



Charter Schools

Some School Districts Improperly Authorized and Inadequately Monitored Out-of-District Charter Schools

Background

Community members can initiate the establishment of charter schools, which operate independently of existing school district structures. Although these schools are generally exempt from most requirements governing districts, they must comply with select statutes and meet certain funding conditions. Each charter school is accountable to the authorizing entity—which could be a district, a county office of education, or the State Board of Education—that approves its charter petition. The authorizing entity has certain oversight responsibilities, including monitoring the school's fiscal condition and notifying the State of certain events. Our audit focused on the oversight that three authorizing districts provided three of their charter schools.

Key Recommendations

The Legislature should do the following:

- Clarify when charter schools can operate outside of their respective boundary and require a 30-day advance notice and public hearing in the affected host districts of a pending decision to ensure community support.
- Require charter schools to annually report all their school locations to the State and their authorizers.
- Require state and local educational entities and subject-matter experts to recommend tools and guidance for authorizers to provide effective financial oversight. Also, require authorizers to assess annually whether charter schools are meeting academic goals.

Districts should take the following actions to provide effective financial and academic oversight:

- Develop procedures for reviewing financial information, conducting annual visits, addressing financial concerns, and having district representation on each charter school's governing board.
- Provide charter schools with timely and annual feedback regarding academic performance and work with charter schools with poor performance results.

Key Findings

- Exceptions to state law allow districts to authorize charter schools that operate outside of their respective boundaries—the majority of the charter schools authorized by the districts we reviewed, operated locations outside of their authorizer's boundaries.
 - » Districts can increase enrollment and their revenue without being accountable to the communities that are hosting the schools they authorize.
 - » Some of the districts we reviewed charged oversight fees and/or additional service fees without justifying the costs of providing those services.
- The State does not know how many out-of-district charter school locations exist because complete data are not available—over 10 percent of these 1,246 charter schools had at least one of their school locations outside of their respective authorizing districts' boundaries.
- The three districts did not have formal financial oversight procedures—two districts did not respond promptly to early indicators of fiscal problems at two charter schools that eventually closed.
 - » Despite one school experiencing fiscal challenges over two years before it closed—such as decreased enrollment, projected deficits, and a pending lawsuit—the district responded slowly.
 - » Another school's finances fluctuated significantly from one financial report to the next—over the three years that preceded its closure—but the district took little action for months.
- None of the districts regularly raised concerns about academic performance even though two of their charter schools' English and math scores were below the combined average of comparable schools for two years.