



Public Schools of North Carolina  
State Board of Education  
Department of Public Instruction

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# Report to the North Carolina General Assembly

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Annual Charter Schools Report  
*G.S. 115C-238.29(c)*

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**Date Due: January 1, 2015**  
Report # 37  
DPI Chronological Schedule, 2014-2015

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## **ABSTRACT**

The removal of the cap on the number of charter schools in 2011 set a trajectory for explosive growth for charter schools in North Carolina. Since the cap was lifted, 53 new schools have opened their doors to students. In 2011, 41,232 students attended public charter schools. In just three years, that number has expanded to 69,615, a growth of over 65%. North Carolina has one of the most rapidly growing charter programs in the country.

With growth have come other challenges. While 55 schools opened their doors, six have closed. North Carolina closed the first school for academic reasons in 2012 and the remaining schools closed for financial, governance and other operational noncompliance. The trend of closing schools set about a deeper movement of quality schools. The Performance Framework was initiated by the State Board of Education in 2014 to provide a higher level of oversight for quality operation, as well as, financial and academic performance.

In addition, the State Board of Education enacted two pilot programs: Virtual Charter Pilot Program and a Drop-Out Prevention and Recovery Program. The virtual charter pilot will last for four years and includes two schools. The alternative charter pilot will last for two years and include one school. Additional initiatives also include an assumption process as an alternative to school closure and a fast-track replication process.

## **HISTORICAL BACKGROUND**

North Carolina entered the charter school sector in 1996 with the passage of the Charter School Act. This legislation authorized a system of charter schools to provide opportunities for teachers, parents, pupils, and the community to create and sustain schools that operated independently of existing schools. The six purposes of the legislation were to:

- (1) Improve student learning;
- (2) Increase learning opportunities for all students, with special emphasis on expanded learning experiences for student who are identified as at risk of academic failure or academically gifted;
- (3) Encourage the use of different and innovative teaching methods;
- (4) Create new professional opportunities for teachers, including the opportunities to be responsible for the learning at the school site;
- (5) Provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; and
- (6) Hold the schools established under this Part accountable for meeting measurable student achievement results, and provide the schools with a method to change from rule-based to performance-based accountability systems.

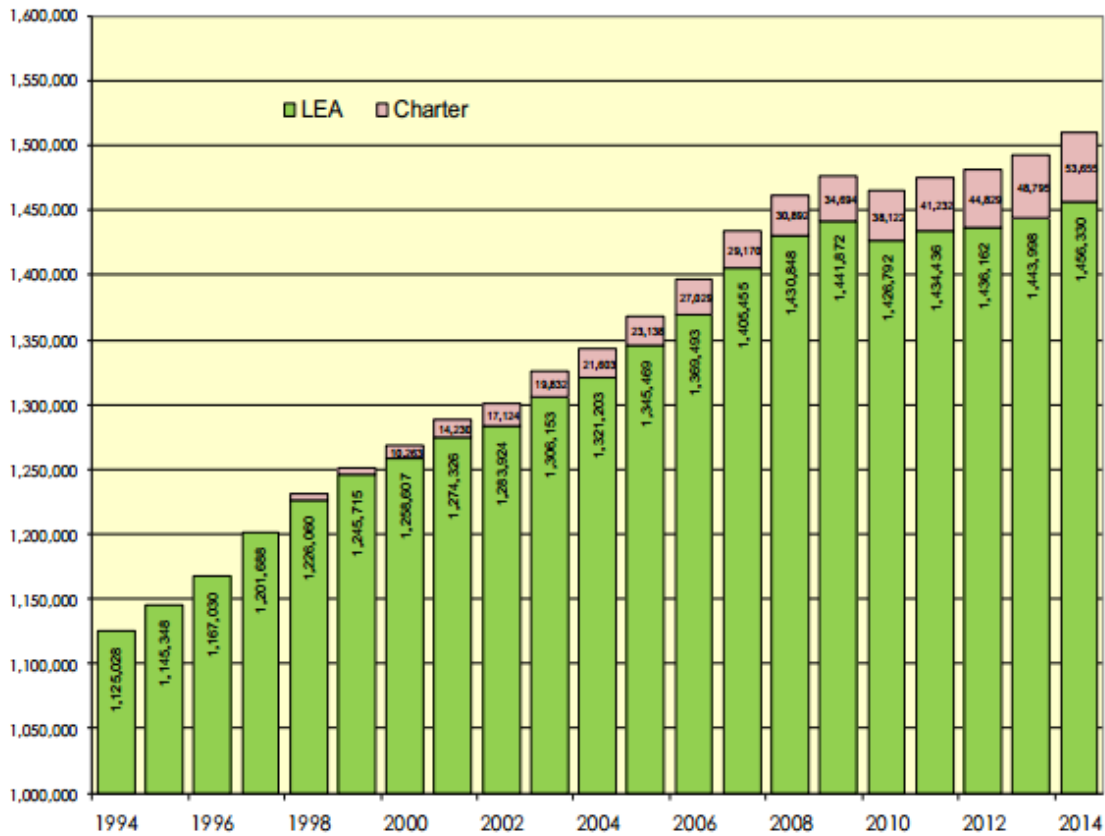
The General Statutes related to charter schools – 115C-238.29 *et al.* – definitively assign the State Board of Education the role of granting approval to schools. While the statute originally capped the number of charter schools at 100, that ceiling was lifted in August 2011. Although adjustments to the law have occurred, the structural integrity of the statute has remained largely untouched as the law provides for:

- Legislative purpose;
- Eligible applicants, application content, and submission guidelines;
- Preliminary and final approval of applications;
- Charter school operation;
- General requirements;
- Causes for nonrenewal or termination;
- Funding for charters; and
- Process and review of charter schools.

In the more than 16 years since the advent of charter schools, slow and steady growth occurred due to the legislatively-imposed cap. The graph below showcases the steady increase in charter school student enrollments underneath the imposition of a maximum number of charter schools. With the cap removed, there has been a 50% increase in the number of operating charter schools in three years' time. For instance, the March 2013 application phase yielded 156 Letters of Intent to submit a proposal and 70 of those translated into actual applications. Yet, in December 2013, 175 groups filed Letters of Intent that translated into 71 charter applications.

The current round of applications yielded 40 completed applications. In addition, the 2014 application opportunity offered a separate process to create two virtual charter schools. Two applications were submitted by the October 10, 2014 deadline. The 2015 regular application round required a fee increase from \$500 per application to \$1,000 per application. The deadline for applications was moved from November to September. The next charter application round will also include a fast track process for existing charter boards meeting specific legislated criteria.

## Average Daily Membership



Source: *Highlights of the North Carolina Public School Budget, February 2014*, Information Analysis, Division of School Business, North Carolina Department of Public Instruction.

Currently, charter school students comprise 5% of the State's public school enrollments. Those growing enrollments also constitute increasing public funding going to charter schools. As the chart below shows, State funding has also increased from just over \$16 million in 1997 to more than \$304 million in 2014.

## Charter Schools Status Report 1997 - 2014

Year	Approved	Opened	Closed	Relinq w/o Opening	Total in Operation	Planning Allotted ADM	% of Total ADM	Total State Funds Allotted
1996-97	34	0	0	0	0			
1997-98	31	34	1	0	33	4,106	0.3%	\$ 16,559,947
1998-99	28	26	3	0	56	5,572	0.4%	\$ 32,143,691
1999-00	17	23	4	4	75	10,257	0.8%	\$ 50,104,210
2000-01	9	15	4	3	86	14,230	1.1%	\$ 64,213,491
2001-02	3	8	3	2	91	19,492	1.5%	\$ 77,177,902
2002-03	2	5	3	1	93	19,832	1.5%	\$ 87,233,744
2003-04	4	2	2	0	93	21,578	1.6%	\$ 94,286,726
2004-05	2	4	0	0	97	24,784	1.8%	\$ 110,888,050
2005-06	1	2	3	0	96	28,733	2.1%	\$ 132,089,910
2006-07	7	1	4	0	93	29,170	2.0%	\$ 144,299,621
2007-08	2	7	2	0	98	30,892	2.1%	\$ 169,871,326
2008-09	0	2	3	0	97	34,694	2.3%	\$ 191,751,412
2009-10	3	0	1	0	96	38,449	2.6%	\$ 187,726,898
2010-11	1	3	0	0	99	41,314	2.8%	\$ 200,058,046
2011-12	9	1	0	0	100	44,829	3.0%	\$ 228,291,552
2012-13	24	8	1	1	107	48,795	3.3%	\$ 255,396,318
2013-14	26	22	3	0	127	53,655	3.6%	\$ 304,459,644
	<b>203</b>	<b>163</b>	<b>37</b>	<b>11</b>				

\* as of 1/31/2014

~ 175 Letters of Intent to Apply have been submitted to DPI for the 2015-2016 school year.

Source: *Highlights of the North Carolina Public School Budget, February 2014*, Information Analysis, Division of School Business, North Carolina Department of Public Instruction.

State Board of Education utilized its constitutional authority to draft and adopt policies that further defined expectations for charter schools in North Carolina. These policies originated due to lessons learned from practice and currently include the following topics:

- Enrollments in charter schools;
- Accountability requirements;
- Student admission;
- Liability insurance;
- Financial and governance noncompliance;
- Renewal process;
- Revocation for lack of academic performance;
- Application and review process;
- Planning year for new preliminary charters;
- Charter amendments; and
- Fast track replication.

A partnership between the General Assembly and State Board of Education continues to shape the quality expectations of charter schools in North Carolina. Evidence of that collaboration is that the General Assembly even codified some State Board policies into statute (e.g. TCS-U-013 that specified a minimum academic performance for charter schools). Both the State Board of Education and General Assembly expect the highest quality of public education for students as the future is shaped every day in our State's classrooms. Throughout the history of charter schools in North Carolina, multiple charters have closed their doors to students. The charter school sector is built upon the balance between autonomy in exchange for accountability. If a charter school is not producing excellence, then they can and should be closed.

The majority of charter school closures were primarily due to financial reasons – low enrollment, fiscal noncompliance, excessive debts, etc. While the identified figure was finance, there could have been other correlations that led to the financial difficulties. For instance, parents may have been unhappy with the academic results at the school leading them to withdraw their children. Those withdrawals impacted the budget creating the financial crisis that ultimately closed the school. Despite any indirect links to academic performance that may have led to a charter school closure, the first charter school was closed solely for poor academic results in 2012.

Since last annual report, three charter schools have closed. Student First, located in Mecklenburg County, closed within their first year of operation in April 2014. Student First Academy had governance issues that led to financial and compliance concerns. Concrete Roses, also located in Mecklenburg County, closed in September 2014 before completing their first month of operation. This school was significantly under-enrolled and created serious financial issues. The Coastal Academy for Technology and Science, located in Carteret County, was non-renewed based upon persistent non-compliance issues including finance and academics. In all three instances, the Department worked closely with districts assures a smooth transition for students back to another public school.

When the cap was lifted in August 2011, the General Assembly codified similar language from a State Board policy that determined inadequate academics. This legislative modification put schools on notice that quality results were expected or else. Schools falling below the minimum standards in statute are notified annually that they must improve or could face termination of the charter. For the 2014-2015 school year, 16 charter schools received academic warning letters. Five of these schools completed their first year of operation while the rest have two or more years of operational experience. Had the SBE not voted to prevent sanctions based on the 2012-2013 test results, six schools would either be in the termination or competitive bid process.

Other charters were granted to entities that, for whatever reason, could never get to the point of opening. Realizing the possible timing issue due to the statutory final approval of March and schools opening in August, the State Board instituted

a mandatory planning year in 2006. Since that planning year policy was created, only two schools that successfully completed the planning year have failed to open on time, and that trend has continued. Both groups applied after the cap was lifted. Ahead of the August 2014 opening date, the State Board of Education granted a one year delay for three schools due to construction delays; however, a specific condition was placed upon it – if the schools do not open in August 2015, then the approval is nullified. The stipulations for the delayed opening are:

- The delayed year, within which the charter school does not serve students, will count as a year of what will become the signed charter agreement.
- The SBE establishes a deadline of July 1, 2015, that a Certificate of Occupancy for Educational Use of the facility must be provided to the Office of Charter Schools. If not, the remainder of the charter term is voided; and the school must reapply.
- The board will provide monthly progress reports to the Office of Charter Schools regarding board meetings, marketing plans, and facility renovation.

The implementation of a Ready to Open Process has helped provide regular feedback to new groups showing their progress toward successful opening. The SBE has said they would rather have schools request the delay to open a quality school rather than trying to open on time but fail like Student First and Concrete Roses. The RTO process will continue its evolution as lessons are learned from each situation.

Grade configurations for charter schools vary depending on the approved charter application or subsequent amendments approved by the State Board of Education. By far, most charter schools currently operate as K-8 schools or are adding one grade per year until they become a full K-8 charter school. The historical trend has been for few charter high schools; however, that trend is changing. Many schools are already serving grades K-12 while others are focusing on a 6-12 or 9-12 grade structure. Schools that are using the K-12 or 6-12 grade configuration have said they adopted this model to minimize the number of transitions that students must make between schools. If a child enters the school in kindergarten through the lottery, they can, if they choose, stay at that charter school until they graduate from high school.

### **CURRENT AND PROJECTED IMPACT**

In considering the impact of charter schools upon school districts, the primary focus is on the negative aspect related to the financial drain. While this report will consider some of those pieces, it is important to understand there are positive features as well. Urban districts that are overcrowded can receive benefit from charter schools that help alleviate their immediate facility needs. The presence of charter schools may not permanently resolve the overcrowding issue, but they do permit the districts additional time to plan for the future.

Another positive factor related to the presence of charter schools relates back to the initial promise of the charter sector – academic excellence. If a district is



struggling to offer its students a quality education, a charter school may not only provide the students a better education but could also force the district to change its practices or continue to lose students and staff. This type of impact would be viewed as positive due to its transformative potential.

Turning to the financial aspects, calculation of a current or projected impact of charter schools on the delivery of services by the public schools is rather difficult. The easiest calculation, which will be provided below, focuses solely upon the loss of funding in school districts; however, that funding loss is not merely contained to one program or initiative because there are ripple effects in many areas.

For the current academic year, just under half of the 115 Local Education Agencies in North Carolina have charter schools located within them. See Appendix A for the breakdown of those LEAs with charters. Even though a charter may be located in a specific school district, charter schools are not bound to only serve students from the district in which they are located. Many charter schools serve multiple school districts, so a charter school's impact does extend across school district boundaries. That specific impact is difficult to capture because it may only involve one or two students from a specific LEA.

### 2014-2015 Currently Operating Charter Schools



*-Data Source, Google Fusion Maps. Yellow pins indicate schools opening prior to 2014. Blue pins indicate schools opening in 2014-2015.*

148 charter schools, located in 60 school districts and 57 counties, are currently open and serving approximately 69,615 students in North Carolina. That figure was determined by projected charter school enrollments for the 2014-15 school year. In looking at the projected impact for the future, the Department focused

upon the 2015-2016 school year. To calculate the projected impact further down the road, the following assumptions were made:

- All 148 charter schools open and operating in the 2014-15 academic year would, once again, be open in 2015-2016.
- Eleven charter schools that have been preliminarily approved by the State Board of Education would receive final approval to open in 2015-2016. Three schools on a delayed opening would also open in August 2015.
- All charter schools going into their second year of operation in the 2015-2016 school year would meet their projected enrollment submitted in the approved charter application.
- All new charter schools opening in the 2015-2016 academic year would meet their projected enrollment in the approved charter application.
- The projected enrollment growth was assigned to the LEA within which the charter school planned to be located.
- The normal growth up to 20% permitted in the statute or schools seeking State Board approval for growth beyond 20% was **not** put into this projected impact. Those calculations or the needed approval process has not yet been completed.

In addition, 3,793 students are projected to enroll in the eleven approved charter schools opening in 2015-2016. That projected student enrollment figure equates to \$17,773,271.14 in State funding, but the local funding impact was not calculated. The table below showcases the projected growth of the 2015-2016 schools on the respective LEAs. This figure does not include potential 20% growth of existing charters because that process concludes in February 2015.

**2015-2016 Estimated Enrollment Growth and Financial Impact on LEAs**

County	Projected Enrollment	Per Pupil Allotment	Total Funding
Durham	480	\$4,759.31	\$2,284,468.80
Franklin	200	\$5,237.84	\$1,047,568.00
Guilford	525	\$4,615.50	\$2,423,137.50
Haywood	352	\$4,675.90	\$1,645,916.80
Mecklenburg	948	\$4,505.20	\$4,270,929.60
Pitt	1108	\$4,775.18	\$5,290,899.44
Wake	180	\$4,501.95	\$810,351.00
<b>TOTAL</b>	<b>3793</b>		<b>\$17,773,271.14</b>

-Data Source-<http://dpi.state.nc.us/fbs/allotments/support/>

As the table showcases, the greatest enrollment growth and financial impact will be experienced by a district in eastern NC. Pitt County previously did not have any charter schools but will have two open for the 2015-2016 school year. Charlotte-Mecklenburg continues to see large growth in the numbers of charters and their student enrollments. The student enrollment numbers reveal a quick growth which translates into loss of revenue. As the largest urban area in NC, the student enrollments and access to facilities are alluring.

This occurrence follows the trends that already exist in charter schools – they tend to locate in areas that have the largest student concentrations or more access to potential buildings for the academic programs. In the future, districts and existing charter schools will face a saturation point as more new schools are projected to open. That point will hamper both the district and charter school efforts to fulfill their educational mission for student excellence. Unfortunately, national research has not tapped into this specific question and a definitive point is yet to be determined. We do know, however, that saturation points depend upon multiple variables – size and enrollment trends of the existing LEAs or charters, proposed growth plan for the new schools, potential duplication of existing programs, etc.

To better understand the perspective of school districts, the LEA impact statements are a source of information worth consulting. Understandably, not all impact statements are created equal. Some statements utilize a total financial argument while others actually read the applications and list their concerns related to the proposal to receive a charter.

Prior to the 2013 legislative sessions, the State Board of Education was required to solicit impact statements from LEAs when new applications were being considered or when existing charter schools wanted to grow beyond what was normally allowed within the statute. That requirement has been stricken, but the State Board has continued to consider comments from school districts. For instance, Charlotte-Mecklenburg Schools submitted an impact statement for the 10 applications for their district.

The State must balance the desire of opening of new and quality charter schools with maintaining quality educational offerings within LEAs. That balance is crucial for collaboration between the LEAs and charter schools to occur and ultimately benefit all of North Carolina's students.

For an even better look at future projections, a short analysis of the new charter applications is needed. There were 40 charter applications submitted through the automated application system ahead of the September 26, 2014 deadline. Those applications will go through a completeness screening by the Office of Charter Schools, and completed applications will be reviewed by the Charter School Advisory Board. Several trends in the new applications have been noticed; and those trends are described below:

- Urban areas continued to see the greatest interest in charter growth.

- 10 applicants seek to open schools in Mecklenburg County.
- 7 applicants seek to open schools in Wake County
- 4 applicants seek to open schools in Guilford County
- Most of the proposed charter schools will, through the duration of the charter, serve grades kindergarten through 8<sup>th</sup> grade.
- 14 are proposed partnerships with EMOs.

The total projected enrollment for all of these charter proposals over ten years is 109,608. It is difficult to ascertain, at this time, how many of the charter proposals will be approved and become schools that open to serve students. It is also difficult to project how many will meet or exceed their projected student enrollment numbers.

The projected enrollment for 2014-2015 was 78,579 students. The first month enrollment numbers indicate actual enrollment for charter schools is 69,615 students. Seventy charter schools are more than 10% below projected enrollment. Under-enrollment in these schools accounts for the 10% overall shortfall in enrollment. Under-enrollment affects both charter schools and districts. Funding for all schools is calculated before the school year and the first month allotment can be affected by lower enrollment. First, the districts receive less funding initially because of overestimates in charter enrollment. Secondly, charters that are under-enrolled will receive less funding later in the year or none at all to make up for overpayment in the first allotment. These issues can impact student programs in charters and districts. Under-enrollment can significantly impact any school, but new charters tend to be more heavily impacted as they do not have a reserve of surplus funds from prior years to make up for budget shortfalls due to under-enrollment.

There is a trend in the data as more schools have opened. Out of the 2013-2014 newly opened schools, ten of the 22 schools had enrollment 10% or more below the enrollment projections in the approved charter application. 45.4% of the newly opened schools were under-enrolled. These schools did not recover enrollment in the second year of operation. Of the ten under-enrolled schools, eight are under-enrolled in 2014-2015, one closed in April 2014 due to financial issues stemming from under-enrollment, and the last school adjusted the projected enrollment but would have been under-enrolled if adjustments were not made.

Out of the 2013-2014 newly opened schools, 16 of the 24 schools had enrollment 10% or more below the enrollment projections in the approved charter application. The percentage of under-enrolled newly opened schools increased to 66.7% in 2014-2015.

If the trend in under-enrolled new charter schools continues, discussions regarding demand for new schools and district saturation would need to take place as negative financial impact on districts and existing charter schools increases.

## **STUDENT ACADEMIC PROGRESS**

In June 2013, the Center for Research on Educational Outcomes (CREDO) at Stanford University released its National Charter School Study, which expanded upon the initial effort completed in 2009. The 2013 report examined the performance of students in charter schools in 26 states and New York City and included data from 2008 to 2012. The state-level data was accessed through negotiated agreements between each participating state and CREDO. The overall study concluded that charter school students have greater learning gains in reading and equivalent learning gains in math when compared to their peers in traditional public schools. The full study can be found at the following link: <http://credo.stanford.edu/research-reports.html>.

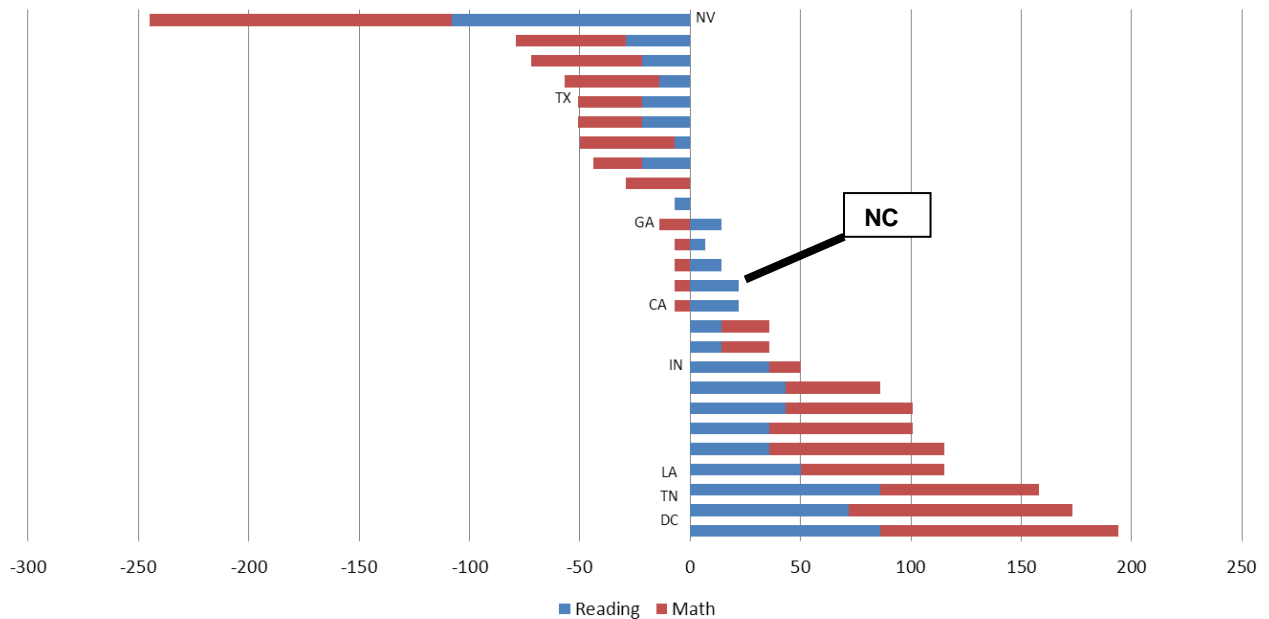
In drafting conclusions, the researchers at CREDO recorded the charter school and traditional public school differences in statistical standard deviations. Researchers adopted a methodology to put those statistics into more easily understood terms, so CREDO converted those deviations into an “average days of learning” scale. Although no additional days of learning were actually recorded in the study, the researchers sought to show positive correlations through additional days of learning and negative correlations through fewer days. For instance, the study concluded that, nationally, charter school students “had about 7 more days of learning” than traditional public schools in reading and “7 fewer days of learning” in math. Again, these average days of learning were simply an attempt to make the statistical findings less complex. Both end-of-grade tests and required high school assessments in the core academic areas were utilized in conducting the analysis.

Related to North Carolina, the CREDO study noted the following items:

- Charter school students in North Carolina have “the highest mean in both reading and math” for their “starting score” of the comparison (p. 21)
- Students in North Carolina charter schools, due to their academic performance, equated to an 22 more days of instruction in reading (p. 53)
- Students in North Carolina charter schools, due to their academic performance in mathematics, equated to a 7 less days of instruction in math (p. 53)

Clearly from these simple facts, performance by charter schools in North Carolina is exceeding expectations in reading and slightly below expectations in math. However, when compared to other states in the CREDO study, North Carolina falls right in the middle of the pack as neither the highest nor the lowest performing state (see the following chart). These results, while positive, do show that there are areas of growth needed to move North Carolina towards the higher-performing end of states that authorize charter schools.

## Number of Additional Days of Learning for Charter School Students



Source: CREDO, 2013.

When utilizing State-specific assessments, this report's comparison relies exclusively upon the performance composite numbers for each charter school and the LEA in which is located. That computed figures makes for the easiest comparison, but there are several factors that need to be understood. Remember that charter schools often serve students from multiple LEAs, so comparing that school against the district in which it is located does not tell the whole story. Further, the charter school performance composite is a single school that is being compared to a district filled with many schools – in some instances, that may favor the charter school and, in other instances, it may favor the district.

In providing a short analysis of the performance composites of charter schools and that of their districts, the Department has relied upon the data from the 012-2013 and 2013-2014 academic years. See Appendix B for 2013-2014 Accountability results by LEA/Charter.

For the 2012-13 school year, the State had fully implemented assessments aligned to the College-and-Career-Ready Content Standards. These new assessments required the adoption of new academic achievement standards (cut scores). The advanced rigor of these new standards increased expectations for students in English language arts/reading, math, and science. Thus, a commensurate drop in student performance on these new assessments was predicted and anticipated.

The performance composite comparison between districts and charter schools in the chart below does reveal that nearly 60% of charter schools performed as well as or better than the district in which they are located.



**2012-13 Accountability Data by Overall Performance Composite**

# of Charter Schools > LEA	# of Charter Schools within ± 3% points of the LEA composite	# of Charter Schools < LEA	Schools with No Data*	Percentage of Charter Schools at or above LEA
56	8	43	0	59.8%

-Data Source- NCDPI Accountability Services

The 2013-2014 academic year proficiency results demonstrated an upward trend in the number of charter schools performing at or above the district level. Proficiency for 2013-2014 was reported as Grade Level Proficiency (GLP) and College and Career Readiness (CCR). For the purposes of analysis, the CCR was utilized being the more rigorous standard of the two. Eighty-four schools were at or above the district level accounting for 67.2%. This is an 8.4% increase from the preceding year. Fewer schools performed below the district. These numbers become more impressive when it includes an additional 19 schools. New schools typically struggle academically in their first three years.

Although indicating positive performance on this one academic measure, the data does reveal that some charter schools are not fulfilling the promise of academic excellence that was part of their approved application. The State Board of Education, through its legislatively created Charter School Advisory Board, must utilize due diligence to ensure those lower performers improve academically for the benefit of students enrolled in those schools.

**2013-2014 Accountability Data by Career and College Readiness (CCR) Proficiency**

# of Charter Schools > LEA	# of Charter Schools within ± 3% points of the LEA composite	# of Charter Schools < LEA	Schools with No Data*	Percentage of Charter Schools at or above LEA
70	14	41	1	67.2%

-Data Source- NCDPI Accountability Services

*\*One charter school did not have students in tested grades.*

**STATE BOARD OF EDUCATION GOALS**

The State Board of Education went through a strategic planning initiative and created a series of goals over time. Specifically, Goals 2.4.1 and 2.4.2 address charter schools. The chart below shows the charter results in those goals. While the charter schools underperformed in proficiency, they exceeded the growth goal. The overall proficiency did increase from 30% in 2012-2013 to 32% in

2013-2014. The slow growth may be attributed to the opening of 24 new schools in 2013-2014.

Objective	Measure	2012-2013 Actual Result	2013-2014 Target	2013-2014 Actual Result
2.4	2.4.1 Charter Schools 60% or higher performance composite based on CCR	30.0%	49.2%	32.0%
2.4	2.4.2 Charter Schools Growth (Meet/Exceed)	NA	73.0%	75.6%

### NATIONAL RECOGNITION

This year, four of North Carolina’s charter schools were recognized nationally in 2013-2014:

- Raleigh Charter High School was recognized as a National Blue Ribbon School by the U.S. Department of Education. Recognized schools excel in exemplary high performance or closing the achievement gap. Raleigh Charter High was recognized for exemplary high student performance. *Exemplary High Performing Schools* are among their state’s highest performing schools as measured by state assessments or nationally normed tests. Student subgroup performance and high school graduation rates are also at the highest levels.
- Gray Stone Day School was recognized in *Newsweek* as the highest performing charter high school in North Carolina. According to the September 2014 issue of *Newsweek*, Gray Stone Day School ranks first in North Carolina among America’s Top High Schools. Nationally, the school ranked 203 out of 494 schools that made the list. It was reported that the school had a college readiness score of 87% and a college bound and graduation rate of 93%. Gray Stone also received a gold star for economically disadvantaged students performing at or above grade level on state assessments.
- Exploris Middle School was awarded the U.S. Department of Education Green Ribbon School Award. Exploris Middle School has spent years looking for ways to be conscientious environmental stewards from the way they manage their electricity and water use to how they incorporate lessons on sustainability into their curriculum. The school was one of 48 schools and the only one in North Carolina to receive the award this year.
- The Franklin School of Innovation received a U.S. Department of Education Grant. They were the only NC charter school and one of only 16 nationally, to receive the grant.

### BEST PRACTICES

The Office of Charter Schools has been identifying and drafting reports on established practices in charter schools. These reports were to highlight successful stories while also promoting collaboration within the public schools.



### **Lincoln Charter School Dreams Big (November 2014)**

“Dream Big,” a school improvement initiative, affords students the opportunity to envision their college placement and success in their early high school years, stretching the school culture and education plan to think beyond high school and ensures each child is mentally and physically prepared for the rigors of higher learning.

### **Increasing the Success of Students – One Visit at a Time (July 2014)**

Triangle Math and Science Academy (TMSA) creates opportunities for students and their families to build rapport with the staff and administration at the school by offering a variety of opportunities for families to build relationships with one another, as well as, with the school’s staff. One of the most intimate opportunities offered to parents are home visits.

### **Strategic Planning: A Process for Quality (February 2014)**

The leadership team at Lake Norman Charter, a public charter school located in Huntersville, North Carolina, set out to identify their priorities in regards to the unintended outcomes resulting in the schools dramatic growth in student enrollment. The team utilized a well-structured, educationally sound strategic planning process, united with organization and stakeholder buy-in that resulted in an effective strategic plan to guide the organization towards their Mission. This article will take a deeper look at the four-step planning process utilized by the team and the strategic results of their efforts.

### **Investing in People: The Pathway to Academic Excellence (October 2013)**

Mountain Island Charter School (MICS) is a public charter school located in Mount Holly, North Carolina serving students in grades K-10. MICS school leaders have developed a pathway to cultivate their employee’s leadership talents through encouragement, skill development, and opportunity. This article will take a deeper look at the purpose, partnership and impact of this initiative.

### **Exploris Middle School: Educating Adolescents through a Highly Effective Teacher Team Model (June 2013)**

Exploris Middle School is a public charter school located in Raleigh, North Carolina serving students in grades 6-8. The educational framework is based on an inclusive interdisciplinary approach in a small class setting. A framework that the school leaders, staff, students, and school partners of this charter school know produces results because it is a model where adolescents learn best. The purpose of this article is to showcase the processes of the highly effective teacher teams working within the educational framework that has evolved in the daily culture at Exploris Middle School.

### **Student Attrition (March 2013)**

A recent study by the NC Office of Charter Schools found that pupil attrition can lead to financial deficiencies and low performing academic results in public charter schools. Investigating the causes of pupil attrition has the potential to renovate the methods public charter school leaders use to design school

improvement initiatives in the charter school they lead. This article highlights school improvement initiatives that have been embedded into the daily culture in current North Carolina public charter schools with minimal pupil attrition rates resulting in sustained academic excellence.

In addition to Best Practices articles highlighting innovative practices, the Office of Charter Schools conducted a survey of all charter schools in November 2014. The results of the survey further capture the innovative educational programming, expanded educational choices, and professional development opportunities that are integral statutory purposes and components of charter schools.

#### **Innovative Teaching Methods and Expanded Choices**

- Project based learning
- Expeditionary Learning
- Teacher-created customized curriculum materials
- Classical studies
- Arts integration
- Outdoor education
- Paideia Seminar
- Alternative calendar structure in trimesters
- Alternative grading and reporting

#### **Professional Opportunities**

- Professional development focusing on personal and professional leadership
- Mission-specific professional development

### **OTHER INFORMATION**

#### **Legislative Changes**

Through Senate Bill 793, now Session Law 2014-101, the State Board of Education has already enacted required changes. The law required the State Board to adopt process and rules for a fast track replication process. Policy TCS-U-016, Fast Track Replication of High Quality Charter Schools, was duly adopted at the September 4, 2014 meeting. This policy established eligibility criteria, set the application process to last no more than 150 days, and fixed the first round of these to begin in 2015. The State Board was able to act so quickly upon this policy because the Charter School Advisory Board had been working on this matter since January 2014.

The State Board of Education has also worked on the creation and implementation of a competitive bid process to possibly assume a failing charter. The Department created an initial draft of a policy and solicited input from the Charter School Advisory Board. This information was discussed at length during the November 2014 SBE meeting and will return for action at a later date.

Legislation provided some relief to charter schools that operated buses for the purposes of transportation by stating that vehicles “owned and exclusively operated by a nonprofit...to operate a charter school” would be able to receive permanent plates from the Department of Motor Vehicles. This language removed an obstacle for charter schools that were offering transportation for their students; however, this provision of the law will be repealed on July 1, 2015 (Session Law 2014-101, Section 6.6a and 6.6b).

One other section of Senate bill 793 warrants consideration. The law stated that “a teacher employed by the board of directors to teach in the charter school may serve as a nonvoting member of the board of directors for the charter school.” This language is unclear and has caused some concern within the charter school community. Some charter schools, which have operated for many years, allow at least one voting teacher on the board of directors. Since their models have operated with success, they are concerned with the presence of this language. .

The base budget appropriations bill directed the State Board of Education to implement a virtual charter school pilot. The applications were due on October 10, 2014, and two applications were submitted by that deadline. They have moved through the completeness screening phase and are being reviewed by external evaluators. An Internal Review Board of the Department of Public Instruction will conduct interviews of each group and will forward recommendations to the State Board of Education. Further, each applicant will have an opportunity to address the full State Board with short presentations. The members of the Internal Review Team include one member from each of the following divisions or sections of the Department:

- Curriculum,
- Exceptional Children,
- Accountability,
- School Business,
- NC Virtual School, and
- State Board of Education.

The State Board is also working to ensure other tenets of the appropriations bill are adequately implemented: (1) each charter school setting aside \$50,000 in escrow accounts for school closure, (2) implementation of the epi-pen provisions, and (3) the possibility of property insurance for charter schools.

Finally, the State Board of Education followed the timelines created in statute regarding the selection of a two-year pilot program for an alternative-like charter school. Commonwealth High School, located in Mecklenburg County, was selected as the pilot program because they were the only school that decided to apply for the pilot. Their application was approved at the September 2014 board meeting. The school’s enrollment is strong as they have already exceeded their maximum funded enrollment. The Department will continue to monitor the school’s progress and will provide appropriate updates through the annual report to the General Assembly.

### **Charter School Advisory Board**

The Charter School Advisory Board has continued to meet and work on the process regarding applications. In order to have additional time to review the applications, the CSAB recommended that the State Board of Education move the deadline forward by two years; and the SBE accepted that recommendation. The new application process is outlined below:

- Completeness screening performed by the Office of Charter Schools. Any application deemed incomplete will be presented to the CSAB.
- External evaluators will read the application and complete a rubric.
- These rubrics will be provided to applicant groups by the Office of Charter Schools, and the groups will, if they so choose, offer a response for consideration by the evaluation team.
- The external evaluators will consider the rubric and additional information to formulate a recommendation regarding interviews to the committees of the CSAB.
- As the committees receive the information and recommendation, they may ask applicant groups brief clarifying questions prior to formulating the recommendation to the full CSAB. A vote of the full CSAB is required to bring an applicant group in for an interview.
- The CSAB will utilize the rubric, clarifying information, and interviews to determine whether or not to favorably recommend that application to the State Board of Education.

The CSAB has performed many other valuable functions during the year, and a few are highlighted below:

- Formed two standing committees for all items to move through them prior to reaching the full board – the Policy and the Performance

### **CSAB Year in Review**

#### **January 2014**

The CSAB established an application norming process.

#### **February 2014**

The CSAB read, reviewed, and made recommendations to SBE concerning new charter school applications.

#### **March 2014**

The CSAB continued the charter application review process. Two operating schools were discussed: Douglas Academy because of their low student enrollment numbers that were below 65; Student First Academy because of their financial and governance issues.

#### **April 2014**

The CSAB read, reviewed and made recommendations to SBE concerning new charter school applications.

### **May 2014**

The CSAB made recommendation to the SBE regarding the charter school application for Fall 2014. The new charter review process was continued.

### **June 2014**

The application review process for new charter applications continued. The CSAB discussed the Performance Framework and was asked to give feedback via survey. The strategic calendar was established for the upcoming year.

### **September 2014**

Two standing committees were established: the Policy Subcommittee and the Performance Subcommittee. The Policy subcommittee began discussions on the Fast Track Process for replication, as well as, the Charter Renewal Process. The Performance Subcommittee focused on creating guidelines for the review of new charter applications. Katie Cornetto provided charter school law updates and a review of the bylaws to the CSAB.

### **October 2014**

The CSAB made recommendations concerning the charter assumption process, the renewal process, and the application process. Two members, Paul Norcross and Baker Mitchell, resigned. Two new members were appointed: Phyllis Gibbs and Sherry Reeves. The CSAB gave Philip Price feedback on the assumption process that he would be presenting to the SBE in November. A Charter Renewal Framework that was based upon Senate Bill 793 was established. An Application Process, which would be used in the upcoming application review cycle, was created.

### **Demographic Data**

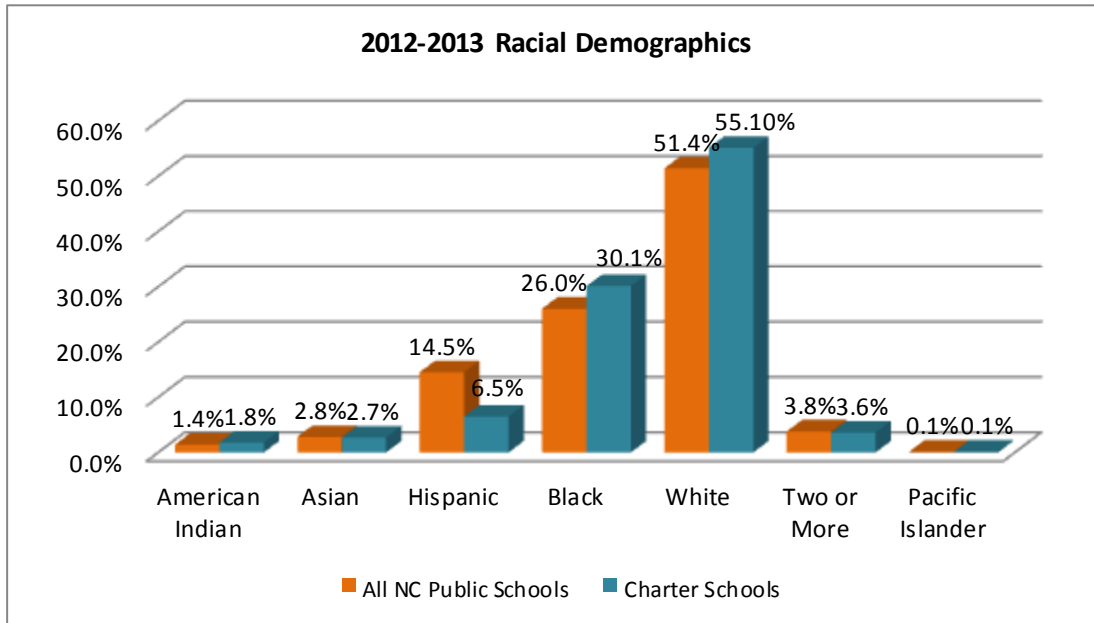
North Carolina public charter schools are not subject to district geographic restrictions and often are a combined population of many local school administrative units. Each charter school is also mission-driven sometimes resulting in targeted student populations. While it is not permissible to discriminate against any student on the basis of ethnicity, national origin, gender, or disability, each charter school is comprised of a unique community representing a variety of factors beyond the basic demographics.

The demographic make-up of each charter school is unique to the mission and community of the school. While a school can market to diverse populations to achieve a more balanced demographic make-up, the lottery, parent interest, and other factors beyond a school's control heavily influence the demographics of the school. Schools are challenged by statute to make an effort to reflect the demographics of the LEA, but are no longer held to achieving that balance.

Upon analyzing demographic data, not all charter schools mirror the demographics of the district in which the school is located. Similarly, not all traditional schools mirror the demographics of the full district in which those schools are located. As shown by the chart below, the overall demographics

among all charter schools is almost a direct match to that of the total public school population demographics. There are no statistically notable underserved racial groups at the state level. See Appendix C for the 2013-2014 Demographics by LEA and Charter based on the Grade, Race and Sex Report.

### 2013-2014 Comparison of Public and Charter School Demographics



Source: 2013-2014 Grade, Race, Sex Report,  
<http://www.ncpublicschools.org/fbs/accounting/data>

At the individual school level, racial demographics of schools vary across the state as some charter schools accurately reflect the LEA (e.g. Piedmont Community Charter and in Gaston County or Alpha Academy located in Cumberland County) while other school’s demographics vary drastically from the LEA.

For the charter schools that are not reflective of the LEA, several schools serve a higher population of minority students. For example, The Academy of Moore County, CIS Academy in Robeson County, and Haliwa-Saponi Tribal School in Warren County serve a higher populations of American Indian students than the LEA. In addition, there are charter schools that do serve a higher population of white students. Where charter schools do not meet the demographics of the LEA, the occurrence can be somewhat explained due to the school’s design, its approved mission, location within the community, academic performance, or demand for seats that may not exist forcing an enrollment lottery.

Since charter school enrollment is often determined by lottery when the number of available seats is fewer than the amount of applications received, there are enrollment factors beyond the control of the individual schools. The school can

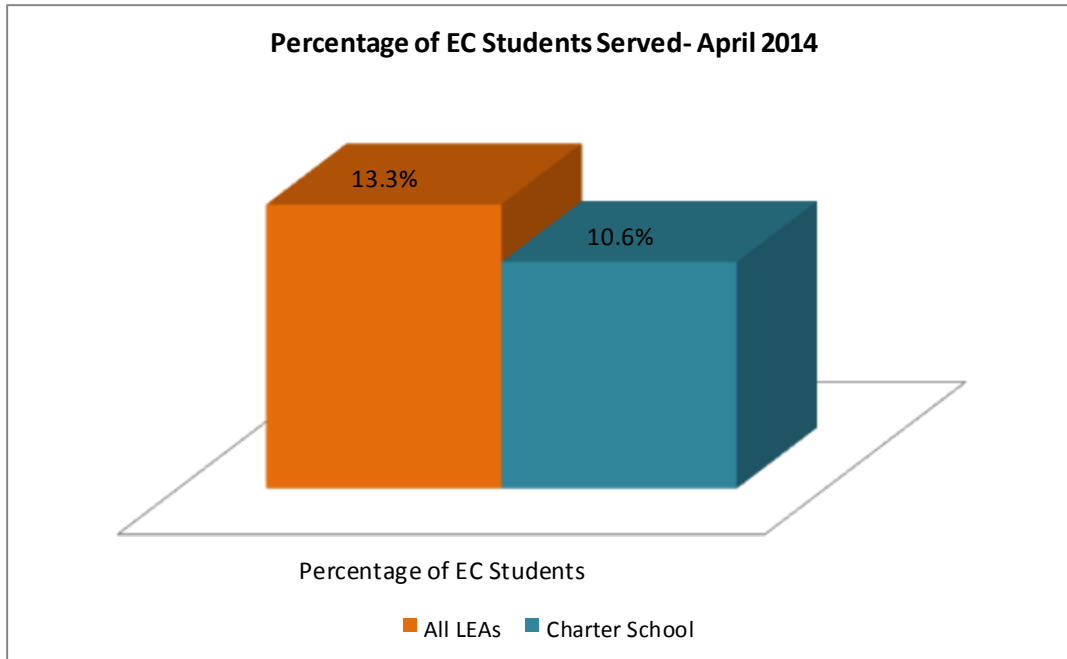
market and recruit for all populations, but it has no control over actual applications received or the randomized nature in the legislated lottery process. The location of the school facility and the parent choice based on the school's unique mission also affect the school's demographics. The revised law states that the charter school "shall make efforts" to reasonably reflect that of the local administrative unit. The data reveals that there is no notable difference overall between the racial demographics of all public schools and charter schools.

Currently, only one charter school is subject to an Office of Civil Rights desegregation order that applies to the district. That charter school has adopted an admissions policy to comply with the mandated desegregation order. While other local administrative units may have desegregation rulings, those districts do not have charter schools located within them.

### **Exceptional Children Program**

The Exceptional Children Program collects student head count data in December and April of each academic year. The percentage of students qualifying under the federal Exceptional Children Program is calculated based upon the head count of the reporting period as related to the average daily membership (ADM). The percentages of individual schools vary. The overall percentage of EC students served in charter schools dropped from 13.3% in 2012-2013 to 10.6% in 2013-2014. The 2013-2014 academic year was a year of tremendous growth for charter schools and included the opening of 24 new schools.

Prior versions of the charter law required charter schools to comply with policies adopted by the State Board of Education related to children with disabilities. The State Board created a Charter Agreement to be signed by all nonprofit entities that would oversee charter schools, and it included language related to expectations for students with disabilities. Recent changes in the charter statute became more explicit as to the expectations for charter schools: the charter school "is subject to and shall comply with Article 9 of Chapter 115C of the General Statutes and The Individuals with Disabilities Educational Improvements Act, 20 U.S.C. §1400, et seq., (2004), as amended." See Appendix D for the April 2014 head count percentages of total student population by LEA and Charter.



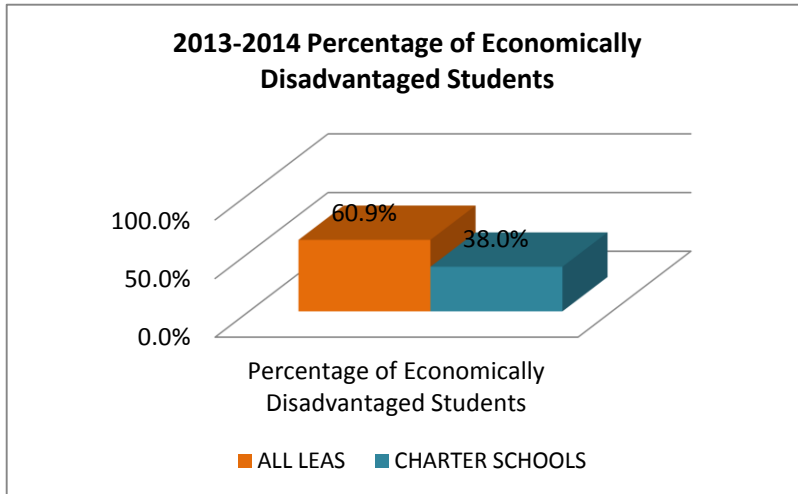
Sources: <http://ec.ncpublicschools.gov/reports-data/child-count/reports> and <http://www.ncpublicschools.org/fbs/accounting/data>

**Economically Disadvantaged Students**

The most statistically significant difference between all public schools and charter schools is the percentage of Economically Disadvantaged students. This data must be balanced by a number of factors. Charter schools are not required to participate in the federal school lunch program and are therefore not subject to the rigorous collection of household income information. Economically Disadvantaged information is collected during state mandated assessments and is self-reported by the school. Since schools are not mandated to report the data, the overall percentage is directly affected by the lack of reporting or human error due to the nature of collecting the data.

As in other areas of demographics, individual school percentages varied greatly. Some charter schools, for whatever reason, did not report their EDS numbers while others reported that over 98% of the school’s total population fell within the guidelines. The data may not reflective of the actual percentages of children served; however, the Department is working to improve the reporting rates from charter schools to improve the overall accuracy of the data. The 2013-2014 year showed a wider gap between districts and charter schools. In 2012-2013, there were 50% of districts and 36.9% of charters meeting the EDS criteria. The percentage for districts significantly increased to 60.9% while the percentage for charters did not with 38.0%. Twenty-four new charter schools opened in 2013-2014 and may have attributed to the gap. See Appendix E for 2013-2014 EDS data by LEA and Charter.





Source: NCDPI Accountability Services, 2014

**Office of Charter Schools**

The State Board of Education and Department of Public Instruction primarily work with the state’s charters through the Office of Charter Schools. All divisions and sections of the Department work to provide support and assistance to charter schools, but the primary point of contact is the Office of Charter Schools. Although a small team, every consultant and the director have served as a charter school administrator in North Carolina. That experience is critical because the Office has direct experience at the administrative level allowing for understanding of the difficulties of that position.

The Office of Charter Schools performs a variety of roles for the State Board and the Department of Public Instruction. A few of those are bulleted below:

- Provides training to and answers questions from new applicant groups;
- Staffs the newly-created Charter School Advisory Board;
- Coordinates the Five-Year review and Renewal process that are mandated in statute;
- Interacts with the public and media related to charter schools;
- Develops and implements free charter school board training;
- Creates guidance documents to be placed on the website;
- Identifies and highlights best practices occurring in charter schools;
- Takes phone calls related to concerns about charter schools;
- Performs site visits to charter schools that are prioritized by need;
- Facilitates the planning year to ensure that approved applicant groups have access to information that will best prepare them to open;

- Approves, in limited circumstance and according to State Board policy, charter amendments (e.g. bylaw modifications);
- Presents items to the State Board of Education;
- Works with other divisions and sections of the Department on issues related to charter schools;
- Hosts an annual Administrator's Institute to provide the most up-to-date information on new legislation, policy changes, or guidance; and
- Identifies and notifies charter schools on the academic watch list.

Highlighting the important work that is currently being done, North Carolina was one of only 3 other charter authorizers selected to host a year-long Fellow from the National Association of Charter School Authorizers (NACSA). This program, according to the NACSA website, identifies high-potential professionals that seek new opportunities to create the systemic change necessary to improve outcomes for students. North Carolina was selected due to the growth of charter schools, the movement to focus on quality, and the work environment of the Office of Charter Schools.

The General Assembly appropriated three additional positions to the Office of Charter Schools to increase staffing related to their work for the State Board of Education. At this time, the Office of Charter Schools is fully staffed according to State appropriations; however, the staffing numbers trail the national average. According to the National Association of Charter School Authorizers' *2013 State of Charter School Authorizing*, the average number of full-time employees (FTE) for our number of schools should be 38 FTEs.

To assist with the increasing number of applicants and open schools, the Office of Charter Schools reorganized by naming an individual as the Lead Consultant. This person assists the Director in project completion and creating a faster response for the charter schools. These changes are integral in driving quality within North Carolina.

## **FUTURE GOALS**

### **Performance Framework**

The State Board of Education strategic plan tasks the Office of Charter Schools with creating a Performance Framework with measures of academic, financial, and operational accountability. The Performance Framework will be an annual review for all charter school stakeholders: parents, teachers, students, legislatures, and charter boards. In the 2014-2015 school year, the Office of Charter Schools will conduct a baseline review of school data for the Performance Framework. The Office of Charter Schools conducted three regional meetings regarding the Framework in Raleigh, Greensboro, and Charlotte in addition to leading a webinar. The Framework was introduced to all charter leaders and board members at the Charter School Leadership Institute held at East Wake Academy in October 6, 7, and 8, 2014.

This framework coincides nicely with the recent changes in charter legislation for the renewal process. The new legislation conditions a ten year renewal upon a three year snapshot of the schools financial and academic performance. The Performance Framework document, which was already in drafting before passage of the legislation, implements a three year trend analysis for each charter school that will be utilized as part of high-stakes decision making at renewal and five-year review.

### **Virtual Charter Pilot Program**

With the passage of the State's budget bill, the State Board of Education was directed to implement a virtual charter school pilot program that will first serve students in August 2015. This pilot program will last for four years and is limited to only two virtual charter schools.

These schools may serve kindergarten through twelfth grades and have no more than 1,500 students in the first year. These virtual charters can grow by 20% annually for a maximum of 2,592 students by the end of the pilot. The State Board, however, does have the ability in the fourth year to waive the enrollment maximum if it "determines that doing so would be in the best interest of North Carolina students."

The new legislation outlines expectations and exceptions for the virtual charter schools. If a virtual charter school selected for the pilot does not comply with the statutory provisions, the State Board of Education is granted authority defer or terminate enrollment expansion - or the pilot program entirely. These virtual charter schools are also required to present data to the State Board of Education as requested by the Chair.

Funding for these virtual charter schools was set at the State level without the allocations for the low-wealth counties supplemental and small county supplemental. Local funding will be the lesser of \$790.00 or the amount computed in accordance with the charter statute.

The Office of Charter Schools modified the existing virtual charter school application to align with the new law, and that application was presented for approval to use for determining the pilot schools. The deadline for applications was on October 10, 2014. Two complete applications were received before the October 10, 2014 deadline. The Office of Charter Schools performed a completeness screening and will facilitate the completion of rubrics for each timely and complete application. An internal review team will be formulated to perform interviews and rank the applicants to create the recommendation for the State Board to consider for action in February 2015.

### **Drop-Out Prevention and Recovery Pilot Program**

House bill 884 passed both chambers of the General Assembly and was signed by the Governor on August 7, 2014. This bill established a two-year pilot

program for one alternative-type charter school. The eligibility criteria is stated in the statute. The application for this pilot program was due on August 31, 2014.

On Monday, August 11, 2014, the Office of Charter Schools sent an email to all existing charter schools announcing the pilot program possibility within H884 and defining the application components. This information was also posted on the website reiterating the eligibility criteria, application expectations, and submission deadline. While several schools contacted the Office of Charter Schools seeking additional information, only one application was submitted and received ahead of the August 31, 2014 timeframe.

The submitted application came from the nonprofit board of Commonwealth High School, which opened its doors in August 2014. The application was fully complete and satisfied all of the statutory criteria for eligibility. Although Commonwealth is only in its first year of operation, the management company partnering with the school does have the appropriate accreditation and history of working with this student population.

Since only one applicant was submitted in accordance with the statutory deadline that met all of the eligibility criteria, Commonwealth High School was selected to serve as the representative school for the Dropout Prevention and Recovery Pilot Program.

### **Fast Track Replication of Quality Charter Schools**

Since January 2014, the Charter School Advisory Board (CSAB) has worked with the Office of Charter Schools to develop a policy and process related to replication of highly successful charter schools. The chair of the CSAB created a subcommittee to lead this endeavor which included the following steps: reviewing practices in other states, receiving feedback from interested organizations, drafting documents, and deliberating on principles upon which to build an actual process.

At a called special meeting on June 23, 2014, the CSAB voted on broad principles for a replication policy to be forwarded to the State Board of Education for consideration. Since this document lacked specific details, the CSAB defaulted to the Office of Charter Schools to create the policy, process, and timelines for implementation while using the appropriate SBE policy format.

Recent legislation -- Senate bill 793 -- included language regarding a Fast Track Replication Process that specifies minimum standards, a 150-day time constraint for completion of application review, a deadline for this process (December 15, 2014), and a report to the Joint Legislative Education Oversight Committee (February 15, 2015). The governor signed this bill into law during the second week of August 2014.

The new policy defines quality criteria for eligibility to replicate an existing school,

outlines a broad process with timeline, and describes expectations for accountability. The legislated time-constraints mean that the CSAB will have two application rounds each year.

Since this legislation specified that the State Board of Education must "adopt rules and procedures required by this section by December 15, 2014," the proposed replication process will initiate with an application round during the 2015 calendar year.

### **Acceleration of the Planning Year**

On November 6, 2014, the State Board of Education revised its existing policy TCS-U-013 that mandated a planning year for all new charter schools. The State Board has identified key characteristics of a new applicant that could lead to the acceleration of the planning year. Those key indicators are:

- Clear and compelling need for accelerated planning;
- Partnership with two or four-year institution of higher education in NC;
- Verify the absence of a charter school in the proposed county of location;  
and
- Agree to participate in the planning year while the charter application is being reviewed without any guarantee of a charter award.
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The SBE understands the importance of retaining the planning year for the successful operation of charter schools; however, the State Board also recognizes that unique circumstances may arise. The acceleration of the planning year means that groups are enabled to receive the training while their application is being reviewed. This admission to training does not guarantee charter approval but would enable faster opening for those unique situations. The intent is to incentivize partnerships between charter schools and high education.