

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

March 3, 2014
8:07 a.m.

MEMBERS PRESENT

Representative Lynn Gattis, Chair
Representative Lora Reinbold, Vice Chair
Representative Gabrielle LeDoux
Representative Paul Seaton
Representative Peggy Wilson
Representative Sam Kito III (Alternate)

MEMBERS ABSENT

Representative Dan Saddler
Representative Harriet Drummond

COMMITTEE CALENDAR

PRESENTATION: UNDERSTANDING CHARTER SCHOOLS - EED and CHARTER
SCHOOL OPERATORS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

LES MORSE, Deputy Commissioner
Office of the Commissioner
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Provided background information on the
implementation of charter school law and answered questions.

JOEY ESKI, Chair
Academic Policy Committee
Aquarian Charter School
Anchorage, Alaska

POSITION STATEMENT: Testified during the presentation on
charter schools.

BARBARA GERARD, Principal

Academy Charter School
Palmer, Alaska

POSITION STATEMENT: Testified during the presentation on charter schools.

JACK WALSH, Superintendent
Craig School District
Craig, Alaska

POSITION STATEMENT: Testified during the presentation on charter schools.

ACTION NARRATIVE

[8:07:34 AM](#)

CHAIR LYNN GATTIS called the House Education Standing Committee meeting to order at 8:07 a.m. Representatives Reinbold, Seaton, P. Wilson, Kito III (Alternate), and Gattis were present at the call to order. Representative LeDoux arrived as the meeting was in progress.

PRESENTATION: Understanding Charter Schools - EED and Charter School Operators

[8:07:58 AM](#)

CHAIR GATTIS announced that the only order of business would be a presentation by the Department of Education and Early Development (EED) and charter school operators. She indicated that the committee would be hearing testimony on HB 278, in the ensuing days [HB 278 was not on today's calendar].

[8:09:11 AM](#)

LES MORSE, Deputy Commissioner, Office of the Commissioner, Department of Education and Early Development (EED), informed the committee the state has over six thousand students attending twenty-seven charter schools, in eight school districts in thirteen communities. Alaska charter school law was codified in 1995, directing that charter schools would be established by submitting an application to the local school board, followed by approval of the application by the State Board of Education and Early Development (State Board). The State Board's role is primarily to approve the application if it meets the legal criteria. The local board is required to set policies and procedures for charter school applications, however, the

application must include an academic policy committee consisting of parents, teachers, and school employees working in the school. Once the local board has taken action, the application is forwarded to the State Board for final review and approval. He pointed out that HB 278 proposes a change to the charter school application procedure by allowing EED to act upon and review the denial of an application, and either remand the application back to the school district for further review, or forward a denied application to the State Board to hear an appeal. Mr. Morse turned to the organization and operation of charter schools.

[8:11:42 AM](#)

CHAIR GATTIS asked Mr. Morse to explain the purpose of a charter school and the difference between a charter school and a neighborhood school.

MR. MORSE said charter schools provide innovation and opportunities for families and teachers to have a different school structure than what may be allowed within a neighborhood school in a public school district. Alaska law allows charter schools to exist within a public school district, and charter schools are public schools. However, charter schools are exempt from using required textbooks, instructional programs, curriculum, and scheduling requirements in place in its school district. If requested, school districts can also exempt charter schools from other policies and procedures, such as testing, and these exemptions would be explicit in the contract between the charter school and the local school board.

[8:13:51 AM](#)

REPRESENTATIVE LEDOUX questioned whether the parents, teachers and principal of a neighborhood school could advocate for and use alternative textbooks.

MR. MORSE responded that the school district makes the decision as to whether a school can make choices, which becomes more difficult in a district where students frequently change schools; however, the decision is related to consistency and efficiency in staff development and in purchasing materials, and rests with the district.

[8:15:55 AM](#)

CHAIR GATTIS restated her question regarding the differences between neighborhood and charter schools.

MR. MORSE explained that charter schools can choose completely different instructional programs. Generally, school districts adopt curriculum, textbooks, and instructional programs - with some participation from teachers - which are used districtwide for years. Individual schools do not have a choice to "opt out," and each principal ensures that the teachers are implementing the adopted materials and programs, unless they are charter schools.

[8:17:35 AM](#)

REPRESENTATIVE SEATON observed that schools have been introduced to new innovations such as the Alaska 1 to 1 Digital Learning Initiative (1 to 1) and the legislative appropriation for the demonstration project in House District 6, "iPad for Literacy." The philosophy behind these programs was to allow teachers more flexibility at a much lower cost by using computers rather than textbooks. He asked whether EED has seen an increase in the use of technology in Alaska.

MR. MORSE responded that the use of technology is being integrated into neighborhood and charter schools. An obvious advantage to charter schools is that changes can be made at the school level by the academic policy committee, whereas school districts must make changes to an entire system.

[8:19:46 AM](#)

REPRESENTATIVE SEATON stated that the idea of mobile devices being utilized to present the same textbooks that were adopted by the district was not the intent of the legislature when it funded the 1 to 1 initiative, and he asked for clarification.

MR. MORSE offered his belief the technology is capable of broader use than for textbooks, for example, for research. He was unsure as to whether this meeting was appropriate for a discussion of the 1 to 1 initiative and other technology.

[8:21:15 AM](#)

CHAIR GATTIS stated that a discussion on technology would be forthcoming.

REPRESENTATIVE SEATON pointed out that the committee has been told one difference between charter schools and neighborhood schools is that neighborhood schools are "locked" into a local district's curriculum; however, the 1 to 1 initiative intended that neighborhood schools would have flexibility also.

CHAIR GATTIS said that the process is more cumbersome for neighborhood schools.

REPRESENTATIVE SEATON restated that the intent of previous education committees was to provide flexibility to neighborhood schools regarding classroom curriculum.

CHAIR GATTIS offered her belief that any type of smaller operation, school or business, is easier to govern, and said, "which I think has very little to do with it being a charter school or a neighborhood school"

[8:24:48 AM](#)

MR. MORSE assured the committee that innovation occurs in neighborhood schools, but it must fall within the district's textbook series, program and curriculum; a neighborhood school can be very innovative, but innovation happens more easily at a charter school. Mr. Morse returned to charter school law, noting that another exemption allowed to a charter school is the ability for its academic policy committee to appoint its principal, although not all charter schools have principals. In most neighborhood schools, the principal is selected by the superintendent of schools. Regarding contracts, he explained that the details of the operation of a charter school are set out in a contract between the local school board and the charter school's academic policy committee. The contract includes the educational program description, the level of achievement expected, its admission policy, administrative procedures, the budget allocation, and any costs assigned to the charter school program budget. Also in the contract are accounting procedures, teachers, the charter school's pupil-teacher ratio and the number of students, a termination clause, a compliance statement, and the required 10-year time limit for the contract. Other requirements in statute are that the charter school must keep financial records, meet regularly with its parents, and meet with its academic policy committee.

[8:28:52 AM](#)

REPRESENTATIVE REINBOLD asked whether neighborhood schools are required to have a termination clause.

MR. MORSE said the statute does not require a termination clause for neighborhood schools; however, neighborhood schools are required to serve the students in their enrollment area.

[8:29:27 AM](#)

CHAIR GATTIS asked whether neighborhood schools have the same type of requirements in statute, or if charter schools must meet a higher standard.

MR. MORSE responded that most financial records are kept at a district level for neighborhood schools; however, local schools receive funding for activities and must follow district procedures to continue funding. The main difference between neighborhood schools and charter schools in this regard is the structure of their governing bodies. Typically, the superintendent - not the principal of an individual neighborhood school - meets with the school board, which is its governing body. In further response to Chair Gattis, he said it is not in statute that neighborhood schools must meet with parents, but it is in statute that charter schools do so.

[8:31:38 AM](#)

REPRESENTATIVE SEATON clarified that governing body for a charter school is the academic policy committee, and the neighborhood school's governing body is the district.

MR. MORSE agreed, regarding meeting with the academic policy committee; in terms of meeting with parents for a neighborhood school, the requirement is prescribed on a local level, but not on a state level. Mr. Morse continued, explaining that the contract between the school board and the charter school also includes facility issues, such as the needs of the charter school and its choice for facilities. As an aside, he noted that charter school laws state a charter school may exist within a neighborhood school, or in a district-owned facility, if the superintendent deems there is appropriate space available.

CHAIR GATTIS pointed out the significance of "may" versus "shall."

MR. MORSE added another difference is that students must apply to attend a charter school, therefore, charter schools must have

a procedure in place for a random selection by the drawing of names, should there not be enough space for all of the applicants.

[8:35:49 AM](#)

REPRESENTATIVE LEDOUX asked how charter schools select students from the applicants.

MR. MORSE said students must fit within the available grade levels, and parents must agree to be heavily involved and meet the transportation needs of the student.

[8:36:53 AM](#)

REPRESENTATIVE LEDOUX stated in her constituency in East Anchorage, many students may not have parents who are engaged in their school. She asked whether an interested student is prevented from attending a charter school if his/her parents are deemed "not engaged."

MR. MORSE was unsure, and deferred to those who represent charter schools.

CHAIR GATTIS said she has personal knowledge of charter schools making accommodations.

REPRESENTATIVE LEDOUX clarified that her concern is for students whose parents do not wish to be engaged.

REPRESENTATIVE P. WILSON described the situation in a charter school known to her with less parental involvement. She related his understanding charter schools individually set their own rules.

[8:39:45 AM](#)

MR. MORSE returned attention to the statutory requirements for charter schools, noting teachers that hold positions in a school district must consent to being assigned to a charter school, and all existing negotiated agreements between the teachers' bargaining unit and the school district remain the same for both the charter schools and neighborhood schools. Exemptions from the teachers' contract are allowed with the agreement of the bargaining unit leadership and the school district.

[8:40:59 AM](#)

CHAIR GATTIS questioned whether a teacher consenting to teach at a charter school is any different than consent to transfer to a neighborhood within the district.

MR. MORSE said in most districts, no. He explained that in most districts teachers can be reassigned - within a school and within a school district - in some order of priority such as seniority, and under certain rules. In further response to Chair Gattis, he said the reassignment of a teacher to a charter school may be to ensure that the charter school has teachers to fulfill its instructional program; however, a reluctant teacher may not be helpful to the school.

CHAIR GATTIS observed that asking for a teacher's consent to be transferred to a charter school, but not to a neighborhood school, is lopsided.

[8:42:56 AM](#)

MR. MORSE turned to the subject of funding and said the charter school law directs that charter schools are not to receive less than the amount generated by the amount of students enrolled in neighborhood schools, less administrative costs computed at the approved indirect rate. He advised that EED feels this area needs the clarification language provided by HB 278. Charter school law also directs that budgets are to be used for operating expenses, including purchasing textbooks, classroom materials, instructional aids, and staffing. The budget items concluded statutory language regarding charter schools, and state regulations clarify that when districts approve or disapprove a charter school application, the district must inform the department within 30 days.

[8:44:47 AM](#)

CHAIR GATTIS returned attention to the method of funding charter schools.

MR. MORSE read the following:

Not less than the amount generated by students enrolled

MR. MORSE stated the amount of money generated by the students enrolled could be different than that of a neighborhood school because the money generated by students in the neighborhood

school goes to the district for districtwide functions. The law seeks to make clear what money is "on the table" and that is the money that is generated by the students. He provided an example of how transportation costs may affect the funding of schools that have the same number of students. Charter schools can also be affected by transportation in some districts.

[8:47:08 AM](#)

CHAIR GATTIS pointed out other costs besides transportation costs must be considered. She surmised that charter and neighborhood schools start with even funding; however, the neighborhood schools don't pay lease costs for their buildings.

MR. MORSE expressed his belief that the proposed legislation [HB 278] will clarify how much money is on the table, and the charter schools look to their contracts with the school board to determine lease costs, if applicable; he agreed that neighborhood schools don't have to lease their facilities, but they do have facility maintenance costs, which are handled differently.

[8:48:20 AM](#)

REPRESENTATIVE REINBOLD added that charter schools don't have bonding ability for their facilities. In addition, she expressed her understanding a \$470 per student is generated for transportation costs, although transportation is not provided for charter school students in Anchorage. She asked for further clarification on what happens to the charter school transportation per student funding.

CHAIR GATTIS cautioned that the committee already spent significant time at last Friday's hearing on this and she did not wish to "go backwards" to discuss this further. She asked for a "short" answer.

MR. MORSE, addressing the bonding ability comment, said local school districts have the right to seek municipal bonding but individual schools do not. If a charter school is located in a building that is an asset to the school district, insured by the district, they have the same right but the criteria may not be met for bonding. However, he said that in a leased facility problems may arise since bonding is for district assets that are insured by the district.

CHAIR GATTIS reported on a charter school in her district that has been attempting to bond, but it has not yet been possible. She gave details of the lease situation and restrictions that have held back expansion. She characterized the bonding as being a "Catch-22" for charter schools.

[8:51:05 AM](#)

REPRESENTATIVE P. WILSON asked for further clarification on whether a charter school in a district building must meet building codes.

MR. MORSE answered that building codes need to be met in order to house students. The distinction he was trying to make was if a charter school is using a facility in the district, the superintendent would need to determine that the building can be brought up to code. He reiterated that leased facilities in a district must meet safety and health standards.

[8:51:57 AM](#)

REPRESENTATIVE REINBOLD commented that elementary school space appears to be more available in the Anchorage area. The repurposing of the space to charter schools might avoid the necessity to build new schools or pay exorbitant rent for charter schools. She expressed concern that a successful charter school in her district that has been facing difficult housing circumstances hasn't been rewarded by the district despite its excellent educational results.

[8:53:31 AM](#)

REPRESENTATIVE LEDOUX asked whether legislative legal has provided a response regarding the transportation funding changes. She noted discrepancies or disconnects between Commissioner Hanley's interpretation and that of some legislators.

CHAIR GATTIS answered she has not yet received a response. She then referred to documents in members' packets from the Aquarian Charter School.

[8:55:42 AM](#)

JOEY ESKI, Chair, Academic Policy Committee, Aquarian Charter School, stated that she is the chair of Aquarian Charter School's Academic Policy Committee, in Anchorage. She

personally thanked Chair Gattis for her recognition that charter schools are innovative learning environments.

MS. ESKI explained that Aquarian Charter School means different things for families. For her family it has represented a sound education in a nurturing environment created by involved parents and magical teachers. She described her family's decision to apply to Aquarian Charter School, touting the open, comfortable learning environment with a tailored approach to children's learning that the school employs. The Aquarian Charter School also uses a differentiated model for children and caters to the child's highest level of achievement.

MS. ESKI related that Aquarian Charter School is one of eight charter schools operating in the Anchorage School District. Two charter schools are home-school programs, one is a German Immersion Program. In addition, other charter schools include an Alaska Native Cultural Charter School, a Waldorf-inspired school, Eagle Academy, and Hiland Tec that uses a standards-based learning model.

MS. ESKI had anticipated a middle school coming on line, Stream Academy, with a focus on technology but the charter school could not secure a building.

[8:58:25 AM](#)

REPRESENTATIVE LEDOUX did not see the Spanish Immersion Program listed. She asked for further clarification.

MS. ESKI identified it as an alternative school and not a charter school, although it may have initially started as one.

[8:58:54 AM](#)

REPRESENTATIVE REINBOLD asked her to identify the charter school that had difficulty locating a building for its school.

MS. ESKI responded the middle school was the Stream Academy, being started-up by a group of educators focused on technology, mathematics, and outdoor learning interests.

REPRESENTATIVE REINBOLD related that many elementary schools are at 80 percent capacity and it seems the schools could be restructured and the space repurposed to support other charter schools. She said she was aware of several charter schools in Muldoon and Eagle River that could benefit.

CHAIR GATTIS requested the Stream Academy information.

9:00:44 AM

REPRESENTATIVE LEDOUX understood some transportation has been provided to alternative schools but not to charter schools. She asked whether all alternative schools receive student transportation.

MS. ESKI answered no; transportation is only provided to the Rogers Park Highly Gifted program.

REPRESENTATIVE LEDOUX wondered what the reason was to limit transportation to one school.

MS. ESKI was unsure. She turned to charter school purposes, that they were initially started by inspired individuals, typically parents who saw a perceived need in education. She offered her belief that forming a charter school is the most effective way to obtain an innovative education model in the Anchorage School District (ASD) and probably in the state. Once charter schools are started they are governed by parent Academic Policy Committees (APCs), consisting of parents, teachers, staff, and sometimes community members. The APCs are responsible for making decisions related to budget and curriculum. In instances in which the charter school has been fortunate enough to have a principal, he/she is a district employee; however, the APC retains the authority to hire and fire and the principal reports to the APC. Thus, the principal straddles between two authorities: the district and the APC.

9:03:11 AM

CHAIR GATTIS asked for further clarification on the remark that some charter schools are fortunate enough to have principals.

MS. ESKI said that whether or not to hire a principal is a budget-driven decision at the charter school and sometimes a lead teacher assumes the position. While charter schools must have administration, it doesn't need to be a principal and is often handled through parental support.

CHAIR GATTIS understood budget-driven decisions and appreciated knowing that some charter schools or neighborhood schools that don't have principals.

MS. ESKI responded that she couldn't speak to neighborhood schools just to charter schools. She detailed the history and description of the Aquarian facility. It was started in 1997 by a group of parents who wished to create a stress-free environment for high-achieving students, with differentiated instruction, and high expectations delivered in a warm and encouraging environment. The Aquarian school has since evolved and is no longer exclusively a school for gifted students, although it has maintained the requirement to challenge each child at his/her individual level and reach the highest potential possible. Students and teachers have complete interaction and it is not uncommon to have four or five reading and spelling levels occurring at the same time. The school uses a "blocked math" period and curriculum, plus every single teacher teaches math and all are highly-qualified math teachers. The Aquarian charter school employs innovative techniques that can be employed at neighborhood schools but it might be difficult to replicate.

[9:07:39 AM](#)

MS. ESKI remarked that the Aquarian Charter School has operated for 17 years so it has grown over this period of time. One of the biggest challenges Aquarian and many charter schools have is finding and funding a facility. She highlighted the balance between growing enrollment to secure sufficient funds and having sufficient space for the growing enrollment. She characterized it as the balance of discovering the right size to be and what the school can afford. She related that Aquarian Charter School is housed in a once condemned, vacated, fully-depreciated Anchorage School District (ASD) building. She described the school building as basically portables combined without any foundation, with a single multi-purpose room used for physical education, lunches, and school assembly meetings. The school has 383 enrolled students, with over 800 wait-listed students, not including incoming kindergarten students.

MS. ESKI related Aquarian Charter School's rent and maintenance costs of \$350,000 per year, which she described as being the best in the district. For example, the Alaska Native Cultural Charter School pays \$640,000 per year and is also housed in a condemned building and Rilke Schule Charter School pays \$750,000 per year, she said.

[9:09:25 AM](#)

CHAIR GATTIS asked for further clarification on the condemned buildings.

MS. ESKI responded that the Alaska Native Cultural Charter School moved into the Pacific Northern Academy building, which is an old reconditioned building that first needed to be brought up to code.

[9:09:46 AM](#)

CHAIR GATTIS asked for further clarification on whether a neighborhood school moved out of the building and a charter school moved in.

MS. ESKI answered that a private school relocated. She vaguely recalled the school found it more cost effective to move rather than bring the building up to code. The Alaska Native Cultural Charter School obtained grants to upgrade the building and it pays rent to the Northern Academy, she said.

MS. ESKI detailed that the Winterberry School, the Waldorf-inspired charter school contracted with a private contractor to build its school, pays \$400,000 in rent, plus \$50,000 in property taxes, with an option to purchase after 20 years. She emphasized that the \$50,000 in property taxes has been difficult for the school to meet.

[9:11:26 AM](#)

CHAIR GATTIS related her understanding that a portion of the rent may allow for purchase.

MS. ESKI replied she was unsure. She understood the amount was set at \$3.1 million, but declined further comment.

CHAIR GATTIS understood that charter schools must do some creative financing. She asked to put on the record one issue for charter schools is that the private buildings they lease are subject to property taxes, but neighborhood schools are not subject to property taxes.

[9:13:01 AM](#)

MS. ESKI remarked that all schools in Alaska operate on a tight budget. Anchorage charter schools receive a Base Student Allocation (BSA) adjusted for enrollment and pay routine costs; however, they also pay rent for facilities plus maintenance or

construction costs from operating funds, unique to charter schools. Further, charter schools don't consistently receive state grant dollars, local tax dollars, or capital project funding, she said. She contrasted the 25 percent Anchorage charter schools pay to cover facilities-related expenses with the 10 percent average cost for facilities that the district spends on [neighborhood] facilities. In addition, the district can access capital funds and bonding to meet building, acquisition, and major renovation needs for neighborhood schools.

[9:14:25 AM](#)

MS. ESKI said that as a CPA she understood the complexity of the issues the committee faces. She acknowledged the funding formula is difficult to understand and administer. She highlighted that equity and facility funding is the single most significant challenge hindering charter school growth and sustainability.

MS. ESKI offered recommendations that could assist and support charter schools. First, charter schools would like to establish an annual facility allowance based on district needs directly from the state with a corresponding roll-over allowance. This would support charter schools and allow them to save money for schools. Secondly, she suggested that to reinstate and fund a competitive state-funded grant program for facilities would help. Third, charter schools would like statutory language regarding first right of refusal to occupy closed, unused, or underused public school facilities or property and the ability to use these facilities without rental payments. Certainly, charter schools recognize the school and the district would need to negotiate the maintenance and facility costs. Fourth, charter schools would like to obtain an exemption from local property taxes for facilities housing public charter schools. Further, she understood contradictory language exists between statutes and regulations necessary to make this happen.

MS. ESKI highlighted funding requests. First, charter schools would like changes in state law requiring logical funding from local, state, and federal sources to follow the public charter school student. Again, the charter school receives the funding formula whereas the district also receives funding from other sources, including state and federal grants. Further, districts have the discretion on whether to pass down the additional funding and charter schools would like clarity and fairness applied.

9:18:19 AM

CHAIR GATTIS asked for further clarification on whether charter schools pay property taxes but don't receive any share back.

MS. ESKI related her understanding that the state funding formula is used to support the charter schools. Charter schools receive the local required contribution, but municipalities don't distribute any monies above the required contribution. She related a scenario which illustrated that municipalities, such as the MOA, distribute monies into the state funding formula, which are distributed to charter schools on a per pupil basis; however, additional funds passed through from local property taxes are not distributed to charter schools. She estimated the charter school receives about half of the local funds.

MS. ESKI related the final recommendation would be a state-mandated cap on indirect fees charter schools remit to the local district. Although charter schools certainly agree to pay for district services received, the district's fees currently fluctuate from two to six percent in any given year, and are assessed late in the process which also causes budgeting issues.

9:21:29 AM

MS. ESKI suggested a four percent cap for indirect fees is reasonable; however, charter schools express a willingness to work with the district to achieve logical or phased-in changes to avoid drastic impacts to the district. Further, it would be helpful to make changes in the charter school laws that further define what districts should share. Despite Alaska's lackluster national charter school ranking, the charter schools manifest innovation in education and public choice for Alaska's families, but not at the expense of accountability. Working with local districts gives charter schools credibility and ensures high educational standards, but positive changes could encourage districts to work with charter schools and allow them to grow. She noted that bills before the legislature, HB 278 and HB 93, represent a good starting point and charter schools look forward to working with the committee and the governor to strengthen the provisions governing charter schools.

MS. ESKI said the charter schools' number one request is a state-funded per pupil facilities allowance, with the main goal

of sustainable charter schools that can grow and meet the demands of Alaska's students.

9:23:23 AM

REPRESENTATIVE SEATON understood the funding above the requirement of the cap. He referred to page 1 of the handout entitled "Alaska Charter Schools Legislator Information" to the request for federal dollars for military families. He asked for clarification on the funding source.

MS. ESKI answered that the federal funds have a complicated structure and minimally impact charter schools; however, charter schools would like forthright sharing from the federal government.

REPRESENTATIVE SEATON related his understanding this would be pro-rata basis for students not a per-pupil basis. It would be based on the number of students attending charter schools as compared to the number of military students in the entire district.

MS. ESKI answered that is correct; it would just account for the students who attend and not all students in the district.

9:25:18 AM

REPRESENTATIVE REINBOLD said that the 800 waitlisted students for Aquarian Charter School points to the obvious success of the school. She emphasized her passion for charter schools.

REPRESENTATIVE P. WILSON expressed an interest in further information regarding retained budget savings and lapsed funds.

CHAIR GATTIS asked for further clarification on the difficulties charter schools are experiencing related to lapsed funds.

MS. ESKI related her understanding that districts cannot retain more than 10 percent of any unencumbered funds. The charter school savings become part of that 10 percent rollover cap. Any significant savings must be used or returned to the district. Recently, one charter school purchased computers for the Aquarian charter school in order to not return funds. The charter schools report any encumbered funds, such as funds for supplies, but must obtain special permission to retain savings to pay expenses such as rent.

[9:29:31 AM](#)

CHAIR GATTIS asked whether Aquarian Charter School must pay rent through the summer.

MS. ESKI answered Aquarian charter school has a twelve-month lease.

CHAIR GATTIS remarked the schools should be able to accrue savings for anticipated expenditures.

REPRESENTATIVE P. WILSON suggested that since a lawsuit was an impetus to create that 10 percent cap, it may be more complicated to remedy. She stated support for amending the statute in support of the charter schools being able to rollover funds, but would like the EED to investigate this further.

CHAIR GATTIS acknowledged her remarks.

[9:31:11 AM](#)

REPRESENTATIVE SEATON asked for clarification on student transportation for Aquarian Charter School.

MS. ESKI answered that the parents provide student transportation to and from school.

REPRESENTATIVE SEATON asked whether Aquarian Charter School would be interested in the \$459 per student transportation fees, if these fees are passed.

MS. ESKI answered that Aquarian Charter School's goal would be to work with the district to organize busing for all the students, rather than receive the money directly. Further, she supported access for children to attend if parents can't drive. She clarified that the school requests parental involvement, but do not require parents to volunteer and the school enjoys significant parental involvement.

[9:33:29 AM](#)

REPRESENTATIVE REINBOLD offered her belief that the \$459 or more student transportation funding should follow the student to whatever school the student attends. It seems that it could be paid directly to parents if necessary to support getting students to charter schools. She offered her support for transportation funding.

REPRESENTATIVE SEATON referred to the document in members' packets entitled, "Anchorage Charter School Facilities Analysis" that lists Aquarian Charter School per student allocation at \$7,857.14. He asked for further clarification on the source of the funding and whether it represents the BSA or if it is for facilities.

MS. ESKI answered that it is the BSA funding, which is based on the school size, the special needs factor, the head factor, and the quality school grants, net of the indirect costs the district withholds.

[9:35:32 AM](#)

CHAIR GATTIS asked whether this amount is the adjusted daily membership through the formula net indirect costs.

MS. ESKI answered yes. She prepared the spreadsheet based on the district's website. The second handout highlighted revenues charter schools receive and which ones they don't receive.

[9:37:00 AM](#)

BARBARA GERARD, Principal, Academy Charter School, thanked the committee. She offered to review funding, facilities costs and special education for the Mat-su Borough School District. With respect to funding, she detailed that when the Academy Charter School and Midnight Sun opened in 1997, they only received a portion of the state funding. Senate Bill 36 passed, which allowed for a basic need per student, which forced districts to provide minimal state foundation funding for education, similar to other public schools. However, charter schools also pay indirect costs. In 2007, the Matanuska-Susitna charter schools received about \$5,300 per student and reimbursed the district 3.98 percent to cover indirect fees, which fluctuated each year ranging from 4.85 percent to 3.42 percent the next. The aforementioned fluctuation in indirect costs created difficulty in budgeting. The charter schools did not receive the local tax appropriation.

MS. GERARD related that in 2010, the Academy Charter School families, along with the five other charter schools in the Matanuska-Susitna Borough (MSB) joined together to approach the MSB for the taxpayer portion to "follow the child." Superintendent George Troxel and Assistant Superintendent John Weetman agreed to reduce the indirect fee to .5 percent if the

charter schools did not seek the full local tax appropriation, which the charter schools agreed to. Two years ago the charter schools negotiated receiving the full local tax appropriation of approximately \$2,800 per student in exchange for paying the current indirect fee determined by the Department of Education and Early Development (EED). The Matanuska-Susitna charter schools receive the BSA and local tax appropriation and pay a percentage of the indirect costs, which ranges up to 6.96 percent, or \$800,000 for the six charter schools.

[9:41:24 AM](#)

CHAIR GATTIS asked for further clarification on how the indirect fees are set.

MS. GERARD answered that the school districts submit a form to EED and that the federal indirect rate is calculated each year.

REPRESENTATIVE P. WILSON related her understanding the school district uses those calculations to charge the charter school indirect fees.

MS. GERARD answered that is correct; but the indirect rates fluctuate, creating budgeting concerns from year to year. She questioned whether indirect rates for charter schools should be the same as for other schools. Further, the actual number used is discretionary and a set fee would be more appropriate. She suggested that setting indirect fees at three percent would be fair and could alleviate annual budget needs and stabilize fees.

REPRESENTATIVE SEATON asked to have the information forwarded to the committee.

MS. GERARD said she obtained her information from Beck Wright, Director of Finance, Matanuska-Susitna Borough School District, and will forward it to the committee.

[9:44:25 AM](#)

MS. GERARD turned to the facility costs for charter schools. She explained the lease situation in the MSBSD. Over \$1 million is paid into private hands to house charter school facilities, along with local taxes, which are taken directly out of the operational budgets and represent funds not being directed to classrooms. Repurposing public facilities would be helpful, she said, even if it was only during the first three years of operation when charter schools are most vulnerable. Having an

"incubator" school facility would allow a charter school the opportunity to practice, develop, and perhaps earn the right to apply for 80:20 municipal bonds.

[9:46:26 AM](#)

CHAIR GATTIS asked for further clarification regarding the property taxes charter schools currently pay.

MS. GERARD answered that the charter schools pay their leases. Charter schools are furnished tax bills as if they are building owner; however it is basically a "pass through" from the private owners.

CHAIR GATTIS asked for further clarification on the funds that are passed through.

MS. GERARD declined comment since the Academy Charter School has benefited from legislative direct appropriation and doesn't lease its building.

[9:47:47 AM](#)

CHAIR GATTIS offered her understanding that the Matanuska-Susitna Assembly has identified this inequality and have begun the process of passing these tax dollars back, through the district directly to the charter school. She acknowledged that the MSBSD and the MSB Assembly have established good relationships; however, this certainly is not in statute.

[9:48:47 AM](#)

REPRESENTATIVE P. WILSON related her understanding the Anchorage area is reluctant to have taxes deflected from the school districts, but she is happy to hear the MSB is willing to do so.

REPRESENTATIVE SEATON suggested that if a municipality is not matching to the cap, since these are public schools the tax could be forgiven. He suggested problems could arise if the municipality is already funding to the cap.

CHAIR GATTIS commented that taxing to the cap, asking charter schools to pay the property tax, then failing to refund that portion to give the charter school equity with the neighborhood schools creates an interesting dichotomy.

REPRESENTATIVE SEATON pointed out this is a municipal decision by municipal ordinance so a municipality could change exempt charter schools from paying property taxes and it would not go through the school district.

[9:51:19 AM](#)

REPRESENTATIVE REINBOLD referred to AS 14.08.101, which read, "A regional school board may ... (6) establish, maintain, operate, discontinue, and combine schools subject to the approval of the commissioner;" Thus, she concluded that the commissioner would be brought into these discussions.

REPRESENTATIVE KITO, III expressed surprise that a property tax bill would be different than the lease payment. He further suggested that the lease payment or rent payment for a building is based on market rates. If property taxes are exempted for private entities leasing facilities it represents a tax break for these private parties. He asked whether they are required to keep the costs separate.

CHAIR GATTIS stated that the MSB confirmed it has allowed the MSBSD to return the money, but it hasn't been set aside. She reported that the MSBSD wanted to go on the record that it assists its charter schools.

[9:53:19 AM](#)

MS. GERARD resumed with the topic of maintenance. It would be helpful for charter schools to have maintenance savings accounts. Charter schools operate "one catastrophic event" away from closing their doors. She related a scenario that illustrated the difference between the neighborhood school and charter school after a fire, noting a neighborhood school wouldn't be expected to rebuild its school from operating funds, but a charter school would. The charter schools would like a per-pupil maintenance fund established for use in the event of a catastrophic event to prevent the charter schools from closing.

MS. GERARD explained that the MSBSD's charter schools use a lottery system for student selection which means any student can attend, including special education students. She described the wide range in the number of IEP students in schools and in the additional human resources available to neighborhood schools. She described the Academy Charter School with 26 active IEPs, spanning a range of issues. Many of the students have IEPs and resource teachers are brought on to assist and ensure students

are working at level. She reported on the various schools and the number of IEP students being accommodated, along with restrictions that have occurred. Because of the cost of specialists, other positions are not filled, such as a school nurse or a custodian. She emphasized that every student is welcome to the charter school and receives the education that best meets his/her needs.

9:57:04 AM

MS. GERARD finished by suggesting that a conversion charter school option be undertaken. She hoped some type of incentive could help traditional schools convert to charter schools if 65 percent of the staff at a neighborhood school chooses to do so. The process improves opportunities for innovation. The process allows charter schools foster an environment and atmosphere to embrace new ideas, methods, and strategies to improve student learning and achievement. She encouraged this to offer more flexibility and to offer more opportunities.

MS. GERARD emphasized how supportive the MSBSD has been to charter schools in the district. She summarized by saying that charter schools would like full funding and that funding should be attached to students. Some schools, such as the Academy Charter School have worked with the district on creative transportation arrangements to reduce parent transportation distances. Indirect fees should be adjusted so the rates are fair, equitable, and don't fluctuate. For example, setting the indirect fee rate at three percent seems equitable. In addition, it would be helpful to have an itemization of indirect costs. Any legislative direct appropriation grant should have an attached requirement that the pass-through government entity, such as the MSB, can only retain 2.5 percent for overhead or indirect costs. When the MSB took 5 percent from the direct appropriation grant for the Academy Charter school, it represented "a big chunk" that could have gone to the classroom, she said.

10:01:00 AM

CHAIR GATTIS anticipated that the charter school aspect in HB 278 is perhaps the most cumbersome aspect. She said it is important to have dispelled the myth that charter schools don't accommodate special needs students.

REPRESENTATIVE SEATON referred to the federal funding for military students. He asked whether the percentage of military

students could vary widely in some charter schools. He asked whether the charter school seek per-student percentage across the district.

MS. GERARD stated that MSBSD is working to ensure funding follow a student. For example, the Birch Tree Charter School has its four intensive special needs students receive increased funding based on a per-pupil amount for an intensive student. She offered to provide further information.

CHAIR GATTIS said she would distribute it to members.

[10:03:38 AM](#)

REPRESENTATIVE P. WILSON asked whether any charter schools have 100 percent of IEP students.

MS. GERARD answered that her school has individualized learning plans (ILPs) for each student but she was not aware of active IEPs for all students.

REPRESENTATIVE P. WILSON asked whether charter schools treat special education students the same by using an IEP.

MS. GERARD answered yes.

[10:05:29 AM](#)

JACK WALSH, Superintendent, Craig School District, commented on charter school operations, noting charter schools do not operate in all communities. He related when charter schools were initially set up one concern was that teachers could be assigned who might not be the ones the parents preferred. Another concern was that teachers selected in language immersion schools needed to have appropriate language ability to teach. He related a scenario that illustrated a teacher, such as himself, with high school Spanish experience would not likely be successful.

[10:07:06 AM](#)

CHAIR GATTIS agreed. She related her understanding in terms of teachers' bargaining unit rules applied and a teacher may be assigned regardless. A language immersion school may end up with someone who has no foreign language skills. She expressed concern that teacher consent is different between neighborhood and charter schools. She related that teachers assigned to

neighborhood schools don't have an opportunity to consent, but charter school teachers must agree to the assignment.

MR. WALSH answered that the teacher assignments may vary between districts and some changes may be necessary within the teachers' bargaining unit to allow flexibility. Further, in terms of transportation, it varies between charter schools and some charter schools may not have transportation issues. He offered his belief most districts are trying to provide support.

REPRESENTATIVE KITO III thanked him for his comments.

[10:09:10 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:09 a.m.