



The Cost of Authorizing Minnesota's Charter Schools 2010-2011

**A Compilation of Authorizer
Expenditure Reports & Recommendations**

Revised Report - 3.29.12

History & Overview

INTRODUCTION

Among the many accountability reforms enacted to Minnesota's charter school law in 2009 were two specific provisions that addressed the cost of authorizing.

The first provision established a new fee structure and significantly increased potential oversight fees paid by schools to authorizers. The increase phases in over a four year period and will result in over \$3 million dollars per year being made available to authorizers for their responsibilities.

The second provision established a requirement that authorizers annually submit by September 30th a report of their oversight expenses for the previous charter contract/academic year to the Commissioner of Education, as well as to the schools the authorizer charters. The expenditure reports are designed to ascertain the real cost of authorizing, as well as to ensure that funding for authorizing responsibilities is not being diverted for other operations of an authorizer.

These provisions of the law went into effect on August 1, 2009. Given that there was no reporting requirement prior to the change in law, the general expectation was that the first reports would be due September 30, 2010, for the 2009-2010 charter contract year.

The Minnesota Association of Charter Schools will be annually publishing a comprehensive report of all authorizer expenditure reports based on the documents filed by authorizers with MDE.

2009-2010

In response to a written data practices request from the Minnesota Association of Charter Schools (MACS) to the MN Department of Education (MDE) in October 2011, and again in

November 2011, for copies of the 2009-2010 authorizer expenditure reports, MACS was informed that MDE did not have copies of the required reports in its database and was not able to locate hard copies of these reports.

It is unclear whether the 2009-2010 annual authorizer expenditure reports were ever requested or collected, so it is not possible to ascertain what the cost of authorizing charter schools was for 2009-2010, even though annual reports were required to be submitted by September 30, 2010.

Given this, the first compilation report of authorizer expenditures is for the 2010-2011 academic year, the second year reports were due.

2010-2011

In December 2011, MACS submitted a written data practices request to MDE for copies of the 2010-2011 authorizer expenditure reports. The MDE compliance officer who deals with requests for charter school information indicated that MDE could provide MACS with electronic copies of the reports that MDE had received for 2010-2011. In its response, MDE indicated that not all authorizers had submitted the annual report that was due on September 30, 2011. As of December 7, 2011, reports had been received from 18 authorizers.

Before finalizing this report, MACS requested copies of any authorizer expenditure reports submitted to MDE between December 7, 2011, and March 1, 2012. According to MDE, no further reports were submitted by authorizers in that period.

Facts & Findings for 2010-2011

Facts: 2010-2011 Authorizer Expenditures

Number of authorizers in 2010-2011 chartering schools	43
Number of authorizers filing 2010-2011 expenditures report	18
Number of authorizers reporting authorizer oversight expenditures	15
Number of authorizers reporting in 2010-2011 that conducted authorizer oversight on pro-bono basis <i>(Chisago Lakes School District, Augsburg College, and Germanic-American Institute)</i>	3

Lowest <u>total</u> authorizer expenditures reported <i>(Adler Graduate School)</i>	\$4,976.00
Lowest <u>per school</u> authorizer expenditure reported <i>(Adler Graduate School)</i>	\$4,976.00
Highest <u>total</u> authorizer expenditures reported <i>(Minneapolis Public School District)</i>	\$689,311.78
Highest <u>per school</u> authorizer expenditure reported <i>(Minneapolis Public School District)</i>	\$229,770.59

<u>Total authorizer expenditures</u> reported <i>(15 authorizers)</i>	\$1,851,556.26
Average per school authorizer oversight expenditure	\$20,125.61
<u>Total authorizer expenditures</u> reported <i>(Excludes schools authorized by Minneapolis Public School District)</i>	\$1,162,244.48
Average per school authorizer oversight expenditure <i>(Excludes schools authorized by Minneapolis Public School District)</i>	\$13,058.93

Findings: 2010-2011 Authorizer Expenditure Reports

1. The annual authorizer expenditure reports that were submitted vary widely in form and level of detail. They range from a simple letter stating a total expenditure number with no other information, to a line-by-line financial report, to pages of the organization's audit that deal with authorizer-related expenditures.
2. There is not a common definition of authorizer oversight expenditures, and there is no requirement that authorizer income be reported, which makes it difficult to ascertain if the reported costs are under or over reported, or how costs relate to oversight fees paid by schools.
3. There are reports which indicate that schools are being charged additional fees for oversight activities beyond what is allowable under the law.
4. The level of expenditures reported by Minneapolis Public Schools would seem to indicate that potentially the district is charging other costs not related to authorizer responsibilities, but without any detail in the Minneapolis report it is impossible to know actual oversight costs.
5. There seems to be a lack of notification and follow-up on the part of MDE to ensure that authorizers are submitting annual expenditure reports to MDE.

Recommendations

To create a more transparent authorizer oversight expenditure reporting process, the Minnesota Association of Charter Schools recommends:

1. The charter school community (authorizers and schools) should agree upon a common definition of what is included in authorizer oversight costs.
2. The charter school community should agree with MDE upon a common reporting format for annual authorizer expenditure reports so that the reports provide comparable information.
3. The charter school community should work together to educate all members of the charter community of the annual authorizer reporting requirements and hold each other accountable for ensuring compliance.
4. MDE should send annual notices to remind authorizers of the annual expenditure report and do follow-up in collecting the annual expenditure reports.
5. Compliance in filing annual expenditure reports and reasonableness of authorizing oversight costs should be included as criteria in the five year evaluation of authorizer performance conducted by MDE.

Authorizer Expenditures for 2010-2011

Name of Authorizer	Amount Spent	# of Operating Schools
Adler Graduate School	\$4,976.00	2***
Alexandria Technical and Community College	\$13,500.00	1
Audubon Center of the North Woods	\$178,520.16	22
Augsburg College	<i>Services Provided Pro Bono</i>	5
Bethel University	*	2
Capella University	*	1
Century College	*	3
Chaska School District	*	1
Chisago Lakes School District	<i>Services Provided Pro Bono</i>	1
College of Saint Scholastica	*	2
Concordia University	*	6
Duluth Public Schools	*	1
Dunwoody College of Technology	*	1
Fairbault Public Schools	*	1
Fraser	\$5,124.00	1
Friends of Education	\$317,301.00	16
Germanic-American Institute	<i>Services Provided Pro Bono</i>	1
GFW School District	*	1
Hamline University	*	6
Hopkins School District	*	2
Intermediate School District 917	\$5,662.02	1
Islamic Relief USA	*	1
LeSueur-Henderson School District	*	1
Milroy Area Schools	*	1
Minneapolis Public Schools	\$689,311.78	2**
Minnesota Department of Education	<i>Agency Absorbed Costs</i>	5
North Central University	*	1
Northfield Public Schools	*	2
Northwoods Children's Services	*	6
Novation Education Opportunities	\$66,046.72	3**
Ordway Center for the Performing Arts	\$28,485.58	1
Osseo Area Schools	*	2
Pillsbury United Communities	\$202,431.00	13
Project for Pride in Living	\$29,545.00	1
Rochester Community and Technical College	*	1
Saint Catherine University	\$23,600.00	1
Saint Paul Public Schools	*	6
Stillwater Area Public Schools	*	1
Student Achievement Minnesota LLC	\$24,574.00	1
University of Saint Thomas	\$30,060.00	2
Upper Midwest American Indian Center	*	1
Volunteers of America - Minnesota	\$232,419.00	15
Winona Area Public Schools	*	2
Wolf Ridge Environmental Learning Center	*	1
Yellow Medicine East School District	*	1
YMCA of Metropolitan Minneapolis	*	1
TOTAL	\$1,851,556.26	149

The number of schools listed per authorizer is based on the schools' authorization as of the beginning of the 2010-2011 school year. In 2010-2011, a number of schools transferred authorizers during or at the end of the year.

*MDE indicates no report on file ** Authorizer also claimed one (1) pre-operational school

*** Authorizer had one (1) school transfer authorizers