



PORTLAND PUBLIC SCHOOLS OFFICE OF DEPUTY SUPERINTENDENT

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Date: May 05, 2022
To: School Board
From: Dr. Cheryl Proctor, Deputy Superintendent
Claire Hertz, Deputy Superintendent
Subject: Charter School Funding Allocation

BACKGROUND

The Board Charter Schools and Alternative Programs Committee asked staff to prepare an analysis of the overall cost of administering the charter schools program and the funds retained from the charter school pass-through. Additionally, the Committee requested an analysis and cost estimate of an increase of the State School Fund pass-through rate from 80% to 90% for all PPS-sponsored charter schools serving less than 50% of highly underserved students in grades K-8.

Charter schools sponsored by PPS have historically received funds per the statutory guidelines in ORS 338, which include a pass-through minimum of 80% of the Charter School Rate for K-8 ADMw and 95% for 9-12 ADMw. Per ODE, the Charter School Rate is based on the most recent year's enrollment, and does not include averaging over multiple years, or Extended ADMW. For schools that were denied a charter by their districts and were approved as charters by the State after appeal, the statutory minimum is set at 90% for K-8 and 95% for 9-12.* These minimums were negotiated as part of the initial Charter School Law (ORS 338) in 1999. A substantive legislative review of charter school funding pass-through rates has not occurred since 1999 when ORS 338 was passed. This differential rate of pass-through between district-sponsored K-8 charters at 80% and state-sponsored charter pass-through at 90% has resulted in questions and concerns by current PPS charter schools and resulted in the request for staff to provide detailed information to both Superintendent Guerrero and members of the Charter School and Alternative Programs School Board Committee.

In March 2020, a similar request was made for a funding analysis. Following the recommendation of the Charter School and Alternative Programs Committee which followed the 2020 program cost staff analysis of PPS charter school programming, the PPS School Board of Directors voted to increase the pass-through for PPS-sponsored charter schools serving K-8 with 50% or greater historically underserved students by race/ethnicity to 95%. This resulted in increased pass-through for KairosPDX beginning in the 2020-2021 school year. Currently, Kairos continues to be the only school that qualifies for this increased rate.

**For State-sponsored charter schools, the statutory funding formula outlines that 90% of Charter School Rate allocation is passed through to the school, 5% of Charter School Rate is sent to ODE for program administration and school oversight, and the remainder is retained by the district.*

Most districts in Oregon pass through the statutory minimum to charter schools. For school districts with more than 10,000 students, similar to PPS, the current practice for the majority is to pass through 80% for students in grades K-8. School districts that pass-through 80% for students in grades K-8 include Beaverton, David Douglas, Eugene, Hillsboro, North Clackamas, Springfield, and Tigard-Tualatin. Similar to PPS' allocation for charter schools with 50% or more highly underserved students, Medford passes through 80% with the exception of 90% for one high-poverty elementary school.

There are some smaller districts that pass-through more than the minimum, ranging from 81% to 100%. The pass-through rate in Oregon is frequently higher for charter schools that were initiated by their sponsoring district, and for charter schools that share staff with their sponsoring district. School districts that self-report passing through more than the minimum of 80% for charter schools serving grades K-8 include Scappoose at 100%, Reynolds at 92%-95%, Forest Grove at 88%, Molalla River at 83%, and North Wasco at 83%.

Nationally, the next closest pass-through rate to Oregon's 80% for K-8 is 95%, shared by multiple states, and the average pass-through rate nationwide is 97% as state chartering laws are revised. These rates are determined at the state level.

The Board Charter and Alternative Programs Committee has reviewed the analysis prepared by staff and has recommended the discussion continue with the full Board, and if there should be a majority of support, to consider a possible implementation for the 2023-24 school year.

RELATED POLICIES/BEST PRACTICES

Board policy 2.10.010-P Racial Educational Equity Policy, opens with:

Portland Public Schools has committed to significantly changing its practice in order to achieve and maintain racial equity in education. Educational equity means raising the achievement of all students while (1) narrowing the gaps between the lowest and highest performing students and (2) eliminating the racial predictability and disproportionality of which student groups occupy the highest and lowest achievement categories.

It continues with a set of goals to achieve racial equity for our students. The first goal includes a statement on differentiating resources:

The District shall provide every student with equitable access to high quality and culturally relevant instruction, curriculum, support, facilities and other educational resources, even when this means differentiating resources to accomplish this goal.

Our District Vision, PPS Reimagined, lists system shifts including Racial Equity Aligned Systems and Structures discusses equitable budgeting:

PPS holds racial equity and social justice as central tenets for all decisions and actions, and works to eliminate racial disparities in access to opportunities. The major goal of the school district's Vision is to eliminate race as a predictor of student outcomes. Several related shifts support this goal. Aligning systems and structures to support racial equity calls for developing culturally responsive practices, including equitable budgeting, to ensure that supports are tailored to individual schools and, ultimately, to students. This shift is supported by accountability practices that assess impact and intent.

ANALYSIS OF SITUATION

Based on goals set in the Racial Educational Equity Policy and our Vision's system shift - Racial Equity Aligned Systems and Structures, the District has equitably allocated resources with priority funding going to our CSI, TSI, and Title schools that educate our historically underserved students. When you review the [School by School dollars per student and students per FTE](#) heat map, it is evident that the district has allocated resources in alignment with the Board Equity Policy and PPS Reimagined.

By separating out charter school revenue allocations without considering the student demographics and equity needs of the whole district, this decision would allocate additional resources to more affluent, less diverse charter schools. Charter schools with over 50% highly underserved students are already receiving funding at a 95% ratio. The proposed change in Charter School Funding would transfer and reallocate general fund resources, currently being spent to support PPS neighborhood schools and programs receiving equity-based resource allocations, to Charter Schools serving less than 50% of historically underserved students.

Here are the direct certification and historically underserved rates for each charter school:

Charter School	Total Students	Direct Certification	Historically Underserved
Arthur Academy	156	23.1%	24.4%
Emerson School	124	6.5%	21.8%
Kairos PDX	219	24.2%	72.6%
Le Monde	380	4.5%	12.9%
Portland Village School	416	14.2%	18.8%
Charter Total	1295	13.4%	27.1%

In comparison, the PPS District School Equity Funding is allocated to Schools with over 15% Direct Certification and 40% historically underserved. The PPS neighborhood schools with the highest number of underserved students are our CSI, TSI, and Title designated schools, which also receive additional classroom teachers to further lower class sizes and/or provide additional learning support.

As we review and consider the change in the funding ratio, it is necessary to understand the estimated cost to PPS in 2022-23 to administer services to the five PPS and two State-sponsored charter schools. This consists of two line items:

- 1) The Charter Schools Office, which includes the Program Director of Charter Schools, Senior Administrative Secretary II, program materials, and operations is currently: **\$256,935.**
- 2) Other identified District Administrative Services are estimated at **\$453,888.** This figure is estimated based on the approximate percentage of FTE of multiple District personnel in

the Office of School Performance, Legal, Finance, Human Resources, Research, Assessment & Accountability departments whose duties include supporting the Charter Schools Program and additionally includes a 2% flat administrative rate to include costs, such as student technology costs, which are not captured in personnel costs.

The combined total of District administrative services is **\$710,823**, which is 3.6% of the total PPS Charter School State School Fund Allocation.

The estimated amount PPS will retain in 2022-23 after a pass-through of the current rates of 80% for four PPS K-8 charter schools, 95% from one K-5 charter school, and 90% for two State-sponsored K-8 charter schools, is \$3,182,281 or 16% of the total allocation received for charter school students.

If the District passes through an increased rate of 90% for PPS-sponsored charter schools serving students in grades K-8, matching the pass-through rate for the two ODE-sponsored charter schools within the District's boundaries, an estimated total of \$1,164,363 in additional funds will be passed through to four charter schools.

The estimated amount PPS would retain in 2022-23 from an increased pass-through rate of 90% for all K-8 charter schools is \$2,017,918 or 10.1% of the total allocation received for charter school students.

FISCAL IMPACT

Increasing the pass-through rate for the remaining four PPS K-8 charter schools from the current state required 80% to 90% would take the per-pupil funding (ADMw) at these charter schools from \$7,627 to \$8,581. The estimated total impact on the General Fund would move approximately \$1,164,000 million annually from support for PPS District neighborhood schools and programs to four Charter Schools.

The District is responsible for providing Special Education Services for students in charter schools and receives the State School Funding for providing these services.

TIMELINE FOR IMPLEMENTATION / EVALUATION

The Board Charter Schools and Alternative Programs Committee has recommended the policy decision be made in the current year, with a 2023-24 school year fiscal implementation.

Staff recommends the policy decision be delayed until spring 2023 to allow for the strategic resourcing benchmarking and evaluation process with Education Resource Strategies to be completed. We value using a holistic approach when making long-term financial decisions, rather than making one discrete financial decision separate from the rest.

BOARD OPTIONS WITH ANALYSIS

If the decision is made to remain at the current 80% for students attending charter schools in grades kindergarten through eighth grade, then no change to the current formula is needed.

If the policy decision is made in the current year, then the Board will not have the benefit of reviewing national benchmarking and the lessons learned by going through the strategic resource allocation process being led by Education Resource Strategies. The rate increase would become effective with the future budget year, beginning July 1, 2023.

The Board Charter Schools and Alternative Programs Committee asked for an analysis of the overall cost of administering the charter schools program, and the cost of raising the pass-through rate from 80% to 90% for charter schools sponsored by PPS serving students in grades K-8. Options are to consider raising the base pass-through rate for PPS-sponsored K-8 charter schools to 90% or to continue passing through funds at the current statutory minimum rate of 80%.

CONNECTION TO BOARD GOALS

Given the Board's Goals, which center historically underserved and Black student achievement, and the relatively lower racial diversity of students enrolled in the Charter Schools being considered, the additional resources that would be invested in raising the pass-through rate may not significantly contribute towards improving the attainment of the Board's Goals for historically underserved and Black student achievement.

STAFF RECOMMENDATION

Staff recommends delaying the policy decision on Charter School funding ratios until spring 2023 to allow for the national benchmarking and strategic resourcing evaluation process being led by Education Resource Strategies to be completed.

As a member of the PPS Executive Leadership Team, I have reviewed this staff report.

____ *CH* ____ (Initials)

ATTACHMENTS

- A. Resolution
- B. School by School dollars per student and students per FTE Heat Map
- C. Racial Equity Policy 2.10.010-P