
PILOT REVIEWS OF CHARTER SCHOOLS: ANALYSIS AND OBSERVATIONS

The Texas Legislature established the Texas School Performance Review in 1990 to “periodically review the effectiveness and efficiency of the budgets and operations of school districts” (Texas Government Code, Section 322.016). The Legislative Budget Board’s School Performance Review team conducts comprehensive and targeted reviews of school districts’ and charter schools’ educational, financial, and operational services and programs. The team publishes reports that identify accomplishments, findings, and recommendations based upon the analysis of data and onsite study of each district’s operations. Some recommendations are based on state or federal laws, rules or regulations, and should be promptly addressed. Other recommendations are based on comparisons to state or industry standards, or accepted best practices. The school district should review these recommendations to determine their level of priority, appropriate timeline, and method of implementation.

School districts are selected for management and performance reviews based on a risk analysis of multiple educational and financial indicators. Typically, the team selects a low performing district for review and examines 12 functional areas and recommends ways to cut costs, increase revenues, reduce overhead, streamline operations, and improve the delivery of educational, financial, and operational services. The functional areas include: (1) District Organization and Management; (2) Educational Service Delivery; (3) Asset and Risk Management; (4) Financial Management; (5) Purchasing and Warehousing; (6) Human Resources Management; (7) Facilities Use and Management; (8) Technology Management; (9) Transportation Services; (10) Food Services; (11) Safety and Security; and, (12) Community Involvement.

Charter schools are a public school choice system that has grown rapidly since its inception in the mid-1990s. The enrollment at these schools is increasing at a higher rate than school districts. In 2012, the team adapted the school review process to address the unique requirements of charter schools, and examined five of the 12 functional areas of three Houston-area charter schools on a pilot basis; two open enrollment and one campus-based. The five functional areas reviewed include: Educational Service Delivery, Organization and Management, Financial Management, Facilities Use and Management, and Safety and Security.

Like the school district selection process, charter schools for the pilot reviews were selected based on a risk analysis of educational and financial indicators. Some of the educational factors considered were the charter schools’ state and federal accountability ratings, in addition to any state interventions in place. Regarding financial factors, selection criteria included the charter schools’ spending per pupil, actual operating instructional expenditures, and net assets.

OBSERVATIONS

- ◆ The educational plan, a key element of the charter school, differed among the three charter schools reviewed.
- ◆ Certain teacher issues, an area of charter discretion, aligned with practices required of independent school districts.
- ◆ The three charter schools’ organizational structures included both nonprofit and for-profit corporations providing educational services.
- ◆ Familial relationships existed within the organizational structure of the three charter schools.
- ◆ The three charter schools engaged in business arrangements to offer and support educational services.
- ◆ Resources, such as buildings and personnel, were shared between the nonprofit and for-profit corporations operating the three charter schools.
- ◆ Various types of lease arrangements were established for building space.
- ◆ Safety and security issues were handled in different ways among the three charter schools.

Figure 1 includes general observations made during the onsite review of the three charter schools the team reviewed on a pilot basis.

**FIGURE 1
REVIEW TEAM OBSERVATIONS BY FUNCTIONAL AREA, SCHOOL YEAR 2011–12**

EDUCATIONAL SERVICE DELIVERY

The educational plan, a key element of the charter school, differed among the three charter schools reviewed. One of the charter schools partnered with community agencies and social service programs to provide educational programming to at-risk students and students with disabilities. Another charter school incorporated performing and fine arts into classroom instruction across grades and content areas through project-based instruction. The third charter school described its educational program as providing “an integrated across-the-curriculum approach to learning by incorporating higher-level and critical thinking skills...to real world and practical living.”

CHARTER ORGANIZATION AND MANAGEMENT

Certain teacher issues, an area of charter discretion, aligned with practices required of independent school districts. For example, although charter schools are exempt from the requirements of the Texas Education Code related to educator certification, one of the charter schools strongly encouraged teacher certification while another employed mostly certified teachers. Additionally, two of the charter schools had adopted policies for evaluation of the superintendent, principals, and central office administrators which aligned with the policy required of school districts.

The three charter schools’ organizational structures included both nonprofit and for-profit corporations providing educational services. The two open enrollment charter schools were operated by nonprofit corporations, while the campus-based charter school was operated by a for-profit corporation.

Familial relationships existed within the organizational structure of the three charter schools. For instance, two of the charter schools had relationships of consanguinity and affinity within management of the organization. The other charter school had a reporting relationship whereby an administrator indirectly supervised a spouse. In contrast to school districts, charter schools may, in some circumstances, be exempt from the requirements of the Texas Education Code related to nepotism.

FINANCIAL MANAGEMENT

The three charter schools engaged in business arrangements to offer and support educational services. Each of the charter schools reviewed had contractual arrangements with several external entities to offer services such as Head Start and licensed early childhood centers.

Resources, such as buildings and personnel, were shared between the nonprofit and for-profit corporations operating the three charter schools. For example, both of the open enrollment charter schools were operated by nonprofit organizations which had business arrangements with other nonprofit organization whereby property was shared. Additionally, one of the charter schools received donations and loans to assist with operations of the campus.

FACILITIES USE AND MANAGEMENT

Various types of lease arrangements were established for building space. All of the charter schools maintained lease agreements for space, while one of the charter schools also noted land and leasehold improvements. Further, two of the charter schools shared facilities with other entities. In contrast to school districts, charter schools do not receive state facilities funding.

SAFETY AND SECURITY

Safety and security issues were handled in different ways among the three charter schools. For example, one of the charter schools actively engaged the emergency services organizations within its community, while another charter school used several strategies to address bullying at the school. However, none of the charter schools had formal processes or plans to evaluate the effectiveness of existing safety and security programs and activities. In contrast to school districts, charter schools are exempt from certain requirements of the Texas Education Code related to safety and security.

SOURCE: Legislative Budget Board.

DESCRIPTION OF CHARTER TYPE

The charter schools reviewed represent two of the three categories of charter organizations in operation: open enrollment charter schools and campus-based charter schools. Open enrollment charter schools are authorized by the State Board of Education (SBOE) in accordance with the Texas Education Code (TEC), Chapter 12, subchapter D, and operate pursuant to a contract between the SBOE and the charter holder. In contrast, campus-based charter schools are authorized by independent school districts (ISDs)

pursuant to TEC, Chapter 12, subchapter C. Campus-based charter schools may be internal and managed through the school district, or external and managed by an outside agency or community-based organization. College or university charter schools are the third type of charter category operating in Texas.

Descriptions of the three charter schools reviewed follow:

- Kandy Stripe Academy is an external campus charter school of the Houston Independent School District (HISD). Initially established as a family-owned

child care center in 1968, it was granted approval as an HISD charter school in 2001. In school year 2011–12, the charter school served 427 students in pre-Kindergarten through grade 8.

- MeyerPark Elementary School is an open enrollment charter school located in Houston, Texas. Originally established as a private elementary school for students in kindergarten through grade 5, MeyerPark Elementary was granted a charter in 2003 and began operations as a public charter school in school year 2004–05. In school year 2011–12, the charter school served 236 students in pre-Kindergarten through grade 6.
- Southwest Schools is an open enrollment charter school located in Houston, Texas. Founded and granted a charter in 1998, Southwest Schools opened a high school campus in school year 1999–2000. It also contracted to provide educational programming to students housed in four residential treatment centers (RTCs), currently known as the Phoenix School. Southwest Schools has expanded its operations since opening. In school year 2011–12, Southwest Schools served 1,611 students in pre-Kindergarten through grade 12. The charter school includes a middle school and a high school on a shared campus; two elementary school campuses; and the Phoenix School, which provides educational programming

to students at seven RTCs. Southwest Schools also operates three Head Start pre-Kindergarten programs (Young Learners School campuses) through an external campus charter school contract with HISD.

Figure 2 provides general information on the three charter schools reviewed as part of the pilot management and performance reviews.

Using several demographic and financial indicators, **Figure 3** provides a comparison of the three charter schools reviewed with the statewide total, including school districts and charter schools, and with the total of all charter schools alone. The percentage of students served who were economically disadvantaged was greater for the three charter schools than for either of the total groups. However, the three charter schools differed significantly among themselves in percentage of students served who were at-risk or who received special education services. Overall, the three charter schools served a lower percentage of students who received special education services than the statewide total. Regarding financial indicators, per pupil actual operating expenditures for the three charter schools was lower than the statewide total of \$8,717 and the charter school total of \$9,169. In contrast, the three charter schools had greater percentages of total actual operating expenditures spent on instruction than the charter school total of 51 percent. Two of the charter schools had a greater percentage of total actual operating expenditures spent on instruction than the statewide total.

FIGURE 2
CHARTER SCHOOLS SELECTED FOR THE PILOT CHARTER SCHOOL REVIEWS
SCHOOL YEAR 2011–12

GENERAL INFORMATION	KANDY STRIPE ACADEMY	MEYERPARK ELEMENTARY	SOUTHWEST SCHOOLS
Year Charter Granted	2001	2003	1998
Charter Type	Campus Charter	Open Enrollment	Open Enrollment
Organizational Structure	Operated by a for-profit	Operated by a nonprofit	Operated by a nonprofit
Grades Served	Pre-K to Grade 8	Pre-K to Grade 6	Pre-K to Grade 12
Student Enrollment	427	236	1,611
Total Personnel	30	26.5	154.2
Total Teaching Staff	25	16.2	96.7
Total Revenue*	\$2.6 million	\$1.9 million	\$26.9 million
Total Expenditures*	\$2.4 million	\$1.8 million	\$27.1 million
State Accountability Rating 2011	Academically Unacceptable	Academically Unacceptable	Academically Unacceptable
School FIRST Rating	N/A	Superior Achievement	Standard Achievement

NOTES: * indicates 2010–11 Actual Financial data; the number of total personnel and total teaching staff has been rounded to the nearest tenth; School FIRST is the acronym for School Financial Integrity Rating System of Texas (FIRST); N/A indicates Not Applicable because Kandy Stripe Academy is a campus within Houston ISD and does not receive a School FIRST rating.
SOURCE: Texas Education Agency Student Enrollment Reports, school year 2011–12.

**FIGURE 3
 DEMOGRAPHIC AND FINANCIAL INDICATORS OF THE THREE CHARTER SCHOOLS COMPARED TO THE STATEWIDE AND
 CHARTER SCHOOLS TOTALS
 SCHOOL YEAR 2011–12**

INDICATORS	STATEWIDE TOTAL	CHARTER SCHOOLS TOTAL	KANDY STRIPE ACADEMY	MEYERPARK ELEMENTARY	SOUTHWEST SCHOOLS
Economically Disadvantaged	59.2%	71.3%	77.0%	83.5%	87.7%
At-Risk	46.3%	46.4%	40.5%	23.3%	79.8%
Special Education	8.9%	6.9%	1.9%	2.5%	8.2%
Per Pupil Actual Operating Expenditures	\$8,717	\$9,169	\$6,051	\$8,536	\$6,995
Percent of Total Actual Operating Expenditures Spent on Instruction	58.1%	51.0%	91.5%	54.2%	73.7%

NOTE: Statewide total includes school districts and charter schools. Charter schools total includes charter schools only.
 SOURCE: Texas Education Agency, Public Education Information Management System, school year 2011–12.

The full text of each of the three individual pilot reviews of the charter schools can be found in the following reports:

Pilot Review of Charter Schools, Kandy Stripe Academy
 (Legislative Budget Board, December 2012)

Pilot Review of Charter Schools, MeyerPark Elementary
 (Legislative Budget Board, December 2012)

Pilot Review of Charter Schools, Southwest Schools
 (Legislative Budget Board, December 2012)