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## CHARTER SCHOOL INSTITUTE

January 12, 2010

↳ Senator Bacon, Committee Chair, Senate Education Committee  
Representative Merrifield, Committee Chair, House Education Committee

Dear Sirs,

The Charter School Institute, Board of Directors, is submitting its annual report to the Senate and House Education Committees in accordance with state statute 22-30.5-51# 3 (10).

Respectfully,

A handwritten signature in black ink, appearing to read 'Alex Medler', with a long, sweeping underline that extends to the right.

Alex Medler  
Chair



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### Summary and Recommendations

In accordance with legislation passed in 2009, the Charter School Institute Board (the 'Board') met with the boards of Institute Schools to review the Institute's funding, costs, and services. Based on these meetings, the following concepts are recommended to be included in 2010 legislation:

1. Exempt the Institute from the state contract approval process. This is a technical revision so that legislation approved in 2009 can be implemented as intended.
2. Clarify that BOCES may contract with an Institute charter school and that an Institute charter school may become a BOCES member.
3. Study whether or not Institute charter schools should become administrative units for the purposes of providing services. Authorize creation of a separate account within the Institute for its schools to deposit money collected pursuant to the Institute's role as a school food service authority.
4. Expand the possible uses of the Institute Charter School Capital Construction Assistance Fund to include special education services emergency funding. Change the fund name as follows: 'Institute Charter School Assistance Fund.'
5. Extend the length of time the Board has to rule on an Institute charter school application from 60 to 75 days.

The proposed changes will facilitate the Institute's progress as a model authorizer and benefit schools.

### Background

This report was prepared to address legislation passed during the 2009 session of the General Assembly (22-30.5-513 (10)), which stated the following:

*(a) On or before December 1, 2009, and on or before December 1 each year thereafter, a representative from the governing board of each institute charter school and the institute board shall meet to review the level of funding received by the institute as a result of the moneys withheld by the institute for the amount of actual costs incurred by the institute in providing necessary administration, oversight, and management services to the institute charter schools....*

*b) On or before January 15, 2010, and on or before January 15 each year thereafter, the institute board shall submit to the education committees of the senate and the house of representatives, or any successor committees, the findings of the review described in paragraph (a) of this subsection (10) and any recommendations for legislative changes regarding the operations of the institute.*

The Institute was established in 2004, and it awarded its first two charters in 2005. Currently, the Institute oversees 17 schools across the state. These schools serve approximately 6,500 students in brick and mortar facilities and in two online, multi-district schools. The Institute's student enrollment has been growing at about 10 percent annually. Two additional multi-district, online schools have been approved to open in 2011 which will result in 19 schools being open during the 2011 school year.

The Institute's operations, including oversight and support, are funded by retaining three percent of the state share funds, the maximum allowed by law, that are allocated to its schools. Current law also provides that the Colorado Department of Education may retain up to one percent of the same state share funds in order to provide assistance to the Institute and its schools. Under the current MOU the Department of Education is capped at \$450,000 plus and inflation adjustment for these services.

### **Meetings**

In November 2009 the Board and Executive Director held meetings in Grand Junction, Colorado Springs, and Denver with board members of Institute schools to discuss topics required by the statute referenced above. Meeting locations were chosen to be near the highest concentrations of Institute schools. A meeting with school administrators was also held in each location, which provided additional input for the Institute in developing its recommendations. One or more individuals from a majority of schools attended.

During the discussions with the school board members and administrators, the primary concern was whether or not the three percent fee that the Institute charges for administration, oversight, and operations could be reduced. This question took on special importance in light of the proposed state funding reductions for k-12 education. There was general agreement that the Institute should try to reduce its fees, consistent with its being able to fulfill well its authorizer and other responsibilities. However, the Institute is responsible for implementing best practices in authorizing charter schools and the processes, procedures, and associated costs of achieving this goal are still in development.

Various ideas were discussed for reducing costs and increasing efficiency, including:

1. Exempt the Institute from the state purchasing system. This process was passed last legislative year but it will require some corrections during this current session.
2. Reduce Institute services that are not required. Both schools and the Institute agree that it should be an authorizer and only provide a minimum of services or other high quality services that schools desire that can be delivered at high quality. However, there was not general agreement about what these 'minimal' services should be. Schools did agree that when optional services are offered, only those schools using the services should be charged.
3. Identify services that are provided to all schools and charge for these services independently from the general administration fee. This will create more

transparency in Institute costs and services. For example, the Institute uses the Alpine system as a repository for CSAP data and for generating test reports. All schools will be required to pay for this system through a service fee, which will be offset by a reduction in the three percent fee for general administration and overhead.

4. Vary the administration fee based on the level of services that a school needs, which are generally related to the number of years that it has been operating. For example, new schools require the greatest amount of oversight and assistance. Schools with a longer history have been able, in most cases, to identify and address their service needs without the assistance of the Institute.
5. Make each Institute charter school its own administrative units. This might facilitate the school's ability to join a BOCES and would substitute school-based oversight of compliance for Institute oversight. Since special education compliance is a complex issue, the Institute is recommending that it be studied for a year, including a review of the likely effect of the change on the quality of services to students and access to charter schools by students with disabilities, school revenues and expenditures, school staff efficiency, compliance with state and federal law, and CDE oversight costs. In some states, charters do serve as administrative units for special education and so may be examples from which we can determine likely benefits and costs. Schools also discussed special education liability and the need to protect themselves from large, unanticipated costs. The Institute concurs with this concern and recommends, along with schools, that uses of the assistance fund established last year be expanded to include special education services emergencies.