

**AGENDA  
LONG-RANGE PLANNING COMMITTEE**

**UNIVERSITY OF SOUTHERN INDIANA  
BOARD OF TRUSTEES**

**November 1, 2001**

- 1. DISCUSSION OF CHARTER SCHOOL SPONSORSHIP (Attachment A)**

**University of Southern Indiana  
Board of Trustees**

**Long Range Planning Committee**

**Discussion Item**

Subject: Should the USI Board of Trustees Sponsor Charter Schools?

**Background**

Indiana became the 38<sup>th</sup> state to implement charter school legislation with the enactment of Senate Bill 165 on July 1, 2001. After several previous unsuccessful attempts, the 2001 legislation passed with bipartisan support and that of the O'Bannon Administration. The law gives local school boards, the Mayor of Indianapolis, and the trustees of the five public universities the authority to grant educational charters and to sponsor charter schools. Essentially, the charter is a performance contract through which the sponsor establishes accountability standards, provides oversight, and monitors a school's compliance with the charter and all applicable state and federal laws.

Charter schools in Indiana are public schools. They use public funds, are held accountable to a public entity such as the University Board of Trustees, and must be open to all students. They must be tuition-free, non-sectarian, and non-discriminatory. The school organizers operate independently in controlling their curriculum, budget, teaching and administrative staff, and organizational structure. Charter schools may be at the kindergarten, elementary, or high school levels. The charter sets accountability standards and must specify the methods by which the school is to be held accountable for achieving its educational mission and goals. Applications for charter sponsorship may be rejected by a sponsor, but can be appealed by the organizer to the state review committee.

As public schools, charter schools are funded through the State of Indiana. Per pupil funding equals the allocation per pupil of the student's home school corporation – funding follows the student to the charter school. Public funding must be used for expenses related to the educational program, but may not be used for debt service, transportation, or for capital expenditures such as facilities. The organizer is the fiscal agent for the school and has exclusive control of the funds received and financial matters involving the school. All financial and legal obligations relating to the day-to-day operation of charter schools are the responsibility of the school organizer.

To support sponsorship, the University will receive from the state three percent of the per pupil allocation as an oversight fee. For example, based on a per pupil annual expenditure of \$5000, the sponsor will receive \$150 per student. This amount may vary depending on the per pupil revenue of the resident school corporation. Sponsors may offer professional services on a contract or fee-for-service basis to charter schools. Accountability standards require that sponsors provide close oversight of schools they charter. The sponsor may revoke charters of noncompliant schools.

### Issues for Consideration

The need for improvement of public education has been at the forefront of public discussion at local, state, and federal levels for decades. Publicly supported charter schools are widely viewed as a viable alternative promoting educational choice and innovation. However, charter schools are controversial and have generated some opposition as was recently shown when the Trustees of Ball State University voted to sponsor charter schools on a statewide basis. Among the more commonly expressed concerns are that charter schools take money away from existing public schools, thus further eroding their financial bases, and that charter schools take away the best students. Evidence suggests that state and district money is diverted from local school corporations to charter schools that draw students from the district. However, research shows that "creaming" is not occurring in significant numbers primarily because of the focus and mission of most charter schools. Most charter schools are located in metropolitan areas, although some have been developed in rural areas mostly in response to consolidation issues. Most existing charter schools are at the elementary level.

The University of Southern Indiana has a history of active support for state educational, cultural, and social initiatives, some of which may have been controversial at the time. As examples, USI assumed management of Historic New Harmony, the theatre productions in New Harmony and Lincoln State Park, and the Southern Indiana Japanese School to support state interests.

There are several specific issues related to charter schools that should be addressed before a decision is made on sponsorship.

1. Even though there is substantial recent history of charter school implementation in other states, this is a new venture for the State of Indiana and the sponsors as well as organizers, parents and students, and the affected communities. The legislation is untried and parts are somewhat ambiguous.
2. The primary focus of the University's education programs has been on teacher training and preparation, professional development, assessment, and evaluation. While programs in school administration and leadership may come later, there is little practical experience in public K-12 school law, finance, and administration.
3. To implement a charter school sponsorship program will take an investment in staff and external resources to bring the program on line and to provide on-going project oversight.
4. Although there appears to be grant funding available from private sources and the federal government to support charter school development, the current Indiana formula to reimburse sponsors is inadequate to cover even direct costs during the start-up phase. The current formula depends on a significant volume of charters to reach a breakeven point.

### Potential Reasons to Support Sponsorship

1. Sponsorship of charter schools fits within the University's mission of outreach and public service and is in keeping with its history of partnerships to support and improve education and educational opportunity.
2. The University will be among the first higher education institutions in Indiana to establish a chartering mechanism and will develop a presence as a leader in charter school standards, assessment, professional service, and support. This has the potential for expanding the institution's statewide impact in education.
3. Through statewide sponsorship of charter schools, USI will have the opportunity to establish educational partnerships with communities and other clientele previously unserved by the University.
4. Partnering with charter schools will provide new opportunities for education students and faculty to engage in alternative educational programs and delivery systems.
5. Participation in charter school initiatives will provide additional opportunities for grant funding from private sources and the federal government.
6. Faculty in education and other disciplines may have increased opportunities for consulting and technical assistance projects in such areas as curriculum development, finance, board development, teacher training, and assessment.
7. Additional opportunities may develop for dual credit programming and two-way interactive programming involving USI faculty and students with teachers and students in charter schools.
8. In the long-term, the potential for a more positive financial picture may emerge as the number of school charters expands, the University's expertise in charter school leadership is recognized, and if the funding formula is changed to provide more equitable reimbursement.

### Potential Reasons Not to Become a Charter School Sponsor

1. Again, charter school sponsorship is new ground for the state and the University and raises a number of questions about the short-term viability of such an undertaking.
2. The perceived need for and interest in charter schools is relatively unknown throughout most areas of the state. The perception is that there has been little positive interest expressed in southwestern Indiana, except for the Signature School in Evansville.
3. Developing a realistic and viable chartering process can be both time and labor intensive as will be the subsequent review and approval process. It will require significant internal and external resources to accomplish. Outside legal and financial expertise will be especially critical in the start-up phase.
4. Appeals of applications that are rejected may result in increased legal costs.
5. Personnel needs will be an issue for the University. What staff is needed to support the start-up, application development, review, and approval stages? What level of staffing is needed for on-going oversight? How will personnel be allocated and how will staffing be funded?

6. There is limited direct funding from the state to cover start-up and implementation costs.
7. Opposition to the charter school movement may have a possible negative impact on University programs in the short term.
8. There are potential unknown liability issues for the Board and the University.

Possible Options for the Board to Consider

1. Authorize the sponsorship of charter schools using existing resources.
2. Partner with other state universities to share resources in establishing a statewide sponsorship process.
3. Delay the implementation of a sponsorship process until such time as need for and interest in charter schools is better known and state reimbursement or other potential sources of financial support are more certain.
4. Choose not to sponsor charter schools.
5. Other options.

Task Force on Charter School Review

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