuant to § 49-2-203, the per pupil amount of local money it will pass through to charter schools during the upcoming school year. Allocations to the charter schools during that year shall be based on that figure. The LEA shall distribute the portion of local funds it expects to receive in no fewer than nine (9) equal installments to the charter schools in the same manner as state funds are distributed. If the amount of local funds received increases or decreases from the budgeted figure, the LEA may adjust payments to the charter schools in February or June. Before adjusting payments to the charter schools, the LEA shall receive approval from the commissioner. The per pupil amount of local money budgeted for charter schools is not budgeted in a separate line item in the budget; but rather is part of the entire amount of budgeted local revenue.
- (4) 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.
- (5) 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.
- (6) Transportation. Charter schools that provide transportation in accordance with the provisions of T.C.A. § 49-6-2100 et seq., other than through an agreement with the LEA, shall receive the State and local funds generated through the BEP for such transportation.

Authority: T.C.A. §§ 49-13-112, 49-13-126.

Rule 0520-14-01-.04 Enrollment is amended by deleting the present language in its entirety and replacing it with the following:

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 re-apply 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 shall apply the enrollment preferences in T.C.A. § 49-13-113(b) and (c).
 - (a) Charter schools 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. Charter schools must either have an independent accounting firm or law firm certify that each lottery conducted complied with the statutory requirements or, prior to the lottery, have their lottery process approved by the department of education.

- (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.

Authority: T.C.A. §§ 49-13-113, 49-13-126.