

## **Charter Schools: Fiscally Responsible, Affordable Options for a Great Education**

Lakes International Language Academy (LILA), a Spanish immersion elementary charter school and prestigious International Baccalaureate World School in Forest Lake, ranks among the majority of successful charter schools in Minnesota—successful in educating its students, successful in managing its funds, and successful in accountability as a public entity. However, misunderstandings about charter schools are common here and across the country, in part because educational funding is not simple to explain. Often, larger media sources focus on the easier targets: those schools that have not met expectations. For example, the Sunday, November 29, issue of the *Minneapolis Star Tribune* presented unfavorable coverage regarding charter lease aid and building companies, omitting essential information that could have helped readers gain a better understanding.

The *Star Tribune* noted the large increase in state lease aid for charter schools over the last 11 years. The charter lease aid program has increased because there are more students choosing charter schools. Like state education aid, the funding follows the student. Lease aid is a part of charter funding. The increase is not a sign of something gone wrong; it's an indicator of the success and demand for Minnesota's charter schools.

All school administrators and boards must plan for long-term success amidst political uncertainty. For charters, this includes securing a building with a long-term lease. Affordable, sufficient facilities are rare outside urban areas. Traditional school districts have little interest in renting to local charter schools. Buildings that charter schools rent often need modifications to serve as schools, particularly since the properties must meet all of the same safety codes as traditional schools. Charter schools pay for that critical remodeling through higher rental fees, essentially adding value to a building that is not a financial asset. When the leases are up, landlords can rent to others or raise rents. Charter schools have tried to solve this difficult situation through the legal use of associated building companies.

Building companies associated with charter schools are recognized by state statute. Every building company in our state was set up with the knowledge and approval of the Minnesota Department of Education (MDE). Independent auditors meticulously audit charter schools and their building companies each year, and send the reports to the MDE and the Office of the State Auditor. Charter schools strive to keep the state and other partners fully informed. Here in Forest Lake, no Lakes International Language Academy employee or board member received payment from the building company bond sale, nor did any building company member.

Charter schools with building companies receive intense, ongoing scrutiny not only from the school's authorizer, banking institutions, MDE and independent auditors, but also from bondholders who purchased building company bonds. This extra attention helps ensure good financial communication, responsibility, and transparency. The LILA Building Company's bond agreement requires it to supply bondholders with:

- quarterly financial reporting, including enrollment and attendance data, and budgeted to actuals for revenue and expenditures;
- annual independently audited financials;

- end-of-year reports, including a long-range budget model; and,
- proof of insurance.

Compared to charters, traditional public schools have the funding advantage. By statute, charter schools cannot go to taxpayers and raise levy money. Traditional public schools can. Charter schools cannot participate in the Credit Enhancement Program, which allows traditional public school districts to borrow funds at a lower than market interest rate by tapping into the state's credit rating. Between these two measures, charter schools must use strict prudence to survive, let alone thrive as Lakes International Language Academy has done—growing from 177 students in 2004 to more than 500 in 2009.

Financially, charter schools are performing at or above traditional public schools. MDE's shared data in January 2009 that shows:

- 32.7% of MN charter schools earned MDE's 2009 School Finance Award, as compared to 18.5% of traditional districts. LILA has earned this award for the last three years running.
- In 2008, 152 of 156 (97%) of charter schools met the September 15<sup>th</sup> statutory reporting deadline. Of 340 traditional districts, 7 missed the deadline (98% compliant).
- Public school districts must meet a November 30<sup>th</sup> statutory reporting deadline. In 2008, 90% of charter schools met this compared to 85% of traditional districts.
- Public school districts must submit their annual audit by December 31<sup>st</sup> each year. There were 15 non-compliant traditional districts (96% compliant) compared to 12 non-compliant charter schools (92% compliant) in 2008.
- In 2008, 13 traditional districts (3.82%) were in Statutory Operating Debt (SOD), while only 5 charter schools (3.21%) were. SOD rates were lower among charter schools than traditional districts for the previous three years, too.

Notably, Lakes International Language Academy maintains a strong financial foundation. Auditors frequently recommend a 20-22% fund balance for public schools. Lakes International Language Academy has built a greater than 25% fund balance, one key to financial security in a year when the state is balancing its budget by holding back 27% of its promised education aid until fiscal year 2011.

All schools must win their enrollment. Today's reality is that families can choose from several good, affordable options. Open enrollment has existed for more than 15 years, so this is not a new idea. People need to stop bashing charter schools as competitors that "take away dollars from public schools." Charter schools *are* public schools—public schools that offer programs relevant to their families' educational values and worthy of state standards. Like any public school, charter schools must meet state statutes and academic benchmarks. Most charter schools do this, including Lakes International Language Academy. The whole should not be condemned because of the poor judgment of a few; and media such as the *Minneapolis Star Tribune* are remiss in adequately and

objectively explaining the scope of the situation. Charter schools should receive ongoing support and guidance as they continue to strive for excellence, one school at a time, for the benefit of the students they serve.