

CHAPTER 3 – IMPACT OF CHARTER SCHOOLS ON METROPOLITAN NASHVILLE PUBLIC SCHOOLS

BACKGROUND

Charter schools were conceived in the early 1990s as a new type of public school that would be free from many laws and administrative mandates imposed on traditional public schools. Charter schools would be incubators for innovation, benefitting the public education enterprise as a whole through their example as well as benefitting the students they served. Their proponents saw charter schools as a means to respond to the difficulties faced by low-performing public schools, particularly those in urban areas. Charter schools would have more flexibility to respond to the particular needs of struggling students yet still be held accountable for performance at expected levels. As a result, legislation in many states began by authorizing charters to serve primarily at-risk students.

A hallmark of charter schools in Tennessee and across the country is their exemption from some of the laws and rules that apply to public schools. In addition to exemptions noted in statute, Tennessee charter schools may obtain waivers through the authorization process. They may also apply to the school board or the state commissioner of education at a later time for waivers. In exchange for flexibility in operations, Tennessee charter schools are expected to serve as a source of reform and innovation in education. They should also fulfill some or all of these other purposes: improve student learning, close achievement gaps among student subgroups, provide options for parents, create new professional opportunities for teachers, apply innovative teaching methods, and exchange flexibility at the campus level for greater accountability for student performance.

CHAPTER HIGHLIGHTS

- Charter school enrollment has grown dramatically since the first charter was opened in 2003.
- High performing charter schools offer an opportunity for the School System to improve the academic performance of its students. Therefore, there is a demand in the community to expand alternatives to persistently low performing traditional schools.
- Financial resources must be repurposed when a student transfers from the School System to a charter school.
- The School System requires a means of capturing and recovering indirect and administrative costs associated with charter schools.
- Better communication, coordination of services, and information sharing would enable the School System and charter schools to optimize educational resources.

CHARTER SCHOOL LEGISLATION IN TENNESSEE

The Tennessee Public Charter Schools Act (2002) provides Tennessee with an “alternative means within the public school system for ensuring accomplishment of the necessary outcomes of education by allowing the establishment and maintenance of public charter schools that operate within a school district structure but are allowed maximum flexibility to achieve their goals.” Traditional public school district boards may authorize charter sponsors to open and operate a school, they may convert existing schools to charter status by board action, and they may convert a school to charter status in response to a petition from parents or faculty. In addition, a sponsor organization may seek a charter from the state’s Achievement School District.

Charter school authorizers are urged to follow a standard application evaluation process. Authorizers accept charter applications by April 1 for schools to open in the fall of the next year. Once the charter agreement is signed and in place, the local board determines whether the school is meeting the terms set out in the charter, but it does not govern the school. Similarly, neither the state board of education nor the state education agency governs charter schools. Each charter school is governed by an independent body that establishes the programs, hires staff, and sets the expenditure budget for the school. Each year the charter school submits audit and performance reports to the authorizer and to the state education agency.

In overseeing charter school sponsors, the authorizing school district may revoke the charter for a material breach of charter agreements. The charter school sponsor could appeal the authorizer’s decision to deny or revoke a charter. Over the period 2002 to 2013, 67 sponsors in Tennessee appealed when their applications were denied, 21 successfully. Of the 21 successful appeals to the state, 17 were all part of the same set of applications denied for “fiscal impact” by Memphis. Only two successful appeals occurred in Nashville. The authorizing board evaluates academic and operating performance of charter schools, and each year charter schools report on operational and academic performance to the Comptroller’s Division of Local Government Audit. The Metropolitan Nashville Public Schools (the School System) has a districtwide accountability system called the Academic Performance Framework that it uses to rate an individual school on academic progress, academic attainment and college readiness, reduction of achievement gaps, and measures of school culture.

Originally, the Tennessee charter school law limited student eligibility to attend charter schools to those students in low-performing schools or students eligible for free and reduced-price lunch. In 2009, Tennessee lawmakers amended the Public Charter Schools Act of 2002 to expand enrollment to all students, increase the cap on the number of charter schools, and expand the role of the state board of education in the authorizing process. In 2011, more requirements were removed along with the cap on the number of charter schools permitted in Tennessee. Charter schools are not subject to school zones within a school district and are now open to any student in the district (and to students outside the school district, if permitted in the charter agreement). The law provides enrollment guidance to charter schools with more applicants than capacity allows.

From 2002 to 2011, local boards of education were the only authorizing bodies. In 2011, legislation passed to enable the Achievement School District to authorize charters to serve students zoned to schools labeled “priority” in the state accountability system. The Achievement School District is a statewide school district that authorizes charter school operators to take over and turn around low-

performing schools. Achievement School District schools opened in fall 2012, and the program is slowly expanding. One school, Brick Church Middle School, became part of the Achievement School District in 2012 and is called Brick Church College Prep. Currently, the Achievement School District serves about 4,200 students in Tennessee, with fewer than 300 of those students in Nashville.

In 2012, school districts were permitted to charge charter sponsors an application fee. They were also permitted to withhold Basic Education Program funds to cover required contributions to benefit programs. In 2013, the Tennessee General Assembly amended the Charter Schools Act to give charter management organizations that operate multiple schools ways to meet requirements for meaningful parent participation in governance. Bidding requirements are now consistent for all public schools, and sponsor-authorizer collaboration regarding whether a charter is a new school or a conversion school is permitted.

In 2014, the General Assembly passed legislation that gives the state board of education final authority over charter school authorization in school systems with at least one “priority” school. Previously, if the state board believed the charter appeal had merit, it remanded the appeal to the local board, giving the local board instructions to authorize the school. Now the state board may by-pass the local board and authorizes operation of the school directly. The decision of the state board is final and not subject to appeal.

Charter school funding follows the student. The authorizing district allocates funds to each authorized charter school in an amount equal to the per-student state and local funding the school district receives. Federal funds are also allocated to charter schools according to federal law and regulations. Charter schools may apply for and receive grants as well as receive gifts and donations. In 2013-2014, the School System’s charter school funding approached \$40,000,000 and is projected to be \$50,100,000 for the 2014-2015 budget year.

As charter schools have grown, the need for training and support has increased. In 2011, the state’s Director of Charter Schools provided training to local school boards to help them serve as effective charter authorizers. The National Association of Charter School Authorizers provides professional support to authorizers. The National Association of Charter School Authorizers evaluated the School System’s authorizing practices and awarded it a substantial grant to support development of its performance management framework and its renewal, replication and closure applications, policies and procedures.

In addition to state and national support resources, the Tennessee Charter School Association and the Tennessee Charter School Incubator have provided leadership training and professional development for charter school administrators, educators, and sponsors. In 2013, the Association and the Incubator merged to form the Tennessee Charter School Center. The Center now provides charter school incubation and support, as well as policy and advocacy services.

The state education agency works with school districts, the Charter School Center, and others to identify and disseminate best practices. For the period August 2011 through December 2012, the Tennessee Department of Education awarded start-up grants to 15 charter schools approved by local boards.

THE SCHOOL SYSTEM'S CHARTER SCHOOL HISTORY

The School System opened its first charter school in 2003, a year after the Tennessee General Assembly passed the state's charter school law. Consistent with requirements at the time, charter schools were open only to students eligible because of family income level or because of assignment to the attendance zone of a low-performing school. The first charter school was Smithson-Craighead Academy, an elementary school. The sponsors were approved to open a middle school in 2009. However, Smithson-Craighead Middle School closed at the end of the 2012-2013 school years due to persistent performance problems. Smithson-Craighead Academy remains open and is improving rapidly.

KIPP Academy Nashville middle school opened in 2005. The LEAD Academy middle school opened in 2007 and added grades 9 through 12, one grade at a time, in the years 2010 through 2013. New Vision Academy opened in 2010 for students in grades 5 and 6.

The Nashville mayor led the creation of the Tennessee Charter School Incubator in 2009. The purpose of the Incubator was to support new leaders of charter schools and to support experienced school leaders who want to transform low-performing schools. The expectation for performance was that within two years of attending an incubated charter school, students will score at proficient or advanced levels on state tests and gain more than one year of academic growth. The Incubator later merged with the Tennessee Charter School Association to create the Tennessee Charter School Center. The Center supports student achievement growth and professional development. It also helps recruit board members and school staff for new charter schools during the early launch stage.

Expansion of charter schools in Nashville has led to other changes. The School System created an administrative position to manage charter school applications and oversee requirements for compliance. In December 2010, the School System's board, the mayor, and the director of schools signed a compact pledging to work together to support excellent education for all students. The Nashville Compact centered on four shared commitments:

- To rely on, cultivate, develop, and support highly effective school leaders and teaching professionals.
- To disseminate and implement at scale schools that are student-centered, pursuing innovation, and actively sharing demonstrated best practices.
- To empower parents by offering meaningful choices for students and developing creative ways to engage families in the design and success of their school.
- To collaborate as partners in the city-wide effort to provide an excellent education for all students and, as partners, work to share best practices between classrooms, schools, and leaders.

To determine the perceptions of those most involved in the development of the Compact, a survey was conducted between December 2012 and January 2013 to gather feedback on each of the district, charter, and jointly-made commitments in the Compact. Made available to all charter schools, the School System's board and central office staff, city officials, and the Nashville Chamber of Commerce, it identified a number of strengths and challenges that resulted in recommendations for improvement (**Exhibit 3-1**).

Exhibit 3-1
Compact Strengths, Challenges, and Recommendations

Strengths	Challenges	Recommendations
District and charter commitment of high-performing schools regardless of type.		Involve all interested community and school stakeholders in a strategic planning process to chart a course for charter growth and district pursuit of high-performing schools.
	Collaborate on the ways to cultivate, develop, and support highly effective school leaders and teachers.	Continue discussions among school operators, the Tennessee Charter School Center, and district's human capital division aimed at expanding efforts to attract effective school leaders and teachers.
Charter access to and participation in certain areas of professional development.	Encourage greater involvement by charter personnel in professional development related to instructional matters including common core implementation.	
	Reduce the lack of trust related to the sharing of facilities.	Involve district, charter, and city leaders in efforts to ensure that district facilities are appropriately shared without contributing to rapid, unplanned, and unsustainable expansion.
Charter access to district teacher recruitment tools including website and teacher fairs.		
District/charter meetings offering opportunities for sharing lessons learned across school types such as the Shared Practices Fellowship at Lipscomb University.		Build sustainability for communicating best practices through improved structural and formal collaboration.
District providing access to surplus materials, purchasing economy, data-sharing, and other direct services.	Determine why all charters do not take advantage of the opportunities related to accessing district direct services.	Ensure that all charters are knowledgeable concerning the opportunities available to access district direct services.
District/charter commitment to ensuring charters serve students equitably.		
District authorizing and oversight functions embracing National Association of Charter School Authorizers principles.		
District/charter efforts to develop common data measures for high-performing schools.		
District efforts to engage and inform parents about school options and choices.		
District ensuring charters have equitable access to Federal grants and programs.		
District funding transparency ensuring 100 percent of per pupil funding is transferred to charters.		

Source: Implementation Annual Report 2012, Metropolitan Nashville Public Schools' Office of Innovation.

In November 2010, the School System's board approved three new charter schools to open in fall 2011: Drexel Preparatory Academy, Liberty Collegiate Academy, and Nashville Preparatory. At the beginning of the 2011-2012 school year, Nashville had 11 charter schools serving 2,204 students.

By the 2012-2013 school year, Nashville had 14 charter schools including Brick Church College Prep serving 3,859 students. During the 2012-2013 school year, the School System's charter school student population was overwhelmingly minority and low-income (more than 90 percent for each category). Special education students made up 12 percent of the charter school enrollment, and English language learners made up 6 percent.

In fall 2013, five new charter schools opened, and by February 2014, the School System had 17 charters and one charter school (Brick Church College Prep) governed by the state's Achievement School District. Four more schools are scheduled to open in fall 2014 and seven more in 2015 for a total of 26 charter schools or 27 including Brick Church College Prep. The School System's enrollment has been growing at about two percent per year between 2008-2009 and 2013-2014, with enrollment approaching 83,000 students in 2013-2014, up from 75,049 in 2008-2009. The School System's budget for charter schools is growing as well. The School System has 19 schools operating or authorized to open in the 2014-2015 school year. Charter school outlays have grown from approximately \$4,600,000 in 2009 to almost \$50,100,000 projected for 2015. During the same period, general fund operating expenses have increased from approximately \$618,000,000 in 2009 to \$790,000,000 projected for 2015.

LOOKING FORWARD

Educators and policymakers across the country are watching the state of Tennessee and the city of Nashville to see how innovation and reform are supporting student achievement. According to a member of the School System’s board of education, the board has supported family choice for many years with magnets, charters, and specialty schools. They view charter schools as “key components in our school improvement strategy” but assert that the current growth rate of charter schools and related growth of required payments to charter schools are not sustainable into the future.

The School System is at a crossroads with respect to planning for the future. The community is seeking to create the right mix of traditional schools, charter schools, and other choice schools, but evidence-based guidance in this matter is lacking. Over time, more data and operating experience will be assets to planning, including financial planning for the system as a whole.

Academic Performance Framework results (and state accountability ratings) for the entire district (including the charter schools) point to the need for leadership in turning around low-performing schools or closing some schools entirely. Creating new or transformed schools and helping average schools do even better should engage stakeholders from all parts of the School System. Information exchange, expansion of best practices, and collaborative activities to improve the capabilities of educators are likely to enable the School System to grow while maintaining and improving quality of academic and operating performance.

FISCAL IMPACT OF CHARTER SCHOOLS

The Tennessee Public Charter Schools Act (the Act) is contained in Tennessee Code Annotated 49-13-101 through 137. The law states that public charter schools are part of the state public education system and receive public funding through the School System. Charter schools are opened after reaching an agreement with the local school district. The state allots a per pupil amount through a combination of state and local revenues, which are part of the Basic Education Program based on average daily membership to fund the cost of education for charter school students. When students transfer to a charter school, the state and local revenue allotment follows them to their new school. The School System retains much of the costs because teachers and other school staff do not necessarily leave to work in the charter school. Charter school leaders are able to recruit and hire their own staff, and teachers are able to decide if they want to work in a charter school. Over time, the School System may strategically realign assets in order to reduce expenditures where they are no longer needed (eliminate underutilized storage, transportation, buildings, etc.)

The Act states in 49-13-112 (b) (3) (B) on funding that, *“Allocations to the charter school may not be reduced by the local education agency for administrative, indirect or any other category of cost or charge except as specifically provided in a charter agreement. ... If the charter agreement includes an agreement with the local education agency for administrative or other services, then the local education agency may withhold funds to cover the costs of those services.”*

The School System has separate charter agreements with each charter school. Typically, the agreements are five years for the initial term with five additional years that renew automatically. The most recent charter school contract template, which was renewed in 2014, contains the following fee for service provision:

“The Parties may enter into a separate fee for services agreement, for the provision of services not already identified in this agreement by the Chartering Authority to the Charter School (e.g., computer network services, food services, exceptional education providers, Electronic Registrar Online/School net professional development service). Failure of the Charter School to enter such an agreement shall not be grounds for revocation or non-renewal of this Agreement.”

During the initial charter school years, the School System charged charter schools the same indirect cost rate percentage charged on federal and grant funds for administrative services. In 2008, the state attorney general ruled that the practice was illegal and the School System discontinued the practice because of the political friction it was causing in the charter community. Following the attorney general’s opinion in 2008, the law was changed to include the provision allowing administrative charges if they are included in the agreement with the charter. This issue has received much attention during the latest state legislative session, and the Comptroller’s Office of Research and Education Accountability is studying the issue.

The National Association of Charter School Authorizers is an organization dedicated to advancing excellence and accountability in the charter school sector and to increasing the number of high-quality charter schools across the nation. According to the organization’s website, “National Association of Charter School Authorizers works to improve the policies and practices of authorizers—the organizations designated to approve, monitor, renew, and, if necessary, close charter schools. National

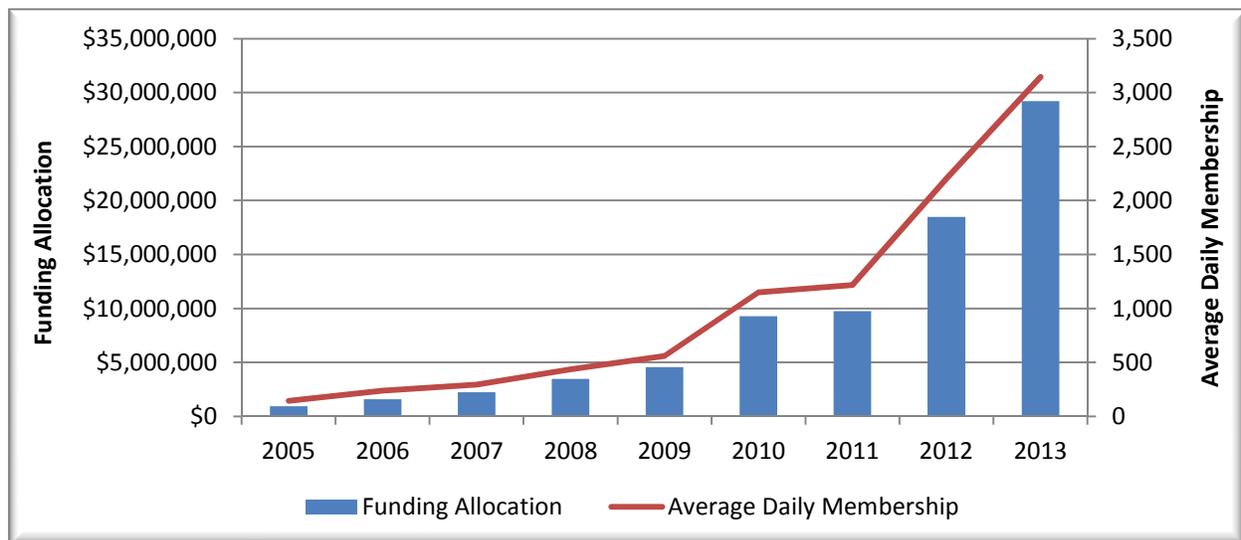
Association of Charter School Authorizers provides professional development, practical resources, consulting, and policy guidance to authorizers. It also advocates for laws and policies that raise the bar for excellence among authorizers and the schools they charter.”

In 2013, National Association of Charter School Authorizers published a report entitled, “The State of Charter School Authorizing.” The report examined adoption of National Association of Charter School Authorizers’ best practices, known as Essential Practices, by charter school authorizers. National Association of Charter School Authorizers considers adoption of these practices a principal yardstick for measuring authorizer performance. The report summarizes findings of a comprehensive national survey that covers authorizer adoption of Essential Practices, as well as important context about the evolution of the authorizing profession itself.

In a section of the report entitled, “Where the money comes from”, researchers found that just over half of authorizers receive fees deducted from school payments to support their operations. A fifth (20 percent) reported that they are funded at least in part through the budget of a parent organization. The majority of local education agency authorizers report receiving funding from oversight fees (58 percent) and just under half report funding from the district budget (48 percent).

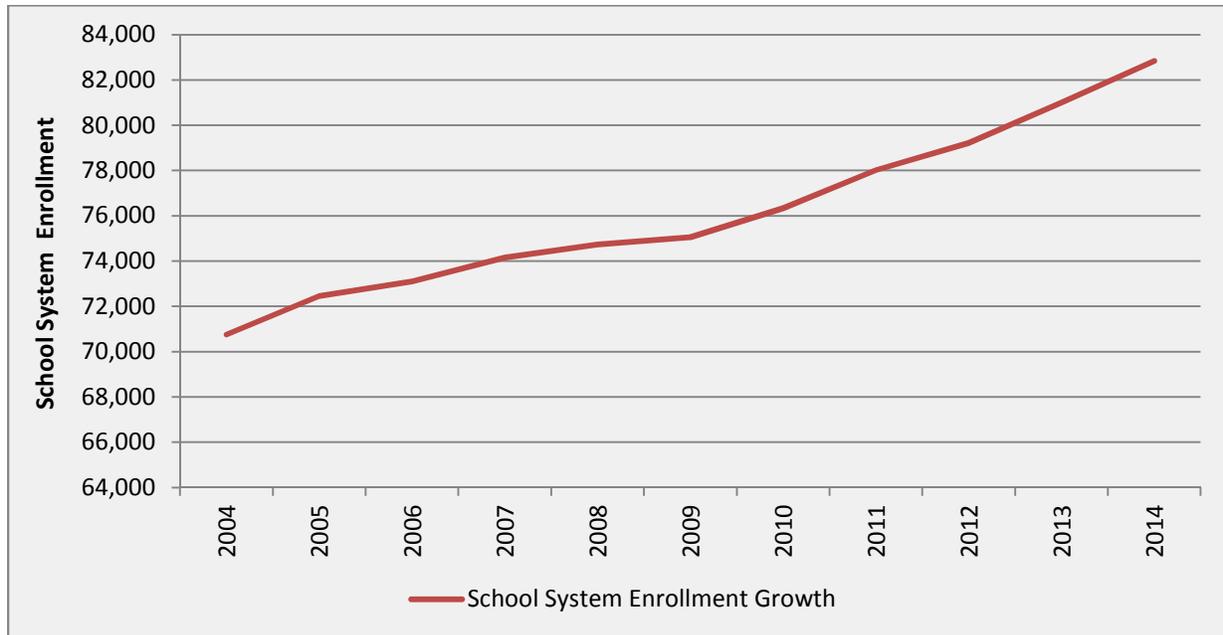
Ensuring that the School System recovers a fair portion of its cost is critical in light of the increase in charter school allocations over the years. **Exhibit 3-2** shows the historical trend for the state and local revenue per-pupil allocation, which increased 44 percent from \$6,463 in Fiscal Year 2005 to \$9,283 in Fiscal Year 2013. **Exhibit 3-3** shows School System’s enrollment growth from Fiscal Year 2004 to 2014.

Exhibit 3-2
Charter School Total Allocations, Fiscal Years 2005-2013



Source: Metropolitan Nashville Public Schools Director of Budgeting and Financial Reporting. Actual Charter School Payments.

Exhibit 3-3
Metropolitan Nashville Public Schools' Enrollment Growth
Fiscal Years 2004 through 2014



Source: Schedules of Enrollment provided by Metropolitan Nashville Public Schools.

During Fiscal Year 2012, the budgeted per pupil charter school allocation was \$8,385. For Fiscal Year 2015, the allocation will be \$8,758. The charter school allocation for Fiscal Year 2015 is estimated to be approximately \$50,000,000. This amount represents an increase of 184 percent since Fiscal Year 2012.

During the same period, the School System's operating budget increased 17 percent from approximately \$674,000,000 in Fiscal Year 2012 to a projected \$790,000,000 (includes a \$16,000,000 transfer to debt service) in Fiscal Year 2015.

Exhibit 3-4 provides an overview of budgeted charter school allocations from Fiscal Years 2012 through 2015.

**Exhibit 3-4
 Budgeted Charter School Allocations
 Fiscal Years 2012-2015**

Description	FY 2012	FY 2013	FY 2014	FY 2015	Percent Increase FY 2012-2015
Per Pupil Rate	\$8,385	\$9,283	\$9,015	\$8,758	4%
Budgeted Charter Allocation	\$17,666,000	\$25,191,600	\$39,454,500	\$50,096,500	184%
Total Operating Budget	\$674,034,800	\$720,420,300	\$746,420,300	\$790,067,500 *	17%
Charter Enrollment	2,204	3,146	4,350	5,450	147%
Charter Enrollment Annual Increase	81%	43%	38%	25%	

Source: Metropolitan Nashville Public Schools Budget Book for Applicable Years. Metropolitan Nashville Public Schools Director of Budgeting and Financial Reporting.

*Includes \$16,000,000 for debt service

In addition to the property taxes, sales taxes, and state Basic Education Program funds that make up the General Purpose Fund shown in **Exhibit 3-5**, the School System also obtains federal, state, and local grants. Some of the grant funds are transferred to charter schools as part of the Title I (disadvantaged youth), IDEA (disability education), and other programs. Nutrition funding is received on a per-student basis by School System run schools and additional amounts (not shown in **Exhibit 3-5**) by charter schools for nutrition programs. Charter schools may also directly obtain other grant funding in some cases. All Basic Education Program transfers to charter schools are budgeted within the General Fund line item.

**Exhibit 3-5
 Education Funding
 Fiscal Years 2014**

Selected Items	2014 Budget
General Fund	\$ 746,420,300
Nutritional Services Fund	\$ 42,058,900
Federal, State, Local Grants	\$ 84,598,000

Source: Metropolitan Nashville Public Schools.

Each year the School System allocates a higher percentage of its budget (5 percent in 2013-2014) to support charter schools since there is a higher percentage of its students attending those schools. Operating two systems of education under separate governance and administrative arrangements results in duplicative costs including unshared administrative costs.

When students transfer to a charter school, the revenue that the State of Tennessee mandates to be spent on a per-pupil basis by the School System through the state and local revenue per pupil allocation follows the student.

State and local revenue per pupil amounts are set by the state each year. In 2014, 47 percent of those funds were provided by the state to Davidson County. The remainder came from local option sales taxes and property taxes within Davidson County.

One challenge for the School System is that some of the costs to educate the departing students remain. Facility costs, teachers, and other staff do not necessarily go away once the students have left. The charter school hires its own teachers, and administrative staff, and must secure its own facilities. As a result, some residual fixed costs remain in the School System unless strategically eliminated by management.

Charter schools provide their own facilities through private donors and various financing techniques. As a result, the School System does not incur increased capital costs to pay for additional schools and classrooms. Seven of the 19 charter schools lease space from the School System, which provides an additional income to offset idle space costs.

Many believe that the additional costs are justified if the existence of charter schools result in higher student achievement. Many proponents of education reform believe that innovative and high-achieving charter schools can be an important part of improving educational outcomes. The US Federal Government supports this view.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the Act). This historic legislation is designed to stimulate the economy, support job creation, and invest in critical sectors, including education. The Act lays the foundation for education reform by supporting investments in innovative strategies that are most likely to lead to improved results for students, long-term gains in school and the School System's capacity, and increased productivity and effectiveness.

The Act provides \$4,350,000,000 for the Race to the Top Fund, a competitive grant program designed to encourage and reward states that are creating the conditions for education innovation and reform; achieving significant improvement in student outcomes, including making substantial gains in student achievement; closing achievement gaps; improving high school graduation rates; and ensuring student preparation for success in college and careers.

States receive points for implementing ambitious plans to reform education within the state. One aspect of the program designed to pave the way for more charter schools is: *... "ensuring successful conditions for high-performing charters and other innovative schools."* States receive 40 out of a possible 485 points for meeting this criterion.

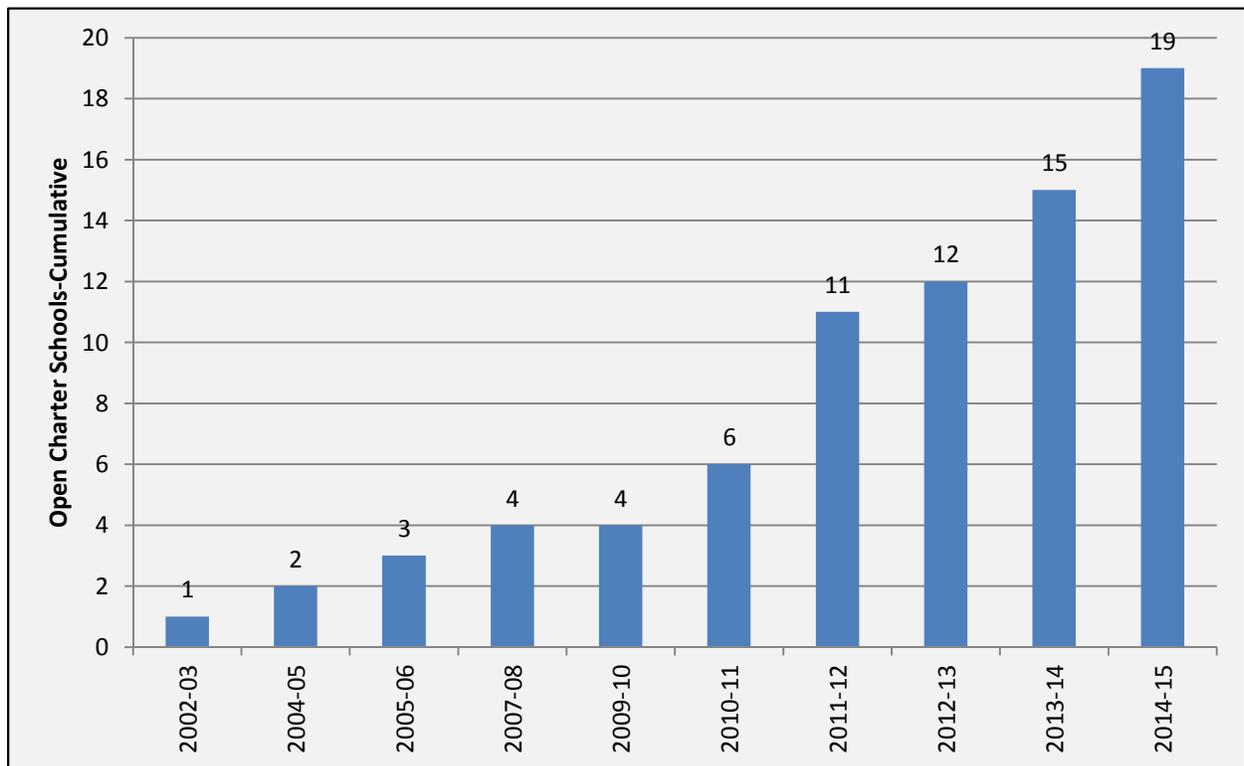
In March of 2011, Tennessee was announced as one of the first winners of a Race to the Top grant and was awarded \$501,000,000 to spend over four years (beginning in the 2010-2011 school year through the 2013-2014 school year).

Passed in May 2011, Public Chapter 466 amended Tennessee's charter school law Title 49, Chapter 13 by removing both the student eligibility limitations on charter schools and the statewide and local caps on the numbers of charter schools. Now, any student may attend a public charter school, and there is no cap on the number of charter schools that may be authorized across the state.

Several charter schools authorized since 2003 have closed operations. One closed during Fiscal Year 2010 after one year of operation. Smithson-Craighead Middle School closed during Fiscal Year 2013 after three years of operation. Two closed during Fiscal Year 2014 within three weeks of each other, one in April 2014, the other in May 2014. One closed after three years of operation, the other closed after two years.

Exhibit 3-6 shows the net cumulative growth in charter schools since Fiscal Year 2003. The exhibit accounts for charter schools that closed operations during the period. During the 2014-2015 school year, the School System will fund 19 charter schools.

Exhibit 3-6
Open Charter Schools-Cumulative
Fiscal Years 2003 through 2015



Source: Schedules of Charter School Enrollment and Allocations provided by Metropolitan Nashville Public Schools.

The School System has experienced considerable enrollment growth, however not as dramatically as that of the charter schools. Since the first charter school was authorized in Fiscal Year 2003, enrollment has grown from 70,759 students in Fiscal Year 2004 to 82,863 students in Fiscal Year 2014.

Exhibit 3-7
Average Annual Enrollment Growth Rate-Metropolitan Nashville Public Schools and Charters
Fiscal Years 2004-2014

Year	Metropolitan Nashville Public Schools' Enrollment	Charter School Enrollment	Percent of Enrollment
2004	70,759	149	0.2
2005	72,458	143	0.2
2006	73,109	239	0.3
2007	74,155	294	0.4
2008	74,733	435	0.6
2009	75,049	559	0.7
2010	76,329	1,148	1.5
2011	78,014	1,216	1.6
2012	79,212	2,204	2.8
2013	81,001	3,146	3.9
2014	82,863	4,350	5.3
Average Students Added Per Year	1,210	420	

Source: Schedules of Charter School Enrollment and Allocations provided by Metropolitan Nashville Public Schools.

REVENUE IMPACT

Exhibit 3-8 presents a profile of the School System’s operating expenditures, Basic Education Program per-pupil amounts, and charter school payments between fiscal years 2007 and 2013. Amounts for Fiscal Years 2014-2015 are the School System’s estimates.

**Exhibit 3-8
Metropolitan Nashville Public Schools Operating Expenses,
Basic Education Program Amounts, and Charter School Payments**

Fiscal Year	Per Pupil Rate Basic Education Program Charter Payments	Total Charter School Payments	Metropolitan Nashville Public Schools’ Operating Expenses	Charter School Payments as a Percentage of Operating Expenses	Charter Enrollment/School Enrollment
2007	\$7,559	\$2,223,102	\$548,839,563	0.4%	0.4%
2008	\$7,975	\$3,466,227	\$588,117,978	0.6%	0.6%
2009	\$8,176	\$4,571,921	\$618,147,204	0.7%	0.8%
2010	\$8,090	\$9,285,713	\$620,865,374	1.5%	1.5%
2011	\$8,013	\$9,741,228	\$640,391,112	1.5%	1.6%
2012	\$8,385	\$18,478,109	\$670,374,458	2.8%	2.8%
2013	\$9,283	\$29,202,006	\$714,441,258	4.1%	3.9%
2014 Estimated	\$9,015	\$39,454,500	\$746,420,300	5.2%	5.3%
2015 Estimated	\$8,758	\$50,096,500	\$790,067,500*	6.0%	6.4%

Source: Metropolitan Nashville Public Schools’ Budget Books for Applicable Years and Financial Information provided by Metropolitan Nashville Public Schools.

*Includes \$16,000,000 of transfers to the Debt Service Fund.

COST IMPACT

The key question for determining fiscal impacts is whether enrollment reductions allow a district to achieve expenditure reductions commensurate with revenue reductions. Fixed costs are incurred regardless of whether students attend traditional or charter schools. The problem is that some fixed costs, such as building maintenance, computer network infrastructure, and health services do not vary based on enrollment. Therefore, teachers and their salaries are a key cost driver tied to student enrollment. Also, mentioned earlier, the School System does not incur capital costs on behalf of charter schools since charter schools provide their own facilities. Seven of the 19 charter schools lease space from the School System, which provides an additional income to offset idle space costs.

However, it is not always possible to reduce teacher costs proportionate to losses in revenue. For these costs to be reduced significantly, the school would need to close altogether. In the long run, closing a school permits immediate reductions in expenditures on energy, maintenance, and janitorial staff. In addition, closing a school reduces the number of principals and clerical staff and facilitates achieving the teacher and staff reductions.

Determining the revenue appropriated when students leave the School System and transfer to a charter school is fairly straightforward. However, determining the cost impact on the affected school is more challenging because educational costs per student vary depending on student needs and demographics. For example different funding formulas are used for low-income students versus special needs or academically gifted students.

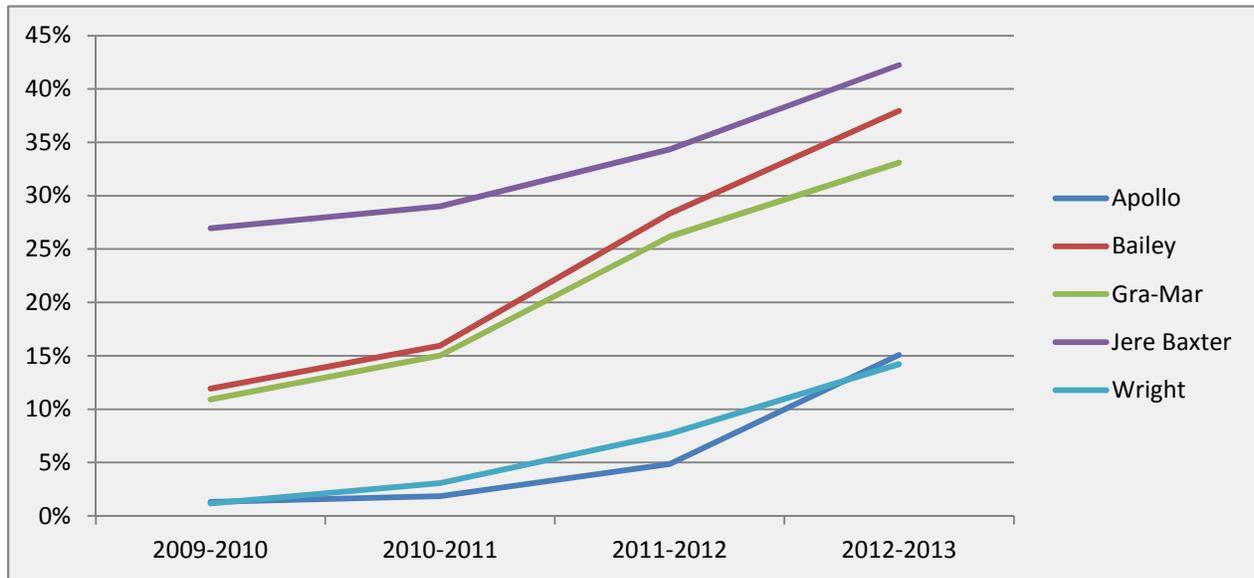
At the beginning of the school year, individual school budgets are established based on student attendance projections. Once school begins, school budgets are adjusted based on the day-20 student count. As staffing needs are evaluated, including the impact of attrition, teachers are moved around to accommodate the change in enrollment among all schools. This process further complicates isolating the cost impact of charter schools on individual schools.

The review team conducted a review of five schools that lost enrollment to charter schools between Fiscal Years 2010 through 2013. The following schools were selected based upon the increasing number of students transferring to charter schools each year. It should also be noted that other schools within the School System experienced little or no enrollment loss as a result of charter schools.

- Apollo Middle School
- Bailey Middle School
- Gra-Mar Middle School
- Jere Baxter Middle School
- Wright Middle School

Although the review team could not isolate the specific cost impact charter schools had on individual schools, we reviewed total enrollment for each school, students transferred to charter schools, expenditures per student, the number of teachers, and teacher cost per pupil information for each of the selected schools. What is clear from this analysis is that each of the selected schools has lost an ever increasing percentage of their enrollment to charter schools as shown in **Exhibit 3-9**.

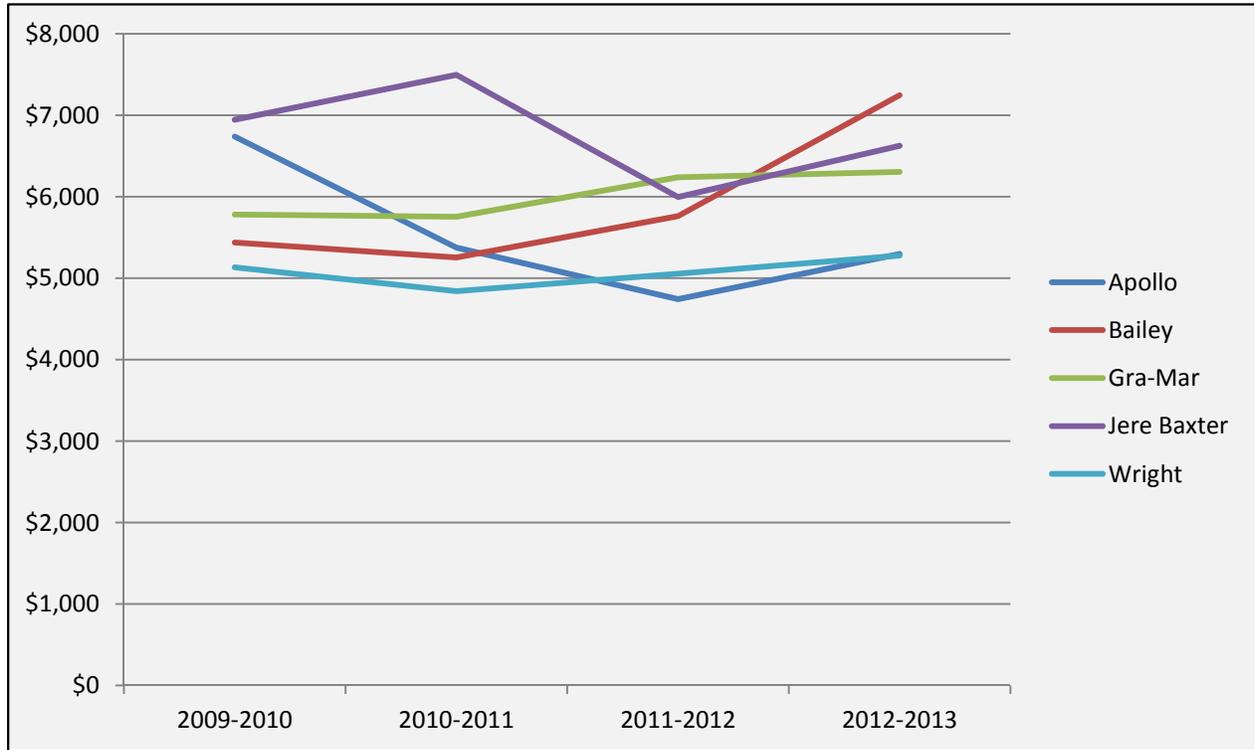
Exhibit 3-9
Transferred Students as a Percentage of Current Enrollment
Selected Schools Fiscal Years 2010 through 2013



Source: Information Provided by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

It is also clear that there is no consistent pattern for expenditures per student. Bailey, Gra-Mar, and Wright show increases in expenditures per student over the period while Apollo's shows decreases through Fiscal Year 2012 and a slight increase in Fiscal Year 2013. Jere Baxter shows an increase during Fiscal Year 2011, a decrease during Fiscal Year 2012, and an increase in Fiscal Year 2013.

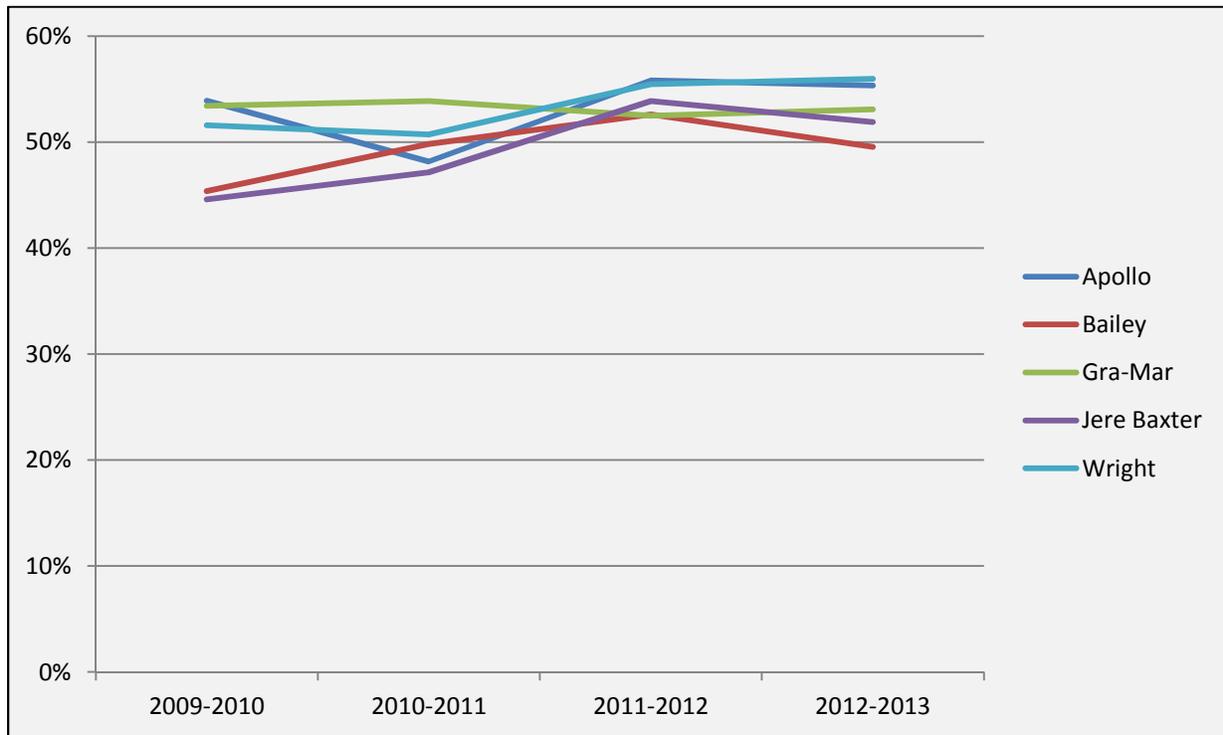
Exhibit 3-10
Expenditures per Student
Selected Schools Fiscal Years 2010 through 2013



Source: Information Provided by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

Teacher salaries comprise about 50 percent of General Purpose expenditures at the school level. This percentage is roughly the same for all the selected schools and remained fairly constant between Fiscal Years 2010 through 2013 as shown in **Exhibit 3-11**.

Exhibit 3-11
Teacher Salaries as a Percentage of Total Expenditures



Source: Information Provided by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

At a high level, it is difficult to establish a correlation between the number of students transferring to charter schools and the fiscal impact on costs at individual schools. Too many factors come into play such as student demographics, teacher experience, grade level, staffing formulas, inflation, and other variables.

The review team used correlation analysis in an attempt to identify a relationship between transfers of students to charter schools and cost variables such as teacher compensation. A correlation coefficient is a statistical measure of the degree to which changes to the value of one variable predict change to the value of another. In positively correlated variables, the value increases or decreases in tandem. In negatively correlated variables, the value of one variable increases as the value of the other decreases.

Correlation coefficients are expressed as values between +1 and -1. A coefficient of +1 indicates a perfect positive correlation: A change in the value of one variable will predict a change in the same direction in the second variable. A coefficient of -1 indicates a perfect negative correlation: A change in the value of one variable predicts a change in the opposite direction in the second variable. Lesser degrees of correlation are expressed as non-zero decimals. A coefficient of zero indicates there is no discernable relationship between fluctuations of the variables.

The review team used Excel’s correlation function to calculate the correlation coefficients shown in **Exhibit 3-12**. Although some schools show strong correlations in some categories, overall results are inconsistent, and inconclusive. These results underscore the difficulty of isolating the cost impact of students transferring to charter schools. Too many other variables come into play. A much more detailed analysis would need to be conducted to isolate the fiscal impact at the individual school level.

Exhibit 3-12
Correlation Coefficients
Cost Impact of Students Transferring to Charter Schools

School	Students Transferred and General Purpose Expenditures	Students transferred and Teacher Costs	Students transferred and Expenditures per student	Students transferred and Teacher Costs Per Student
Apollo	0.77	0.74	-0.67	-0.43
Bailey	0.67	0.98	0.85	0.97
Gra-Mar	-0.98	-0.98	0.96	0.99
Jere Baxter	-0.74	-0.29	-0.52	0.39
Wright	0.80	0.87	0.63	0.86

Source: Information Provide by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

Exhibits 3-13 through **3-14** on present profiles of the schools selected for this analysis.

Exhibit 3-13
Apollo Middle School Profile
Fiscal Years 2009-2013

	Fiscal Year			
	2009-2010	2010-2011	2011-2012	2012-2013
Apollo Middle School				
Student Enrollment	459	489	947	775
Students transferred to Charters	6	9	46	117
Number of Teachers	27	22	52	48
Actual General Purpose (GP) Expenditures	\$3,091,850	\$2,627,497	\$4,489,158	\$4,103,980
Teacher GP Salary Costs	\$1,665,921	\$1,265,547	\$2,505,511	\$2,270,939
Expenditures per Student	\$6,736	\$5,373	\$4,740	\$5,295
Students transferred to Charters\Total Enrollment	1%	2%	5%	15%
Teacher Salary Costs per Student	\$3,629	\$2,588	\$2,646	\$2,930
Teacher Salary Cost per Student\Total Cost per Student	54%	48%	56%	55%

Source: Information Provide by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

**Exhibit 3-14
Bailey Middle School Profile
Fiscal Years 2009-2013**

Bailey Middle School	Fiscal Year			
	2009-2010	2010-2011	2011-2012	2012-2013
Student Enrollment	537	495	498	440
Students transferred to Charters	64	79	141	167
Number of Teachers	22	23	30	29
Actual General Purpose (GP) Expenditures	\$2,919,944	\$2,600,292	\$2,869,075	\$3,187,600
Teacher GP Salary Costs	\$1,324,765	\$1,295,236	\$1,509,204	\$1,578,838
Expenditures per Student	\$5,438	\$5,253	\$5,761	\$7,245
Students transferred to Charters\Total Enrollment	12%	16%	28%	38%
Teacher Salary Costs per Student	\$2,467	\$2,617	\$3,031	\$3,588
Teacher Salary Cost per Student\Total Cost per Student	45%	50%	53%	50%

Source: Information Provided by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

**Exhibit 3-15
Gra-Mar Middle School Profile
Fiscal Years 2009-2013**

Gra-Mar Middle School	Fiscal Year			
	2009-2010	2010-2011	2011-2012	2012-2013
Student Enrollment	532	506	443	426
Students transferred to Charters	58	76	116	141
Number of Teachers	26	23	26	30
Actual General Purpose (GP) Expenditures	\$3,074,802	\$2,910,828	\$2,763,445	\$2,685,241
Teacher GP Salary Costs	\$1,641,890	\$1,567,685	\$1,450,057	\$1,425,652
Expenditures per Student	\$5,780	\$5,753	\$6,238	\$6,303
Students transferred to Charters\Total Enrollment	11%	15%	26%	33%
Teacher Salary Costs per Student	\$3,086	\$3,098	\$3,273	\$3,347
Teacher Salary Cost per Student\Total Cost per Student	53%	54%	52%	53%

Source: Information Provided by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

**Exhibit 3-16
Jere Baxter Middle School Profile
Fiscal Years 2009-2013**

Jere Baxter Middle School	Fiscal Year			
	2009-2010	2010-2011	2011-2012	2012-2013
Student Enrollment	501	507	489	457
Students transferred to Charters	135	147	168	193
Number of Teachers	37	36	30	30
Actual General Purpose (GP) Expenditures	\$3,479,806	\$3,800,123	\$2,931,675	\$3,026,976
Teacher GP Salary Costs	\$1,551,435	\$1,791,625	\$1,579,423	\$1,570,354
Expenditures per Student	\$6,946	\$7,495	\$5,995	\$6,624
Students transferred to Charters\Total Enrollment	27%	29%	34%	42%
Teacher Salary Costs per Student	\$3,097	\$3,534	\$3,230	\$3,436
Teacher Salary Cost per Student\Total Cost per Student	45%	47%	54%	52%

Source: Information Provided by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

**Exhibit 3-17
Wright Middle School Profile
Fiscal Years 2009-2013**

Wright Middle School	Fiscal Year			
	2009-10	2010-2011	2011-2012	2012-2013
Student Enrollment	860	876	896	872
Students transferred to Charters	10	27	69	124
Number of Teachers	40	41	49	50
Actual General Purpose (GP) Expenditures	\$4,413,458	\$4,240,492	\$4,526,566	\$4,601,412
Teacher GP Salary Costs	\$2,276,606	\$2,149,724	\$2,509,806	\$2,575,173
Expenditures per Student	\$5,132	\$4,841	\$5,052	\$5,277
Students transferred to Charters\Total Enrollment	1%	3%	8%	14%
Teacher Salary Costs per Student	\$2,647	\$2,454	\$2,801	\$2,953
Teacher Salary Cost per Student\Total Cost per Student	52%	51%	55%	56%

Source: Information Provided by Metropolitan Nashville Public Schools through Budgeting & Financial Reporting and Student Assignment Service Departments.

Although the cost impact of charters schools on individual schools is difficult to determine without detailed analysis on a school by school basis, there are other administrative costs incurred by the School System, a portion of which could reasonably be allocated to charter schools based on benefits received. Presently, the School System does not allocate any administrative costs to charter schools. This issue is discussed in **Observation 5-A** in the Financial Management Chapter. Potentially allocable administrative cost categories and budgeted amounts for Fiscal Year 2014-2015 are shown in **Exhibit 3-18**.

Exhibit 3-18
Metropolitan Nashville Public Schools' Administrative Costs Benefiting Charter Schools

Function	Cost	Potentially Could be Shared with the Charter Schools based on Benefits Received?
Office of Director of Schools	\$ 739,800	Yes
Board of Education	\$ 417,600	Yes
Chief Financial Officer	\$ 353,600	Yes
Employee Benefits	\$ 784,400	Yes
Fiscal Services	\$ 1,398,200	Yes
Special Education Supervision	\$ 1,010,200	Yes
Attendance Services	\$ 350,100	Yes
Office of Innovation	\$ 238,500	Yes
Information Management & Decision Support	\$ 3,895,600	Potentially
Research & Evaluation	\$ 1,906,700	Potentially
ELL Supervision	\$ 1,175,300	Potentially

Source: Metropolitan Nashville Public Schools' Office of Innovation and Fiscal Year 2014-2015 Budget.

DETAILED OBSERVATION

OBSERVATION 3-A

The School System has not developed a means of capturing and recovering indirect and administrative costs incurred on services performed for charter schools.

In addition to providing funding for charter schools, the School System is charged with administering various paperwork, certifications, and benefits for the charter schools. However, the School System does not receive any revenue for these administrative activities and only receives reimbursement for direct services. Some departments have developed fee structures to charge charter schools for specific services provided. These include fees for food services, use of the common enrollment system, and transportation services. However, other legitimate indirect and administrative costs are not being identified and charged. For example, some of the coordinator of charter school's time is not being absorbed by charter schools even though the charter schools benefit from the coordinator's services.

The following are the benefits of developing a cost allocation plan.

- Allows the entity to recover administrative costs.
- Can be used to determine costs which allow the entity to charge the user directly.
- Helps the entity to determine how much to charge for its specific service costs.
- Enables an entity to manage funds more effectively by identifying all administrative/overhead costs placing the entity in a position to justify additional funding.

The School System has already identified activities throughout the system from which charter schools are benefiting. The costs of these activities could be tabulated and allocated to charter school based on relative benefit. **Exhibit 3-19** provides a sample of these activities.

Exhibit 3-19
Metropolitan Nashville Public Schools' Activities Benefiting Charter Schools

Department	Service(s)	Cost to School System	Cost to Charters
Office of Innovation	<ul style="list-style-type: none"> Charter Coordinator Contract review Accountability management General point of contact 	<ul style="list-style-type: none"> 1 FTE Office is probably understaffed given the # of charters and attention to accountability 	<ul style="list-style-type: none"> None
Benefits	<ul style="list-style-type: none"> Benefits enrollment and administration Calculate employee benefits Address questions and concerns 	<ul style="list-style-type: none"> 1-2 FTE Higher cost per FTE due to charters not having consistent data quality and process 	<ul style="list-style-type: none"> Charters pay the employer portion of benefits No charge for School System administration time
Human Resources	<ul style="list-style-type: none"> Process background checks and new hire forms Allow charters to send new hires to orientation 	<ul style="list-style-type: none"> FTEs for processing (number undetermined) No direct cost for attending already scheduled orientations 	<ul style="list-style-type: none"> Charter employees pay for background checks Don't pay for School System human capital FTEs to process
IT/Data/Training	<ul style="list-style-type: none"> SMS access through VPN and network "pipe" SMS training Assistance with inputting master schedules, calendars to state, and loading information to SMS eRate processing 	<ul style="list-style-type: none"> Cost of SMS access (incremental) and cost of internet access At least 2-3 FTEs for all of the data quality, data integrity work Percent of FTE for eRate 	<ul style="list-style-type: none"> None
Student Assignment Services	<ul style="list-style-type: none"> Managing lottery service and application Pulling student addresses for recruitment Charter school database 	<ul style="list-style-type: none"> Lottery service and software application Time to respond to charter requests for information 	<ul style="list-style-type: none"> \$1,500 for lottery service No charge for ad hoc reporting services
Student Services	<ul style="list-style-type: none"> Discipline coordinator when expulsion occurs 	<ul style="list-style-type: none"> Discipline coordinator's time 	<ul style="list-style-type: none"> None
Business Office & Purchasing	<ul style="list-style-type: none"> Processing Basic Education Program payments Managing ledger Send annual budget to state Processing contracts Negotiating contracts charters can "piggyback" on 	<ul style="list-style-type: none"> FTEs in business and finance operations (number undetermined) 	<ul style="list-style-type: none"> None

Exhibit 3-19
Metropolitan Nashville Public Schools' Activities Benefiting Charter Schools (Cont'd)

Department	Service(s)	Cost to School System	Cost to Charters
Operations	<ul style="list-style-type: none"> • Providing space/property for charter schools • Identifying possible sites 	<ul style="list-style-type: none"> • Rent, utilities, etc. 	<ul style="list-style-type: none"> • Charters pay \$5 per sq. ft. when using School System property
Federal Programs	<ul style="list-style-type: none"> • Help charters develop SIP and spending plan • Process spending plans and order purchases and/or personnel 	<ul style="list-style-type: none"> • FTEs for Title I Coordinator (number undetermined) 	<ul style="list-style-type: none"> • None
Central Services	<ul style="list-style-type: none"> • Process inventory • Provide mailroom services • Scan student records • Scan applications 	<ul style="list-style-type: none"> • FTE time • Incremental systems usage 	<ul style="list-style-type: none"> • Charged for mail services, but nothing else
Special Education	<ul style="list-style-type: none"> • Liaison to charters • Pull IEP's for new charters • Child Find, initial screening by, psychologists • Process IDEA payment • Assist with difficult IEP teams 	<ul style="list-style-type: none"> • FTEs (number undetermined) 	<ul style="list-style-type: none"> • A small percentage of IDEA money held back for liaison's salary; no other payments
EL Services	<ul style="list-style-type: none"> • Initial language assessment • Interpretation • Translation 	<ul style="list-style-type: none"> • Time 	<ul style="list-style-type: none"> • EL department has a price list to cover costs
Professional Development	<ul style="list-style-type: none"> • Training 	<ul style="list-style-type: none"> • Time 	<ul style="list-style-type: none"> • None

Source: Metropolitan Nashville Public Schools Director of Budgeting and Financial Reporting.

RECOMMENDATION 3-A.1

Include a provision in charter school agreements that allows for authorizer oversight fees and develop a cost allocation plan that supports the fees, which should be charged to charter schools that benefit from the School System's administrative services.

A cost allocation plan would provide the School System with support for developing authorizer oversight fees to recover some of the costs it incurs on behalf of charter schools. The chief financial officer should direct the director of Budgeting and Financial Reporting to identify, tabulate, and summarize all administrative and indirect costs that benefit charter schools. The director of Budgeting and Financial Reporting should establish a rational basis for cost allocation and develop a plan to distribute these

costs to the charter schools. The allocation plan should be updated each year and the costs should be allocated to new charter schools as they come online.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

OBSERVATION 3-B

Metropolitan Nashville Public Schools’ performance lags state and local expectations. High performing charter schools offer an opportunity to improve performance.

The Tennessee Department of Education reports that performance on state tests tends to be improving in math but that improvement is not as consistent in reading/language arts. In 2013, 25 elementary and middle schools and two high schools received a “Target” rating, meaning that student performance was well below expectations. An additional 29 elementary and middle schools and three high schools received a “Review” rating, meaning that the school needs attention and monitoring because performance is not at expected levels. These data demonstrate the broad need for performance improvement in the School System. Educators argue that it takes time--years in some cases—to turn around a low-performing school, **but students and families cannot wait for processes to unfold over long periods of time.**

In 2013, the Center for Research on Educational Outcomes at Stanford University reported that Tennessee’s charter school students outperformed their matched counterparts in traditional schools. Researchers report that charter school students in Tennessee gained the equivalent of an additional 86 days of learning in reading and 72 days in math per year. Data for Nashville alone were not reported.

Exhibit 3-20 shows charter school ratings on the School System’s Academic Performance Framework as well as state performance ratings.

Exhibit 3-20
Metropolitan Nashville Public Schools Charter School Performance
2010-2011 through 2012-2013

School Name	Grades Served	Academic Performance Framework Rating 2011*	Academic Performance Framework Rating 2012*	Academic Performance Framework Rating 2013*	State Rating 2012*	State Rating 2013*	Comments
Boys Prep	7-8			Target			Closed
Brick Church College Prep**	5-6						Now part of the Achmt. School District
Cameron College Preparatory	5-7			Review			
Drexel Preparatory Academy	K-6			Target			Closed

**Exhibit 3-20
 Metropolitan Nashville Public Schools Charter School Performance
 2010-2011 through 2012-2013 (Cont'd)**

School Name	Grades Served	Academic Performance Framework Rating 2011*	Academic Performance Framework Rating 2012*	Academic Performance Framework Rating 2013*	State Rating 2012*	State Rating 2013*	Comments
KIPP Academy Nashville	5-8	Satisfactory	Excelling	Excelling	Focus	Reward (progress)	
Knowledge Academy	5-8			Achieving			
LEAD Academy Middle School	5-8	Satisfactory	Satisfactory	Satisfactory			
LEAD Academy High School	9-12		Satisfactory	Satisfactory			
Liberty Collegiate Academy	5-8			Excelling	Focus	Reward (progress)	
Nashville Classical Charter School	K-1						Opened in Fall 2013 with K only
Nashville Prep	5-8		Excelling	Excelling	Focus	Reward (progress)	
New Vision Academy	5-8		Excelling	Satisfactory	Reward (progress)		
Purpose Prep	K-1						Opened in Fall 2013 with K only
Smithson-Craighead Academy	K-4	Target	Target	Target			
Smithson-Craghead Middle School	5-8	Target	Target	Target	Priority		Closed August 2013
STEM Preparatory Academy	5-8		Excelling	Excelling	Focus	Reward (progress)	

Source: Metropolitan Nashville Public Schools Academic Performance Framework data, 2014.

*Blank cells indicate that there was insufficient data to evaluate performance.

**Brick Church College Prep, founded in 2012, is a charter school within the Achievement School District. Brick Church Middle School is part of the School System and not a charter school. The two schools are located at the same physical address.

To track schools' progress, the U.S. Department of Education required that Tennessee identify three groups: Reward schools: Ten percent of schools throughout the state with the highest achievement or overall growth; Focus schools: Ten percent of Tennessee's schools with the largest achievement gaps; and Priority schools: The bottom five percent of the state's schools in terms of academic performance.

Of the 13 School System’s charter schools with data to evaluate in 2013, five had strong Academic Performance Framework ratings (“Excelling” and “Achieving”), three had “Satisfactory” ratings, and five had low ratings (“Review” and “Target”). In 2013, four charter schools received the state’s “Reward” rating for progress made. One school with performance problems, Smithson-Craighead Middle School, was closed at the end of the 2012-2013 school year. Brick Church College Prep was not a charter school and became part of the Achievement School District. It did not receive an Academic Performance Framework rating in 2013. Boys Prep and Drexel Preparatory Academy were also closed. Of the 16 charter schools shown in Exhibit 3-20, the Academic Performance Framework shows 13 charters with ratings: four with a ‘2013 Status’ of ‘excelling,’ one with an ‘achieving’ status, three with a ‘satisfactory’ status, one with a ‘review’ status, and four with a ‘target’ status. Two charter schools were not rated because they had ‘insufficient data’ one school –Brick Church College Prep—left the School System and did not have data to evaluate.

Several charter sponsors meet expectations for improved student performance (KIPP Academy, Liberty Collegiate, Nashville Prep, and STEM Preparatory). These better-performing schools all serve the middle-school grades, not elementary or high school. Over time, more data will be available and the School System’s leaders will have a clearer picture of charter school performance at all grade levels.

Immediate attention to low performance through charter conversion or other means of school transformation is critical for students. Best practices include using data to make informed decisions to guide instruction and support (**Exhibit 2-13, #7**). Data and rating systems for the School System are already in place, and educators are familiar with them. As soon as test, participation, and graduation results can be determined, the School System’s leaders should identify persistently low performing schools and immediately begin efforts to transform their progress.

District leadership already recognizes the need for school transformation and the potential for benefits that could come from charter schools. The 2014 Metropolitan Nashville Public Schools “Request for Proposals for New Schools” to open for the 2015-2016 school year establishes two priorities for new charter schools: conversion of traditional schools that are in “Target” status, and new schools in areas of Nashville where school enrollment exceeds capacity. In the future, the School System might also consider conversion of schools that are persistently rated in the “Review” category.

Offering strong charter school sponsors with a good track record in Tennessee the opportunity to operate and improve low-performing schools is a promising innovation, but not a sure thing. Not all charter operators or sponsors are skilled in turnaround efforts, so the authorizer needs to develop appropriate applications for turnarounds and to review promising applications with special care. Once a charter sponsor is approved to turn around a low-performing school, charter school experts and stakeholders need to work together to implement and monitor the changes. Simply handing off a low-performing school to a new operator—whether it is a charter operator or a school turnaround organization--and doing little else is a prescription for disappointment.

RECOMMENDATION 3-B.1

Move quickly to address problems of low performing schools throughout the district. Charter schools are one tool that can be used to transform school performance.

The reason for dispatch in transforming a persistently low-performing school has much to do with supporting students. Also important is the message that quick action communicates to stakeholders, policymakers, and the wider community. The School System will want to be seen acting quickly to support student achievement and put a halt to low or declining performance. Such action will reflect positively on the School System as well as the efforts at the schools in need of transformation.

The School System's administrators should develop a streamlined charter school application for eligible high-performing charter sponsors. Completion of the application would signal strong interest in transforming a school, and the School System's leaders should evaluate the application(s) and move forward more quickly than the typical process permits. If charter sponsors do not apply to transform a persistently low-performing school, then the district leaders should be poised to work with experts at local and regional universities and think tanks as well as high-performing leaders already working within the district to begin the transformation process as quickly as possible.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

OBSERVATION 3-C

There is little communication and coordination between charter schools and public schools and among charter schools resulting in little sharing of information and effective practices or coordination of services to optimize resources.

A primary rationale for the creation of charter schools was to encourage innovation and experimentation that could be exported into the traditional schools." However, in the past two decades since charter schools started operating, both public school and charter school educators agree that "very little of what has worked for charter schools has found its way into regular classrooms." Collaboration between the two groups has been stymied by competition for students, resources, and funding and by critical and hostile perceptions of each other. This national pattern is also evident in the School System. Community stakeholders' perceptions of charter schools in the School System are mixed. While some community members indicated that the charter schools appear to be the better schools in the system, others considered the charter schools a liability as they "drain our best students from our general schools." Community stakeholders would like the School System to decide whether or not charter schools are part of the district. If the response is affirmative, then the School System should "treat the public charter schools better and as part of the district." While the School System has within its Office of Innovation (iZone) a Charter Schools department headed by a coordinator whom charter school principals consider supportive and helpful, charter school principals have encountered barriers to the School System's resources, especially to data. Charter school principals indicated that the School System assigns lower priority to their data requests and takes a long time to respond. Similarly, charter school teachers indicated that while public school teachers have personal access to the School System's professional development system, charter schools are limited to one point of contact with the professional development system, making it more cumbersome for charter school teachers to review offerings and register for them. Some charter school administrators fault the School System for not allocating enough resources to charter schools, especially those that are struggling, and for treating charter schools as a "separate entity."

Both charter school principals and staff interviewed are cognizant of a lack of understanding among public school staff and among the community of what charter schools do. These interviews revealed little formal communications between charter schools and their public school counterparts, regardless of proximity.

Although the District-Charter Collaboration Compact the School System signed in 2012 calls for “actively sharing demonstrated best practices through improved structural and formal collaboration,” interviews of both charter school and public school administrators and staff showed the absence of exchange of such information. The review team identified effective practices charter schools developed and implemented, but information on those practices has not been communicated to other schools or shared. The School System does not offer any formal opportunities for communication and coordination with public school administrators and staff. While the School System’s programs and services such as professional development are open to charter school staff, their participation is selective, reflecting their needs.

There is also little communications and collaboration among the charter schools. Charter schools, according to several charter school principals “do not speak with one voice.” Communication and collaboration among charter schools is fragmented, reflecting their own interests and academic standing. While the District-Charter Collaboration Compact encourages enhancing efficiencies through shared services contracts, collaboration in areas such as food services, transportation and purchasing is just emerging, involving only three of the charter schools.

There is a growing body of evidence of promising and effective cooperative practices between charter schools and traditional public schools. Collaboration involves a wide range of areas from instruction, teacher training, and administration to facilities and transportation. For example:

- The Somerville School District, Massachusetts is collaborating with Prospect Hill Academy, a K-12 charter school, in the adaptation and implementation of the charter school’s Collaborative Inquiry model in its two lowest performing schools to improve classroom instruction and student achievement. The model is being implemented by a joint administrative team. The three schools share an instructional coach and project coordinator. Implementation has shown significant academic improvement in the schools.
- Eight charter schools and 15 public school districts in the Santa Clara County, California formed a consortium to implement the Silicon Valley New Teacher Project. The teacher induction project aims to improve student learning by accelerating teacher effectiveness. Using this induction program, teachers are able to achieve in their second year results similar to teachers in their fifth year. This program is particularly helpful to charter schools whose teacher turnover is high.
- Hill View Montessori Charter and the Haverhill Public Schools, Massachusetts have maintained a strong relationship since the charter school’s inception in order to maximize limited resources. The charter school’s philosophy incorporates a positive attitude to the public school district. The charter school founders informed the public school district about their plan to start a charter school and discussed potential impact on the district. They continued communicating with the district throughout the process about areas likely to affect the district. The open communications established trust and led to collaboration. The district gained financially by leasing a building to the charter school and the charter school gained by obtaining lower

electricity rates through the district. The two also shared transportation, allowing greater utilization of the buses.

RECOMMENDATION 3-C.1

Increase communication and sharing of information on effective practices between charter schools and public schools to maximize instructional, administrative and financial resources.

The director of schools, chief academic officer, and the executive director of Innovation jointly with a team of charter school principals should build on the District-Charter Collaboration Compact in developing and implementing a plan to increase formal communication and sharing of information on effective practices.

- The team should identify and review promising or proven charter school – public school best practices on communication and collaboration in a range of areas.
- Determine which of these practices are most applicable and financially advantageous to the School System.
- Initiate a formal plan for the continuation of the District-Charter Collaboration Compact implementation. Make the School System and community aware of the plan and refine it based on their input.
- Assign the Charter Schools coordinator in the Office of Innovation and a chief academic officer designated staff member to assist with and oversee the implementation of the plan.
- Track and assess communication, sharing, and implementation of effective practices across charter and public schools.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

RECOMMENDATION 3-C.2

Encourage communication and collaboration among charter schools to maximize instructional, administrative and financial resources.

The Charter School coordinator should work with charter school principals to identify common issues and areas of operation that can be optimized using collaboration.

- Charter schools principals should schedule periodic meetings to discuss common issues and challenges and develop strategies to address these.
- Charter school principals should follow-up on the effectiveness with which these issues and challenges have been addressed, refine existing strategies and develop additional strategies and tactics, as needed.

- Charter school principals should increase their presence in the School System and advocate for their schools.
- Once charter school principals identify areas for collaboration and determine the most efficient way to collaborate, collaborating schools should assess the fiscal impact (savings) the respective collaboration will yield, and prepare a memorandum of understanding describing the collaboration, each partner's responsibilities and roles, and expected outcomes.
- Collaborating partners should review their collaboration effort annually and make appropriate modifications to improve efficiency and outcomes.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

OBSERVATION 3-D

There is recognized demand for the establishment of additional charter schools to offer a systemic alternative to parents and children attending persistently low performing traditional schools.

The analysis presented in **Observation 3-C** is based on the criteria the School System's board established in 2014 regarding the location of new charter schools: conversion of traditional schools that are in "Target" status, establishing new schools in areas where school enrollment exceeds capacity, and, for future consideration, the conversion of schools that are persistently rated in the "Review" category.

The School System defines persistently low performing schools as schools that have been designated Target schools for three consecutive years. This definition can be expanded to include a combination of Target and Review classifications.

In 2013, 12 schools were designated Target schools and all but three as either Target or Review schools in 2011 and 2012 (**Exhibit 3-21**). Four of the 12 schools have been designated Target schools for three years and four as Target schools during two of the three years. Two of the remaining four schools were designated as Review schools in 2011 and 2012. As the Smithson-Craighead Middle School was closed at the end of the 2012-2013 school year and Bordeaux and Ross Elementary Schools will be converted into Pre-K Model Centers in 2014-2015, they are excluded from further consideration.

**Exhibit 3-21
 Schools Designated Target in 2013 and Either Target or Review in 2011 and 2012**

School	Status in 2013	Status in 2012	Status in 2011
Bailey MS*	T	T	T
Smithson-Craighead Academy	T	T	T
Smithson-Craighead MS**	T	T	T
Cora Howe School	T	T	T
Bordeaux ES***	T	R	
Brick Church MS*	T	R	T
Cameron MS*	T	R	
Joelton MS	T	T	R
JB Whitsitt ES	T	R	R
Neely's Bend MS	T	T	
Ross ES***	T	R	R
Madison MS	T	R	T

Source: Metropolitan Nashville Public Schools Academic Performance Framework, October 2013.

*Included in the turnaround group.

**The Smithson-Craighead Middle School closed at the end of 2012-2013. Smithson-Craighead Academy was at risk of closing at the end of 2013-2014 if academic performance did not improve. However, the Smithson-Craighead Academy achieved a satisfactory rating and did not close at the end of 2013-2014.

***Bordeaux and Ross Elementary Schools, although Target schools in 2013 are excluded from further analysis because they are being converted to Pre-K Model Centers.

The practice of co-locating two or more schools in the same building is a strategy being used in numerous cities across the country in an effort to make better use of under-utilized facilities. In most cases, but not all, a charter school is 'co-located' with an existing traditional school. Cities like New York, Chicago, Erie, Pennsylvania, and several in California are among those with some history of co-location. The efforts in New York have been extremely controversial with the current mayor moving to undo his predecessor's efforts to expand charters by stripping \$210,000,000 in capital funds intended for charter schools' facilities construction. In Los Angeles, California, the teachers' union supported teachers and parents who were resisting what the union referred to as the 'charter school co-location threat.' Some states, however, have attempted to be more pro-active. The Illinois School Code requires a school district to announce by December 1 each year all co-locations it proposes for the following school year. Tennessee requires districts to catalog by October 1 all underutilized and vacant properties owned by the districts as well as plans for their use. The lists are made available to charter operators and sponsors and the properties made available for use by the charters.

A variety of reasons have been offered for opposing, or at least questioning, the practice of co-locating charters with other district schools. First, a report by the Campaign for Educational Equity raises the issue of the violation of students' rights. The report states that many of New York City's co-located schools have 'inadequate facilities, oversized classes, restricted course offerings, and insufficient student supports that violate state education laws.' The Washington article identifies a number of co-location issues raised by parents and teachers including those related to restrooms, playground, parking, custodial services, discipline, and emergency planning. A report by a New York advocacy group, however, suggests that the negative effects of co-locating schools can be minimized by following identified best practices related to four areas—space, growth, resources, and process—which, if followed will result in decisions related to co-location issues more acceptable to all those involved.

Exhibit 3-22
Schools Designated Review in 2013 and Either Target or Review in 2011 and 2012

School	Review in 2013	Status in 2012	Status in 2011
Cumberland ES	R	R	R
Glenview ES	R	R	T
Inglewood ES	R	T	R
Kirkpatrick ES	R	T	T
Neely's Bend ES	R	T	T
IT Creswell Arts MS	R	T	
Overton HS	R	T	
Stratford HS	R	T	
Whites Creek HS	R		

Source: Metropolitan Nashville Public Schools Academic Performance Framework, October 2013.

Regardless of how restrictive or expansive the definition of persistently low performing, the academic rationale (low performance) for bringing in charter schools affects a small number of schools.

In addition to persistent low performance, the School System also needs to consider the degree to which these schools are underutilized or overpopulated. As shown in **Exhibit 3-23**, the utilization of three schools designated as Target in 2013 and as Target or Review in the previous two years is below 40 percent; one school has a 51.3 percent utilization, and the utilization of the other five schools ranges from 62.1 to 99.2 percent. Persistently low performing schools that are underutilized are prime candidates for co-location of charter schools. Co-location refers to a charter school and a traditional school sharing the same building.

**Exhibit 3-23
 School Status, Capacity, Enrollment, and Utilization**

School	Status in 2013	Status in 2012	Status in 2011	Capacity	Enrollment	Percent Utilized
Bailey MS*	T	T	T	707	439	62%
Cora Howe School	T	T	T	170	117	69%
Brick Church MS* conversion school operated only 7 th and 8 th grades	T	R	T	823	173	21% part district school and part charter school
Cameron MS*	T	R		803	120	15% only operated 8 th grade
Joelton MS	T	T	R	456	277	61%
JB Whitsitt ES	T	R	R	551	544	99%
Neely's Bend MS	T	T		752	546	73%
Madison MS	T	R	T	891	751	84%

Source: Metropolitan Nashville Public Schools Academic Performance Framework, October 2013.

*Included in the turnaround group.

Charter schools can also be established in areas with overcrowded schools. An analysis of the School System's utilization identified 40 campuses that have building utilization at 100 percent capacity or greater (**Exhibit 3-24**). The 2013 academic performance of these 40 schools was mixed. Six schools were classified as Excelling, three as Achieving, fifteen had a Satisfactory rating, twelve were classified as Review, and three were classified as Target on the Academic Performance Framework. One school did not have a rating due to insufficient data. These 40 campuses can be prioritized with regard to where charter schools could be located based on academic performance with the lowest performing having the highest priority or by degree of overutilization giving the most overcrowded the highest priority.

**Exhibit 3-24
 School Campuses with Utilization In Excess of 100 Percent Capacity or Greater**

School Name	Academic Performance Framework Ranking 2013	Percent Utility	School Name	Academic Performance Framework Ranking 2013	Percent Utility
Lakeview Design Center ES	S	135%	Fall-Hamilton Enhanced Option School	R	106%
Kirkpatrick Enhanced Option School ES	R	128%	McGavock Elementary School	R	106%
Paragon Mills Elementary School	S	124%	Una Elementary School	T	106%
Tusculum Elementary School	S	120%	H G Hill Middle School	S	105%
Julia Green Elementary School	S	117%	John Overton Comprehensive High School	R	105%
Glenview Elementary School	R	117%	Bellshire Design Center ES	S	105%
Bellevue Middle School	S	114%	Meigs Magnet Middle School	E	104%
Thomas A. Edison Elementary School	S	113%	Goodlettsville Elementary School	R	104%

**Exhibit 3-24
 School Campuses with Utilization In Excess of 100 Percent Capacity or Greater (Cont'd)**

School Name	Academic Performance Framework Ranking 2013	Percent Utility	School Name	Academic Performance Framework Ranking 2013	Percent Utility
Ruby Major Elementary	S	113%	Hickman Elementary School	R	104%
Crieve Hall Elementary School	E	113%	Cole Elementary School	R	103%
Percy Priest Elementary School	S	112%	Hume-Fogg Magnet High School	A	103%
Dupont Tyler Middle School	T	111%	Martin Luther King, Jr. Magnet at Pearl HS	E	103%
Pennington Elementary School	R	111%	Glenciff Elementary School	R	103%
Gateway Elementary School	S	111%	Glendale Elementary School	E	102%
Westmeade Elementary School	A	110%	Taylor Stratton Elementary School	S	102%
Old Center Elementary School	E	110%	Stanford Montessori Elementary School	E	102%
J E Moss Elementary School	R	110%	J. F. Kennedy Middle School	R	101%
Head Magnet Middle School	A	109%	Eakin Elementary School	S	101%
Haywood Elementary School	S	109%	Alex Green Elementary School	T	101%
Cane Ridge Elementary School	*	109%	Harpeth Valley Elementary School	S	100%
Neelys Bend Elementary School	R	109%	Cane Ridge Comprehensive High School	S	100%

Source: Metropolitan Nashville Public Schools Academic Performance Framework, October 2013 and List of Schools, Capacity, and Facility Data.

Note: The School System has approved Capital Funding for Lakeview, Paragon Mills, Tusculum, Julia Green, Glenview, Thomas Edison, Una, Ruby Major, Percy Priest, JE Moss, Cane Ridge, Hume-Fogg, Martin Luther King, and Glenciff to build new schools and/or add classrooms or purchase land to alleviate overcrowding.

*Insufficient data.

RECOMMENDATION 3-D.1

Consider persistently low-performing campuses that are currently underutilized as potential sites for “in-school” charter programs, that is, charters that share a building with a traditional school, and school clusters that currently have campuses at which utilization rates are 100 percent or more as sites for future stand-alone charter schools.

The chief academic officer jointly with the Office of Innovation executive director should develop a list of schools that are candidates for sharing their building with a charter school or for stand-alone charter schools to supplement their school. The list should be developed based on a combination of persistently low academic performance and under or over utilization of existing facilities criteria. The criteria used should be clearly defined.

For schools identified as candidates for co-location with charter schools, the chief academic officer jointly with the Office of Innovation executive director should determine if co-location is a viable option for these schools by:

- Performing a comprehensive review of the procedures and protocols currently in place in state legislation or state board of education policies that might influence the practice of co-locating schools.
- Reviewing all space requirements and available facilities at such schools.
- Reviewing the effect that co-location could have on available facilities (restrooms, auditoriums, playgrounds, parking, etc.) and programs (Pre-K, kindergarten, special programs, etc.).
- Delaying any consideration of co-location as a means for achieving a more effective use of these facilities until the above steps are completed.

The list of school should be prioritized. The list should be approved by the board and incorporated into the charter school application and review processes.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FISCAL IMPACT SUMMARY

	RECOMMENDATION	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONE TIME (COSTS) OR SAVINGS
CHAPTER 3: IMPACT OF CHARTER SCHOOLS								
3-A.1	Include a provision in charter school agreements that allows for authorizer oversight fees, and develop a cost allocation plan to that supports the fees, which should be charged to charter schools that benefit from the School System’s administrative services.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3-B.1	Move quickly to address problems of low performing schools throughout the district. Charter schools are one tool that can be used to transform school performance.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3-C.1	Increase communication and sharing of information on effective practices between charter schools and public schools to maximize instructional, administrative and financial resources.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3-C.2	Encourage communication and collaboration among charter schools to maximize instructional, administrative and financial resources.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3-D.1	Consider persistently low-performing campuses that are currently underutilized as potential sites for “in-school” charter programs, that is, charters that share a building with a traditional school, and school clusters that currently have campuses at which utilization rates are 100 percent or more as sites for future stand-alone charter schools.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Totals-Chapter 3		\$0	\$0	\$0	\$0	\$0	\$0	\$0

Management Response

IMPACT OF CHARTER SCHOOLS ON METROPOLITAN NASHVILLE PUBLIC SCHOOLS

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
Management of Metropolitan Nashville Public Schools should:			
3-A.1	Include a provision in charter school agreements that allows for authorizer oversight fees, and develop a cost allocation plan to that supports the fees, which should be charged to charter schools that benefit from the School System's administrative services.	<p>Accept MNPS accepts this recommendation, realizing that agreement of existing charter operators and/or state-level legislation is required to realize this goal. A study of fixed and variable costs associated with adding charter schools is underway. The goal of this work is to produce a list of required services and their costs that all charter schools bear as well as a list of optional services and their costs that charters may choose to purchase on an annual basis. Provided that we reach agreement through this process, the agreed services and costs list will be added to all new or renewal charter agreements approved after July 1, 2015. Provided that we reach agreement through this process, we will also seek approval for the provision to be added to all current charter school agreements by July 2015.</p> <p>MNPS will develop an annual process for selection of optional services, billing for services and required fees, and any other processes required to enable transparent billing and collection procedures.</p>	July 2015
3-B.1	Move quickly to address problems of low performing schools throughout the district. Charter schools are one tool that can be used to transform school performance.	<p>Accept MNPS agrees with the urgency in addressing low performing schools and that charter school conversions are one tool that can be used. These conversions should be used as high quality capacity is available, but not rushed beyond that capacity to succeed.</p> <p>The district was the first in the state to use charter school conversion as a plan to address needs of a low-performing school at Cameron Middle. That conversion is now complete and both the charter grades and the MNPS turnaround grade were recognized as Reward schools for their growth in 2013-14. MNPS</p>	July 2015

Management Response

IMPACT OF CHARTER SCHOOLS ON METROPOLITAN NASHVILLE PUBLIC SCHOOLS

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
		<p>included charter school conversion of low-performing schools in its 2014 Call for New Schools, and conversion of Kirkpatrick Elementary (Priority) was approved to begin in the fall of 2015. This model created by MNPS has been adopted by the state’s Achievement School District.</p> <p>MNPS will establish a school management system organized around the Academic Performance Framework the district uses to provide both annual snapshots and three-year trend analysis of the balanced academic performance of all district schools. The district will develop an annual action plan for all target and review schools that includes annual notification, parent engagement, and clear communication of potential turnaround actions and timelines to include the potential for charter school conversion in future years.</p> <p>The district has also engaged an external consultant, Mass Insight, to assess and recommend organizational structures that will support this accountability work. Recommendations from this work are due spring 2015.</p>	
3-C.1	<p>Increase communication and sharing of information on effective practices between charter schools and public schools to maximize instructional, administrative and financial resources.</p>	<p>Accept Management agrees with this recommendation but notes that the observation of “little” effective communication understates the genuine collaboration and support that exists between district and charter school personnel. Examples include:</p> <ul style="list-style-type: none"> • Public School Collaborative • Benefits Administration Work Group • Shared Services Contracting Work Group • Coding Curriculum and Instruction Partnership (NACS) • Teacher Data and Formative Assessment PD (STEM) • Shared Formative Assessment Creation (Liberty) • Transportation and Conversion Costs Support (LEAD) 	<p>October 2015, ongoing</p>

Management Response

IMPACT OF CHARTER SCHOOLS ON METROPOLITAN NASHVILLE PUBLIC SCHOOLS

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
		<ul style="list-style-type: none"> • Blended Instruction Shared Practices (Rocketship) • School Finder (TCSC, NPEF, MNPS) • Academic Performance Framework • Leadership Development and Mentoring (KIPP) <p>Nevertheless, greater intentionality and building sustaining structures can only help to ensure that the benefits of collaboration are shared more broadly and make this recommendation well worth accepting.</p>	
3-C.2	Encourage communication and collaboration among charter schools to maximize instructional, administrative and financial resources.	<p>Partially Accept MNPS partially accepts this recommendation and notes it is primarily a charge for charter operators to execute rather than something under the control of district leadership. MNPS again notes that the observation of “little” effective communication understates the genuine collaboration and support that does exist among charter school leaders and other personnel.</p> <p>The Coordinator of Charter Schools regularly convenes groups of charter personnel with similar responsibilities to help spur further collaboration and work to eliminate barriers to collaboration that may arise through interaction with various district departments. Operations personnel meet regularly, and other specific topics draw charter-charter collaboration around transportation, food service, and other. Likewise, the Public Schools Collaborative has established a working group on employee benefits that is exploring ways that charter operators and the district can build better processes to everyone’s benefit.</p> <p>These recommendations would require additional staff of 1.5-2.0 FTE in the charter schools division to establish, lead, and maintain, in addition to the authorizing, reporting, research and oversight</p>	October 2015

Management Response

IMPACT OF CHARTER SCHOOLS ON METROPOLITAN NASHVILLE PUBLIC SCHOOLS

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
		functions already fulfilled by the Charter Office.	
3-D.1	Consider persistently low-performing campuses that are currently underutilized as potential sites for “in-school” charter programs, that is, charters that share a building with a traditional school, and school clusters that currently have campuses at which utilization rates are 100 percent or more as sites for future stand-alone charter schools.	Reject Low-performing schools are addressed in the response to 3-B.1 above. This recommendation aligns with the recommendations in the MGT report that have been incorporated into the current draft of the 2015 Call for New Schools.	N/A