

Johnston



Testimony in Support of HB 5493, An Act Concerning Strategic Planning in State Education Policy and Charter School Funding

Education Committee Hearing, March 15, 2010

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Increasingly, citizens and stakeholders across the spectrum in Connecticut recognize the need for equity in funding for the state's public charter schools. Our existing system is too expensive for the state, too uncertain for charter school parents and students, and too much of a barrier to growth for these schools. House Bill 5493 "An Act Concerning Strategic Planning in State Education Policy and Charter School Funding" offers a great opportunity in the 2010 legislative session to address this existing inequity and devise a long-term sustainable funding system for charter schools while making Connecticut competitive in the Race to the Top.

H.B. 5493 would enact a new charter school funding system with the following elements:

- 1) A "money follows students" funding mechanism (beginning in the next biennium and phased in over time with transitional aid to districts), as is already employed in virtually every other state.*
- 2) An equitable funding formula that ensures that the funding allocated to charter school students is equivalent to the sending district's average per pupil expenditure.*
- 3) A transfer of responsibility for the cost of special education students to charter schools, with the exception of out-of-district placements.*

- 4) *The creation of a school facilities allowance for charter schools and a provision to provide access to state bond funding for school facilities on equivalent terms as traditional public schools.*

Here's why we need this new approach to funding charter schools:

- **Connecticut's existing funding system for charter schools is an outlier. Every other state but two funds charter schools through a more efficient, stable system:**
 1. Hawaii and Rhode Island are the only other states that use a yearly line item in the state budget for all charter funding.¹
 2. As state charter enrollment grows each year, the line item must be adjusted annually to precisely track this change. This is an unsustainable system that puts new schools at risk of half-completion, and virtually every other state with a charter law has found a better alternative.

- **The current system misallocates scarce public dollars by paying districts for students they no longer educate while short-changing charter school students.**
 1. Taxpayers are paying to educate the same students twice: Connecticut pays districts more than \$186 million a year for students they no longer educate.²
 2. At the same time, in the current system, public charter schools only receive about 75 percent of per pupil funding that districts receive.
 3. Instead of using that money to equitably fund the student's public charter schools, the state pays twice – once to the district that no longer educates the child, and once to the charter school, but at an inequitable rate.

- **The state has a constitutional obligation to ensure all public school students have equal access to the public resources that pay for public education. Matching charter school funding to the spending levels of their actual sending districts, rather than the statewide average, is the appropriate reference point for ensuring equity.**
 1. In a series of decisions, going back over thirty years to *Horton v. Meskill*, the State Supreme Court has ruled that the state has a constitutional obligation to "provide a substantially equal educational opportunity" to all public school students. Public charter school students are the public's responsibility just as much as their peers in traditional public schools, and the state bears an equal

¹ "How State Charter Laws Rank Against The New Model Public Charter School Law," National Alliance for Public Charter Schools, January 2010, available at http://www.publiccharters.org/files/publications/DB-ModelLaw_Report_01-12-10.pdf.

² "The Tab: How Connecticut Can Fix its Dysfunctional Education Spending System to Reward Success, Incentivize Choice and Boost Student Achievement," ConnCAN, November 2010, available at: <http://www.conncan.org/sites/default/files/research/TheTab.pdf>.

- obligation to ALL public school students to ensure equitable access to the public resources that fund our state's schools.³
2. Charter school students originate at a greatly disproportionate rate from the state's urban centers, and they are disproportionately low-income, African-American and Hispanic. Through the progressive mechanism of the Education Cost Sharing funding formula, the state has recognized that students such as these are deserving of higher levels of state support—and the per pupil spending level of many of these urban districts is accordingly thousands of dollars above the statewide average. To deny charter school students access to the same level of public resources as their peers would not be equitable, nor would it satisfy Race to the Top's requirements.

³ Section 4, Article 8 of the Connecticut constitution, available at <http://www.cslib.org/constitution/amends/constitution.htm>, addresses the constitutional obligation to fund education.

- **A “money follows the child” approach is consistent with the original intent of the ECS formula.**
 1. The state’s main tool for funding public schools, the Education Cost Sharing formula, was designed to allocate money on a per student basis. The formula was originally set up so that every year the money districts receive from the state is based on the number of students enrolled in their schools. Money following the child is an extension of this approach.
 2. Those familiar with the budgeting process for local school districts point out that the existing way ECS grants are dispersed often short-changes schools by sending the funding to municipalities first. We agree, which is why we support moving to a system that funds school districts, not cities and towns, with a “money follows students” approach (details of this comprehensive proposal can be found in our recent policy report *The Tab*).
 3. The State Board of Education would retain its sole authority to authorize state charter schools, with local consultation and hearings. This deliberative authorization process would continue to ensure that charter schools are opened where they are most needed, where there is strong community support, and by operators with track records of success.

- **The financial impact of moving to this new funding system is minimal for the vast majority of districts.**
 1. The new system would not be implemented until the next budget biennium, beginning in 2011-12.
 2. All transfer costs are phased in over four years with no financial impact at all to districts until the 2012-13 budget year.
 3. The median cost of these transfers per year to districts is \$11,832.⁴
 4. In 85 percent of districts, the transfer costs are less than \$100,000 a year.
 5. In the handful of large districts with larger transfer costs, a portfolio strategy, as part of a comprehensive reform plan such as those already underway in Hartford and New Haven, will work to leverage these changes on behalf of all students in these districts, not just those attending charter schools.

- **Major school districts across the country, including Hartford, New York, and Washington, DC have recently implemented student-based funding within their districts, following a careful review of all possible options to break through decades of flat or declining student achievement.**
 1. Two years into this financial reform, Hartford showed faster improvement than any of Connecticut’s other large cities, matching 2008’s improvement rate with a 4.2 point performance gain increase in 2009.⁵

⁴ This cost estimate does not include the special education aspect of our proposal because this data was not available at the time of preparation.

2. In DC, students showed larger gains in fourth grade math on the Nation's Report Card than any other state from 2007 to 2009. In eighth grade math, DC posted triple the national average in gains. Every subgroup of students in DC showed increases from the 2007 to 2009 report card.⁶
- **Local charters can play an important part in district reform strategies, but they are not a substitute for a continued robust role for fully autonomous state charters.**
 1. State charter schools are a unique, and uniquely effective, form of public schooling—particularly in closing Connecticut's achievement gap. Charter schools make up just over 1 percent of all Connecticut schools, but in 2009 they made up 10 percent of the Top 10 schools in the state across five performance criteria, including 30 percent of the Top 10 middle schools for African-American students.
 2. Local charter schools, operating inside a district structure, are not a substitute for the reform conditions created by state charter schools operating outside of, but in partnership with, school districts. The New Haven district reform plan came out, in part, of this healthy inside-outside relationship with state charter schools serving New Haven students.
 - **The federal Race to the Top grant competition is an opportunity for Connecticut to win up to \$200 million or more and it directs states to ensure equitable treatment of public charter school students.** President Obama has put charter schools front and center in this competition; as he said in a July interview with the Washington Post, "charters, which are within the public school system, force the kind of experimentation and innovation that helps to drive excellence in every other aspect of life."
 1. The *Race to the Top* guidelines allot a full 40 points for states that ensure "successful conditions for high-performing charters and other innovative schools."
 2. With so many states in the running, the state's funding system for charter schools could make or break Connecticut's application.
 3. Race to the Top's scoring rubric and instructions to judges on how to allocate points within the charter school section are constructed to heavily prioritize the need for states to remove constraints on the growth of high performing charter schools.
 4. The most forceful way to restrict growth of charter schools is to require that every seat in every school is legislatively appropriated every year. Simply increasing the state's allocation of per-pupil funding would not address the most

⁵ "The State of Connecticut Public Education: A 2009-2010 Report Card for Connecticut Public Schools," ConnCAN, January 2010, available at: <http://www.conncan.org/sites/default/files/research/StateOfCTPubEd2009-Web.pdf>.

⁶ The Nation's Report Card in Math, 2009, available at: http://nationsreportcard.gov/math_2009/.

fundamental constraint on the growth of charter schools: the current line-item system.

5. Other states are already ahead of us in the Race. The Massachusetts legislature, for example, recently passed an education reform bill to increase management flexibility in underperforming schools, raise the spending cap on charter schools in the lowest performing 10 percent of districts, and create a model for parents and community members to gain operational flexibility in their school.
- **Congress is scheduled to reauthorize the No Child Left Behind law in the next year and all of the policy priorities laid out in the Race to the Top will very likely also be pushed through this law. If we don't actively make this change now, it will likely be forced upon us later—when there is likely to be much less federal funding available to help.**
 1. Senior members of the federal Department of Education have said that Race to the Top guidelines will prove influential in whether states receive Title I funds in the future. After the competition is over, the Department plans to “carry that forward through ESEA,” according to Carmel Martin, the department's assistant secretary for planning, evaluation, and policy development.⁷
 2. On March 1st, President Obama announced plans for an additional \$900 million competitive grant program aimed at helping the nation's lowest performing high schools turnaround—and made the use of charter schools a central condition for eligibility for these funds.
 - **This new approach to charter funding will save the state millions of dollars over the next four years and the Race to the Top's one-time payout is a good fit for covering the transitional costs of the program.**
 1. Under the current system, the state is on track to spend \$357 million through 2014-15, growing the charter line item to finish natural grade growth in open charter schools and support the ECS commission's recommendation to increase per pupil funding to \$10,600. Under the new funding system we are proposing, including transitional aid to districts, the state would spend \$269 million through 2014-15, a savings of \$88 million.
 2. In the final year of the transition in 2014-15, the annual cost to the state would be just \$2.6 million, or less than 4 percent of the \$65.9 million that the current system is estimated to cost by 2014-15.
 3. The only year this new system will cost more is 2011-12, which the state could cover using a portion of the winnings from the Race to the Top to pay for the immediate bump in state spending that would be needed to implement the transitional aid plan to districts and increase charter per pupil funding to parity.
 - **Enacting HB 5493 this legislative session is critically important for two reasons.**
 1. First, this bill would put vital points on the board for making Connecticut competitive in Race to the Top ahead of the Round 2 deadline on June 1.

⁷ “Race to the Top Viewed as Template for a New ESEA,” Alyson Klein, *Education Week*, January 4, 2010, available at http://www.edweek.org/ew/articles/2010/01/06/16esea_ep.h29.html?qs=esea+reauthorization.

2. Second, this bill is about much more than simply fixing the funding system for charter schools. It is not intended to be implemented in isolation from much needed, comprehensive reforms to rationalize school finance so that money follows kids across Connecticut's whole school finance system—and this bill's passage this year would be a very strong signal of an intent to return to this larger task in the next two legislative sessions. And because passing this bill would not actually produce any fiscal impact on the state until 2011-12 and no fiscal impact on districts until 2012-13, there would be significant time to ensure the passage of these complementary, overall reforms in the next two legislative sessions.

Connecticut Charter School Funding Proposal

As the State Board of Education assembles a package of policy proposals to maximize Connecticut's competitiveness in the Race to the Top, the question of how best to redesign the state's charter school framework is pressing.

The following analysis summarizes what the Race to the Top application calls for in this arena, and then offers a set of recommendations for the State Board to include in its package.

When it comes to Charter Schools, What Does the Race to the Top Application Call For?

Out of 500 possible points, the Race to the Top scoring rubric sets aside 40 points for states to be judged on their framework for "ensuring successful conditions for high-performing charter schools and other innovative schools." At 8 percent of the total, these points are far from a majority. But charter schools are weighted equally with the points set aside for states adopting common standards (40) and nearly on par with the points allocated to states for their data systems (47) and school turnaround strategies (50).

The following excerpt from the Race to the Top scoring rubric details how this criterion is further divided among five sub-criteria (each of which are presumably worth 8 points).

(Maximum total points: 40) Ensuring successful conditions for high-performing charter schools and other innovative schools: The extent to which —

(i) The State has a charter school law that does not prohibit or effectively inhibit increasing the number of high-performing charter schools (as defined in this notice) in the State, measured (as set forth in Appendix B) by the percentage of total schools in the State that are allowed to be charter schools or otherwise restrict student enrollment in charter schools.

(ii) The State has laws, statutes, regulations, or guidelines regarding how charter school authorizers approve, monitor, hold accountable, reauthorize, and close charter schools; in particular, whether authorizers require that student achievement (as defined in this notice) be one significant factor, among others, in authorization or renewal; encourage charter schools that serve student populations that are similar to local district student populations, especially relative to high-need students (as defined in this notice); and have closed or not renewed ineffective charter schools.

(iii) The State's charter schools receive (as set forth in Appendix B) equitable funding compared to traditional public schools, and a commensurate share of local, State, and Federal revenues.

(iv) The State provides charter schools with funding for facilities (for leasing facilities, purchasing facilities, or making tenant improvements), assistance with facilities acquisition, access to public facilities, the ability to share in bonds and mill levies, or other supports; and the extent to which the State does not impose any facility-related requirements on charter schools that are stricter than those applied to traditional public schools.

(v) The State enables LEAs to operate innovative, autonomous public schools (as defined in this notice) other than charter schools.

Where does Connecticut Stand on these Five Criteria?

The good news is that Connecticut's current statutory and regulatory framework does a pretty credible job of covering the requirements outlined in the second of these five criteria: student achievement is explicitly treated as a requirement for charter authorization and renewal, the authorizing framework encourages the placement of charter schools in the highest need communities and in the rare instances when fundamental problems with charter school management have emerged, the state has intervened forcefully.

But Connecticut's current statutory and regulatory framework falls significantly short of the mark on the other four criteria.

HB 5493: An Integrated Policy Proposal for Overhauling Connecticut's Charter School Framework

This legislation seeks to balance the many budgetary challenges facing the state and key stakeholders with an approach that signals a strong commitment to developing a sustainable framework moving forward for "ensuring successful conditions for high performing charter schools and other innovative schools." The bill has two main elements.

I. First, remove enrollments caps and statutory provisions restricting charter school growth

HB 5493 contains several relatively straightforward legislative revisions that accomplish this purpose by removing enrollment caps while leaving in place the State Board authorization process to ensure that only high performing schools and promising new applicants are granted permission to grow.

II. Second, redesign the charter school funding system

A redesigned funding system needs to address three underlying challenges:

- 1) Ensuring equity in funding for charter schools and other public schools;
- 2) Removing the “effective inhibition” on charter school growth inherent in the current reliance on an annual state budget appropriation for each charter school “seat;”
- 3) Providing facilities support to charter schools.

The funding mechanism in HB 5493 tackles all three challenges as follows:

- Transition, beginning in the next budget biennium (i.e. phasing in over FY 2011 and FY 2012), to a “money follows students” funding mechanism, as is already employed in virtually every other state, thereby lifting the restrictions on charter enrollment inherent in an annual state appropriations process (there are only two other states in the country that fund charter schools with an annual line-item appropriation, and one of them, Hawaii, actually does so as part of a funding system where money follows students statewide).
- As part of this new funding mechanism, address the funding equity issue by ensuring that the funding allocated to charter school students is equivalent to the sending district’s average per pupil expenditure, after correcting for expenditures, such as transportation, that charter schools do not themselves incur, as well as excluding federal funding for which charter schools are eligible on their own.
- As in Massachusetts, establish a funding mechanism whereby the state reduces its aid payments to a sending district based on that district’s average per pupil expenditure multiplied by the number of students from that district enrolled in a charter school, with the state then transferring a corresponding sum to the receiving charter school.
- As in Massachusetts, provide three years of “impact aid” to sending districts to cushion their budget adjustment to lower enrollment: 100 percent of lost revenue in the first year, 60 percent in the second year, 40 percent in the third year.
- As in Massachusetts, calculate the sending district’s average per pupil expenditure by subtracting the cost of out-of-district special education placements from the district’s net current per pupil expenditure.
- As in Massachusetts, transfer responsibility for the cost of special education students to the charter school, with the exception of out-of-district placements.
- As in Massachusetts, create a school facilities allowance for charter schools, by adding the statewide average of district expenditures per pupil for the acquisition, construction and improvement of school buildings, land and debt service into the per pupil funding allocation for charter schools.
- Adapt existing statutory provisions to ensure that charter schools have access to state bond funding for school facilities on equivalent terms as traditional public schools.

What Will this all Cost?

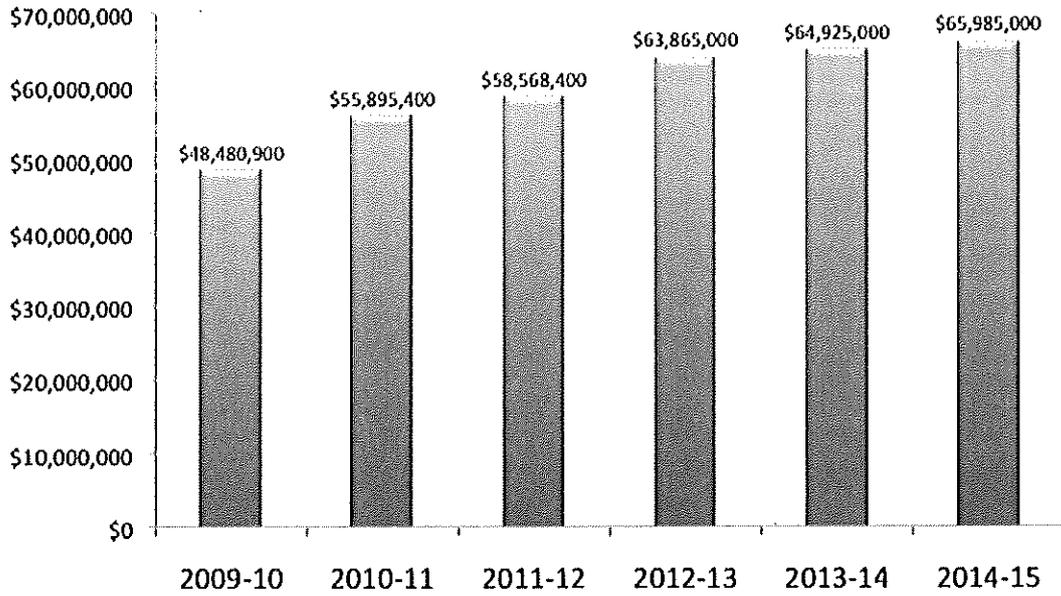
As mentioned on page 5, the funding system stipulated by HB 5493 would create a glide path for the state to transition away from the unsustainable line item approach to funding charter schools. Doing so will cost \$285 million through 2014-15, or a savings of \$72 million against the projected cost of continuing the line item approach during that period (which would cost approximately \$357 million).

In the final year of the transition in 2014-15, the annual cost to the state would be just \$2.7 million to support transition aid to districts, compared to the \$65.9 million that the current system is estimated to cost by 2014-15.

The only year this new system will cost more is 2011-12, which, as was mentioned above, the state could cover using a portion of the winnings from the Race to the Top, realizing even more savings than the estimated \$72 million.

Appendix: Charts and Tables

State Expenditures on Charter Schools under Current System
Total Cost: \$357,719,700



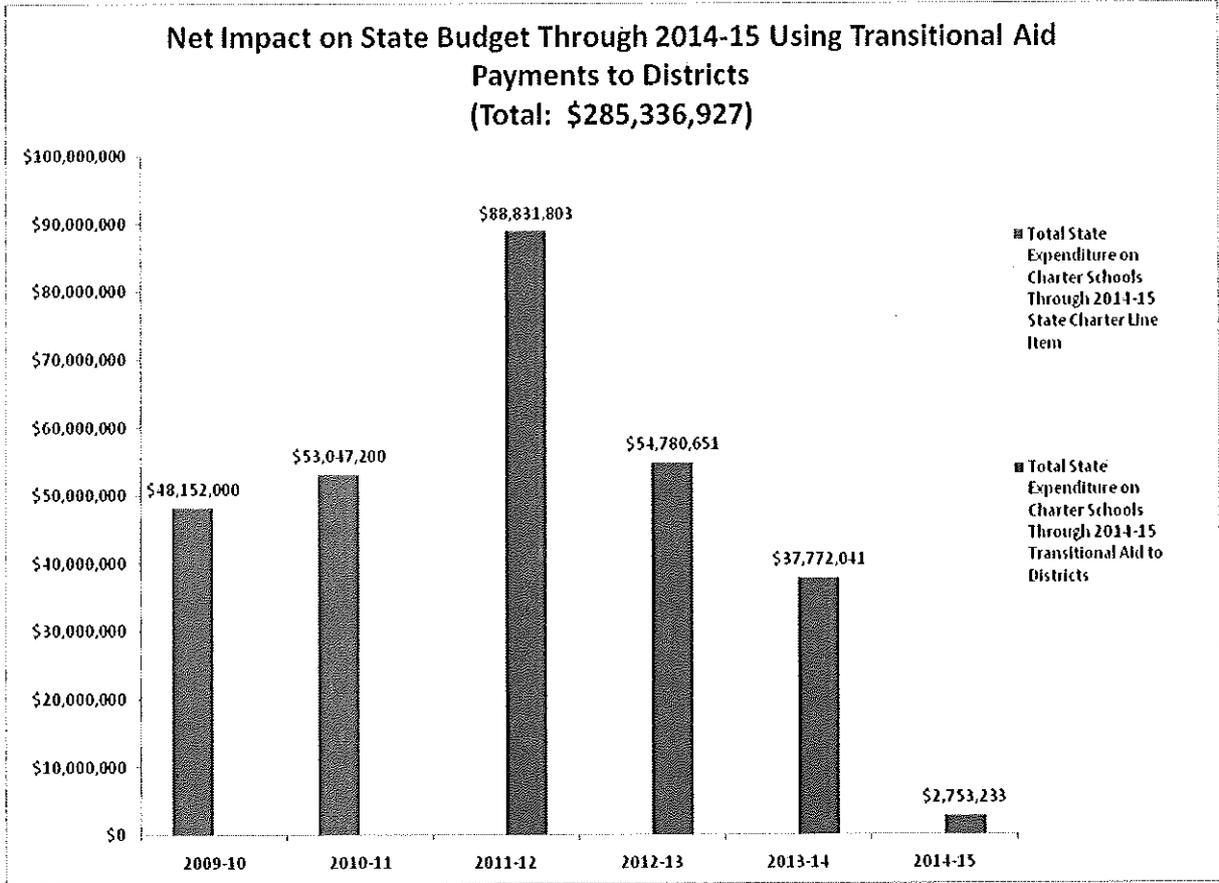


Table: Estimated Transfers from Districts to Charter Schools Under Proposal

**Note: Because of phased transitional aid to school districts, these transfers would not actually be fully implemented until the 2014-15 budget year. In 2011-12 the transfers would be 100% offset by transition aid to districts, 60% offset by transition aid in 2012-13, and 40% offset in 2013-14.*

Town	2011-12 Estimated Transfer
Old Lyme	\$3,518
North Haven	\$11,832
Derby	\$11,895
Plymouth	\$12,068
Shelton	\$12,098
Hebron	\$12,124
Bristol	\$12,446
Plainfield	\$12,587
Bethany	\$12,737
Barkhamsted	\$12,777
Rocky Hill	\$13,028
Simsbury	\$13,183
Canterbury	\$13,238
East Lyme	\$13,274
Branford	\$14,002
Putnam	\$14,196
Orange	\$14,245
Darien	\$14,430
Voluntown	\$14,820
Windsor Locks	\$14,916
Westport	\$17,504

Greenwich	\$18,413
Hampton	\$18,630
Canaan	\$21,883
Brooklyn	\$23,858
Andover	\$25,492
Lisbon	\$25,782
Granby	\$25,930
Wallingford	\$25,994
Farmington	\$26,342
Plainville	\$27,087
Middletown	\$27,848
Franklin	\$28,330
North Stonington	\$30,242
Norfolk	\$31,533
Ansonia	\$32,518
Thomaston	\$35,196
Somers	\$36,407
Salisbury	\$37,694
Glastonbury	\$38,213
Enfield	\$38,251
South Windsor	\$38,890
Canton	\$39,180
East Hampton	\$39,280
Newington	\$40,770
Sharon	\$42,892
Milford	\$44,631
Avon	\$49,824
Meriden	\$49,889
Sprague	\$55,216
Coventry	\$62,125

East Haven	\$66,642
Waterbury	\$67,202
Griswold	\$74,662
New Hartford	\$83,546
East Windsor	\$92,094
New Britain	\$95,883
Bozrah	\$99,107
Litchfield	\$100,501
Windham	\$109,391
Wethersfield	\$110,763
Montville	\$121,592
Waterford	\$132,482
Ledyard	\$140,490
Vernon	\$161,510
Torrington	\$170,982
West Hartford	\$236,082
Stratford	\$254,752
Preston	\$263,766
Groton	\$365,682
Winchester	\$469,597
West Haven	\$476,995
Windsor	\$650,237
East Hartford	\$804,414
Bloomfield	\$1,047,481
Hamden	\$1,621,385
New London	\$1,801,614
Manchester	\$2,030,020
Norwalk	\$3,272,209
Norwich	\$3,575,314
Stamford	\$4,426,182