

State Scans: Charter School Markets across the U.S.

Volume 1 | Issue 4
October 2018

Colorado



*Charter Law Passed
in 1993*

*250 Charter Schools in
FY18*

*Approx. 120,000 (13%)
Charter School Students
in FY18*

*50 Charter Closures
since 1993*

No Charter School Caps

Welcome

High Impact Financial Analysis and presenting sponsor The Community Development Trust are pleased to present the fourth issue of *State Scans: Charter School Markets across the U.S.* This report is part of a four-issue volume that focuses on the charter school markets in select states:

- Tennessee (Issue 1, Jan. 2018)
- California (Issue 2, April 2018)
- New Jersey (Issue 3, July 2018)
- **Colorado (Issue 4, Oct. 2018)**

This issue provides a concise and user-friendly compilation of information on Colorado's charter school market. We hope that industry stakeholders including authorizers, operators, lenders, and grant-makers will find in this issue the context they need to support charter school projects in Colorado.

Disclaimer

The information and material presented in this report have been assembled for informational purposes only and are not to be used as the basis of an investment or credit decision. The authors of this report do not warrant the accuracy of information contained in this report but have made best efforts to ensure that the information is reliable as of its publication date of October 2018. Laws, regulations, and policies affecting charter schools may change at any time. Users of this report should conduct an independent verification of the matters referenced in this document before making any business decisions.

Resources

The information contained in this report was collected from an array of publicly available resources. We direct you to the following online resources to further your research:

Colorado League of Charter Schools
<https://coloradoleague.org>

Colorado Legislature
<https://leg.colorado.gov/bills>

State of Colorado Department
of Education
www.cde.state.co.us

National Association of Charter School
Authorizers
www.qualitycharters.org

National Alliance for Charter Schools
www.publiccharters.org

Educational Commission of the States
www.ecs.org

Presenting Sponsor

The Community Development Trust (www.cdt.biz) is a national provider of long-term, first-mortgage financing for charter school facilities. CDT provides loans for the acquisition and refinancing of existing facilities and forward commitments to purchase loans on new, to-be-built facilities upon construction completion. We look forward to expanding our portfolio to serve states, such as Colorado, with sensible charter school regulatory frameworks and improving educational outcomes. For more information, contact Shelly Cleary at (212) 271-5085 or scleary@cdt.biz.

Lead Author

High Impact Financial Analysis (www.highimpactanalysis.com) helps lenders and investors build and maintain high-performing community development portfolios. High Impact's underwriting, loan review, and consulting services are trusted by over 30 institutions financing charter schools, early care, housing, and other community development projects across the U.S. For more information, contact Peter Schaeffing at (518) 599-0482 or pschaeffing@highimpactanalysis.com.

Charter School Formation

Colorado Charter Authorizers

- Local school districts and the Colorado Charter School Institute (“CSI”) may authorize charter schools.
 - CSI serves 42 schools with 17,000 PreK-12 students. In 2004, House Bill 04-1362 created CSI as the only independent statewide charter school authorizer for Colorado. CSI has the authority to approve or deny charter school applications, monitor CSI charter school operations, and assist in the conversion of a district charter school to a CSI charter school.
 - CSI may authorize charter schools in districts that have not retained exclusive authority to authorize charter schools within their district.
 - Exclusive charter authority is granted to local school districts with fewer than 3,000 students and school boards enrolling more than 3,000 students that demonstrate to the Colorado Department of Education (“DOE”) that they have treated charter schools in a fair and equitable manner to retain their exclusive chartering status.
 - In FY18, there were 45 local school districts authorizing 208 charter schools.

Charter School Start-Up

- Charter school applicants can be for-profit or nonprofit organizations. Though charter schools may be managed by a private, for-profit management company, each charter school must be organized as a nonprofit entity with its own independent governing board.
- Virtual schools are permitted but require additional certification.
- The application process gives greater consideration to charter schools designed to increase educational opportunities for at-risk pupils.
- An initial charter is authorized for a period of four years and is required to include a budget for a term of at least five years.
- There are no caps on the number of charter schools.
- The Colorado Charter School League, a nonprofit membership organization that supports charter schools, provides predominately free technical assistance and up to \$16,000 planning grants to assist charter schools in the application stage.
- A charter application denied by a local school district or school board may be appealed to the DOE, which may remand the decision back to the local entity for reconsideration.
- Districts are required to provide reasons for denial to charter applicants.
 - Denied applicants may appeal to the DOE within 30 days of the district’s decision. The DOE then has 60 days to hear the appeal.
 - If the DOE remands the application back to the local entity for consideration, the local entity has 30 days to reconsider the application. If it is denied again, the applicant can appeal to the DOE a second time. The DOE’s decision at the second hearing is final.
 - For CSI schools, rejected applicants can also appeal to the DOE within 30 days. The DOE then has 60 days to hear the appeal. The decision of the DOE is final and is not subject to a second appeal.
- Approvals are based on a rubric that focuses on:
 - *Qualified and Competent School Leadership*: Leadership has the confidence of teachers, parents, the board and students, and shows evidence that it has effectively begun to implement many components of its school proposal.
 - *Sound Operational Practices*: Foundations for strong fiscal management and effective business operations have been established and are being followed.
 - *Efficient Governance*: The board has obtained initial training and is committed to ongoing training, understands its role and adheres to state statutes and its own policies.

Initial charters are authorized for a period of four years.

There are no restrictions regarding who can apply for a charter school.

- *Effective Academics and Instruction:* A curriculum has been selected or developed and can be effectively implemented by instructional staff to engage students using multiple approaches.
- *Robust Performance Management Plan:* Data from a student information system, data management system and interim assessments will be used effectively to guide instruction and school culture.
- *Clear, Mission-Driven School Culture:* A strong, mission-driven culture has been established and evidence of the culture can be easily observed throughout most aspects of the school.

Charter School Autonomy and Accountability

- Charter schools may operate free from specified school district policies and free from state rules unless otherwise specified. This includes:
 - The performance evaluation system for licensed personnel;
 - Teacher licensing requirements (subject to an application for a waiver);
 - Collective bargaining requirements; and
 - The annual school calendar and teacher-pupil contact hours.
- The state requires school districts to grant teachers a leave of absence of up to three years to teach in a charter school.
- Charter school teachers have equal access to the public school teacher retirement system.
- Authorizers are required to annually review charter school performance and report to the DOE. The review examines the charter school's progress in meeting the objectives identified in its performance plan and the results of its most recent financial audit.
- Every three years the DOE reports on the success or failure of charter schools, their relationship to other school reform efforts and suggested changes in state law necessary to strengthen the charter school program.
- Since 1993, 50 charter schools have closed, which equates to a roughly 17% closure rate. Charter schools may be terminated or non-renewed if the school:
 - Committed a material violation of any of the conditions, standards or procedures set forth in the charter contract.
 - Failed to implement a turnaround plan or failed to make sufficient progress related to the turnaround plan.
 - Failed to meet standards of fiscal management.
 - Violated any provision of law applicable to the charter school.
 - For charter schools required to implement a turnaround plan for a second consecutive school year, the school must show that it has made sufficient improvement to attain a higher accreditation. If evidence of such progress is not sufficient, or if a charter is required to implement a turnaround plan for a third consecutive year, the DOE may revoke the school's charter.
- Renewal applications are due no later than December 1 of the year prior to the year in which the charter expires.
 - A resolution on the renewal application is to be provided by the authorizer no later than February 1 of the year the charter expires.
 - Decisions to revoke or not renew a charter may be appealed.

Finance and Policy

General Information

- School districts finance their facilities using property taxes, mill levies, and local bonds. Charter schools generally pay for facilities and related expenses from their general per pupil operating revenue.
- On average, charter schools spend \$660 per student from designated per pupil operating revenue on facilities costs.

Charter schools spend an average of \$660 per student from designated per pupil operating revenue on facilities costs.

Innovation schools are an additional tool for school choice in Colorado but are not charter schools.

- For charter schools authorized by local school boards, 100% of the per pupil revenue flows to charter schools, less an amount for specified administrative costs (capped at 5%) based on actual district spending as reported to the state.
- Schools authorized by CSI receive 100% of the per pupil revenue less 3% for administrative fees and 1% for DOE administrative costs.
- Starting in FY18, a plan for equitably using and distributing additional mill levy revenue to charter schools and public schools located within a school district has been implemented.
 - The plan ensures that additional revenue is distributed to or used for programs that benefit the schools of the participating district.

The Colorado Innovation Schools Act (Bill 08-130)

- Created by Colorado state law in 2008, innovation schools are district-operated schools with greater individual school autonomy and managerial flexibility intended to facilitate the implementation of diverse approaches to learning. This includes certain waivers from state law and/or collective bargaining agreements, and greater control over matters including educational programming, personnel selection and evaluation, calendars and scheduling and budgeting. In FY18, there were 98 innovation schools in 15 districts of innovation serving 46,244 students.
- These schools are not charter schools and are not included in the analysis presented in this report.

Building Excellent Schools Today (“BEST”) Grant Program

- The BEST program, administered by the DOE, provides competitive grants to school districts, charter schools, institute schools, and other public educational agencies. BEST is also funded through Land Board proceeds, the Colorado Lottery and interest from the Colorado Capital Construction Assistance Fund.
- New charter schools can apply for start-up or planning grants under the BEST program. In FY18, \$5.0 million was appropriated to this use of funds. Over 175 schools competed for the award, which must be supplemented with local district matching funds in most cases.
- Schools also apply for grants through the Marijuana Tax Cash Fund, which is funded by a 2.9% sales tax on marijuana.

Charter School Capital Construction Funding (Bill 22-54-124)

- Each year the State Education Fund and a percentage of the marijuana excise tax provides a separate appropriation for charter schools and CSI for capital construction. This funding can be used for school construction, renovation, maintenance, financing, or the purchasing or leasing of facilities.
- For charters to be eligible for this funding, they are required to submit an eligibility questionnaire to the DOE School Finance Division after October 1 pupil counts.
 - Funds are distributed on a per full-time enrollment basis.
 - In FY18, \$29.3 million has been appropriated for capital construction:
 - \$20.0 million in funding comes from the State Education Fund (this is the statutory maximum the program can receive).
 - The Charter School Capital Construction program receives 12.5% of marijuana excise tax revenues which the BEST program receives.
 - For FY19, the funds received from BEST will include \$5.0 million in excise tax revenues plus a one-time appropriation of \$4.3 million.
 - The per full-time enrollment funds distributed are expected to be \$291.79 for FY19.

Charter School Intercept and Moral Obligation (C.R.S 22-30.5-406)

- Charter schools can request that the State Treasurer make direct payments of principal and interest on capital construction bonds on its behalf.
- The State Treasury withholds the funds needed to make these payments from the monthly equalization payment to the charter authorizer.

The Charter School Capital Construction program was appropriated \$29.3 million in FY18.

- The Treasurer will only perform an intercept for a charter that receives sufficient state equalization money to cover the all annual principal and interest payments.
- The moral obligation program enhances the credit of charter schools that have obtained an investment grade credit rating, resulting in more favorable financing terms on their capital construction bonds.
 - The program charges an annual fee of 10 basis points of the principal amount of bonds outstanding.
- This program has a statutory cap of \$400 million. At 2/28/17, the last date for which data were available, the outstanding par value of the bonds issued under the moral obligation program was \$340.7 million.

Accessing Facilities and Facility Financing through Districts

- School districts are required to invite charter schools to discuss their capital construction needs prior to submitting a request to the voters or floating a bond for facilities funding, but the district is not required to include charter schools as part of their requests or bonds.
- If space is available in a school district facility, a charter school may not be charged for that space, though other costs for facilities operations and maintenance are negotiated between the charter school and school district.
- Colorado can support up to \$500 million in debt, which enhances charter schools' ability to borrow funds from the Colorado Educational and Cultural Facilities Authority to obtain tax-exempt bonds at low interest rates.

Statewide Updates

- In October 2018, Colorado was selected as one of eight states to receive a \$55 million Charter School Program – State Entities Grant from the United States Department of Education. The grant will support start-up, expansion, and/or replication of approximately 45 high quality charter schools over the next five years.
 - The grant will also provide funding for training on quality charter practices to school administrators, business managers, school boards and authorizers.
- 30 districts/charters have allowed teachers to arm themselves.
- Colorado education officials have been criticized for withholding large amounts of student achievement data from the public. 2018 is the first year since 2015 that results separated by race, ethnicity, disability status, English Language Learner ("ELL") status and economic status are publicly available. Colorado is considering additional changes for 2019 that would make more information available.

City Updates

Denver

- The Superintendent of Denver Public Schools is stepping down and a search is underway for a new superintendent, with a decision anticipated by the end of 2018. Finalists will be named in November 2018.
 - This search may have a bearing on Denver's future stance on charter schools. Some parents in the district have voiced opposition to the high number of charter and innovation schools in the district.
- Denver has a preschool program that provides \$15 million of tuition assistance to help families with four-year-old children pay for preschool.
 - This is funded using citywide sales tax as approved by voters.
 - The City is also instituting a \$700,000 initiative to improve preschool classrooms for three-year-olds. Depending on November tax measures on the ballot, new preschool seats for three-year-olds may be added.

In October 2018, Colorado received a \$55 million Charter School Program – State Entities Grant from the USDOE.

Many charters use a weighted lottery system to ensure the student body mirrors the community.

Attendance

- Enrollment in a charter school must be open to any child who resides within the school district.
- Although there are no clear lottery procedures, many charters utilize a weighted lottery system to ensure the student body better mirrors the community and provides more diversity.
- A charter may give enrollment priority to a sibling of a student enrolled in the charter school.
- In general, Colorado charter schools educate fewer economically disadvantaged, homeless and special needs students than schools statewide. Colorado charters do, however, educate about the same proportion of English Language Learners as the state.

Reporting and Testing

Performance Frameworks

- Colorado evaluates school and school district performance using performance frameworks that assess academic achievement, longitudinal growth, and postsecondary and workforce readiness. For more information, visit www.cde.state.co.us/accountability.
- Districts may evaluate charter school performance using the state's performance framework or using their own more exhaustive or stringent framework.
- CSI's school review process is similar to the state's performance framework, but CSI's tool incorporates trend data and a comparison to the geographic district. It also measures overall financial health and organizational sustainability. For more information, visit: www.csi.state.co.us/school-accountability/.
- Through the performance evaluation process, each school (including charters) is assigned one of four plan types with differing levels of interventions and requirements, ordered from the most minimal interventions to the most severe interventions: Performance Plan, Improvement Plan, Priority Improvement Plan, and Turnaround Plan.

Financial Reporting Measures

- In accordance with the Public School Financial Transparency Act, local education providers are required to post financial information online in a downloadable format for free public access.
 - Charter schools are required to post the following information within 60 days after completion or receipt of the applicable report, statement or document:
 - Annual budget
 - Financial audit
 - Salary schedules or policies
 - List of waivers received by the charter school
 - Financial data file for the current and prior year-ends
 - Other specific financial information
 - Link to Financial Transparency for Colorado Schools website
 - Other indicators that are used to measure charter school financial performance include meeting the minimum statutory emergency reserve requirement of 3%, current ratio, months of cash on hand, aggregate three-year total margin, net asset position, debt, unassigned fund balance on hand, financial covenant defaults and funded pupil count variance. For more information, visit: www.cde.state.co.us/cdefinance/sffinancialtransparency.

Academic Performance Measures

Charter schools are required to participate in the following state-mandated academic assessments:

- Colorado Measures of Academic Success (“CMAS”), which includes Science, Social Studies, Mathematics and English Language Arts/Literacy (“ELA”).
 - Math and ELA are assessed using tests provided by the Partnership for Assessment of Readiness for College and Career (“PARCC”), which is a multi-state assessment consortium that has developed shared ELA and Math assessments. This assessment commenced in FY15. In FY18, Colorado announced that it will begin shifting away from standardized tests developed by PARCC and move toward tests developed mostly by Colorado educators. However, Colorado will likely keep using some PARCC questions in Math and ELA for students in grades 3-8.
 - Science and social studies are assessed using tests developed by the DOE, educators and Pearson.
 - CMAS reports performance in five groupings:
 - Did Not Yet Meet Expectations
 - Partially Met Expectations
 - Approached Expectations
 - Met Expectations
 - Exceeded Expectations
- Colorado Alternate Assessment (“CoAlt”), which tests Science and Social Studies aptitude among eligible students with significant cognitive disabilities using a specially designed academic, standards-based assessment.
- Colorado Spanish Language Arts
 - Beginning in Spring 2016, eligible third and fourth grade students started testing under Colorado Spanish Language Arts instead of CMAS ELA.
- For more information, visit: www.cde.state.co.us/assessment.

In August 2012, Colorado joined the PARCC, a multi-state assessment for ELA and Math.

Enrollment Information

During the FY17 school year, 25% of charter school facilities were managed by nonprofit charter management organizations (“CMOs”) and 3% were managed by for-profit educational management organizations (“EMOs”). The remaining 72% operate independently.

25% of charter schools are managed by nonprofit CMOs and 3% are managed by for-profit EMOs.

Demographic Information

Demographic data provided by the DOE are based on information provided during Math and ELA testing. An average of the ELA and Math demographics are presented in the tables below.

FY16-FY18 Demographic Information for Charter and Non-Charter Schools						
Ethnicity	FY18		FY17		FY16	
	Charter	Non-Charter	Charter	Non-Charter	Charter	Non-Charter
American Indian or Alaskan Native	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%
Asian	2.6%	1.4%	1.2%	1.0%	1.0%	1.0%
Black	5.0%	3.0%	4.3%	2.7%	4.3%	2.8%
Hawaiian/Pacific Islander	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Hispanic	35.9%	36.4%	37.8%	36.7%	37.1%	36.6%
Not Reported	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Two or More Races	1.6%	1.9%	0.0%	0.8%	0.1%	0.7%
White	55.1%	57.3%	56.7%	58.8%	57.6%	59.0%
Other Demographics	FY18		FY17		FY16	
Eligible for Free or Reduced Lunch	35.2%	44.7%	35.1%	45.1%	32.2%	45.7%
Limited English Proficiency	10.0%	7.7%	11.0%	8.4%	10.9%	9.1%
Individualized Education Program	3.5%	7.4%	0.9%	4.2%	1.0%	4.3%

Source: www.cde.state.co.us/assessment/cmzas-dataandresults

Academic Performance

Charter schools have outperformed non-charter schools over the last three academic years in ELA, Math and Science. Within the subject of Math, a small number of year/subject matter combinations (e.g. FY18 Algebra 1 and FY17 Grade 5) have comparable charter and non-charter results. It is important to note that the 'non-charter' classification includes both public and private institutions and is not necessarily demographically comparable to the students served by charter schools. As the CSI school district only includes charter schools, it was not included in the comparative analysis.

School-level performance is measured as an average. Average performance tables that denote the percentage of students that met or exceeded expectations for the past three academic years across the state for ELA, Math and Science are below.

		% of Students who Met or Exceeded Expectations (English Language Arts)					
		Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
FY18	Charter	43.0%	50.0%	49.8%	45.4%	51.5%	48.1%
	Non-Charter	40.1%	45.3%	46.6%	44.2%	44.4%	42.6%
FY17	Charter	41.9%	47.1%	47.6%	44.1%	49.2%	50.4%
	Non-Charter	39.9%	43.6%	45.7%	41.8%	43.0%	42.5%
FY16	Charter	40.7%	47.6%	42.2%	42.8%	47.6%	49.2%
	Non-Charter	37.4%	43.0%	40.9%	39.1%	39.2%	40.5%

Source: www.cde.state.co.us/assessment/cmas-dataandresults

		% of Students who Met or Exceeded Expectations (Math)										
		Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Algebra 1	Algebra II	Geometry	Integrated I	Integrated II
FY18	Charter	41.4%	37.3%	37.2%	33.2%	35.1%	36.8%	69.3%	N/A*	87.9%	N/A*	N/A*
	Non-Charter	39.6%	34.9%	36.7%	32.6%	28.5%	28.6%	69.7%	N/A*	88.9%	70.9%	97.4%
FY17	Charter	43.0%	37.8%	34.0%	33.0%	31.4%	32.8%	46.9%	85.1%	62.8%	56.7%	82.7%
	Non-Charter	39.7%	34.5%	34.8%	32.5%	25.9%	23.2%	40.2%	76.9%	60.0%	38.3%	55.4%
FY16	Charter	43.4%	37.9%	34.8%	34.6%	33.5%	32.3%	48.2%	86.9%	64.3%	61.8%	100.0%
	Non-Charter	38.7%	34.2%	34.8%	31.5%	25.2%	22.5%	39.3%	72.6%	59.7%	43.8%	58.0%

Source: www.cde.state.co.us/assessment/cmas-dataandresults

*Data not provided.

		% of Students who Met or Exceeded Expectations (Science)		
		Grade 5	Grade 8	High School
FY18	Charter	39.5%	36.1%	39.4%
	Non-Charter	36.9%	31.1%	27.4%
FY17	Charter	38.2%	36.3%	41.8%
	Non-Charter	36.4%	30.3%	27.6%
FY16	Charter	36.7%	38.3%	37.6%
	Non-Charter	35.8%	29.9%	27.1%

Source: www.cde.state.co.us/assessment/cmas-dataandresults

Academic results for the five districts with the highest number of active charter schools in FY18 can be found in the Appendix. These districts include Denver County, CSI, Jefferson County, Douglas County and Adams-Arapahoe.

On average, charters have outperformed non-charters in ELA, Math and Science over the last three fiscal years.

Appendix

Measuring Success

Districts with the Highest Number of Charter Schools

The table below lists the five districts with the highest number of active charter schools in FY18. These districts account for 60% of all charter schools in Colorado. With the exception of CSI, which is not a geographically bound district but rather represents all schools statewide that are authorized by CSI, the other districts are all in the Denver metropolitan area.

Top 5 Districts with the Highest Number of Charter Schools (2017-18)		
District	Charter Count	Charter Enrollment Total
Denver County	60	19,914
Charter School Institute	42	17,555
Jefferson County	21	9,763
Douglas County	18	15,233
Adams-Arapahoe	9	5,073
Total	150	67,538

Source: www.cde.state.co.us/cdechart/chartAuthDist.asp

Student performance is based on CMAS (PARCC) assessment data provided by DOE (www.cde.state.co.us/assessment/cmas-dataandresults). The CSI, which is the largest charter authorizer in Colorado, encompasses schools located throughout the state, and therefore does not have a comparison group available.

Data for the FY16 through FY18 school years are presented in the following charts. Data prior to the FY16 school year are not presented because PARCC assessment results are not comparable to previous years' assessment results. Based on the data provided, information was only available for Grades 3-8.

Performance among charters in the school districts with the highest number of charter schools has varied:

- ELA and Math results in FY18 for charter schools located in the Douglas County school district exceeded non-charter performance.
- ELA and Math results in FY18 for charter schools located in the Denver County and Adams-Arapahoe school districts remained comparable to non-charters.
- ELA and Math results in FY18 for charter schools located in the Jefferson County school district were lower than non-charter performance.

60% of all charter schools are located within five districts.

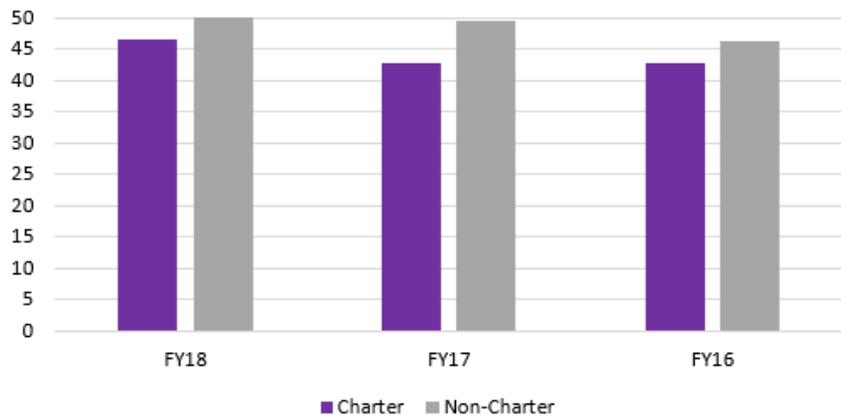
Grade 3-8 English

Average Percentage of Students That Met or Exceeded Proficiency Standards

DENVER COUNTY



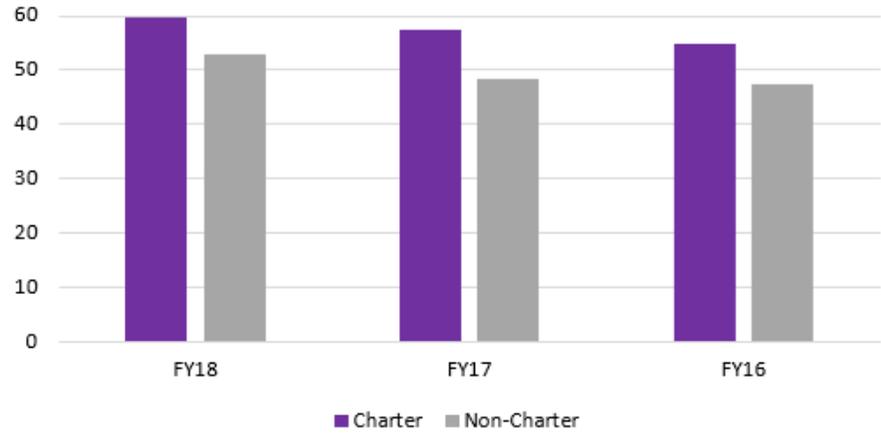
JEFFERSON COUNTY



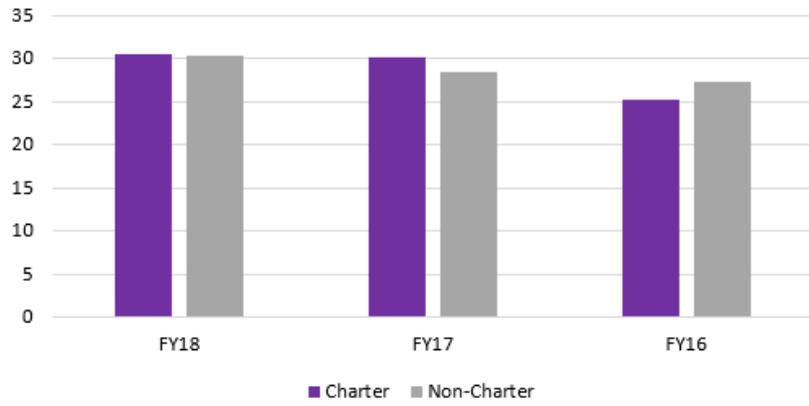
Grade 3-8 English

Average Percentage of Students That Met or Exceeded Proficiency Standards - Continued

DOUGLAS COUNTY



ADAMS-ARAPAHOE



Grade 3-8 Math

Average Percentage of Students That Met or Exceeded Proficiency Standards

DENVER COUNTY



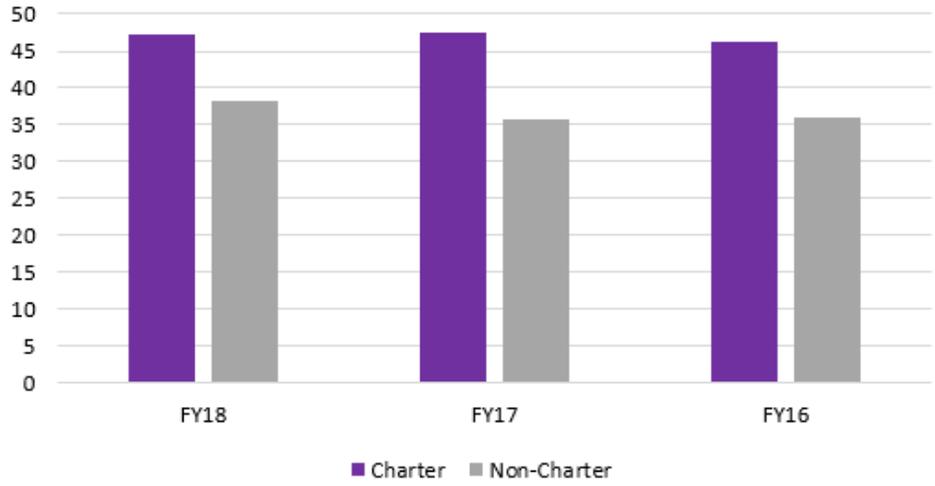
JEFFERSON COUNTY



Grade 3-8 Math

Average Percentage of Students That Met or Exceeded Proficiency Standards - Continued

DOUGLAS COUNTY



ADAMS-ARAPAHOE

