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***CIVIC FEDERATION STUDY FINDS CHARTER SCHOOLS
ARE NOT A FINANCIAL BURDEN FOR HOST SCHOOL DISTRICTS***

CHICAGO – A comprehensive study to be released Monday, July 23rd by the Civic Federation finds that Illinois charter schools do not constitute an undue financial burden for their host school districts, and that the diversion of funds from the host district to its charter school did not compromise districts' ability to manage their finances.

The in-depth, 112-page study analyzed the finances of four Illinois school districts and the three charter schools that they host. The Civic Federation found that for the 2003-2004 school year, the percentage of district students attending each charter school exceeded the percentage of operating funds transferred to the charter school from each of the four districts. The three charter schools examined in the study – Prairie Crossing Charter School in Lake County, Robertson Charter School in Macon County, and Springfield Ball Charter School in Sangamon County – received between 0.9% and 2.4% of their host district's regular K-12 operating budget while educating between 1.3% and 3.0% of district students. "This study shows that charter schools are an affordable way to offer choice to Illinois students and bring innovation to the state's education system," said Laurence Msall, president of the Civic Federation.

The study also found that the four districts, which include Woodland School District 50, Fremont School District 79, Decatur School District 61, and Springfield School District 186, all had operating deficits either the year prior to or the year in which their charter school began to operate. All four districts subsequently achieved operating fund surpluses while the charter school was in operation, indicating that the transfer of funds did not hinder districts' management of their finances.

The Civic Federation study also considered important features of Illinois's charter school law, including the use of Transition Impact Aid and the Illinois State Board of Education's (ISBE) authority to overrule local school district's refusal to grant a new charter school proposal. The report concluded that, as intended by the General Assembly, Transition Impact Aid helps districts plan for the diversion of revenue to charter schools, but does not make the transition so easy so as to erode the element of competition charter schools are meant to introduce into districts. Given ISBE's self-restraint in authorizing charter schools over the objections of school districts and the numerous conditions placed upon the Board's authority in this area, the Civic Federation believes the authority granted to ISBE by Illinois' charter school law is appropriate and can potentially promote charter school expansion in parts of the state that might otherwise be resistant.

In addition to the three case studies, the Civic Federation's report includes an overview of charter school research, a description of the legislative history of charter schools in Illinois, and an explanation of how Illinois charter schools are funded. "In addition to analyzing charter school finances, this study is meant to serve as a primer and informational resource on a complicated and often controversial subject," said Msall.

The Civic Federation continues to view charter schools in Illinois as an important initiative for public education, not only because charter schools provide school choice for parents and students, but also because they offer an alternative model for the funding and governance of public schools.

The Civic Federation's complete analysis is available today on our website at www.civicfed.org.

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.

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**The Financial Impact of Charter Schools
on Illinois School Districts:
a Primer and Three Case Studies**

July 23, 2007

**Prepared By
The Civic Federation**



ABOUT THE CIVIC FEDERATION

The Civic Federation is a nonpartisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area companies and institutions.

The mission of the Federation is to maximize the quality and cost effectiveness of government services in the Chicago region by:

- Serving as a technical resource, providing non-partisan research and information;
- Promoting rational tax policies and efficient delivery of quality government services; and
- Offering solutions which guard against excessive taxation, enhance financial reporting, and improve the quality of public expenditures.

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OVERVIEW

The purpose of this report is twofold. It explains the laws and funding mechanisms applicable to charter schools in Illinois and investigates how Illinois charter schools affect the finances of their host school districts.

The first section of the report is a primer on charter schools, comprising a general description of charter schools, an overview of national charter school research, an outline of charter school funding models, and a review of the legislative history of charter schools in Illinois. The second section presents three case studies in order to consider the financial impact of charter schools on their host districts.

The primer section of the report is intended to advance public understanding of the national growth of the charter school movement and to explain the legal provisions governing charter schools in Illinois. The first section of the report:

- Defines charter schools and describes their growth across the country since 1991;
- Describes the research that has been conducted on charter schools and the conflicting conclusions researchers have drawn about their efficacy;
- Provides an overview of the different models that states use to fund charter schools and describes the funding model used in Illinois; and
- Presents the history of Illinois's charter school law, including a discussion of the original law's provisions and the effects of subsequent amendments.

The second section of the study examines the three oldest Illinois charter schools located outside of Chicago that are still in operation: Prairie Crossing Charter School in Lake County, hosted by Fremont School District 79 and Woodland School District 50; Robertson Charter School in Macon County, hosted by Decatur School District 61; and Springfield Ball Charter School in Sangamon County, hosted by Springfield School District 186. In creating the financial profiles and narrative histories of these schools and districts, the Civic Federation has relied upon data collected from the Illinois State Board of Education (ISBE), the school districts, and the charter schools; interviews with ISBE, school district, and charter school officials; and published newspaper reports. Each of the three case studies includes:

- A financial history analyzing the host district's property tax rates, its revenue from federal, state, and local sources, its per-pupil operating costs, and the funds it has transferred to the charter school;
- A narrative history of the host district that describes circumstances affecting the district's budget and policy decisions during the charter school's first few years in operation; and
- A narrative history of the charter school that describes its beginnings, its growth, and its relationship with the host district.

In reading this report it is important to bear in mind that the sample size is limited to three charter schools and their host districts, and that the analysis and conclusions are solely concerned with the effects of charter schools on the host school district's finances.

The Civic Federation chose not to include any Chicago charter schools in this study because there are currently 28 charter schools operating 48 campuses in Chicago, and their aggregate impact on the finances of Chicago Public Schools (CPS) is consequently more substantial than for other Illinois school districts. Opening numerous charter schools was part of a concerted effort to revitalize Chicago Public Schools under Chicago Mayor Richard Daley's Renaissance 2010 initiative. Since 2003, Chicago charter schools are also governed by statutes that do not apply to other Illinois charter schools. The Civic Federation therefore determined that Chicago charter schools merit independent consideration. We hope to examine Chicago charter schools in a separate study.

The Civic Federation concluded that the three Illinois charter schools examined in this report do not constitute an undue financial burden for the districts, and that school choice is worth the cost to those districts that value choice. We found that the percent of school district operating funds transferred to charter schools was the best measure of whether or not charter schools constitute a financial burden for their host districts. For the four districts studied, the funds transferred to charter schools represented between 0.9% and 2.5% of school district operating expenditures, while the number of district students attending charter schools was between 1.3% and 3.0% of all district students in the school year 2003-2004.

Based on the reasonable percentage of school district operating funds transferred to the charter schools and the financial profile of the four districts presented in our case studies, the Civic Federation drew six conclusions. The rationale supporting these conclusions is described in greater detail below. The conclusions are as follows:

1. The Illinois charter schools studied do not constitute an undue financial burden for districts, and school choice is worth the cost to those districts that value choice.
2. All four of the host school districts studied showed an operating fund deficit either the year that the charter school began operating or the year prior to its opening. All four districts achieved operating fund surpluses thereafter, indicating that the diversion of charter school funds did not compromise school districts' abilities to manage their financial obligations.
3. Factors such as the General State Aid Foundation Level set by the General Assembly and the growth or diminishment of property tax revenue had a stronger effect on the revenues available to schools than enrollment growth or decline for the four school districts studied.
4. Of the three charters studied, Prairie Crossing Charter School allows for the most equitable comparison between charter school and school district per pupil operating expenditures (this is the case for a variety of reasons, which are enumerated on page 11). Prairie Crossing spends less money per pupil than either Fremont or Woodland districts.
5. Transition Impact Aid is an important and appropriate measure for mitigating the effects of diminished revenues on districts during charter schools' first years of operation.
6. The Illinois State Board of Education's authority to authorize a charter school over a local school board's objections, contingent on the Board's determination that the school district is sufficiently financially healthy, is an appropriate mechanism for encouraging charter school growth.

1. The Illinois charter schools studied provide school choice without significantly burdening district budgets.

How large a percentage of district operating expenditures transferred to charter schools is large enough to constitute an undue or significant burden? For school districts uninterested in school choice, the diversion of even 1.0% of operating expenditures might seem burdensome; but there might also be a substantial difference between how a district perceives an expense and the district's financial capacity to bear that expense. In the absence of ISBE standards for identifying the point at which a particular school district expense becomes burdensome, the Civic Federation concurs with the position taken by the Illinois Supreme Court in its ruling on *Comprehensive Community Solutions, Inc. (CCS) v. Rockford School District No. 205*. Justice Fitzgerald's written opinion suggested that the financial impact of charter schools on school districts must be determined on a case by case basis.

In measuring the financial impact of the charter schools studied on their host school districts, the Civic Federation primarily considered the percentage of district operating expenditures that were transferred to the charter schools. Our analysis showed that, for the four school districts studied, the money contributed to charter schools constituted a small percentage of district operating expenditures, between 0.9% and 2.5% in 2003-2004.¹ 2003-2004 was chosen as the best school year for comparison because in 2003-2004, all three charter schools had the highest enrollment levels for the years included in this study. In addition, only Decatur 61 received Transition Impact Aid that year. Prairie Crossing Charter School, drawing students from Fremont 79 and Woodland 50, served grades K-6 in 2003-2004. Robertson Charter School served grades K-5, and Springfield Ball served grades K-8.

Financial Contribution to Charter Schools by District: 2003-2004			
District	Operating Expenses Regular K-12	\$ Contributed to Charter School	%
Fremont 79	\$ 12,039,599	\$ 292,958	2.4%
Woodland 50	\$ 55,896,423	\$ 1,407,190	2.5%
Decatur 61	\$ 67,978,634	\$ 621,875	0.9%
Springfield 186	\$ 113,020,073	\$ 1,606,204	1.4%

Source: ILEARN, ISBE

To indicate whether or not the percentage of funds transferred is reasonable, the table below lists the percentage of district students that attended charter schools in the 2003-2004 school year. For each of the four districts, the percentage of district students attending charter schools exceeded the percentage of operating revenue diverted to the charters that year.

¹ For two of the four districts studied, Decatur District 61 and Springfield District 186, the data presented in the table is slightly skewed by the fact that Decatur and Springfield provide some in-kind services to Robertson Charter School and Springfield Ball Charter School, respectively. The cost of providing these services is counted as a district expense. See p. 11 for a more complete discussion of this point.

District Students Enrolled in Charter Schools: 2003-2004			
District	District Enrollment	District Students in Charter School	Charter Students as % of Total Enrollment
Fremont 79	1,561	44	2.7%
Woodland 50	7,055	220	3.0%
Decatur 61	9,617	126	1.3%
Springfield 186	14,245	345	2.4%

Note: "Total Enrollment" is "District Enrollment" plus "District Students in Charter School"

Source: ILEARN, Illinois State Board of Education

Comparing these tables does not demonstrate that charter schools use their funds more efficiently than traditional public schools. These tables do not account for demographic differences in the student population attending charter schools and the population attending regular public schools. It costs more to educate students with disabilities, students with Limited English Proficiency, and at-risk students than it does to educate other students. Charter schools are also exempted from many state and federal mandates with which regular public schools must comply. Finally, based on publicly available financial data, the Civic Federation cannot determine whether a particular school district would require more or less money to educate a charter school's students than the amount it pays to a charter school for doing so. Such a finding would require a detailed cost-benefit analysis, as well as specific knowledge of the decisions a school district would make if it were to assume responsibility for a charter school's students. For example, in 2003-2004, if Woodland District 50 had enrolled the 220 students that attended Prairie Crossing, would the District have hired more teachers, or would it have allowed District class sizes to increase? How much, if anything, would Woodland have paid its private contractors to transport these additional students? This study does not attempt to resolve such questions.

Based on the small percentage of district funds transferred to charter schools, the percentage of district students attending charter schools, and the context provided by the district financial histories compiled in this study, the Civic Federation concluded that the charter schools studied are a small cost to their host districts rather than a significant burden. This cost may or may not be more expensive than enrolling the students who attended these charter schools in regular public schools. This small cost is particularly worthwhile to those districts that value school choice and the attendant benefits that school choice brings to students and administrators.

The Civic Federation's review of the four districts' financial histories yielded two findings pertaining to the impact of charter schools on school district finances. These findings support the Civic Federation's broad conclusion that the charter schools studied do not create an undue financial burden for their host districts.

2. The diversion of district funds to charter schools did not compromise districts' ability to manage financial obligations.

The Civic Federation's review of the financial histories for the four school districts studied strongly suggests that the budget constraints and funding shortfalls faced by school districts were primarily related to factors other than charter schools: district budget priorities, teacher union contracts, the failure of property tax referendums, and the effects of property tax caps.

The following chart shows that each of the four school districts had an operating funds deficit either the year before or the same year as its charter school began operating. Both Decatur 61 and Springfield 186, in fact, authorized their charter school's charter within weeks of dramatically cutting their school district budgets. Each of the four districts emerged from this deficit while the charter school continued to operate, suggesting that charter schools did not substantially compromise districts' ability to manage their financial obligations.

Operating Funds Surplus (Deficit) and Funds Transferred to Charter Schools for Fremont District 79, Woodland District 50, Decatur District 61, and Springfield District 186								
	Fremont District 79		Woodland District 50		Decatur District 61		Springfield District 186	
	Operating Funds Surplus (Deficit)	\$ Transferred to Charter School	Operating Funds Surplus (Deficit)	\$ Transferred to Charter School	Operating Funds Surplus (Deficit)	\$ Transferred to Charter School	Operating Funds Surplus (Deficit)	\$ Transferred to Charter School
1998-1999	\$ (1,772,425)	--	\$ (1,963,250)	--	\$ (868,476)	--	\$ (526,089)	\$ 724,660
1999-2000	\$ (1,473,425)	\$ 69,171	\$ 713,123	\$ 256,362	\$ (2,898,605)	--	\$ (448,127)	\$ 553,006
2000-2001	\$ 459,075	\$ 141,100	\$ 5,901,716	\$ 577,631	\$ (8,300,665)	--	\$ (7,133,156)	\$ 796,830
2001-2002	\$ 632,680	\$ 185,610	\$ 5,147,282	\$ 717,308	\$ 2,825,073	\$ 401,152	\$ (7,448,256)	\$ 1,021,968
2002-2003	\$ 694,490	\$ 219,626	\$ (3,641,698)	\$ 1,070,321	\$ 2,953,011	\$ 591,052	\$ 2,389,786	\$ 1,306,373
2003-2004	\$ 1,260,526	\$ 292,958	\$ (1,295,782)	\$ 1,407,190	\$ 5,621,390	\$ 704,567	\$ 4,195,341	\$ 1,606,204

Sources: ILEARN, ISBE, and information provided by the four districts

For each of the four districts, the year-to-year changes in operating funds balances shown in this chart are primarily attributable to factors other than the charter schools.

Fremont District 79's operating expenditures exceeded operating revenues each year between 1995-1996 and 1999-2000, the school year in which Prairie Crossing opened. Following the failure of a property tax referendum in March 2000, Fremont made \$1.2 million in budget cuts, and its financial situation improved dramatically in 2000-2001. By exercising fiscal restraint, Fremont continued to realize end-of-year operating funds surpluses through 2003-2004.

Woodland District 50 reversed its 1998-1999 operating funds deficit and had a modest operating funds surplus in 1999-2000, the year that Prairie Crossing opened. The following year, when Woodland began to collect additional property tax revenue from a tax levy increase that had been approved by referendum in February 1999, its operating funds surplus reached \$5.9 million, over \$5 million more than the previous year's surplus. Woodland's operating funds balance went back into the red in 2002-2003 after the District "lost \$7.9 million" to "increased expenses and the hiring of more teachers" when it opened a new school.² Woodland continued to operate in the red in 2003-2004 after committing to a contract with the teachers union that cost \$4 million in salary increases over the 2003-2004 and 2004-2005 school years. In published newspaper reports, the financial reversal Woodland suffered in 2002-2003 after three years of end-of-year operating fund surpluses was attributed directly to the District's opening a new school and to unfavorable union contracts with teachers and other school employees.

The narrative histories of Decatur District 61 and Springfield District 186 told similar stories: both districts spent substantially more than they were receiving in operating revenues until budget cuts or a combination of budget cuts and property tax increases improved their financial health. Decatur realized \$8.1 million in savings from budget cuts it enacted for the 2001-2002

² Angela D. Sykora, "Cuts to help secure district future," *Gurnee Review*, November 6, 2003.

school year and enjoyed an end-of-year operating funds surplus that year after at least four consecutive years of deficits. Decatur began receiving additional operating revenue in 2003-2004 from a property tax increase that had been passed in February 2001. Between 2001-2002 and 2003-2004, Decatur posted three consecutive years of operating funds surpluses.

Springfield District 186 reversed four consecutive years of operating funds deficits with \$5 million in budget cuts enacted for the 2001-2002 school year and another \$9.6 million in budget cuts for 2002-2003. District 186 consequently enjoyed growing end-of-year operating fund surpluses in 2002-2003 and 2003-2004.

For Fremont, Decatur, and Springfield, the substantial budget cuts that improved these districts' financial outlook were all triggered by the defeat of district referendums asking voters to increase property taxes. Fremont's 2000-2001 budget cuts followed a property tax referendum defeat in March 2000, Decatur's 2001-2002 cuts followed a defeat in November 2000, and Springfield's \$9.6 million in cuts in 2002-2003 followed a referendum defeat in March 2002.

3. Factors such as the General State Aid Foundation Level set by the General Assembly and the growth or diminishment of property tax revenue had a stronger effect on the revenues available to schools than enrollment growth or decline.

Given the range of factors impacting a school district's revenue stream, small or even moderate changes in student enrollment levels do not diminish district revenues so substantially that they compromise a district's ability to meet its budget.

District officials generally see gradual enrollment growth as desirable for maintaining the district's financial health. Both rapid enrollment growth and enrollment decline tend to put financial pressure on a school district. Rapid enrollment growth, such as that experienced by Fremont 79 and Woodland 50 throughout the '90s, can cause financial strain if expenses created by the need for additional infrastructure outpace revenue growth from property taxes and state aid.

Enrollment declines tend to have more immediate negative effects on school district budgets. Districts receive less GSA revenue than they would have received had enrollment remained flat or increased. More significantly, such districts may have infrastructure, personnel, and program costs that are no longer suited to a smaller student body, or that cannot be sustained with the funds available for a smaller student population. Such were the problems that faced Springfield 186 and, more dramatically, Decatur 61 during the 1999-2000 to 2003-2004 period studied.

The general significance of student enrollment for school district funding notwithstanding, this study did not find that the students diverted from a host district to its charter school substantially impacted either per pupil expenditures or state funding levels for the school districts studied.

District enrollment levels are an important factor in determining the amount of revenue that a school district receives each school year. In Illinois, enrollment levels principally affect the amount of General State Aid (GSA) allocated to school districts, with more GSA going to school districts that have higher enrollment levels. However, increases in the GSA Foundation Level,

set by the Illinois General Assembly, are one of several factors that, in the aggregate, have a more significant effect on school district operating revenues than enrollment losses to charter schools.

General State Aid Foundation Level									
1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	\$ change 2000-2007	% change 2000-2007
\$ 4,225	\$ 4,325	\$ 4,425	\$ 4,560	\$ 4,810	\$ 4,964	\$ 5,164	\$ 5,334	\$ 1,109	26.2%

Source: ISBE Illinois Education Funding Recommendations, April 2005, p. 2, and FY2007 Proposed Budget, p. 7

Other factors that significantly affect school district operating revenues include:

- The Property Tax Extension Limitation Law (PTELL), which limits property tax extension growth to 5% or the rate of inflation, whichever is less. PTELL applies to all of the school districts studied except Decatur 61.
- The success or failure of property tax referendums.
- Increases in salaries and benefits resulting from labor negotiations between teachers' unions and unions representing other school district personnel.
- The availability and use of fund balance to make up budget shortfalls.
- Access to federal and state aid targeted for specific student populations or designated for specific purposes, and increases or decreases in payment levels for these programs.

4. *Prairie Crossing spends less money per pupil than Fremont or Woodland.*

Of the three charter schools examined in this study, Prairie Crossing allows for the most equitable comparison between the charter school's and host districts' per pupil operating expenditures. Comparing Prairie Crossing's per pupil expenditures to Fremont's and Woodland's is more reasonable than comparing Robertson's to Decatur's or Springfield Ball's to Springfield's for several reasons. Like the Fremont and Woodland school districts, Prairie Crossing serves K-8 students. Robertson and Springfield Ball are also K-8 schools, but Decatur 61 and Springfield 186 are unit districts that serve K-12 students. The state's figure for per pupil operating expenditures for these two districts includes expenditures for high school students, who are typically more expensive to educate than elementary students. Based on publicly available data, the Civic Federation cannot separate expenditures for grades 9-12 from the total expenditures for unit districts.

Prairie Crossing is also the only one of the three charter schools studied that does not receive in-kind services from its host districts. Springfield District 186 spends money on special education and transportation for Ball Charter students. These expenditures therefore show up as District per pupil operating expenses rather than charter school operating expenditures. Based on publicly available data, the Civic Federation cannot separate the charter school expenses borne by the District from other District expenditures. For these two reasons, a comparison of charter school and District per pupil operating expenditures for Decatur 61 and Springfield 186 would be unfairly skewed, to the disadvantage of the school district.

The following chart lists per pupil operating expenditures for Prairie Crossing, Fremont, and Woodland from 1999-2000 to 2003-2004. As shown below, after Prairie Crossing's first year,

when the charter school incurred substantial one-time start-up costs, the charter school's per pupil operating expenditures have been significantly less than both Fremont's and Woodland's.

Operating Expenditures Per Pupil: 1999-2000 to 2003-2004			
	Prairie Crossing	Fremont District 79	Woodland District 50
1999-2000	\$ 6,525	\$ 8,066	\$ 6,266
2000-2001	\$ 5,493	\$ 7,271	\$ 6,701
2001-2002	\$ 5,830	\$ 7,475	\$ 7,196
2002-2003	\$ 5,805	\$ 8,053	\$ 8,255
2003-2004	\$ 6,614	\$ 8,304	\$ 8,514

Source: ISBE School and District Report Cards

This chart only shows that, on a per pupil basis, Prairie Crossing has cost less to operate than either Fremont District 79 or Woodland District 50 schools between 2000-2001 and 2003-2004. This chart does not demonstrate that Prairie Crossing uses its funds more efficiently than Fremont or Woodland, since the school districts have legal obligations to provide services that charter schools may choose to provide or not. For example, by state law, Fremont and Woodland must provide students with transportation to and from school. Prairie Crossing is not legally obliged to provide transportation and does not do so. Other factors also prevent the Civic Federation from making judgments about the relative efficiency of district and charter schools' use of funds. Woodland, for example, has a substantially higher percentage of at-risk students than Prairie Crossing. Education experts widely agree that at-risk students are more expensive to educate.

5. Transition Impact Aid helps districts weather a charter school's early years.

Transition Impact Aid (TIA) is an effective mechanism for assisting districts that have authorized a charter school. The legislation creating TIA provides that a charter school's host school district will be reimbursed by ISBE for 90% of the funds transferred to a charter school in its first year of operation, 65% in its second year, and 35% in its third year. TIA therefore supports the host school district during a charter school's initial years where revenue loss may outweigh any financial benefits of charter school student enrollment. The argument often made by traditional school administrators that charter schools do not reduce costs has some merit in the first years, when charter schools tend to offer few grade levels, enroll relatively few students, and therefore do not relieve districts of very many fixed expenses. Once a charter school has reached its full size, however, the argument that the provision of a school for several hundred students does not save the district some infrastructural and personnel expenditures is less compelling.

Though TIA diminishes as the money that the district must pay to the charter school increases, savings to the district increase over this period. TIA strikes the balance initially envisioned by the General Assembly. It helps districts plan for the diversion of revenue, but does not become so strong an incentive for districts to authorize charter schools that it erodes the element of competition charter schools are thought to introduce into districts.

6. ISBE's authority to authorize a charter school over a local school board's objections is an appropriate mechanism for encouraging charter school growth.

Only two charter schools have been authorized directly by ISBE since the law enabling ISBE to grant charters was passed in 1998. As of August 2005, ISBE had denied 19 of 21 appeals (two schools appealed to ISBE twice and were rejected both times).³ One of the two schools whose charter was authorized by ISBE, Thomas Jefferson Charter School in northern Cook County, was denied a renewal authorization by ISBE after the school's first term expired. The only school directly authorized by ISBE that is currently operating is Prairie Crossing.

ISBE's restraint in authorizing charter schools over the objections of school districts demonstrates the Board's regard for the criteria that must be met before ISBE can uphold a charter school's appeal of an unfavorable district ruling. These criteria include both the financial viability of the school and the financial capacity of the host district to support a charter school.

ISBE's rulings on charter schools' appeals have twice been challenged in cases that were reviewed either by an Illinois Appellate Court or the Illinois Supreme Court. In a challenge to ISBE's authorization of Thomas Jefferson Charter School, the First District Appellate Court of Illinois upheld ISBE's decision to override the host school district and grant the charter. In a challenge to ISBE's decision to sustain Rockford District 205's rejection of a charter proposed by Comprehensive Community Solutions, Inc., the Illinois Supreme Court likewise concluded that ISBE had acted within the bounds of its authority and according to the charter school law's provisions.

Given the conditions placed upon ISBE's authority to authorize charter schools and ISBE's self-restraint in observing those conditions, the Civic Federation believes that the authority vested in ISBE by Illinois's charter school law is appropriate, and has the potential to promote charter school expansion in parts of Illinois that might otherwise be resistant to charters.

The Civic Federation continues to view charter schools in Illinois as an important initiative for public education, not only because charter schools provide school choice for parents and students, but also because charter schools offer an alternative model for the funding and governance of public schools. Charter schools also provide an opportunity for the implementation of alternative curricula and experimentation with innovative pedagogical methods. The Civic Federation believes that, over the long term, charter schools have the potential to introduce traditional school districts to new ways of achieving operational efficiencies.

³ From ISBE data provided by Jo Ann Price on August 26, 2005.

CHARTER SCHOOLS: A PRIMER

The following sections will provide overviews of charter schools in the United States, charter school research, and charter school funding models. Funding for Illinois charter schools and the legislative history of Illinois charter schools are also described.

Charter Schools in the United States: A Brief Overview

Charter schools are independent public schools that are freed from many of the rules and regulations imposed on traditional public schools. In return for operational flexibility, the schools are held accountable for the goals they present in their charters. Charter schools can be established from pre-existing public schools or created as new schools.

Typically, charter schools operate under the terms of a charter or contract with a state educational agency or a local school district. In certain cases, the charter may be authorized by a university or an independent entity. The charter is granted for a specified period of time. During the period that the charter school operates, it is held accountable to the goals laid out in its charter. Failure to successfully meet those goals can result in termination of the charter agreement.

Charters are usually first offered for a period of three to five years. Most states award charters for a period of 10 years or less, though Arizona will award initial charters for 15 years.⁴

Most charter schools control their own purchasing, hiring, scheduling and curriculum functions, according to the U.S. Department of Education's national study *The State of Charter Schools 2000*. Many also control admissions, student assessments, and their budget. *The State of Charter Schools 2000* also found that 90% of all charter schools used achievement tests as a means of demonstrating accountability to their chartering agency, local school boards, and/or state educational authorities.⁵

Approximately 2,700 charter schools served nearly 700,000 students or 1.5% of all public school students nationwide in 2003-2004.⁶ By 2005-2006, there were approximately 3,600 charter schools serving over one million students.⁷ Charter schools are usually small in size, with a median enrollment in 2000 of 137 students. According to *The State of Charter Schools 2000*,

⁴ Carol Ascher et al., *The Finance Gap: Charter Schools and their Facilities* (New York: Institute for Education and Social Policy, Steinhardt School of Education at New York University, 2004), <http://www.liscnet.org/resources>, 6; and the Center for Education Reform, <http://www.edreform.com/index.cfm?fuseAction=cLaw>.

⁵ United States Department of Education, *The State of Charter Schools 2000*, <http://www.ed.gov/PDFDocs/4yrrpt.pdf>, 1-3.

⁶ Legislative Analyst's Office, *Assessing California's Charter Schools* (January 20, 2004), http://www.lao.ca.gov/2004/charter_schools/012004_charter_schools.pdf, 8-9.

⁷ The Center for Education Reform, <http://www.edreform.com/index.cfm?fuseAction=document&documentID=1964>.

over two-thirds of all charter schools were established to realize an alternative vision of the educational process, while 25% were created to serve a target population.⁸

Minnesota was the first state to enact a charter school law in 1991, and California did so the following year. As of 2003, 40 states, the District of Columbia, and Puerto Rico had authorized the establishment of charter schools. Of the 40 states that authorized charter schools, 18 allow an unlimited number to operate, 13 have a statewide cap on the number operating, seven states have separate caps for start up charters and for traditional schools converting to charters, and two states have caps linked to specific circumstances.⁹ Seventy-six percent of charter schools began as new, startup facilities; the remaining 24% were converted from a traditional public or private school.¹⁰

Charter schools proportionately tend to enroll more minority than white students. In 2003, 50% of charter school students were white, compared to 63% of all public school students. Twenty-seven percent of charter school students were African American, compared to 17% of all public school students.¹¹

Charter schools have a history of controversy in the United States, and they remain a source of significant policy disputes at the national, state, and local levels. The federal No Child Left Behind Act (NCLB Act), which makes school choice an important part of federal efforts to improve low-performing schools, has intensified nation-wide debate about charter schools and other school choice programs since being signed into law in January 2002.¹²

Some of the controversy over charter schools derives from broad questions that imply a fundamental debate about the nature of public education. Is it appropriate for private entities to operate public schools, and if so, should private entities be permitted to do so for profit? Is competition between schools an appropriate or effective way of improving school performance? Do charter schools have an obligation to serve an at-risk student population, or should school choice be offered to every student regardless of socio-economic considerations? Questions such as these focus discussion on whether charter schools should have a significant place or any place at all in the United States' public education system.

Charter school debates have also focused on pragmatic questions about how such schools should operate within the framework of a public education system. Who is responsible for charter school oversight and what level of oversight is adequate? Who should have the authority to enter into a charter agreement with a new school? How should charter schools be funded and how much funding should charter schools receive? Should the money used to fund charter schools come from the same sources as the money used to fund other public schools? What performance criteria should be used to determine whether a charter school has succeeded or failed? And what

⁸ United States Department of Education, *State of Charter Schools*, 1-3.

⁹ Legislative Analyst's Office, *Assessing California's Charter Schools*, 16.

¹⁰ Ascher, *Finance Gap*, 6.

¹¹ *Ibid.*, 6.

¹² No Child Left Behind stipulates that local education agencies (LEAs) must "give students attending schools identified for improvement, corrective action, or restructuring the opportunity to attend a better public school, which may include a public charter school, within the school district." United States Department of Education, "The No Child Left Behind Act of 2001 Executive Summary," <http://www.ed.gov/nclb/overview/intro/execsumm.html>.

mechanisms should be in place to enforce penalties for failed charter schools? These are the types of considerations that govern discussions about the best way to implement charter school programs. Neither the public nor policymakers have reached consensus answers to these questions.

Currently, the most fraught charter school debates are waged in urban school districts that have turned to charter schools to achieve urban education reform. New York, Los Angeles, Chicago, Philadelphia, Washington D.C., and New Orleans are a few of the large school districts nationwide that envision charter schools as a means for revitalizing underperforming education systems. In these districts, those who see charter schools as an integral part of urban education reform applaud the rapidity and thoroughness of the change that charter schools can effect for their students. Charter school opponents question the wisdom of committing large school districts to an education model that has not had sufficient time to establish a reliable record of success.

On-going discussions in these cities also illustrate how charter school debates are strongly shaped by the circumstances of particular school districts and local political pressures. In New York, Chicago, and Los Angeles, the commitment to charter schools is closely linked to the issue of mayoral control of the school system.¹³ In Philadelphia, charter school debates have focused on the city's partnership with Edison Schools, Inc., a for-profit school management company that was awarded a contract to manage 20 of the city's public schools in 2001.¹⁴ Most recently, Louisiana's efforts to rebuild the New Orleans public school system after Hurricane Katrina have brought renewed attention to the extent of charter school involvement in some urban school districts. Eighteen of the 25 New Orleans schools that reopened in the spring of 2006 were charters.¹⁵

This report is designed to address the question of how Illinois charter schools outside of Chicago affect their host school districts. It contains histories of the charter schools analyzed in each of the three case studies below, and those histories include details that reflect the full breadth of discussion surrounding charter schools. The Civic Federation's analysis and conclusions are solely concerned with the effects of charter schools on the host school district's finances.

The following section will provide a brief overview of nationwide research on charter school performance and finances.

Charter School Research: A Brief Overview

Over the last five years, university researchers and public policy institutes have generated an expanding body of research that evaluates charter schools and the effects of the charter school movement. The majority of this research attempts to compare the educational effectiveness of

¹³ Joel Rubin, "Mayor Puts Spotlight on Charter," *Los Angeles Times*, April 21, 2006; Joel Rubin, "Chicago Schools Offer L.A. a Cautionary Tale," *Chicago Tribune*, March 20, 2006; and David Zahniser, "The Takeover King," *LA Weekly*, May 18, 2006.

¹⁴ Robert Strauss, "Edison Awarded 2 More Philadelphia Schools," *Washington Post*, May 16, 2005.

¹⁵ Nancy Rutter Clark, "Hard Times in the Big Easy," www.edutopia.org/magazine/ed1/article.php?id=art_1545&issue=jun_06. The rebuilding of the New Orleans school district is directed by the Louisiana-run Recovery School District.

charter schools and public schools, and to evaluate the validity of arguments advanced on behalf of charter schools by their supporters. Researchers have also begun to examine issues surrounding charter school funding, particularly the issue of funding parity with traditional public schools.

Charter School Performance Research

Research studies have produced conflicting assessments of whether charter schools perform less well, as well, or better than traditional public schools. Studies by researchers at California State University at Los Angeles, the RAND Corporation, and Harvard University have found that charter schools have a positive impact on student learning. Studies by the National Assessment of Educational Progress (NAEP) and the American Federation of Teachers (AFT), however, have reached the opposite conclusion. These studies, released between 2002 and 2004, set the stage for an on-going debate among education and public policy researchers, who continue to produce conflicting evaluations of charter school performance. The disparities between researchers' findings persist even as researchers work to employ more sophisticated and reliable research methodologies.

A 2002 study by researchers at California State University, Los Angeles compared the performance of charter and non-charter schools serving low-income California students. The study examined Academic Performance Index (API) test scores for 1999, 2000, and 2001. Researchers found that charter school students did not perform as well as non-charter students in the aggregate, but that charter students improved slightly more than non-charter students, by 53.4 points on the API as compared to 51.4 for non-charter schools. Most significantly, the percentage growth in API for charter schools serving 50% or more students in California's free or reduced lunch program was 22.6% for charter schools versus 19.4% for non-charter schools. The researchers concluded that California charter schools did a better job of improving low-income student performance than comparable non-charter schools.¹⁶

The RAND Corporation evaluated California charter schools in 2003 for the state's Legislative Analyst's Office. It compared the academic performance of charter schools with a matched set of traditional public schools that were selected for their similar ethnic and socioeconomic characteristics. Overall, RAND found that charter schools showed year-to-year achievements comparable to other public schools. No significant difference was found when charter schools' average API growth rate was compared with that of public schools. Students in classroom-based charters scored higher than public school students in reading, but slightly lower in mathematics, the RAND study found.¹⁷

In December 2004, Harvard University economist Caroline Hoxby published a study comparing charter school students to students attending the nearest traditional public school with a similar

¹⁶ Simeon P. Slovacek, Antony J. Kunnan, and Hae-Jin Kim, *California Charter Schools Serving Low-SES Students: An Analysis of the Academic Performance Index* (Los Angeles: California State University, Los Angeles, 2002).

¹⁷ A classroom-based charter school offers at least 80% of instruction in a traditional, classroom setting. A nonclassroom-based charter school offers over 20% of instruction in a location or setting other than a classroom. These instructional modes include independent study, computer-based study and work study. Students in nonclassroom-based charters scored lower than either of the other two types of institutions in both reading and math. See Legislative Analyst's Office, *Assessing California's Charter Schools*, 5.

racial composition, which was assumed to be the public school that the charter student would most likely have attended.¹⁸ The study used a comprehensive data set comprising data for 99% of the elementary students in U.S. charter schools.¹⁹ Hoxby found that charter school students are 5.2% more likely to be proficient in reading and 3.2% more likely to be proficient in math on their state's exams than their peers in traditional public schools. Students attending charters in operation longer were more likely to have a proficiency advantage over peers in the matched public school. In charter schools that had been operating for between 9 and 11 years, the advantage in reading was 10.1%.²⁰ Overall, Hoxby concluded, charter schools were more likely than traditional public schools to raise achievement of poor students and Hispanic students.

Several studies released in 2004 around the same time as Hoxby's study reached very different conclusions. The National Assessment of Educational Progress (NAEP), which was established by Congress in 1969 to objectively evaluate the state of American education, released a report in 2004 that analyzed two sets of approximately 3,250 4th grade students, one of which was designated for analysis in reading and the other for analysis in mathematics. These students were randomly selected from 150 charter schools nationwide, and their performance was compared with two sets of approximately 188,000 traditional public school students.²¹ This study showed that 58% of 4th grade students in charter schools had attained at least a basic level in reading, compared with 62% in public schools. Overall, low income students in traditional public schools tended to outperform their charter school counterparts, the study said. It also concluded, contrary to Hoxby, that charter schools got better results in the first year of operation than in subsequent years.²²

The American Federation of Teachers (AFT) commissioned a study that provided additional interpretation of the NAEP data. Also released in 2004, this study found that charter school students in grades 4 and 8 had lower achievement in both reading and math than their counterparts in traditional public schools. Except for 8th grade reading scores, all of these differences were statistically significant. The percentage of charter school students performing at

¹⁸ Caroline Hoxby, *Achievement in Charter Schools and Regular Public Schools in the United States: Understanding the Differences* (December 2004), <http://post.economics.harvard.edu/faculty/hoxby/papers.html>.

¹⁹ Hoxby's study listed the total number of "relevant" charter school students in the United States as 50,479. The students covered by Hoxby's study are those who attend charter schools "with at least 10 students in the relevant grade" (11). She cited the United States Department of Education's *Common Core of Data, 2002-2003* as her source for the number of "relevant" charter school students. All of Hoxby's proficiency data were collected from individual states' education department websites.

²⁰ *Ibid.*, 1.

²¹ The 150 charter schools were selected after the 2003 NAEP reading and mathematics assessments had been administered to all traditional and charter public schools. The schools were selected for proportionality to the total population of charter school students in a given state or jurisdiction. Charter schools were oversampled in California, Michigan, and Texas because charter students in those states accounted for almost 50% of all charter students nationwide. Telephone interviews with the charters and data from the National Center for Education Statistics' *Common Core of Data* were also used to finalize the sample. National Assessment of Educational Progress, *America's Charter Schools: Results from the NAEP 2003 Pilot Study* (2004), <http://neces.ed.gov/nationsreportcard/pdf/studies/2005456/.pdf>, 3.

²² National Assessment of Educational Progress, *America's Charter Schools: Results from the NAEP 2003 Pilot Study*. Also see Michael Dobbs, "Charter Schools Fare No Better, Study Says: Survey Gives Edge to Public School Students," *Washington Post*, December 16, 2004.

or above basic levels and at or above proficient levels were lower than corresponding percentages for traditional public school students.²³

Two studies have since been published using NAEP data from 2003 that have reinforced NAEP and AFT's 2004 findings. Both of these more recent studies used statistical models to control for a variety of socio-economic factors that might have influenced test results. The 2004 NAEP and AFT studies failed to use such statistical controls, and their findings were widely criticized for this reason.

The first of these studies was released in January 2006 by the National Center for the Study of Privatization in Education, part of Columbia University's Teachers College. The two University of Illinois researchers who authored this study found that public schools generally outperform both private and charter schools once test result data were controlled for socio-economic factors. This study used 2003 NAEP test results in mathematics for 4th and 8th grade students.²⁴ The study's authors argued that focusing on math alone would provide a better measure of school performance because math learning occurs predominately in the classroom.²⁵ For the 4th grade, the study determined that charter school students' aggregate scores on the NAEP test were 6.1% lower than public school students. Their scores were 4.4% lower when processed with the statistical model that controlled for socio-economic factors.²⁶ Eighth-grade results were more encouraging for charter schools: charter school students' score was 0.9% higher in the aggregate and 2.4% higher when processed using the researchers' statistical model. The results for the eighth-grade charter school students, however, were not statistically significant.²⁷

The National Center for Education Statistics (NCES) released a study in August 2006 that also reinforced the NAEP/AFT findings. The NCES study found that traditional public school students "scored 4.2 points higher in reading and 4.7 points higher in math on the 500-point National Assessment of Educational Progress test for fourth graders, after adjusting for such student characteristics as family income."²⁸ The NCES study did find, however, that traditional

²³ F. Howard Nelson, et al., "Charter School Achievement on the 2003 National Assessment of Educational Progress" (American Federation of Teachers, AFL-CIO, August 2004), <http://www.aft.org/pubs-reports/downloads/teachers/NAEPCharterSchoolReport.pdf>.

²⁴ Christopher Lubienski and Sarah Theule Lubienski, "Charter, Private, Public Schools and Academic Achievement: New Evidence from NAEP Mathematics Data" (National Center for the Study of Privatization in Education, Teachers College, Columbia University, January 2006), <http://www.asu.edu/educ/eps/EPRU/articles/EPRU-0601-137-OWI.pdf>. The fourth-grade data set included 190,147 students: 182,328 non-charter public school students, 4,718 private school students, and 3,101 charter school students. The eighth-grade data set included 153,189 students: 146,512 non-charter public school students, 5,073 private school students, and 1,604 charter school students. For both the fourth- and eighth-grade data sets, private school students were analyzed by Catholic, Lutheran, Conservative Christian, and Other Private subcategories.

²⁵ *Ibid.*, 2.

²⁶ *Ibid.*, 34. The primary finding in this study pertained to private schools rather than charter schools. The study showed that, even though aggregate private school scores are higher than aggregate public school scores, public schools outperform private schools once test results have been controlled for a range of socio-economic factors, including "measures of socioeconomic status, race/ethnicity, gender, disability, limited English proficiency, and school location" (*Ibid.*, 3).

²⁷ *Ibid.*, 35.

²⁸ Jay Mathews, "Charter Schools Lag, Study Finds," *Washington Post*, August 23, 2006.

public schools' edge over charter schools' test scores disappeared when "when researchers looked only at schools in cities with high minority populations."²⁹

In 2005 the Economic Policy Institute (EPI) produced an overview of charter school research called *The Charter School Dust-Up: Examining the Evidence on Enrollment and Achievement* by Martin Carnoy *et al.* The book's title refers to the vigorous public debate that followed the publications of Caroline Hoxby's study and the NAEP and AFT studies in 2004. After reviewing 19 studies of charter school performance conducted in 11 states and the District of Columbia, EPI researchers concluded that, "there is no evidence that, on average, charter schools out-perform regular public schools." On the contrary, they found that, "there is evidence that the average impact of charter schools [on student learning] is negative." The study's authors added that evidence of negative effects "comes particularly from those studies that use the strongest methodologies to discover causal effects, although the evidence of a negative effect is somewhat localized to specific states."³⁰

Why do charter school studies draw such different conclusions? The inherent difficulty of making accurate, meaningful comparisons between charter school and public school students is a significant factor in accounting for researchers' divergent conclusions. There is sharp disagreement about the appropriate methodologies for making these assessments.³¹ Researchers have also found that it is problematic to generalize about charter school performance, since charter schools are designed to serve very different student populations, and since state laws, which differ widely, exert a strong influence on charter schools' potential for success. Two research initiatives were launched in late 2004 to try to address some of these methodological challenges and to provide objective research that can be shared by researchers, governments and services providers.

The first initiative, entitled "Doing Choice Right," is financed at \$1.5 million over 3 years and is being conducted by the Center for Reinventing Public Education at the University of Washington. This initiative addresses the practical problems faced during the implementation of choice programs. The first full report from the Doing Choice Right initiative will be released in 2007 and will address four topics: parental information, helping districts cope with choice, moving toward student-based funding, and oversight and accountability.³² The second initiative is a \$1.5 million multi-year study by the National Charter Schools Research Center. This effort is designed to improve the quality of charter school research and broadly disseminate

²⁹ Ibid.

³⁰ Martin Carnoy, Rebecca Jacobsen, Lawrence Michel, and Richard Rothstein, *The Charter School Dust-Up: Examining the Evidence of Enrollment and Achievement* (Teachers College Press: New York, 2005), http://www.epinet.org/content.cfm/book_charter_school, 2.

³¹ Carnoy *et al.* have suggested that, "A potentially encouraging result from the charter school dust-up of 2004 is that the policy community may now be better able to reach consensus on what standards are appropriate for judging evidence of educational effectiveness" (Ibid., 4).

³² Center on Reinventing Public Education, "Doing School Choice Right: Preliminary Findings" (April 2006), www.crpe.org/pubs.shtml, 25. This website also provides an up-to-date listing of the growing body of publications on charter schools and internet access to many of these studies.

information about their findings to interested parties.³³ Both of these efforts are watched closely by charter school advocates and opponents alike.

Charter School Policy and Funding Research

Although issues surrounding charter school funding have also been fiercely debated, research on charter schools and school finance has played a less prominent part in shaping public discussions. Studies that address charter school funding tend to focus on whether or not state laws foster funding parity between charter and traditional public schools. Most of the studies addressing this question agree that charter schools have access to fewer resources than traditional public schools, and that charter schools' inability to access traditional public school capital funding sources accounts for much of this disparity. Charter school advocates see these studies as demonstrating the need for increased charter school funding in order to give charters a fair opportunity to improve American education. Those who oppose charter schools continue to argue that charter schools drain money from public schools, and juxtapose calls for increased funding with claims by early school choice advocates that charters could operate more efficiently and for less money than public schools.

Policy Analysis for California Education (PACE), a group comprising researchers from Stanford University and the University of California, Berkeley and Davis, released a working paper in April 2003 entitled "Charter Schools and Inequality: National Disparities in Funding, Teacher Quality and Student Support."³⁴ The PACE paper analyzed results from a survey conducted in 2002 by the National Center for Educational Statistics (NCES), consisting of written responses from principals and teachers representing 870 of the 1,010 charter schools then operating nationwide.³⁵ The study's authors wrote that, "Policy makers should consider whether to expand charter schools or ensure that these fledgling institutions receive basic financing that is comparable to regular public schools. Otherwise, we may never implement a fair test of this important experiment in public education."³⁶ This study's primary conclusion was that, under existing laws, charter schools were in danger of reproducing the same spectrum of inequality found in public schools. The study found that charter schools enrolling more than 50% African American or Latino students are more likely to have younger, less qualified teachers than schools that enroll more than 50% white students.³⁷ The study also found that, in the aggregate, charter schools do not succeed in identifying students eligible for free or reduced-price lunches and Limited English Proficiency (LEP) students. Charters therefore received less Title I and LEP funding than they were entitled to, the study said.³⁸

³³ *Education Week*, "Assessing Student Performance in Charter Schools: Why Studies Often Clash and Answers Remain Elusive," January 12, 2005.

³⁴ Bruce Fuller et al., "Charter Schools and Inequality: National Disparities in Funding, Teacher Quality, and Student Support" (Policy Analysis for California Education, April 2003), http://eric.ed.gov/ERICDocs/data/ericdocs2/content_storage_01/0000000b/80/27/e1/29.pdf.

³⁵ *Ibid.*, 13.

³⁶ *Ibid.*, 27.

³⁷ *Ibid.*, 24.

³⁸ *Ibid.*, 19. The Fuller *et al.* study notes that charter schools that began as converted public schools are more successful at securing the appropriate levels of Title I and LEP funding.

In January 2004 the Institute for Education and Social Policy (IESP), part of New York University's Steinhardt School of Education, released *The Finance Gap: Charter Schools and their Facilities*. This report placed charter schools' inability to access capital funds within the context of a national need for increased capital funds for public schools. Based on interviews with charter and traditional public school officials and members of the financial community in 14 states and Washington, D.C., the report documented the challenges charter schools have faced in paying for capital needs with operating funds.³⁹ It described the gradual evolution of private financing mechanisms that have grown up in response to charter school needs, and found that charter schools that enrolled fewer than 300 students had more difficulty surviving than other charters because the finance community did not view them as "finance-able."⁴⁰ The study also recommended that, "Charter school funding formulas should be amended to include all or part of the substantial infrastructure costs borne by these schools," and that charters "should be allowed to participate in the general obligation bond issuances of traditional public schools."⁴¹

IESP published another study in March 2004 that focused on funding parity for New York City charter and traditional public schools.⁴² This study compared the average New York City per pupil operating expenditure for traditional public schools with the average per pupil resources available to New York City charter school students. (It reasoned that charter school expenditures should not be compared with traditional public school expenditures since charters were designed to have more flexibility in using their resources.)⁴³ Acknowledging that "New York City district [operating] expenditures vary widely by student type," the study also made separate comparisons for students with disabilities; elementary, middle, and high school students; and students with special needs.⁴⁴ The study found "that New York City charter schools have fewer public resources than traditional public schools" at all educational levels and for both general and special education students. In 2001-2002, the average per pupil resources for charter schools (\$8,452) lagged behind the average per pupil operating expenditure in New York City (\$9,057) by \$605 or 6.7%.⁴⁵ In 2001-2002, that gap widened for students with disabilities and students with special needs (such as limited English proficiency students), but new rules in New York City beginning in 2002-2003 brought charter school per pupil revenues for students with disabilities into line with district per pupil operating expenditures for those students.⁴⁶ The study also found that charter schools devoted an average of \$1,600 per pupil to capital expenditures, which decreased their available per pupil operating resources by 19%. The City has worked to eliminate this disparity too by making space in underutilized district facilities available to charter schools at no cost, and "by providing charter schools with the same start-up funding that new Department of Education schools receive upon opening."⁴⁷

³⁹ Ascher, *Finance Gap*.

⁴⁰ *Ibid.*, 32.

⁴¹ *Ibid.*, 33.

⁴² Robin Jacobowitz and Jonathan S. Gyurko, *Charter School Funding in New York: Perspectives on Parity with Traditional Public Schools* (New York: New York University, March 2004).

⁴³ *Ibid.*, 1.

⁴⁴ *Ibid.*, 1.

⁴⁵ *Ibid.*, 4.

⁴⁶ *Ibid.*, 11-14.

⁴⁷ *Ibid.*, 14-15.

An August 2005 report published by the Thomas B. Fordham Institute, entitled *Charter School Funding: Inequity's Next Frontier*, found that charter schools are moderately to severely underfunded in 14 of the 16 states studied (and in the District of Columbia). Authors Sheree Speakman, Bryan Hassel, and Chester Finn compared the average per-pupil revenues for charter schools in a given state with that state's average per-pupil revenues for all traditional public school students.⁴⁸ Speakman *et al.* said that in big urban school districts, per pupil revenue disparities between charter and public schools are often larger than the disparities based on statewide averages. This study concluded that charter schools' inadequate access to funding sources and, in particular, to local funding for capital needs, was the primary cause for the underfunding of charter schools.

To date, little research has been completed on how charter schools affect their host districts' finances. In May 2001 a Moody's Investors Service report entitled "Growth in Charter Schools Begins to Reveal Likely Impact on Traditional Public School Systems" concluded that, except in particular circumstances, charter schools would drain funding from school districts.⁴⁹ In supporting its conclusions, the report cited interviews with officials from traditional public schools: "traditional school district officials report that because teachers, administrators, and other operating expenses (such as heating, supplies, and debt service) do not decline commensurately with the loss of individual students, the actual net financial impact can be very significant." The report agreed with these officials that "each revenue dollar lost does not necessarily correspond to a dollar saved."⁵⁰

The Civic Federation's study of Illinois charter schools will contribute to research on charter school finance by attempting to quantify the overall effect of a charter school on its host district's budget. It does not attempt to draw conclusions about whether or not charter school funding is equitable. This study attempts to ascertain only whether or not Illinois charter schools significantly burden their host districts' finances.

The following section will introduce the four basic funding models used in the United States to determine how public funds are allocated to charter schools.

Charter School Funding Models

The basic funding principle shared by all charter school legislation in the United States is that funding should follow students from traditional district schools to charter schools. There are a number of different mechanisms for enacting this principle. According to a U.S. Department of Education study of charter school finance, there are four models that determine how funds are

⁴⁸ Sheree Speakman, Bryan Hassel, and Chester E. Finn, Jr., *Charter School Funding: Inequity's Next Frontier* (Thomas B. Fordham Institute, August 2005), <http://www.edexcellence.net/doc/Charter%20School%20Funding%202005%20FINAL.pdf>. Moderate underfunding in this study is defined as 5% to 15% less than public school funding levels. Four of the states studied fell into this category. Charter schools in four states, including Illinois, and the District of Columbia were categorized as largely underfunded (15% to 25% below public school funding levels), and charter schools in six states were characterized as severely underfunded (more than 25% below public school funding levels). Only Minnesota and New Mexico were characterized as approaching parity (*Ibid.*, 1).

⁴⁹ Moody's Investors Service, "Growth in Charter Schools Begins to Reveal Likely Impact on Traditional Public School Systems" (May 2001).

⁵⁰ *Ibid.*, 5.

allocated to individual charter schools. All four approaches transfer public education funds, which are generated according to the geographic characteristics, wealth, and tax efforts of the school district.⁵¹ It is important to note that states can and do fund charter schools within their jurisdictions in more than one way, employing different approaches in different circumstances. The four models are as follows:

- 1. School District Revenues:** Under a standard revenue-based model, per pupil school district revenue is calculated based on the students actually enrolled in the charter school and then transferred to the charter. Charter schools therefore receive funding that reflects specific grade levels and special needs, such as low-income status or limited English proficiency. This approach is employed by California, Arizona, Texas and New Jersey.
- 2. School District Expenditures:** This model assumes that the charter school population will have characteristics similar to that of the other district students. Charter schools receive funding based on average school district expenditures per pupil. States using this model usually specify that the appropriate categorical funding should follow students to their charter schools in order to ensure funding fairness. Otherwise, a charter school with a population that differed substantially from the rest of the school district would receive either insufficient or excessive public funding. Illinois uses this model of funding its charter schools, as do Massachusetts and Pennsylvania.
- 3. State Average:** A few states, notably Minnesota and Connecticut, base funding for charter schools on statewide per pupil funding averages.
- 4. District Budget Formula:** Several states let local school districts make charter school funding decisions. Funding in these states, which include Connecticut, Georgia, and Wisconsin, is therefore the product of negotiations between the district and individual charter schools. In many cases, however, state statute guarantees charter schools the same funding provided to regular school districts.⁵²

The use of weights in state funding formulas to reflect the different costs of educating different student populations is an important funding issue for charter schools. For example, it is more costly to educate high school students than elementary school students. As indicated above, several states adjust funding to reflect these higher costs. These adjustments are either made by negotiation or specified by statute. If differential funding is not built into the charter school funding schedule and all students receive equal funding regardless of needs or costs, elementary charter schools will likely be overfunded and charter high schools will likely be underfunded.⁵³ Similarly, state laws usually provide for additional funding for students with disabilities. States use three different models for funding the special education students that are enrolled in charter schools. States either base funding on the type of disability that a charter school student has,

⁵¹ Howard F. Nelson, Edward Muir and Rachel Drown, *Venturesome Capital: State Charter School Finance Systems* (U.S. Department of Education: December 2000), <http://www.ed.gov/rschstat/eval/choice/charterfin.pdf>, 30.

⁵² *Ibid.*, 30-32.

⁵³ *Ibid.*, 37-38.

determine funding through negotiation, or match a school district’s special education spending or revenue.⁵⁴

In many states charter schools tend to be funded at a lower level than traditional public schools – per pupil funding sometimes falls as low as 75% of the per pupil funding provided to traditional public schools, and few states guarantee full public funding for charter schools. Individual charter schools often have to pay for facilities out of instructional revenue because most states do not provide funds to cover cost of capital infrastructure needs.⁵⁵ Charter schools typically augment per pupil revenues by obtaining grants and charitable contributions in the form of land and buildings, as well as donations from foundations, individuals, and corporations.⁵⁶

Charter School Funding in Illinois

The Illinois charter school law requires that charter schools receive between 75% and 125% of district per capita tuition. Per capita tuition is computed in each school district’s Annual Financial Report to the Illinois State Board of Education according to the following general equation.⁵⁷

	Total Expenditures
-	Revenues and Expenditures not Applicable to Regular K-12 Programs
	Operating Expense Regular K-12
-	Offsetting Revenues (e.g., categorical grants, fees)
+	Annual Asset Depreciation
	Subtotal
÷	Average Daily Attendance
=	Per Capita Tuition Charge

Charter school students are included in the districts’ Average Daily Attendance, which is the same figure used to calculate the districts’ General State Aid claims. Illinois’s per capita tuition calculation is not weighted for different grade levels, despite the fact that the General State Aid formula is weighted differently for elementary school, high school, and unit (K-12) districts.⁵⁸ The precise percentage of per capita tuition received by charter schools is negotiated between the charter and the local school board.⁵⁹

⁵⁴ Ibid., 39.

⁵⁵ Ascher, *Finance Gap*, 6.

⁵⁶ Moody’s, “Growth in Charter Schools,” 4.

⁵⁷ Annual Financial Reports are available from ISBE’s website, <http://www.isbe.state.il.us/sfms/afr/afr.htm>.

⁵⁸ The Illinois General State Aid formula multiplies a district’s aggregate taxable property values by 2.30% for elementary school districts, 1.05% for high school districts, and 3.00% for unit schools districts, as a way to estimate the local property taxes available to the districts. This amount, plus the Corporate Personal Property Replacement Tax, is considered to be the total Available Local Resources. For details on the General State Aid calculation, see ISBE’s website, http://www.isbe.state.il.us/funding/pdf/gsa_overview.pdf.

⁵⁹ If the charter school is authorized directly by ISBE, ISBE is responsible for negotiating the percentage of district per pupil tuition that the charter school will receive.

In many states, including Illinois, charter schools negotiate with school districts for the provision of services such as transportation and special education. For example, an Illinois school district may transfer only 90% of its per pupil tuition to a charter school, but provide that charter school with transportation services at no charge. Charter schools also receive the proportionate amount of state and federal categorical funds for their particular student population (e.g., special needs grants and low-income grants). This funding is received by the district and passed through to the charter school.

State and federal start-up grants are available to Illinois charter schools. Illinois also has a Charter School Revolving Loan Fund that offers interest-free loans to charter schools for the purpose of acquiring and remodeling a facility or for other start-up costs, including the acquisition of supplies, textbooks, furniture, and other equipment. Charter schools are eligible for these loans during their first term of operation, and must repay the loans by the end of that term.⁶⁰

There are no provisions in Illinois law that require school districts to provide charter schools either with capital funds or facilities for the school's use.

The following section describes the history of charter school law in Illinois and details the specific provisions governing funding and other aspects of charter school operation.

Legislative History of Charter Schools in Illinois

On April 10, 1996, Governor James Edgar signed into law Public Act 89-450, the first law in Illinois providing for the establishment and operation of charter schools. This law became Section 27A of the Illinois School Code, culminating over two years of effort by the legislation's sponsors and other charter school supporters. Public Act 89-450 has subsequently been amended eleven times. While the statute's core components have remained essentially unchanged, three sets of amendments have significantly altered the relationship between local school districts and charter schools.

Charter schools may be created by non-sectarian, non-profit corporations, school districts, or by voter referendum. Currently, state law allows for a maximum of 60 charter schools in Illinois. The law permits the City of Chicago to host 30 of the 60 schools. DuPage, Kane, Lake, McHenry, Will and suburban Cook County (the Collar Counties) are authorized to charter 15 schools, and the remaining 15 schools may be located anywhere in the state's ninety-seven other counties.⁶¹ In the 2004-2005 school year, 27 charter schools were operating in Illinois, serving

⁶⁰ Illinois State Board of Education, *Illinois State Board of Education FY2007 Proposed Budget* (February 2006), http://www.isbe.net/budget/FY07/proposed_budget_FY07.pdf, 26. This fund has not been used very frequently by Illinois charter schools, according to ISBE's FY2007 Proposed Budget. In 2002-2003, of the 13 charter schools that were eligible, none of the schools applied for a loan; in 2003-2004, two of 10 eligible schools received a loan; and in 2004-2005, one of 10 eligible schools received a loan.

⁶¹ The number of charter schools originally authorized was 45, with 15 permitted in Chicago. The law was amended in 2003 to increase the number of charter schools permitted in Illinois. See *Illinois School Code* 105 ILCS 5/27A-4(b).

over 13,000 students. Twenty charter schools were located in Chicago, two in East St. Louis, one in Springfield, one in Decatur, one in Cahokia, one in Venice, and one in Grayslake.⁶²

The following sections explain in detail the provisions of Illinois's original Charter Schools Law and the effects of subsequent amendments.

Original Charter Schools Law

A statement of legislative intent in the Charter Schools Law declared that charter schools' flexible, innovative educational techniques stimulated students, teachers, and parents to strive for educational excellence, and that charter schools were therefore in the best interest of the people of Illinois.⁶³ The statute was intended to foster innovative teaching, facilitate the development of new student evaluation methods, encourage parental and community involvement in schools, and increase the number of rigorous, innovative educational opportunities for Illinois students, especially Illinois's at-risk student population.

To achieve these ends the law exempted Illinois charter schools from most state laws and School Code regulations, freeing charter schools to develop their own curricula and their own schedules for the school day and school year.⁶⁴ Charter schools were also exempted from union contract requirements agreed to by local school boards. They remained bound by six specifically enumerated state laws: the School Code's legal requirements pertaining to health and safety issues, the disciplining of students, and employee criminal background checks, as well as the Not-for-Profit Corporation Act, the Student Records Act, and the Abused and Neglected Child Reporting Act. Charter schools were also subject to state laws prohibiting discrimination, meaning that charter schools must accept students with disabilities or students possessing limited English proficiency on the same basis as they accept other students.⁶⁵

Illinois charter schools were also required to meet several requirements specified in the Charter Schools Law. First, they could not be selective or exclusive in their admissions policies. The only admissions preference charter schools were permitted to show was for the siblings of students already enrolled.⁶⁶ If a charter school could not admit all students who applied, it was required to use a lottery to determine which students would be admitted. Second, charter schools and their students were required to participate in annual state assessments.⁶⁷ Third, the law said that charter school teachers who did not meet public school certification requirements must possess certain basic qualifications: they must have a bachelor's degree, they must have worked

⁶² Illinois State Board of Education, *Illinois Charter School Annual Report* (January 2006), 1-6.

⁶³ *Illinois School Code*, 105 ILCS 5/27A-2 as adopted in Public Act 89-450.

⁶⁴ The legislation's sponsors argued explicitly that freeing charter schools from most School Code regulations would result in creative and flexible public educational opportunities. See State of Illinois, 89th General Assembly, Regular Session Senate Transcript (February 9, 1995), 65; and State of Illinois, 89th General Assembly, House of Representatives Transcript (February 27, 1996), 11.

⁶⁵ *Illinois School Code*, 105 ILCS 5/27A-5 as adopted in Public Act 89-450. Illinois charter schools were also expressly protected by the Tort Immunity Act.

⁶⁶ *Illinois School Code*, 105 ILCS 5/27A-4 as adopted in Public Act 89-450.

⁶⁷ *Illinois School Code*, 105 ILCS 5/27A-6(b) and 27A-10 as adopted in Public Act 89-450. The statute also mandated that ISBE compile an annual report that included performance data. Those reports can be accessed at www.isbe.state.il.us/charter/. See ISBE, *Illinois Charter School Annual Report* (January 2006), 1.

for five years in a field that required them to use their education, and they must have passed Illinois's basic skills and subject matter test.⁶⁸

According to the original statute, charter schools could only be proposed by nonsectarian, nonprofit corporations, and no more than 45 charter schools could operate in Illinois – 15 in Chicago, 15 in the Collar Counties, and 15 in the remainder of the state.⁶⁹

Local school district boards were required to evaluate proposed charters based on specific criteria outlined in the Charter Schools Law.⁷⁰ If a charter were granted by a district board, the Illinois State Board of Education (ISBE) then had to certify that the proposal complied with state law before the charter would be valid.⁷¹ Once certified, the charter school was to operate for at least three years but no more than five years before undergoing a renewal process.⁷² The Charter Schools Law required that certain information must be contained in a charter school proposal. In addition to the charter school's name, location, and mission statement, a charter school's proposal had to describe the school's grade range, focus areas, and the minimum and maximum number of students to be enrolled, as well as student performance standards and student evaluation methods. The proposal also had to describe the relationship between the charter school and the school district, and it had to contain evidence that the charter would be "economically sound for both the charter school and the school district."⁷³

The law also enumerated criteria that school districts should use in evaluating proposals. The statute directed local school districts to give preference to proposals demonstrating a high degree of community support. If the proposal were for the conversion of an existing school into a charter school, community support was to be demonstrated by a petition from the school's teachers, and this petition had to be included in the proposal. In all other cases, sufficient support for the charter school existed if the proposal indicated that all available seats in the charter school would be filled. The statute also directed that school boards should give preference to proposals providing feasible plans for attaining high levels of student achievement, and to proposals that would serve a high percentage of at-risk students.

Illinois's original charter school legislation envisioned local school districts as the primary revenue source for charter schools. Districts were to provide both funding and services for charter schools, and the law specified that finances would neither be an incentive nor a disincentive for the formation of a charter school.⁷⁴ The charter contract would specify the amount of funding that the local school district would provide to the charter school, but a charter school's per student funding had to be between 95% and 105% of the district's per capita tuition.⁷⁵ Any facilities or services provided by the local school district would be negotiated between the district and the charter school, but districts could not charge charter schools more

⁶⁸ *Illinois School Code*, 105 ILCS 5/27A-10 as adopted in Public Act 89-450.

⁶⁹ *Illinois School Code*, 105 ILCS 5/27A-4 and 27A-5 as adopted in Public Act 89-450.

⁷⁰ *Illinois School Code*, 105 ILCS 5/27A-8(a) as adopted in Public Act 89-450.

⁷¹ *Illinois School Code*, 105 ILCS 5/27A-8(f) as adopted in Public Act 89-450.

⁷² *Illinois School Code*, 105 ILCS 5/27A-9 as adopted in Public Act 89-450.

⁷³ *Illinois School Code*, 105 ILCS 5/27 A-8 and A-9 as adopted in Public Act 89-450.

⁷⁴ *Illinois School Code*, 105 ILCS 5/27A-11(b) as adopted in Public Act 89-450. See also State of Illinois, 89th General Assembly, House of Representatives Debate Transcript (May 12, 1995), 144.

⁷⁵ *Illinois School Code*, 105 ILCS 5/27A-11(b) as adopted in Public Act 89-450.

than the district's cost for the service or facility provided.⁷⁶ The local school district was also required to provide a charter school with federal and state funds commensurate with the number of charter school students for whom the funds were intended.⁷⁷

Additional charter school revenue could come from state grants and private donations, including corporate donations, though the legislation's sponsors did not envision charter schools actively soliciting corporate donations.⁷⁸ Charter schools could accept private donations so long as the schools were not required to comply with any condition that would require them to violate the law.⁷⁹

House of Representatives and Senate debates over the Charter Schools Law indicate that legislators originally intended for the local community to control the process of establishing and operating charter schools. ISBE was to be responsible for providing oversight. Senator O'Malley said that the "local school board members . . . [are] going to be the gatekeepers. And if they fail somehow to do their job right, then you've got the State Board of Education."⁸⁰ According to transcripts of the legislative debates, legislators saw the local control of charter schools as integrally related to the mechanism for charter school funding provided in the law. Senator O'Malley argued that the charter schools did not represent an unfunded state mandate because the local school board would decide whether or not to establish the charter school.⁸¹ Likewise in the House, Representative Cowlshaw insisted that a charter school would not have a negative financial impact on a local school district because charter school financing would be negotiated by the district and those proposing a charter school.⁸²

Amendments to the Charter Schools Law

Since 1996, the Charter Schools Law has been amended 11 times.⁸³ Three of these amendments have substantially altered the statutes governing charter schools.

The first such amendment was adopted in December 1997 as part of the "Act to Create a Fair and Equitable Funding Formula for Schools" (PA 90-548), a far-reaching reform bill that changed state education funding formulas, allocated over \$1 billion for school construction, and mandated stricter school accountability standards. This bill modified the stated purpose of charter schools and changed how charter schools were created and financed.

⁷⁶ *Illinois School Code*, 105 ILCS 5/27A-5(i) as adopted in Public Act 89-450.

⁷⁷ *Illinois School Code*, 105 ILCS 5/27A-11(c) as adopted in Public Act 89-450.

⁷⁸ State of Illinois, 89th General Assembly, House of Representatives Debate Transcript (May 12, 1995), b142-143. In response to Representative Coy Pugh, who asked how charter schools would go about soliciting corporate donations, Representative Mary Lou Cowlshaw said: "[T]here are corporations out there . . . that feel an obligation . . . to help us to improve our schools. Some of those people . . . have already stepped forward and done significant things that cost them money, to try to make schools better for the children throughout this state. So, I don't think . . . that anybody is going to go out and solicit that kind of cooperation. I think it is there, waiting to happen."

⁷⁹ *Illinois School Code*, 105 ILCS 5/27A-11(d) as adopted in Public Act 89-450.

⁸⁰ State of Illinois, 89th General Assembly, Regular Session, Senate Transcript (February 9, 1995), 65.

⁸¹ *Ibid.*, 64.

⁸² State of Illinois, 89th General Assembly, House of Representatives Debate Transcript, (February 27, 1996) 10 and 16.

⁸³ See Public Act 90-548; Public Act 90-757; Public Act 91-096; Public Act 91-405; Public Act 91-407; Public Act 92-016; Public Act 93-003; Public Act 93-021; Public Act 93-861; Public Act 93-909; and Public Act 94-219.

PA 90-548 altered the stated purpose of the Charter Schools Law in two respects: by striking the word “innovative” from sections discussing the encouragement of alternative teaching and student evaluation methods, and by rewording the legislative declaration to say that providing learning opportunities for all students is as important as providing learning opportunities for “at-risk” students.⁸⁴ The evaluation criteria for charter proposals were amended to clarify that the law did not restrict the establishment of charter schools to situations where the student population would be substantially composed of “at-risk” students.⁸⁵

The amendment’s most important change was the introduction of provisions specifying that: 1) if a local school district rejected a charter, the district was required to report its decision to ISBE, and 2) ISBE was authorized to overrule the local school board.⁸⁶ In the event that it overruled a school board, ISBE would become the charter school’s chartering entity. The State Board would then be responsible for notifying the school district each year of the number of district students that would attend the charter school, and the State Board would withhold the funds due to the charter school from “funds otherwise due the district.” ISBE would then disburse these funds directly to the charter school.⁸⁷

Other criteria governing the submission and evaluation of charter school proposals were also changed, effectively limiting the power of local school boards to reject a charter. New language stated that the Charter Schools Law was not intended to justify denying a charter to schools that could not acquire a facility before submitting a proposal, or to schools unable to guarantee they would meet contractually specified goals.⁸⁸ For proposals seeking to convert an existing school into a charter school, evaluation criteria were modified to allow for evidence of community support other than a petition signed by the existing school’s teachers and parents. PA 90-548 also stipulated that, once a local school district had granted a charter, its ability to revoke that charter was limited to situations where the district could clearly demonstrate a school’s failure to meet its legal obligations.

Finally, two significant changes were made to the Charter Schools Law’s funding provisions. First, the range of funding that a local school district must provide to charter schools was broadened, so that charter schools could now receive between 75% and 125% of the district’s per capita tuition multiplied by the number of charter school students.⁸⁹ Second, ISBE was instructed to establish a revolving loan fund to provide loans that would defray charter schools’ start-up expenses.⁹⁰

⁸⁴ *Illinois School Code*, 105 ILCS 5/27A-2(b)(2) as amended in Public Act 90-548.

⁸⁵ *Illinois School Code*, 105 ILCS 5/27A-8(a)(3) as amended in Public Act 89-450.

⁸⁶ *Illinois School Code*, 105 ILCS 5/27A-9 as amended in Public Act 90-548. The First District Appellate Court of Illinois affirmed ISBE’s authority to overturn a local school board’s decision to reject a charter. On November 9, 2000, the court filed an opinion in *Board of Education of Community Consolidated School District No. 59 v. Illinois State Board of Education*, saying that ISBE was invested with the statutory authority to overrule school districts, and that ISBE’s determination that a charter proposal was sound could only be reversed if the court were “left with the definite and firm conviction that a mistake has been committed.” State of Illinois Supreme Court website, <http://www.state.il.us/COURT/Opinions/AppellateCourt/2000/1stDistrict/November/Html/1983709.htm>.

⁸⁷ *Ibid.*

⁸⁸ *Illinois School Code*, 105 ILCS 5/27A-7 and 105 ILCS 5/27A-8 as amended in Public Act 89-450.

⁸⁹ *Illinois School Code*, 105 ILCS 5/27A-11(b) as amended in Public Act 89-450.

⁹⁰ *Illinois School Code*, 105 ILCS 5/27A-11(d)(2) as amended in Public Act 89-450.

The next important round of amendments to the Charter Schools Law came in 1999 with the adoption of PA 91-405 and PA 91-407. PA 91-405 authorized a board of education or an intergovernmental agreement between boards of education to submit a charter school proposal, where before only private organizations had been permitted to propose and operate a charter school.⁹¹

PA 91-407's changes to the Charter School Law were far more substantial. This act modified nearly every section of the original law and added two new sections, one providing for state financial aid to districts in which a charter school was established, and another allowing for the creation of charter schools by referendum.

The creation of Transition Impact Aid (TIA) was the most important of these changes.⁹² TIA was designed to lessen the financial effect of diverting funds from local school districts to charter schools.⁹³ The TIA provisions in PA 91-407 stipulated that ISBE would receive an appropriation to reimburse local school districts for a percentage of the money used to fund charter schools. TIA funding was to equal 90% of the district money provided to the charter school in its first year of operation, 65% of the money provided in the school's second year, and 35% of district funds provided to the charter school in its third year. The district would not receive any TIA funding in the charter school's fourth year. If the charter school were established by a local school board rather than a private, nonprofit entity, the district was not entitled to receive TIA.

PA 91-407 gave ISBE more flexibility to consider charter proposals rejected by local school boards. It authorized ISBE to make its reversal of the school board decision contingent upon the charter school's agreement to accept less funding than called for in the charter document.⁹⁴ It also replaced ISBE's revolving loan fund with a special State Treasury fund called "The Charter Schools Revolving Loan Fund."⁹⁵ ISBE would use this money to provide no-interest loans not exceeding \$250 per student for charter schools' start-up costs. The loans had to be repaid before the first term of the charter expired. The money in this fund was to come from federal funds and the payments that charter schools were making on loans they had already received. ISBE could use up to three percent of the available funds to pay for another entity to administer the funds.⁹⁶

This act contained several provisions modifying the business relationship between school districts and charter schools. Amendments contained in the act:

- extended the period of time for which schools were to be chartered from three-to-five years to five-to-ten years,

⁹¹ See State of Illinois, 91st General Assembly, House of Representatives Debate Transcript (March 9, 1999), 124. To preclude entire districts from seeking to become charter schools and thereby circumvent state education laws, a provision specified that only one charter school per district could be operated by a local school board. Currently, Venice District 3 is the only school district that operates its own charter school. ISBE, *Illinois Charter School Annual Report* (January 2006), 4.

⁹² *Illinois School Code*, 105 ILCS 5-27A-11.5(1) as created by Public Act 91-407.

⁹³ State of Illinois, 91st General Assembly, House of Representatives Debate Transcript (March 9, 1999), 32.

⁹⁴ *Illinois School Code*, 105 ILCS 5-27A-9(e) as amended by Public Act 91-407.

⁹⁵ *Illinois School Code*, 105 ILCS 5-27A-11.5(3) as created by Public Act 91-407.

⁹⁶ *Illinois School Code*, 105 ILCS 5-27A-11.5(2) as created by Public Act 91-407.

- authorized local school districts to charge rent if charter schools used school district buildings,
- authorized charter schools to collect student fees,
- and specified that every charter must contain instructions for resolving minor violations of a charter's terms.⁹⁷

This act also deleted several provisions in the law: the requirement that no more than 50% of a local school district's students in any grade level could attend a charter school, and the section requiring ISBE to provide the General Assembly and Governor with a report on charter schools.

Prior to the enactment of PA 91-407, charter schools were not required to assess their own performance in the School Report Card format used by all other Illinois public schools because that section of the School Code was not specified as a law to which charter schools were subject. PA 91-407 made this requirement one of the laws charter schools must follow.⁹⁸ Similarly, this law required ISBE to evaluate charter school students' academic achievement, and the extent to which charter schools had accomplished their mission.

Finally, PA 91-407 established an entirely new mechanism for creating charter schools. A new section was added to the Charter Schools Law providing that a charter school proposal certified by ISBE must be placed on the ballot if five percent of registered voters petitioned the local school board to do so.⁹⁹ If the referendum were approved by a majority of voters, ISBE would become the school's chartering entity.¹⁰⁰ A charter school approved by referendum would therefore receive its funding from ISBE, and ISBE would withhold the appropriate amount of funding from state funds otherwise due to the district. For a charter school approved by referendum, the local school board would have no role in evaluating the charter school proposal, and the charter school would be exempted from having to reach an agreement on funding with the school board.¹⁰¹

In the House of Representatives, debate over this series of amendments focused on the fiscal impact of the Charter School Revolving Loan Fund. Members of the House were assured that the \$10 million appropriated to fund the start-up loans would not diminish the amount of money available in the Common Schools Fund for providing schools with general state aid.¹⁰² During the course of debate in the Senate, Senator Cronin described the significance of TIA. He explained that while charter schools flourished Chicago, they had not done so in suburban Cook County or the rest of Illinois because local school boards prevented their formation. Charter schools, he said, were viewed as a threat to the amount of state funding available to the local school district.¹⁰³ The legislation was intended to provide limited compensation to local school districts in order to diminish a charter school's financial impact. Senate debates also remarked on the importance of limiting TIA funding. Since introducing competition into the distribution

⁹⁷ *Illinois School Code*, 105 ILCS 5/27A-9(a), 105 ILCS 5/27A-5(h), 105 ILCS 5-27A-9(b), 105 ILCS 5-27A-6(c-5) as created by Public Act 91-407.

⁹⁸ *Illinois School Code*, 105 ILCS 5/27A-5(g) as amended by Public Act 91-407.

⁹⁹ *Illinois School Code*, 105 ILCS 5-27A-6.5 as created by Public Act 91-407.

¹⁰⁰ *Illinois School Code*, 105 ILCS 5-27A-9(f) as amended by Public Act 91-407.

¹⁰¹ *Illinois School Code*, 105 ILCS 5-27A-8 and 105 ILCS 5-27A-11(b) as amended by Public Act 91-407.

¹⁰² State of Illinois, 91st General Assembly, House of Representatives Debate Transcript (May 12, 1999), 31.

¹⁰³ State of Illinois, 91st General Assembly, Regular Session, Senate Transcript (May 27, 1999), 68.

of public education funding was part of the rationale for charter schools, TIA funding had to be limited in order to preserve the competitive element introduced by charter schools.¹⁰⁴

The third set of substantive changes to the Charter Schools Law was made in 2003. Public Act 93-003 created significant differences between charter schools in Chicago and those in the rest of Illinois. The number of charter schools allowed in Chicago was doubled from 15 to 30, while the maximum allowed in other regions of Illinois remained the same.¹⁰⁵ At the same time, all Chicago charter schools were required to administer the same standardized tests as the Chicago Public Schools (CPS), and those test results were to be included in CPS's assessment reports.¹⁰⁶

This statute also affected labor and management issues in Chicago's charter schools. It stated that CPS had no duty to include charter schools in any of its collective bargaining agreements.¹⁰⁷ PA 93-003 also restricted new charter schools in Chicago to operating on a single campus, and said that Chicago's new charter schools could not contract with a for-profit entity to manage or operate the school.¹⁰⁸ Finally, while the rest of Illinois's charter school teachers continued to be subject to the original Charter Schools Law certification requirements, new certification guidelines were applied to teachers in Chicago charter schools.¹⁰⁹ Seventy-five percent of teachers in any Chicago charter school established prior to the 2006-2007 school year were required to hold the same teaching certificates as all other public school teachers. In charter schools established after 2006-2007, fifty percent of teachers were required to have the certificate.

The following table summarizes all other minor amendments made to Illinois's original Charter Schools Law (PA 89-450).

¹⁰⁴ *Ibid.*, 68.

¹⁰⁵ *Illinois School Code*, 105 ILCS 5/27A-4(b) as amended by Public Act 93-3.

¹⁰⁶ *Illinois School Code*, 105 ILCS 5/27A-6(b) as amended by Public Act 93-3.

¹⁰⁷ *Illinois School Code*, 105 ILCS 5/27A-4(j) as created by Public Act 93-3.

¹⁰⁸ *Illinois School Code*, 105 ILCS 5/27A-5(b) and 105 ILCS 5/27A-5(h) as amended by Public Act 93-3.

¹⁰⁹ *Illinois School Code*, 105 ILCS 5/27A-10(c) as amended by Public Act 93-3.

Illinois Charter School Law: Minor Amendments to Public Act 89-450		
Public Act	Year	Amendment Summary
90-757	1998	Released local school boards from the responsibility for repaying failed charter schools' start-up loans.
91-096	1999	Required ISBE to obtain the attendance records necessary for allocating general state financial aid from the schools it chartered directly, and released ISBE from responsibility for obtaining other information from these schools, regardless of reporting requirements in the general state financial aid law.
92-016	2001	Made technical changes to the language of the law and was included as part of the First 2001 General Revisory Act.
93-021	2003	Limited the payment of TIA for the 2004 fiscal year. Districts hosting schools chartered prior to June 1, 2003 would be paid first, and the remaining funds would be distributed to districts hosting schools chartered thereafter on a pro rata basis.
93-861	2004	Authorized Chicago's Board of Education to designate attendance boundaries for up to one third of Chicago charter schools. Students living within a school's boundaries would receive admissions preference.
93-909	2004	Changed the phrase "criminal background investigation" to "criminal history records check" in the section requiring background checks for charter school teachers.
94-219	2005	Required charter schools to search the Statewide Sex Offender Database for the names of charter school teacher applicants.

Source: Illinois General Assembly website, www.ilga.gov

Comprehensive Community Solutions, Inc. v. Rockford School District No. 205

The connection between school finance and the authority to charter schools in Illinois continues to be contested ground. On September 22, 2005, the Illinois State Supreme Court filed its ruling in *Comprehensive Community Solutions, Inc. (CCS) v. Rockford School District No. 205*.¹¹⁰ CCS was seeking to overturn ISBE's support for Rockford District 50's rejection of the company's charter proposal. In turning down the CCS proposal, Rockford cited Illinois School Code section 27A-7(a)(9), which required that the charter proposal be economically sound for both the charter school and the host district.¹¹¹ Rockford found that the charter school's own financial projections were unsound, and that hosting a charter school would have been harmful to the finances of the District, which was running a deficit at the time. CCS argued that, "It's well known that most of the districts in the state of Illinois are operating at a deficit. This would give districts a blanket veto."¹¹²

¹¹⁰ *Comprehensive Community Solutions, Inc. v. Rockford School District No. 205*, Illinois State Supreme Court, <http://www.state.il.us/COURT/Opinions/SupremeCourt/2005/September/Opinions/Html/99332.htm>.

¹¹¹ Ibid.

¹¹² Stephanie Banchemo and Erika Slife, "Money is key to charter school fight," *Chicago Tribune*, May 19, 2005.

ISBE, however, concurred with Rockford's findings, and ISBE's decision was affirmed by both the Circuit Court of Sangamon County and the Fourth District Appellate Court of Illinois. The Fourth District Court's ruling, written by Judge Robert Eggers, cited an earlier case against ISBE in which Community Consolidated School District 59 had challenged ISBE's decision to authorize Thomas Jefferson Charter School over the District's objection. In the opinion deciding the District 59 case, the First District Appellate Court of Illinois had affirmed ISBE's authority to overturn a local school board's decision to reject a charter, saying that ISBE was invested with the statutory authority to overrule school districts, and that ISBE's determination that a charter proposal was sound could only be reversed if the court were "left with the definite and firm conviction that a mistake has been committed."¹¹³ The ruling in the District 59 case established the precedent that ISBE's ruling must be "clearly erroneous" in order for the courts to have grounds to overturn it.

In *CCS v. Rockford 205*, the Supreme Court ruled in favor of ISBE, affirming the Sangamon County Circuit Court's and Fourth District Appellate Court's rulings. The Supreme Court's decision, written by Justice Thomas Fitzgerald, said that the Court could only overturn ISBE's ruling if that ruling were "clearly erroneous," citing the standard set by the ruling in the District 59 case. Justice Fitzgerald also said that the financial impact of the charter school on the district was a valid concern. The Supreme Court's ruling suggests that future disputes between chartering entities and the local or State Board of Education will continue to be resolved on a case by case basis. Justice Fitzgerald wrote that "economic soundness ... is not a bright line standard, but a continuum," and that the State Supreme Court does "not hold that any school district experiencing a budget deficit may deny a charter school proposal with impunity."¹¹⁴

¹¹³ The opinion in this case was filed on November 9, 2000. *Board of Education of Community Consolidated School District No. 59 v. Illinois State Board of Education*, State of Illinois Supreme Court, <http://www.state.il.us/COURT/Opinions/AppellateCourt/2000/1stDistrict/November/Html/1983709.htm>.

¹¹⁴ *Comprehensive Community Solutions v. Rockford 205*.

CASE STUDIES: THREE ILLINOIS CHARTER SCHOOLS AND THEIR SCHOOL DISTRICTS

In the 2004-2005 school year, 27 charter schools operated in Illinois, serving over 13,000 students. Only seven of those 27 schools were located outside of Chicago District 299 – one in Cahokia District 187 (St. Clair County), one in Decatur District 61 (Macon County), two in East St. Louis District 189 (St. Clair County), one straddling Fremont District 79 and Woodland District 50 (Lake County), one in Springfield District 186 (Sangamon County), and one in Venice District 3 (Madison County). This study examines the three oldest Illinois charter schools that are located outside of Chicago and that are still in operation – Prairie Crossing Charter School in Fremont and Woodland districts, Robertson Charter School in Decatur District 61, and Springfield Ball Charter School in Springfield District 186.

The Civic Federation chose not to include any Chicago charters in this study, having concluded that Chicago charters schools warrant independent consideration. Chicago charters are distinguished from other Illinois charters by the circumstances of their formation and, as of 2003, by the laws governing them. After the enactment of the Illinois Charter Schools Law in 1996, the Chicago Board of Education and Chicago Public Schools quickly embraced charter schools as a way to revitalize public education in Chicago, granting 23 charters between 1997 and 2002.¹¹⁵ In 2004 Chicago Mayor Richard Daley reaffirmed the city's commitment to charter schools when he announced his Renaissance 2010 program, which called for the opening of 100 new schools – either charter, contract, or performance schools – and specified that they should relieve overcrowded schools, replace low-performing schools, or replace schools with deteriorating facilities. Chicago charters continue to maintain a close affiliation with Chicago Public Schools (CPS), and following the enactment of Public Act 93-003 in 2003, they are also governed by several statutes affecting enrollment, labor, and accountability regulations that do not apply to other Illinois charters.¹¹⁶ With the support of both CPS and Mayor Daley, charter schools have proliferated much more quickly in Chicago than anywhere else in Illinois.

The slower rate of charter school growth outside of Chicago is largely attributable to the smaller number of charter proposals that have been submitted in other districts. Between the enactment of Illinois's charter schools law in April 1996 and August 2005, Chicago District 299 approved 30 of 119 charter school proposals, an approval rate of 25.2%. Outside of Chicago, local school districts approved 10 out of 45 proposals, an approval rate of 22.2% that is only slightly lower than Chicago's.¹¹⁷ Additionally, two schools outside of Chicago were directly chartered by the

¹¹⁵ Jo Ann Price (Accountability Division, ISBE), e-mail message to the Civic Federation, August 26, 2005. Six of those charters, including one for a school that was still operating in 2004-2005, have subsequently been revoked. One of these charters was not renewed after the school's initial term expired in 2002.

¹¹⁶ Public Act 93-003 also restricted charter schools opened after 2003 to operating on a single campus. Several Chicago charter schools created prior to 2003 currently operate multiple campuses and continue to open new ones. In 2004-2005, there were six charter school campuses operating in addition to the 20 charter schools that were open in Chicago. In the fall of 2005, existing charters opened seven new campuses for in addition to the three new charter schools that opened that year. For more information on Chicago charter schools and the Renaissance 2010 initiative, see www.ren2010.cps.k12.il.us.

¹¹⁷ Jo Ann Price, e-mail message to the Civic Federation, August 26, 2005.

Illinois State Board of Education, and another school in St. Clair County's Cahokia District 187 was approved by referendum after the local school board rejected it.¹¹⁸ Still, charter schools have had difficulty making inroads into particular types of school districts. As noted in a May 2005 *Chicago Tribune* article on CCS's efforts to open a charter school in Rockford District 205, "Suburban officials have rejected all but one of 19 proposals. Only south suburban Crete-Monee School District agreed to grant a license. That charter ... was later pulled."¹¹⁹

The three schools selected for this study present three different pictures of charter school development in Illinois. Prairie Crossing's charter, which said that the school would offer a curriculum that emphasized environmental education, was granted directly by ISBE in December 1998 after the school's proposal was twice rejected by both Fremont and Woodland school districts. These districts are located in relatively affluent Lake County, and both districts have minority populations that are significantly smaller than state averages. Robertson Charter School, devoted to the education of at-risk students, was eagerly supported by Decatur District 61 when the school was first proposed in 1997. Decatur District 61 is located in Macon County, which has seen its population decline steadily since 1980. Decatur District 61 has experienced sharp enrollment declines since the late '90s, and has had percentages of low-income and black students that are substantially higher than state averages. With low-income students constituting 67.0% of its student population, Decatur District 61 was affected more severely by economic and demographic changes than any other district in Macon County. Springfield Ball Charter School, which proposed to offer an innovative curriculum and an extended school year when it received its charter in 1998, was founded by the Ball Foundation, a not-for-profit organization that had a history of working with Springfield District 186 in Sangamon County. Springfield 186 is an urban school district that faced modest enrollment declines despite countywide population growth being in line with state averages. The district saw school choice as a way for the district to compete with suburban schools. Springfield District 186 serves a student population whose low-income percentage substantially exceeded the state average, but the economic pressures in Springfield District 186 have been less severe than in Decatur District 61.

The following sections provide demographic, enrollment, and financial data for each of the school districts considered, as well as narrative histories for both the school districts and the charter schools. Data from the 2003-2004 school year is generally the most recent data used in the demographic, enrollment, and financial sections because, during the preparation of this report, 2003-2004 figures were the most recent available for the operating cost per student measurement. The Civic Federation regards this measurement as a key financial indicator. Financial data from the 2003-2004 school year were used in presenting all other measurements for the sake of consistency. The narrative histories for each district and charter school incorporate data from the 2004-2005 school year and the most recent available published newspaper reports.

¹¹⁸ The two schools chartered directly by ISBE were Thomas Jefferson Charter School in northern Cook County and Prairie Crossing Charter School in Lake County.

¹¹⁹ Banchemo and Slife, "Money is key to charter school fight."

Fremont District 79, Woodland District 50, and Prairie Crossing Charter School

The following sections provide background information on the demographics, the population and enrollment trends, and the financial condition of Fremont District 79 and Woodland District 50.

Student Demographics

Fremont District 79 is an elementary (K-8) school district that had two schools and a total 2003-2004 enrollment of 1,561 students, slightly smaller than the average for Lake County's 29 elementary school districts. Less than 2% of the district's students were low-income, meaning that they were eligible to receive free or reduced-price lunches, their families received public aid, they were supported in foster homes with public funds, or they lived in institutions for neglected or delinquent children.¹²⁰ Eighty-five percent of the district's students were white, 0.9% were black, 5.3% were Hispanic, 7.4% were Asian, and 0.9% were Native American.¹²¹

Woodland District 50 is an elementary (K-8) school district that had four schools and a total 2003-2004 enrollment of 7,005 students, the largest elementary district in Lake County and the fourth largest in Illinois. Roughly 10% of the district's students were low-income. Sixty-nine percent of the district's students were white, 7.2% were black, 13.5% were Hispanic, 10.1% were Asian, and 0.2% were Native American.¹²²

Prairie Crossing Charter School (PCCS), established in 1999 to provide elementary education with an environmental theme to pupils living in the Woodland and Fremont districts, had a total 2003-2004 enrollment of 264 students in grades K-6. None of the school's students were low-income, 84.5% were white, 1.9% were black, 3.0% were Hispanic, 9.1% were Asian, and 1.5% were Native American.¹²³ As the following table illustrates, the charter school was demographically more similar to Fremont than to Woodland.

¹²⁰ These criteria constitute the ISBE definition of the term "low-income," and these are the criteria meant wherever the term "low-income" is used in this study.

¹²¹ ISBE, 2004 School District Report Card. All School and School District Report Cards cited in this study are available from ISBE's website, <http://webprod1.isbe.net/ereportcard/publicsite/default.htm>.

¹²² Ibid.

¹²³ ISBE, 2004 School Report Card.

Lake County Elementary School Districts Student Demographic Data: 2003-2004							
	White	Black	Hispanic	Asian	Native American	Low Income	Total Enrollment
Rondout District 72	73.7%	7.9%	12.3%	6.1%	0.0%	7.9%	114
Bannockburn District 106	88.0%	1.9%	0.5%	9.6%	0.0%	2.9%	208
Grass Lake District 36	91.1%	0.8%	6.4%	0.4%	1.3%	21.6%	236
Emmons District 33	94.1%	1.1%	2.9%	1.9%	0.0%	6.9%	375
Winthrop Harbor District 1	86.0%	2.1%	7.1%	3.9%	0.9%	12.5%	814
Fox Lake District 114	85.2%	1.4%	12.7%	0.7%	0.0%	19.8%	920
Big Hollow District 38	80.3%	2.6%	12.3%	4.2%	0.5%	6.7%	1,021
Oak Grove District 68	89.8%	1.5%	1.6%	7.0%	0.0%	0.0%	1,054
Lake Bluff District 65	90.4%	2.0%	2.5%	5.0%	0.1%	1.1%	1,092
Gavin District 37	84.3%	2.9%	12.0%	0.7%	0.0%	25.7%	1,098
Diamond Lake District 76	45.3%	2.3%	46.1%	6.0%	0.4%	27.9%	1,310
Millburn District 24	83.8%	4.4%	5.0%	6.8%	0.1%	1.5%	1,311
Fremont District 79	85.5%	0.9%	5.3%	7.4%	0.9%	1.5%	1,561
Lincolnshire-Prairieview Dst. 103	85.2%	0.6%	2.0%	12.2%	0.0%	1.2%	1,724
Mundelein District 75	61.1%	2.3%	30.6%	5.8%	0.2%	22.4%	2,156
Lake Forest District 67	94.1%	0.6%	1.8%	3.4%	0.0%	1.0%	2,194
Beach Park District 3	55.5%	20.0%	20.6%	3.3%	0.6%	20.0%	2,238
Gurnee District 56	59.4%	14.2%	19.2%	6.7%	0.6%	9.9%	2,240
Aptakisic-Tripp District 102	81.3%	0.7%	3.1%	14.6%	0.3%	3.9%	2,314
Antioch District 34	90.3%	2.6%	4.6%	2.0%	0.5%	12.7%	2,541
Libertyville District 70	90.1%	2.1%	2.9%	4.7%	0.2%	3.1%	2,656
Zion District 6	22.7%	48.4%	27.5%	1.1%	0.2%	61.8%	2,787
Deerfield District 109	95.6%	0.7%	1.4%	2.3%	0.0%	0.4%	3,157
Lake Villa District 41	79.7%	4.6%	11.5%	3.9%	0.3%	12.1%	3,288
Kildeer Countryside District 96	85.1%	1.2%	2.5%	11.1%	0.1%	2.5%	3,487
Hawthorn District 73	62.9%	2.8%	21.4%	12.6%	0.2%	17.0%	3,718
Comm. Consolidated District 46	80.4%	3.1%	11.1%	5.1%	0.2%	10.1%	4,013
North Shore District 112	81.1%	2.0%	15.2%	1.7%	0.0%	10.1%	4,421
Woodland District 50	69.1%	7.2%	13.5%	10.1%	0.2%	10.1%	7,055
Prairie Crossing Charter School	84.5%	1.9%	3.0%	9.1%	1.5%	0.0%	264
<i>State of Illinois</i>	<i>57.7%</i>	<i>20.8%</i>	<i>17.7%</i>	<i>3.6%</i>	<i>0.2%</i>	<i>39.0%</i>	<i>2,060,048</i>

Source: Districts' 2004 Report Cards

Population and Enrollment Trends

Fremont District 79 consists of 65.5% unincorporated land, and 34.0% of Fremont is assessed as farmland.¹²⁴ It includes parts of the villages of Wauconda, Round Lake, Grayslake, Libertyville, Mundelein, Long Grove, and Hawthorn Woods. At the northeast corner of the district is the Prairie Crossing housing development. The housing development is split nearly in half by Fremont District 79 and Woodland District 50, which borders Fremont to the north. Prairie Crossing Charter School is located on the Woodland District 50 side of the Prairie Crossing development.

Woodland District 50 is 44.0% unincorporated and 17.2% farmland.¹²⁵ It includes part or all of the villages of Gurnee, Gages Lake, Grayslake, Park City, Third Lake, Wadsworth, Lake Villa, Wildwood, Waukegan and Libertyville.

The population of Lake County increased steadily throughout the 20th century. In 2003 its 685,019 residents made Lake the third most highly populated county in Illinois, up from 27th in 1900.¹²⁶ The County's population has nearly tripled since 1950.¹²⁷

¹²⁴ Lake County Illinois Maps Online, <http://gis1.co.lake.il.us/maponline/default.asp>.

¹²⁵ Ibid.

Lake County Population 1950-2003							
1950	1970	1980	1990	2000	2003 est.	% change 1980-2003	% change 2000-2003
179,097	382,638	440,372	516,418	644,356	685,019	55.6%	6.3%

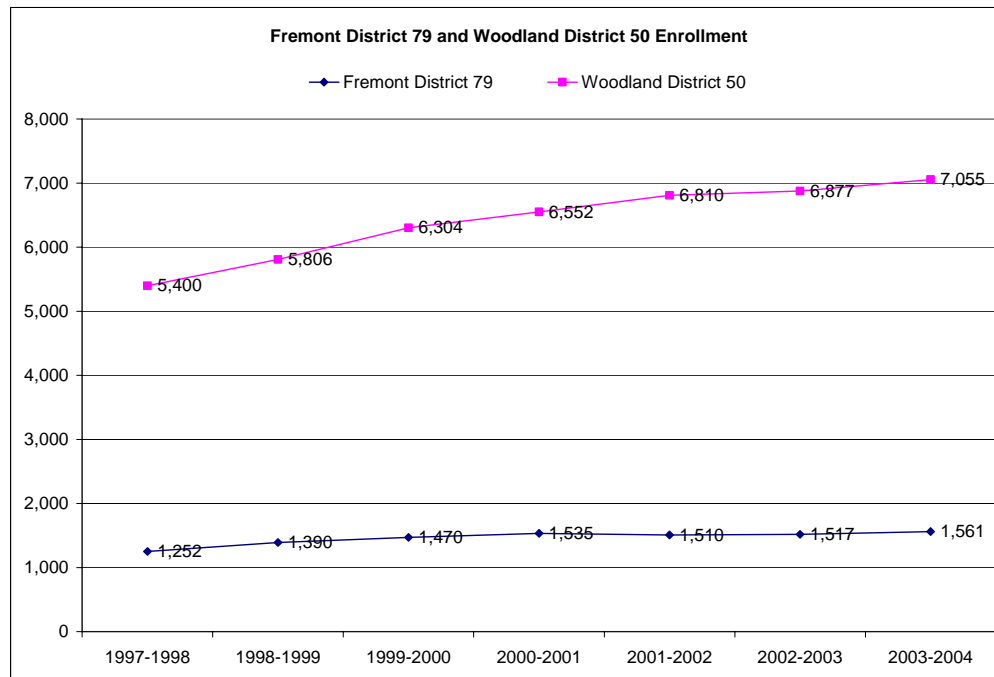
Source: *Illinois Statistical Abstract 2004*, Institute of Government & Public Affairs, University of Illinois

Lake County's total school enrollment figures rose 33.9% between the 1992-1993 and 2001-2002 academic years. This rate of growth is more than triple the 9.1% rate at which total school enrollment increased statewide over the same period. Public school enrollment in Lake County increased by 35.4% during that time, while nonpublic school enrollment increased by 23.0%.

Lake County Public and Nonpublic School Enrollment: 1992-1993 to 2001-2002				
	1992-1993	2001-2002	# change 1993-2002	% change 1993-2002
Public Schools	96,163	130,219	34,056	35.4%
Nonpublic Schools	13,052	16,060	3,008	23.0%
TOTAL	109,215	146,279	37,064	33.9%

Source: *Illinois Statistical Abstract 2004*, Institute of Government & Public Affairs, University of Illinois

Both Fremont and Woodland districts have experienced substantial enrollment growth in recent years. Between the 1997-1998 and 2003-2004 schools years, Fremont District 79's enrollment grew 24.7%, from 1,252 to 1,561, and Woodland District 50's grew 30.6%, from 5,400 to 7,055.



Source: ISBE, School District Report Cards 1998-2004

¹²⁶ Institute of Government & Public Affairs, *Illinois Statistical Abstract 2004* (University of Illinois), <http://www.igpa.uiuc.edu/Abstract/Population/index.htm>.

¹²⁷ Ibid.

Since its launch in the fall of 1999, Prairie Crossing Charter School has drawn approximately 15% of its students from Fremont District 79 and 85% from Woodland District 50. Beginning as a K-2 school with 56 students, it has added one grade level and roughly 40-60 pupils per year, and has set a target maximum of 360 students.

Prairie Crossing Student Enrollment by District as of Fourth Quarter of Each Year						
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Woodland District 50	46	101	135	186	220	255
Fremont District 79	10	19	26	34	44	47
TOTAL	56	120	161	220	264	302

Source: ISBE, Funding and Disbursements Division

Fremont 79 and Woodland 50 School District Finances

Lake County is one of the wealthiest counties in Illinois, ranking 4th out of 102 counties in median household income (\$66,692), and 95th in percent of residents living below the poverty level (5.6%) according to 2000 Census results.¹²⁸ Lake County elementary school districts have relatively high property wealth. For the 2003-2004 school year, the average Equalized Assessed Value (EAV) per pupil for Lake County's elementary school districts was \$301,747 as compared with a statewide average for elementary school districts of \$207,101.¹²⁹

Property Taxes

Fremont District 79's EAV per pupil has consistently been ranked near 60th among Illinois's more than 380 elementary school districts. Since at least 1996-1997, Fremont has received the Alternate General State Aid Formula, which applies to districts whose local source funding per pupil is more than 93% but less than 175% of the foundation level set by the Illinois General Assembly for a given year. In 2003-2004, 24% of Illinois elementary districts received the Alternate Formula.

¹²⁸ Ibid.

¹²⁹ ILEARN, <http://webprod1.isbe.net/ilearn/ASP/index.asp>. Because the collection of property taxes lags two years behind the school fiscal year, the 2003-2004 EAV per pupil measurement is generated with 2002 district EAVs. In calculating the Lake County elementary average, we have excluded an extreme outlier, Roundout District 72 in Lake Forest, whose 2004 per pupil EAV of \$1,852,142 was the highest in the state. The elementary district in Lake County with the second-highest 2004 EAV per pupil was Lake Forest District 67. Its \$901,994 per pupil EAV ranked fourth-highest in the state, but was still less than half of Roundout District 72's per pupil EAV.

Fremont District 79 Equalized Assessed Property Value (EAV) and General State Aid Formula Type				
Year	Two Year Prior EAV Per Pupil	Rank...	out of	Formula Type
1996-1997	\$ 242,201	62	392	Alternate
1997-1998	\$ 235,945	60	387	Alternate
1998-1999	\$ 241,891	56	385	Alternate
1999-2000	\$ 239,076	66	384	Alternate
2000-2001	\$ 248,009	69	383	Alternate
2001-2002	\$ 263,199	64	383	Alternate
2002-2003	\$ 288,387	60	382	Alternate
2003-2004	\$ 313,770	61	381	Alternate

Source: ILEARN, ISBE

Fremont District 79's property tax rate is relatively low, consistently ranking in the bottom third among Illinois elementary districts. After defeating a property tax rate referendum four times in a row, Fremont voters approved a \$0.20 increase in the district's education fund tax rate in April 2003, raising the rate from 1.82% to 2.02% of EAV. Because the collection of property taxes lags two years behind the school fiscal year, the effects of this increase are not represented in the chart below.

Fremont District 79 Property Tax Rate			
Year	Two Year Prior Total Tax Rate	Rank...	out of
1996-1997	2.4650	278	392
1997-1998	2.6920	229	387
1998-1999	2.7020	230	385
1999-2000	2.7360	221	384
2000-2001	2.7090	219	383
2001-2002	2.6890	238	383
2002-2003	2.6700	234	382
2003-2004	2.5820	261	381

Source: ILEARN, ISBE

Woodland District 50's EAV per pupil has consistently ranked roughly 130th among Illinois elementary school districts. Since 1997 Woodland has received either the Foundation or Alternate General State Aid Formula. The Foundation Formula applies to those districts whose local source funding per pupil is less than 93% of the foundation level set by the Illinois General Assembly for a given year. In 2003-2004, 66.4% of Illinois elementary districts received the Foundation Formula.

Woodland District 50 Equalized Assessed Property Value (EAV) and General State Aid Formula Type				
Year	Two Year Prior EAV Per Pupil	Rank...	out of	Formula Type
1996-1997	\$ 171,734	129	392	Alternate
1997-1998	\$ 171,895	123	387	Alternate
1998-1999	\$ 171,467	122	385	Foundation
1999-2000	\$ 174,331	129	384	Foundation
2000-2001	\$ 183,446	130	383	Foundation
2001-2002	\$ 188,213	129	383	Foundation
2002-2003	\$ 197,058	126	382	Alternate
2003-2004	\$ 204,373	134	381	Foundation

Source: ILEARN, ISBE

Woodland District 50's property tax rate ranked in the bottom half among Illinois elementary districts from 1996 until 1999, when voters approved a referendum to increase the education fund tax rate by 0.40 percentage points, from 1.87% to 2.27% of EAV. The district's property tax rate now ranks in the top fifth statewide for elementary districts.

Woodland District 50 Property Tax Rate			
Year	Two Year Prior Total Tax Rate	Rank...	out of
1996-1997	2.7490	212	392
1997-1998	2.7090	220	387
1998-1999	2.7160	225	385
1999-2000	3.0150	164	384
2000-2001	3.3770	89	383
2001-2002	3.5800	73	383
2002-2003	3.5650	71	382
2003-2004	3.4360	69	381

Source: ILEARN, ISBE

The growth of both Fremont's and Woodland's property tax revenues is limited by the Property Tax Extension Limitation Law (PTELL). Under the provisions of State Statute PA 87-17, which became effective on October 1, 1991, caps were applied to property tax assessments in the five counties contiguous with Cook County: Lake, McHenry, Kane, DuPage, and Will. The caps first affected the 1991 property taxes collected in fiscal year 1992, limiting the property tax revenue growth to 5% or the percentage increase in the Consumer Price Index, whichever is less. The Illinois Department of Revenue reported that by fiscal year 2000, PTELL had reduced the property tax revenue collected in Lake County by \$35,623,877, of which \$27,995,246 would have gone to Lake County schools.¹³⁰

Financial Health

In recent years both Fremont District 79 and Woodland District 50 have received high scores on their ISBE School District Financial Profiles. The Financial Profile System assigns a score to

¹³⁰ Commission on Government Forecasting and Accountability, *Property Taxes in Illinois 2005 Update* (September 2005), <http://www.ilga.gov/commission/cgfa2006/Upload/2005PropertyTaxes.pdf>.

each district based on five financial indicators: a Fund Balance to Revenue Ratio, an Expenditures to Revenue Ratio, Days Cash on Hand (which measures the number of days a school district could operate using only its fund balance), Percent of Short-Term Borrowing Remaining, and Percent of Long-Term Debt Margin Remaining. Scores between 3.54 and 4.00 are awarded the highest designation, “Recognition;” districts that score between 3.08 and 3.53 are designated “Review,” and are monitored for potential downward trends. Fremont District 79 was designated “Recognition” each year from 2002 to 2004. Woodland was designated “Recognition” for two years and “Review” for one year.

School District Financial Profiles: 2002-2004			
		Fremont District 79	Woodland District 50
2001-2002	Score / 4.0	3.70	3.90
	Designation	Recognition	Recognition
2002-2003	Score / 4.0	3.80	3.45
	Designation	Recognition	Review
2003-2004	Score / 4.0	3.90	3.55
	Designation	Recognition	Recognition

Source: ISBE School District Financial Profiles 2002-2004

Between 1997 and 2004, roughly 7-12% of Fremont District 79’s revenues came from the State of Illinois and 1-2% came from the Federal government. Approximately 86-93% of Fremont’s revenues were local source, primarily from property taxes.

Fremont District 79 Revenues By Source							
Year	State Revenues	% of Total	Local Revenues	% of Total	Federal Revenues	% of Total	TOTAL Revenues
1996-1997	\$ 719,157	9.01%	\$ 7,212,732	90.37%	\$ 49,207	0.62%	\$ 7,981,096
1997-1998	\$ 1,265,730	12.21%	\$ 9,007,341	86.88%	\$ 94,902	0.92%	\$ 10,367,973
1998-1999	\$ 989,277	9.37%	\$ 9,372,237	88.77%	\$ 196,676	1.86%	\$ 10,558,190
1999-2000	\$ 1,103,750	9.39%	\$ 10,449,650	88.87%	\$ 205,368	1.75%	\$ 11,758,768
2000-2001	\$ 1,477,100	11.86%	\$ 10,747,451	86.29%	\$ 231,034	1.85%	\$ 12,455,585
2001-2002	\$ 1,224,008	9.24%	\$ 11,940,007	90.15%	\$ 80,043	0.60%	\$ 13,244,058
2002-2003	\$ 1,257,659	6.57%	\$ 17,782,226	92.88%	\$ 105,159	0.55%	\$ 19,145,044
2003-2004	\$ 1,354,871	7.62%	\$ 16,346,206	91.88%	\$ 90,229	0.51%	\$ 17,791,306

Source: ILEARN, ISBE

Woodland District 50 received slightly more of its revenues from State and Federal sources than Fremont over the same time period. Approximately 84-87% of its revenues were generated from local sources.

Woodland District 50 Revenues By Source							
Year	State Revenues	% of Total	Local Revenues	% of Total	Federal Revenues	% of Total	TOTAL Revenues
1996-1997	\$ 3,543,451	12.09%	\$ 25,551,091	87.16%	\$ 219,894	0.75%	\$ 29,314,436
1997-1998	\$ 4,833,047	14.84%	\$ 27,349,201	83.97%	\$ 388,197	1.19%	\$ 32,570,445
1998-1999	\$ 4,610,720	13.17%	\$ 29,991,934	85.69%	\$ 398,327	1.14%	\$ 35,000,981
1999-2000	\$ 6,714,447	14.92%	\$ 37,142,671	82.55%	\$ 1,135,818	2.52%	\$ 44,992,936
2000-2001	\$ 7,496,716	14.47%	\$ 43,644,633	84.22%	\$ 681,615	1.32%	\$ 51,822,964
2001-2002*	\$ 21,946,400	30.81%	\$ 48,456,565	68.02%	\$ 835,533	1.17%	\$ 71,238,498
2002-2003	\$ 7,867,033	13.58%	\$ 48,789,844	84.19%	\$ 1,293,491	2.23%	\$ 57,950,368
2003-2004	\$ 7,137,470	11.79%	\$ 52,382,051	86.52%	\$ 1,024,121	1.69%	\$ 60,543,642

* Includes State grant for infrastructure improvements of \$13,907,153
Source: ILEARN, ISBE

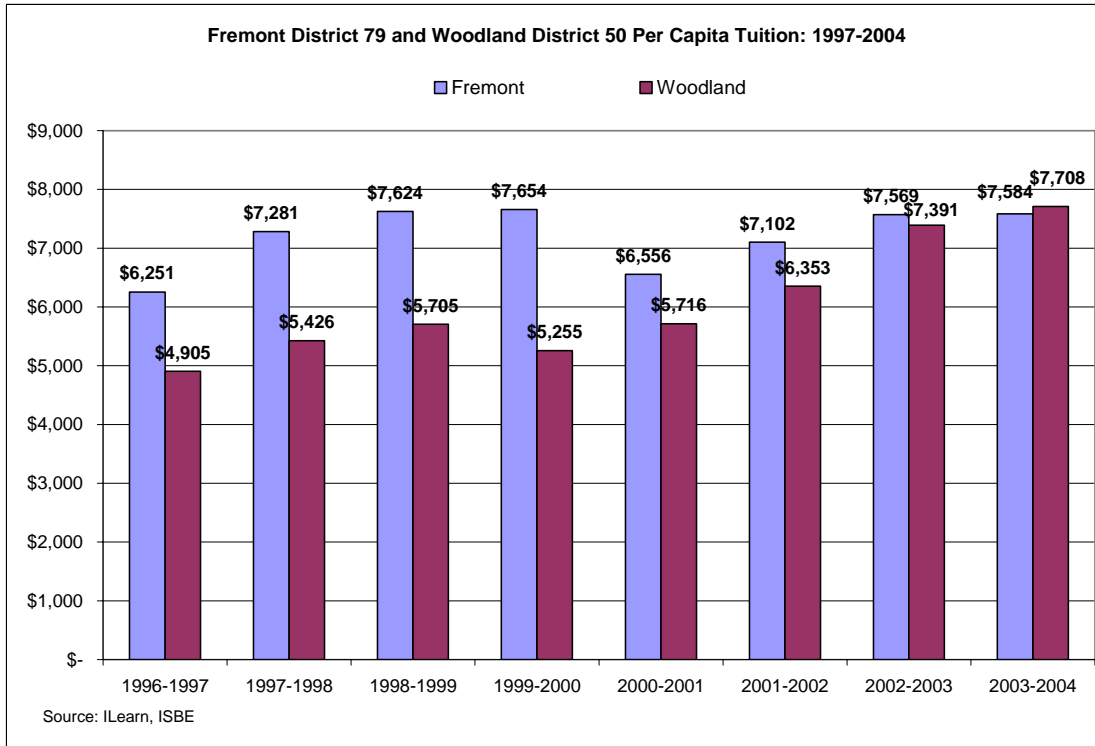
District Funds Shifted to Prairie Crossing Charter School

Since PCCS holds a direct State charter, its per capita tuition revenues come directly from the State and do not first pass through the school districts. ISBE receives quarterly enrollment reports from the charter school and calculates the per capita tuition amount due to PCCS from Fremont and Woodland districts. The State then withholds the per capita tuition amounts from each school district's General State Aid payments and sends those funds to PCCS.¹³¹ For each student attending Prairie Crossing, the charter school receives 100% of the appropriate district's two-years-prior per capita tuition rate.

The graph below illustrates the per capita tuition rates for Fremont District 79 and Woodland District 50 from 1996-1997 through 2003-2004. Woodland's per capita tuition increased by 57% over those eight years, and Fremont's increased by 21%. Fremont's per capita tuition dropped significantly in 2000-2001 due to budget cuts following a failed tax rate referendum.¹³²

¹³¹ For a description of the per capita tuition formula, please see p. 25.

¹³² Andrew Searle (Director of Business, Fremont School District 79), in discussion with the Civic Federation, August 24, 2005.



The amount of per capita tuition received by Prairie Crossing Charter School has grown from \$325,533 in its first year to \$1.7 million in 2003-2004, of which over \$1.4 million was diverted from Woodland District 50’s General State Aid payments. This growth is the product of both increased enrollment at the charter school and increased district per capita tuition rates.

General State Aid Shifted from Woodland and Fremont School Districts to Prairie Crossing Charter School						
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	TOTAL
Woodland District 50	\$ 256,362	\$ 577,631	\$ 717,308	\$ 1,070,321	\$ 1,407,190	\$ 4,028,812
Fremont District 79	\$ 69,171	\$ 141,100	\$ 185,610	\$ 219,626	\$ 292,958	\$ 908,465
TOTAL Received by PCCS	\$ 325,533	\$ 718,731	\$ 902,918	\$ 1,289,947	\$ 1,700,148	\$ 4,937,277

Source: Financial Reimbursement Information System (FRIS), ISBE

The following two tables show that for the 2003-2004 academic year, 68.3% of Fremont’s scheduled General State Aid revenues and 49.5% of Woodland’s General State Aid revenues were shifted to PCCS. In his 2003 recommendation to renew the charter for PCCS, ISBE Superintendent Robert Schiller noted that if PCCS enrollment rises above 360, the per capita tuition payment could exceed GSA owed to the districts. However, the recommendation stated the staff position that charter schools should be funded without the need to move beyond GSA funds and divert categorical funds as well. The renewal contract thus states that an enrollment increase beyond 360 would require “a financial review and negotiation of the per capita tuition rate.”¹³³ PCCS intends to voluntarily cap enrollment at 360 students.¹³⁴

¹³³ Renewal of Charter and Charter School, an agreement between Prairie Crossing Charter School and the Illinois State Board of Education, July 1, 2004, 3.

¹³⁴ Linda Brazdil (Principal, Prairie Crossing Charter School), in discussion with the Civic Federation, August 11, 2005.

General State Aid Received by Fremont District 79						
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	TOTAL
Scheduled Payment	\$ 338,284	\$ 393,369	\$ 424,094	\$ 416,953	\$ 428,914	\$ 2,001,614
Withheld for Prairie Crossing	\$ 69,171	\$ 141,100	\$ 185,610	\$ 219,626	\$ 292,958	\$ 908,465
Net Received by Fremont (\$)	\$ 269,113	\$ 252,269	\$ 238,484	\$ 197,327	\$ 135,956	\$ 1,093,149
Net Received by Fremont (%)	79.6%	64.1%	56.2%	47.3%	31.7%	54.6%

Source: Financial Reimbursement Information System (FRIS), ISBE

General State Aid Received by Woodland District 50						
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	TOTAL
Scheduled Payment	\$ 1,961,993	\$ 2,551,549	\$ 2,844,659	\$ 1,731,414	\$ 2,844,387	\$ 11,934,002
Withheld for Prairie Crossing	\$ 256,362	\$ 577,631	\$ 717,308	\$ 1,070,321	\$ 1,407,190	\$ 4,028,812
Net Received by Woodland (\$)	\$ 1,705,631	\$ 1,973,918	\$ 2,127,351	\$ 661,093	\$ 1,437,197	\$ 7,905,190
Net Received by Woodland (%)	86.9%	77.4%	74.8%	38.2%	50.5%	66.2%

Source: Financial Reimbursement Information System (FRIS), ISBE

During Prairie Crossing's first three years of operation, Fremont District 79 and Woodland District 50 received Transition Impact Aid (TIA) in accordance with PA 91-407, which was signed into law in 1999.¹³⁵ This amendment to the Illinois Charter School law specified that during the first year of a charter school's operation, the state would transfer 90% of the per capita funding to the host district, 65% during the second year, and 35% during the third. Because the General Assembly's appropriation for TIA in 1999-2000 was insufficient to fully fund all districts at the prescribed levels, Fremont and Woodland both received a prorated share of the funding they were owed that was equal to approximately 65.0% (rather than 90.0%) of the per capita funding that ISBE withheld from the districts' GSA payments.

Between 1999-2000 and 2001-2002, Fremont received a total of \$201,615 in TIA, equivalent to 50.9% of the \$395,881 in GSA that ISBE withheld from Fremont and transferred to Prairie Crossing over that three year period.

Transition Impact Aid Transferred to Fremont District 79: 2000-2002			
Year	TIA Received by Fremont	GSA Withheld for Prairie Crossing	TIA as % of GSA Withheld
1999-2000	\$ 44,936	\$ 69,171	65.0%
2000-2001	\$ 91,715	\$ 141,100	65.0%
2001-2002	\$ 64,964	\$ 185,610	35.0%
TOTAL	\$ 201,615	\$ 395,881	50.9%

Source: ISBE, communication with Tim Imler, July 5, 2005

Between 1999-2000 and 2001-2002, Woodland received \$787,498 in TIA, 50.8% of the \$1,551,301 in GSA that ISBE withheld from Woodland and transferred to Prairie Crossing over that three year period.

¹³⁵ For a description of the amendment creating Transition Impact Aid, see p. 31.

Transition Impact Aid Transferred to Woodland District 50: 2000-2002			
Year	TIA Received by Woodland	GSA Withheld for Prairie Crossing	TIA as % of GSA Withheld
1999-2000	\$ 160,980	\$ 256,362	62.8%
2000-2001	\$ 375,460	\$ 577,631	65.0%
2001-2002	\$ 251,058	\$ 717,308	35.0%
TOTAL	\$ 787,498	\$ 1,551,301	50.8%

Source: ISBE, communication with Tim Imler, July 5, 2005

The following tables show the amount diverted to Prairie Crossing from Fremont's GSA payments as a percentage of Fremont District 79's operating expenses and total revenues. In 2003-2004 the state funds diverted from Fremont District 79 to Prairie Crossing Charter School represented 2.4% of its operating expenses and 1.6% of its total revenues. For 1999-2000 through 2001-2002, the years in which Fremont District 79 received TIA assistance from the State, the amounts diverted to Prairie Crossing that are listed in the table are the gross amounts diverted and do not net out the TIA funding. Subtracting out the amount received by Fremont in TIA, the district contributed \$24,235 in 1999-2000 (0.2% of regular K-8 operating expenses), \$49,385 in 2000-2001 (0.5% of operating expenses), and \$120,646 in 2001-2002 (1.1% of operating expenses).¹³⁶

Fremont District 79: Funds Diverted to Prairie Crossing Charter School as % of Operating Expenses			
Year	Operating Expenses Regular K-8	\$ Diverted to Charter School	%
1999-2000	\$ 10,798,268	\$ 69,171	0.6%
2000-2001	\$ 10,166,327	\$ 141,100	1.4%
2001-2002	\$ 10,699,122	\$ 185,610	1.7%
2002-2003	\$ 11,529,544	\$ 219,626	1.9%
2003-2004	\$ 12,039,599	\$ 292,958	2.4%

Source: ILEARN, ISBE

¹³⁶ Throughout this report, sections profiling school district finances use operating expenditure and total revenue data from ILEARN financial statistics documents. ILEARN data is used in these sections so that total revenue figures are comparable with the breakout of revenue by local, state, and federal source, also obtained from ILEARN. The sections in this report that provide narrative histories of the school districts rely upon operating expenditure and revenue data presented in ISBE's School District Financial Profiles. Data from this source is used in the histories because the Financial Profiles directly compare operating expenditures and operating revenues, and they also present Working Cash and Operating Fund ending balances. For a given school district in a given year, operating expenditure figures from these two sources may not match because they are tallied differently.

Fremont District 79: Funds Diverted to Prairie Crossing Charter School as % of Total Revenues			
Year	Total Revenues All Sources	\$ Diverted to Charter School	%
1999-2000	\$ 11,758,768	\$ 69,171	0.6%
2000-2001	\$ 12,455,585	\$ 141,100	1.1%
2001-2002	\$ 13,244,058	\$ 185,610	1.4%
2002-2003	\$ 19,145,044	\$ 219,626	1.1%
2003-2004	\$ 17,791,306	\$ 292,958	1.6%

Source: ILEARN, ISBE

The following tables show the amount diverted to Prairie Crossing from Woodland's GSA payments as a percentage of Woodland District 50's operating expenses and total revenues. The state funds diverted from Woodland District 50 to Prairie Crossing Charter School in 2003-2004 represented 2.5% of its operating expenses and 2.3% of its total revenues. For 1999-2000 through 2001-2002, the years in which Woodland District 50 received TIA assistance from the State, the amounts diverted to Prairie Crossing that are listed in the table are the gross amounts diverted and do not net out the TIA funding. Subtracting out the amount received by Woodland in TIA, the district contributed \$95,382 in 1999-2000 (0.3% of regular K-8 operating expenses), \$202,171 in 2000-2001 (0.5% of operating expenses), and \$466,250 in 2001-2002 (1.1% of operating expenses).

Woodland District 50: Funds Diverted to Prairie Crossing Charter School as % of Operating Expenses			
Year	Operating Expenses Regular K-8	\$ Diverted to Charter School	%
1999-2000	\$ 35,366,952	\$ 256,362	0.7%
2000-2001	\$ 39,312,384	\$ 577,631	1.5%
2001-2002	\$ 43,933,683	\$ 717,308	1.6%
2002-2003	\$ 51,646,740	\$ 1,070,321	2.1%
2003-2004	\$ 55,896,423	\$ 1,407,190	2.5%

Source: ILEARN, ISBE

Woodland District 50: Funds Diverted to Prairie Crossing Charter School as % of Total Revenues			
Year	Total Revenues All Sources	\$ Diverted to Charter School	%
1999-2000	\$ 44,992,936	\$ 256,362	0.6%
2000-2001	\$ 51,822,964	\$ 577,631	1.1%
2001-2002	\$ 71,238,498	\$ 717,308	1.0%
2002-2003	\$ 57,950,368	\$ 1,070,321	1.8%
2003-2004	\$ 60,543,642	\$ 1,407,190	2.3%

Source: ILEARN, ISBE

History of Fremont District 79

Over the past decade Fremont District 79 has been a financially stable district that has faced moderate financial pressures generated by significant population increases. Fremont had 553 students enrolled during the 1988-1989 school year, but by 1999-2000 it had 1,471 students.¹³⁷

Fremont District 79 Enrollment: 1988-1989 to 1999-2000			
1988-1989	1999-2000	# change 1989-2000	% change 1989-2000
553	1,471	918	166.0%

Source: Grom, "Voters trounce District 79 referendums"

In 1998 the district received the results of a demographic study projecting that its student population could increase by another 1,000 students within five years time.¹³⁸

Anticipating future enrollment growth, Fremont asked voters in 1996 to approve an \$11.5 million dollar bond issue for a new elementary school that would open in 1998-1999. The referendum passed on November 5 by a margin of 3.3% or 118 votes.¹³⁹

Fremont declined to ask voters for increased tax revenues for operating funds at this time despite the fact that operating expenditures were consistently exceeding operating revenues. The district began spending more than it received in revenues in 1995-1996, according to district business manager Pat Masterson.¹⁴⁰ In 1997-1998 operating expenditures exceeded operating revenues by \$0.3 million,¹⁴¹ and budget projections showed that district operating expenses would increase by 20% when its new school opened in 1998-1999.¹⁴² In February 1998 Superintendent Gary Mical acknowledged that, compared to other Illinois school districts, Fremont had nonessential programs that could be eliminated to save money. He cited foreign language, music, art, and physical education. He said, however, that "based on the mandate that we've had from our electorate," none of these programs could be cut.¹⁴³

Rather than cut programs or advance a referendum asking voters to approve a rate increase for operating funds, the district issued \$1.5 million in general obligation bonds in 1998-1999. As can be seen in the chart below, the money raised through bond sales replenished the district's Working Cash Fund that year. Fremont was able to issue these bonds without voter approval because "life safety bonds [had] been paid off. Under the new tax cap laws, the district can replace non-referendum debt without going to the voters."¹⁴⁴ The district did not advance a

¹³⁷ Korrina Grom, "Voters trounce District 79 referendums," *Mundelein Review*, March 23, 2000.

¹³⁸ Korrina Grom, "Fremont approves referendums," *Mundelein Review*, January 13, 2000. The student population did continue to grow, but not nearly as rapidly as had been projected in 1998. According to its 2005 Illinois School District Report Card, Fremont's district-wide enrollment for the 2003-2004 school year was 1,686.

¹³⁹ Kathy Rosemann, "Fremont approves bond issue," *Mundelein Review*, November 7, 1996.

¹⁴⁰ Debra A. Schwartz, "Fremont may hike tax rate in future," *Libertyville Review*, February 12, 1998.

¹⁴¹ ISBE, 2002 District Financial Profile, <http://webprod1.isbe.net/finprofile/profile.aspx>. All District Financial Profiles cited in this study are available at the URL listed above. Operating Funds include the Education, Operations and Maintenance, Transportation, and Working Cash Funds.

¹⁴² Schwartz, "Fremont may hike tax rate in future."

¹⁴³ Ibid.

¹⁴⁴ Editorial, "Dangerous Waters," *Vernon Hills Review*, April 23, 1998.

ballot initiative during the 1999 calendar year. During the 1999-2000 school year, Fremont spent \$1.5 million more on operating expenses than it received in revenues.¹⁴⁵

Fremont District 79 Operating Funds: 1997-1998 to 1999-2000					
	1997-1998	1998-1999	1999-2000	\$ change 1998-2000	% change 1998-2000
Excess (Deficit) of Revenues over Expenditures	\$ (338,925)	\$ (1,772,425)	\$ (1,473,138)	\$ (1,134,213)	334.7%
Operating Funds Ending Balance	\$ 4,893,074	\$ 4,616,414	\$ 3,210,368	\$ (1,682,706)	-34.4%
Working Cash Fund Ending Balance	\$ 304,851	\$ 1,873,582	\$ 1,907,407	\$ 1,602,556	525.7%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds

Source: ISBE, 2002 School District Financial Profile

In March 2000 Fremont sought approval for an ambitious plan to increase revenues. According to school officials, this plan would have provided a long-term solution to the district's funding problems. It placed two questions on the ballot, one asking for a property tax rate increase of 80 cents per \$100 EAV and another asking for a \$14 million bond issue to build a new school.¹⁴⁶ Voters overwhelmingly rejected both proposals, with 68% voting against the tax rate increase and 63% voting against the bond issue.¹⁴⁷ After the defeat of the 80-cent rate increase, the school board made the substantial budget cuts that Mical had hoped to avoid, eliminating \$1.2 million from the 2000-2001 budget. Cuts included: the release of 8.8 certified staff members, the resignation of five teachers, and the retirement of two teachers (15.8 total teaching positions); the retirement or release of 5.5 non-certified staff members; the elimination of academic assistance and French language programs; the elimination of funding for band activities (these continued on a user fee basis); the elimination of field trips; the elimination of extracurricular clubs and other student activities (such as yearbook); and a reduction in funding for athletics.¹⁴⁸ Operating expenditures dropped from \$10.9 million in 1999-2000 to \$9.7 million in 2000-2001.¹⁴⁹ In 2001 the district shelved its plan to build another school and sought approval for a 49-cent Education Fund property tax rate increase on the April ballot. Voters turned it down, with 59% voting no.¹⁵⁰

The 2001 initiative that voters rejected and subsequent proposals to increase the Education Fund tax rate were promoted as necessary to restore eliminated programs and to reduce class sizes. In 2000-2001, the year in which budget cuts took effect, Fremont's average class size surged for all grade levels, as indicated by the table below. The subsequent year, the average first- and third-grade class sizes decreased. Though not as small as in 1999-2000, Fremont's first- and third-

¹⁴⁵ Korrina Grom, "Fremont District 79 prepares for cuts," *Mundelein Review*, April 13, 2000; and ISBE, 2000 School District Financial Profile.

¹⁴⁶ The 80-cent rate increase was to be phased in over four years. Korrina Grom, "Supporters push on for District 79," *Mundelein Review*, March 16, 2000.

¹⁴⁷ Grom, "Voters trounce District 79 referendum."

¹⁴⁸ Korrina Grom, "Cuts made in District 79," *Mundelein Review*, April 20, 2000.

¹⁴⁹ ISBE, 2001 School District Financial Profile.

¹⁵⁰ John Roszkowski, "It was a bad night for voter referendums," *Mundelein Review*, April 5, 2001.

grade class sizes were in line with State averages in 2001-2002. Its sixth- and eighth-grade class sizes, though, remained substantially larger than State averages in 2001-2002.¹⁵¹

Fremont District 79 Class Sizes by Grade Level: 1999-2000 to 2001-2002					
	1999-2000	2000-2001	2001-2002	# change 2000-2002	State Average 2001-2002
First	19.3	23.9	21.8	2.5	21.1
Third	18.4	27.3	22.0	3.6	22.1
Sixth	24.0	30.5	29.7	5.7	23.6
Eighth	23.3	30.2	29.2	5.9	22.3

Source: ISBE School and School District Report Cards 1999-2002

On both the March 2002 ballot and the November 2002 ballot, voters rejected a proposed 20-cent increase for the Education Fund. The failure of these initiatives notwithstanding, the budget cuts that the district made in 2000-2001 significantly improved Fremont's financial situation. In 1998-1999, Fremont was already spending \$7,937 per pupil, \$1,323 more than the state average of \$6,614 per pupil for all Illinois elementary school districts, and \$1,464 more than the state average of \$6,473 per pupil for middle-sized elementary districts like Fremont.¹⁵² Fremont's operating expenditure per student reached \$8,066 for the 1999-2000 school year, which ranked 64th among Illinois's 384 elementary districts that year and placed Fremont in the top 20% of all Illinois elementary school districts for per pupil spending.¹⁵³ In 2000-2001 the budget cuts decreased per pupil operating expenditures by nearly \$800, a 9.8% reduction. As shown in the chart below, Fremont's rank in per pupil spending fell to 147 out of 383 elementary school districts that year. Fremont did not return to 1999-2000 spending levels until 2002-2003, by which time Fremont's \$8,053 per pupil ranked 136 out of 381.

Fremont District 79 Operating Expenditure Per Pupil: 1998-1999 to 2003-2004			
Year	Operating per Pupil	Rank...	out of
1998-1999	\$ 7,937	52	385
1999-2000	\$ 8,066	64	384
2000-2001	\$ 7,271	147	383
2001-2002	\$ 7,475	159	383
2002-2003	\$ 8,053	141	382
2003-2004	\$ 8,304	136	381

Source: ILEARN, ISBE

¹⁵¹ According to ISBE District Report Cards, the state average for sixth and eighth grade students was 23.6 and 22.3 respectively in 2000-2001, and 23.6 and 22.8 in 2001-2002.

¹⁵² ISBE, 2000 School District Report Card.

¹⁵³ ILEARN. ISBE stopped publishing their state averages for per pupil operating expenses according to district type and size after 2000. It is therefore not possible to compare Fremont's per pupil operating expenditures with state average figures for any school year after 1999-2000. The Civic Federation has used the district's rank among other districts of the same type for comparative purposes, though the reader should bear in mind that the rankings do not control for district size.

The table below shows that between 2000-2001 and 2003-2004, Fremont’s operating revenues exceeded operating expenditures by increasing margins, and that the district’s Operating Funds balance grew steadily.

Fremont District 79 Operating Funds: 2000-2001 to 2003-2004						
	2000-2001	2001-2002	2002-2003	2003-2004	\$ change 2001-2004	% change 2001-2004
Excess (Deficit) of Revenues over Expenditures	\$ 459,075	\$ 632,680	\$ 694,490	\$ 1,260,526	\$ 801,451	174.6%
Operating Funds Ending Balance	\$ 3,669,443	\$ 4,445,445	\$ 5,270,638	\$ 6,817,404	\$ 3,147,961	85.8%
Working Cash Fund Ending Balance	\$ 1,946,720	\$ 2,056,750	\$ 2,039,313	\$ 2,009,752	\$ 63,032	3.2%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds

Source: ISBE, 2004 School District Financial Profile

In April 2003 the 20-cent tax rate increase for the district’s Education Fund finally passed.¹⁵⁴ Despite the district’s dramatic population growth in the ‘90s, this Education Fund rate increase was the first that Fremont had seen since 1989. Fremont continues to plan for district enrollment growth. On March 21, 2006, Fremont voters approved a \$22 million dollar bond issue to build a new school and to renovate or expand existing ones.¹⁵⁵

History of Woodland District 50

Woodland District 50’s finances have also been stable over the past decade, but the financial challenges created by Woodland’s rapid growth in student enrollment have been more substantial than those faced by Fremont. Between the 1989-1990 school year and the 2003-2004 school year, Woodland’s student enrollment jumped from 2,548 students to 7,055 students.¹⁵⁶

Woodland District 50 Enrollment: 1989-1990 to 2003-2004			
1989-1990	2003-2004	# change 1990-2004	% change 1990-2004
2,548	7,055	4,507	176.9%

Sources: Grom, "District 50 to study recommendation" and ISBE, 2004 School District Report Card

In 1997-1998, two years after voters approved a \$36 million building bond, Woodland opened a new intermediate school. To staff the new school, Woodland hired 109 new teachers, thereby assuming \$3 million in new operating expenses.¹⁵⁷ That year and the next, Woodland’s operating expenditures exceeded revenues, by \$3.2 million in 1997-1998 and by \$2.0 million in 1998-1999.¹⁵⁸ In February 1999 Woodland placed a referendum on the consolidated primary

¹⁵⁴ Illinois Association of School Administrators, www.isaedu.org.

¹⁵⁵ Ibid.

¹⁵⁶ The 1989-1990 figure is derived from Korrina Grom’s article “District 50 to study recommendation,” *Grayslake Review*, November 4, 1999. The 2003-2004 enrollment figure is from the ISBE’s 2004 School District Report Card.

¹⁵⁷ Debra A. Schwartz, “Schools request charter waiver,” *Mundelein Review*, February 18, 1999.

¹⁵⁸ ISBE, 2002 School District Financial Profile.

election ballot. The referendum proposed increasing the district's property tax levy by \$3.85 million (40 cents per \$100 EAV), and it passed.¹⁵⁹ This tax increase helped balance the budget in 2000-2001, and revenues exceeded expenditures that year by \$0.7 million.

Woodland District 50 Operating Funds: 1997-1998 to 1999-2000					
	1997-1998	1998-1999	1999-2000	\$ change 1998-2000	% change 1998-2000
Excess (Deficit) of Revenues over Expenditures	\$ (3,171,116)	\$ (1,963,250)	\$ 713,123	\$ 3,884,239	N/A
Operating Funds Ending Balance	\$ 13,359,585	\$ 16,100,707	\$ 20,630,621	\$ 7,271,036	54.4%
Working Cash Fund Ending Balance	\$ 2,500,000	\$ 2,879,804	\$ 3,593,430	\$ 1,093,430	43.7%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds
Source: ISBE, 2002 School District Financial Profile

In November 2000 voters also authorized a \$48 million building bond issue for a new intermediate school that would open in 2002-2003. Voters were persuaded both by the promise of a \$15.4 million state grant if the referendum passed, and by an ISBE finding that 2,288 of Woodland's students were "inadequately housed" in the district's existing school buildings.¹⁶⁰

Woodland's financial situation continued to improve in 2001-2002. Its revenues exceeded operating expenditures by more than \$4 million. ISBE awarded the district a Financial Profile score of 3.90 out of 4.00 for 2001-2002, earning the district "Recognition" standing. When Woodland's new intermediate school opened in the fall of 2002, however, the district began to spend more than it was receiving in revenue once again. As the chart below indicates, per pupil operating expenditures in 2002-2003 climbed by 14.7% over the previous year, from \$7,196 to \$8,255, the largest single-year increase during the six-year period studied.

Woodland District 50 Operating Expenditure Per Pupil: 1998-1999 to 2003-2004					
Year	Woodland Operating per Pupil	% Increase Over Previous Year	Rank...	out of	
1998-1999	\$ 6,250	--	163	385	
1999-2000	\$ 6,266	0.3%	206	384	
2000-2001	\$ 6,701	6.9%	206	383	
2001-2002	\$ 7,196	7.4%	181	383	
2002-2003	\$ 8,255	14.7%	128	382	
2003-2004	\$ 8,514	3.1%	129	381	

Source: ILEARN, ISBE

¹⁵⁹ Debra Schwartz, "District 50 hopes to pass referendum," *Grayslake Review*, February 18, 1999. Later that spring a candidate for the Woodland District 50 school board described the referendum vote as "underhanded." Though the District had known it would be \$3.5 million in arrears for 1998-1999, the school board put the tax referendum on the February ballot rather than the November ballot in order to avoid the election with the higher voter turnout, the candidate said. Conventional wisdom holds that tax increases are more likely to pass when voter turnout is low. Debra A. Schwartz, "Four vie in District 50," *Grayslake Review*, March 25, 1999.

¹⁶⁰ Korrina Grom, "Tough choices for taxpayers," *Gurnee Review*, October 12, 2000.

According to district officials, Woodland “lost \$7.9 million [in 2002-2003] after the school was opened because of increased expenses and the hiring of more teachers.”¹⁶¹ Between 2001-2002 and 2002-2003, Woodland’s operating expenditures jumped by 25.3%, from \$40.6 million to \$50.8 million, while total operating revenues only increased by 3.2%, from \$45.7 million to \$47.2 million. For the 2002-2003 school year, the district’s financial profile score fell to 3.45 and its standing was downgraded to “Review.”

Then in 2003-2004 the union representing both Woodland’s teachers and its support staff – secretaries, maintenance workers, custodians, bus drivers, and others – called for a strike. The teachers union contended that “Woodland teachers are the lowest paid in Lake County and \$11,000 behind the state average.”¹⁶² Many teachers were unable to afford housing in the district, the union said. According to Mike McGue, president of the Lake County Federation of Teachers, the union was asking for a 27% pay increase over three years that would bring Woodland teachers’ salaries up to the 2002-2003 state average.¹⁶³

The district countered that, due to Woodland’s recent expansion and its having hired a large number of young teachers, the district’s average teacher was less experienced and younger than the State’s. The district pointed out that the average teacher in Illinois had 14 years experience and earned \$49,702, while teachers in Woodland District 50 with 14 years experience earned between \$52,300 and \$61,276.¹⁶⁴ During negotiations facilitated by a federal mediator, the school board boosted its initial offer of a 14% raise for teachers over three years, first to 15.5% and then to 16% over three years. The district offer did include off-setting costs that the teachers were asked to absorb, including higher healthcare premiums and a slightly longer work week (40 hours rather than 38). The union refused to lower its 27% demand, and struck for three weeks in September and October.

Parents exerted strong public pressure on both teachers and the school board. In the end the board capitulated and gave the union a 16.5% raise over two years. Wages for support staff, who earned between \$8 and \$12.65 an hour, were to rise by \$2.47 per hour over the same period. The salary increases “cost the district a little more than \$4 million over the ... two years.”¹⁶⁵ In March 2004, by a 6-to-1 vote, the school board adopted budget cuts to pay for the salary increases. Nineteen certified staff positions (including two unfilled positions) and eight full-time support staff positions were cut and funding was reduced for “supplies and materials in art, band, music and computer courses; curriculum and instruction; school offices; board general accounts; technology lab and transportation services.”¹⁶⁶ Savings in “transportation services” were derived from privatizing the operation and maintenance of the bus fleet.

In 2003-2004 operating expenditures exceeded revenues by \$1.3 million even after the budget cuts.¹⁶⁷ Woodland performed just well enough financially to earn “Recognition” standing from the State, having received a score of 3.55 out of 4.00.

¹⁶¹ Angela D. Sykora, “Cuts to help secure district future,” *Gurnee Review*, November 6, 2003.

¹⁶² Angela D. Sykora, “Woodland teachers are prepared to strike,” *Gurnee Review*, September 11, 2003.

¹⁶³ Ibid.

¹⁶⁴ Editorial, “Teachers should take the deal,” *Gurnee Review*, September 25, 2003.

¹⁶⁵ Angela D. Sykora, “Woodland heads back to school,” *Grayslake Review*, October 16, 2003.

¹⁶⁶ Angela D. Sykora, “Big cuts coming for School District 50,” *Grayslake Review*, April 1, 2004.

¹⁶⁷ ISBE, 2004 School District Financial Profile.

Woodland District 50 Operating Funds: 2000-2001 to 2003-2004						
	2000-2001	2001-2002	2002-2003	2003-2004	\$ change 2001-2004	% change 2001-2004
Excess (Deficit) of Revenues over Expenditures	\$ 5,901,716	\$ 5,147,282	\$ (3,641,698)	\$ (1,295,782)	\$ (7,197,498)	-122.0%
Operating Funds Ending Balance	\$ 23,861,152	\$ 29,008,434	\$ 25,366,736	\$ 27,585,899	\$ 3,724,747	15.6%
Working Cash Fund Ending Balance	\$ 4,418,004	\$ 5,207,319	\$ 5,972,509	\$ 6,812,901	\$ 2,394,897	54.2%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds

Source: ISBE, 2004 School District Financial Profile

Though the Operating Funds ending balance increased from 2002-2003 to 2003-2004, the district has been drawing down its Education Fund balance since the 2002-2003 school year. This trend continued in 2004-2005, when Woodland's operating expenditures totaled \$56.4 million, exceeding operating revenues of \$53.9 million by \$2.5 million or 4.6%. Due in part to its unfavorable expenditure to revenue ratio, in 2005 Woodland received a Financial Profile Score of 3.25 that put it back on the state's "Review" list.¹⁶⁸

According to the Woodland District 50 2004-2005 Annual Report, the district projects that operating expenditures will continue to exceed revenues by \$5.1 million in 2005-2006, \$5.0 million in 2006-2007, \$4.9 million in 2007-2008, and \$4.8 million in 2008-2009. The education fund balance, their projections show, will be drawn down in each of these years until it shows a negative balance in FY2009. A note in the report says that, according to current projections, "the need for additional revenue due to a tax increase [can be delayed until] the 2008-2009 school year."¹⁶⁹

Between 1997-1998 through 2003-2004, Woodland succeeded in keeping its class sizes relatively small, generally within a single student above or below the state average for all grade levels. From 2001-2002 to 2002-2003, sixth and eighth grade class sizes have been significantly smaller than state averages.

¹⁶⁸ ISBE, 2005 School District Financial Profile. The decline in Woodland's 2005 Financial Profile Score also reflects a drop in the amount of long-term debt that the Woodland was allowed to incur. According to Section 19-1 of the Illinois State School Code, elementary school districts may not incur debt totaling more than 6.9% of the district's total EAV unless voters approve a higher percentage as part of a building bond referendum, or unless district enrollment increases by at least 35% or 200 students in a single year. Building bond referendums had permitted Woodland to borrow up to 15% of District EAV since at least 2002. In 2003-2004, under the 15% rate limit, Woodland was only borrowing 39.3% of the maximum allowable under law. When the amount that Woodland could borrow dropped back down to the legal limit of 6.9% of EAV in 2004-2005, Woodland was suddenly borrowing 78.6% of the maximum allowable even though the amount of Woodland's outstanding long-term debt fell from \$84.0 million in 2003-2004 to \$82.5 million in 2004-2005. One of the four measurements on which a district's financial profile score is based is "% of Long-Term Debt Margin Remaining." Therefore, Woodland's overall score suffered when its legal borrowing limit fell back down to 6.9% of EAV.

¹⁶⁹ Woodland Community Consolidated School District 50 2004-2005 Annual Report, www.dist50.net/District50/PDF/AnnualReport.pdf.

Woodland District 50 Class Sizes by Grade Level: 1999-2000 to 2003-2004							
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	# change 2000-2004	State Average 2003-2004
First	24.8	24.4	24.5	22.7	23.0	-1.8	21.6
Third	24.6	22.6	23.9	22.4	23.5	-1.1	22.6
Sixth	20.4	28.2	18.7	19.3	20.4	0.0	23.7
Eighth	19.6	24.0	15.5	16.0	20.7	1.1	23.1

Source: ISBE School and School District Report Cards 1999-2004

History of Prairie Crossing Charter School

Prairie Crossing Charter School (PCCS) in Grayslake, IL is a K-8 school that emphasizes the incorporation of environmental education into all aspects of its curriculum. PCCS opened as a K-2 school in 1999-2000 and has added one grade level in each subsequent year of operation. It offers small multi-age and looped classes, and encourages a high level of parental involvement. PCCS received its charter directly from the Illinois State Board of Education in December 1998. On the strength of its academic record, its charter was renewed by ISBE for five years in the fall of 2003.

Called “Prairie Commons” before receiving its charter, PCCS evolved from the vision of parents and residents of Prairie Crossing subdivision.¹⁷⁰ The five-member PCCS School Board appealed directly to the State for the school’s charter in September 1998, after both Fremont District 79 and Woodland District 50 had turned down PCCS’s charter application twice. Opponents of PCCS included both districts’ teacher’s unions, the Woodland Parent-Teacher Association, the Lake County Superintendent’s Association, and both districts’ school boards.¹⁷¹ Fremont’s and Woodland’s school boards gave three reasons for rejecting the school’s charter: concerns about PCCS’s ability to implement an adequate special education program, concerns about the economic impact of the charter school on local school districts, and a lack of community and parental support for PCCS. Critics of the school also said that a charter school was unnecessary, given the strength of the area’s public schools, and questioned whether environmental education was an appropriate focus if a charter school were to be opened.¹⁷²

In the weeks before the ISBE vote, which was to take place on December 17, 1998, both PCCS and the school districts launched public relations campaigns to garner public support. Officials from Woodland and Fremont tried to stir public opposition by explaining in the press how much PCCS would cost their districts. In media accounts PCCS supporters generally discussed first-year costs to the districts, whereas those opposed to PCCS tried to focus debate on the money PCCS would receive over the long-term, particularly once it had attained full enrollment.

Ironically, PCCS detractors underestimated the long-term cost of PCCS to the two districts, and PCCS supporters overstated the cost of PCCS while defending that cost as reasonable. Superintendent Conti “said \$1.29 million would go to the charter school from Woodland coffers

¹⁷⁰ Debra A. Schwartz, “Charter advocates encouraged,” *Libertyville Review*, June 25, 1998.

¹⁷¹ Debra A. Schwartz, “State votes on charter schools today,” *Libertyville Review*, December 17, 1998.

¹⁷² Schwartz, “Charter advocates encouraged.”

over five years,”¹⁷³ when the true cost to Woodland over that time period would have been \$4.0 million without TIA, and was in fact \$3.2 million after TIA. Speaking in defense of PCCS, Libertyville’s State Representative Andrea Moore said that the school would “draw only \$257,000 out of Woodland’s \$21 million budget the first year.... That’s 1.2 percent of their budget from the education fund.”¹⁷⁴ Expenditures from Woodland’s Education Fund were actually budgeted at \$30,022,702, so that \$257,000 would have been only 0.9% of the Education Fund budget.

ISBE Superintendent Robert L. Mandeville released a 17-page letter recommending the charter school’s approval before the board’s vote, which took place on December 17. Along with the teachers’ unions and other organizations opposing PCCS, Woodland’s District Superintendent Gary Mical and Fremont’s District Superintendent Robert Conti responded by asking ISBE to delay its decision until a task force was formed to study the proposal. Max McGee, the state superintendent slated to replace Mandeville in January, was widely thought to favor the school districts’ point of view.¹⁷⁵

The vote proceeded as planned, however, and ISBE reversed the districts’ decisions, approving the PCCS charter by a five to three margin. A number of state officials, including those who voted in favor of PCCS, were concerned about the funding mechanism in place for schools chartered by the state. According to one newspaper report, “Among lawmakers and the state school board, there is general recognition that something needs to be adjusted when it comes to funding charter schools. When approving the Prairie Crossing Charter School last December by a 5-3 vote, state school board members voting yes apologized one by one, saying they were bound to uphold the law as written, not as it should be written.”¹⁷⁶ Before taking office and prior to the board vote, incoming State Superintendent Max McGee said, “After I start my new job January 1, I would like to explore the way charter schools are funded.... I hope to address it during the month of January and convene a group of people who know ... about the financing and educational ramifications of how this is funded.”¹⁷⁷

In February 1999 ISBE convened a summit to address state funding for charter schools.¹⁷⁸ State Board of Education member Marilyn McConachie hoped to defuse the “adversarial relationship between the people seeking a charter and the school districts.”¹⁷⁹ The summit resulted in ISBE’s agreement to create legislation mitigating the financial impact of a charter school on a host

¹⁷³ Schwartz, “State votes on charter schools today.”

¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

¹⁷⁶ Debra A. Schwartz, “Schools request charter waiver,” *Mundelein Review*, February 18, 1999. Another newspaper report quoted State Board of Education member Marilyn McConachie as saying, “We all agree there are problems with the law, that it has to be changed and that we should take some leadership role in changing it.” Karen Berkowitz, “Charter School law questioned,” *Morton Grove Champion*, January 28, 1999. In its *Alliance Legislative Report (90-66)*, released on December 23, 1998, the Illinois Statewide School Management Alliance also reported that “State Board of Education members have vowed to work diligently with legislators to fix what has been called a ‘deeply flawed charter school law.’”

¹⁷⁷ Ibid.

¹⁷⁸ Karen Berkowitz, “Charter school law questioned,” *Morton Grove Champion*, January 28, 1999. Participants included the North Central Regional Education Laboratory and the Leadership for Quality Education, a group that assisted in the creation of Chicago charter schools.

¹⁷⁹ Ibid.

district during the school's first three years. State Senator Patrick O'Malley said he would sponsor the legislation. Included in a larger charter school reform bill that was introduced in the State Senate on February 24, 1999, the Transition Impact Aid (TIA) legislation was enacted on August 3 of that year.

Ms. McConachie saw the new law as fostering a less adversarial relationship between charter schools and school districts, but Dr. Conti and Dr. Mical did not.¹⁸⁰ They maintained that the legislation merely cushioned the blow to school districts during the first few years when charter school costs were lowest, and that districts were still expected to absorb the entire cost of charter schools after three years.¹⁸¹ Fremont and Woodland both sought waivers from ISBE that would prevent them from losing General State Aid to PCCS. Illinois school districts have the right to petition ISBE to waive any state mandate, and the districts proceeded to seek their waiver despite the fact that the charter school legislation did not specifically provide for such a remedy. In April 1999 Fremont's waiver was denied on a technicality: the charter school law mandated that ISBE divert funds from Fremont to PCCS, ISBE said, it did not mandate that Fremont do anything.¹⁸² Woodland's waiver request was denied shortly thereafter. After its request for a waiver was rejected, Fremont announced its intention to continue in its protests until the legislature changed the way it funded the schools it chartered.¹⁸³ Woodland Superintendent Conti likewise continued to state his objections publicly. He said that there was no documentation to show that charter schools were either more innovative or more successful than traditional public schools.¹⁸⁴ He also repeated his contention that the district could not recoup in savings the money it lost to PCCS: "[T]here is no offsetting savings. If [the charter school] takes one student out of every classroom, we still have to hire a teacher for a class of 24 or 25 students."¹⁸⁵ Both districts appealed to the state legislature to reverse ISBE's rejection of their waiver requests, but they were turned down on December 1, 1999.¹⁸⁶

In June 1999 PCCS hired its first principal, Ms. Kathleen Johnston, a teacher with 15 years experience from Kildeer-Countryside Community Consolidated District 96. Enrollment at PCCS was 50 students at that time, and at least half of those students lived in the Prairie Crossing subdivision.¹⁸⁷ In early August 1999, less than a month before the school year began, the State said that PCCS must pay for its own Special Education programs. Principal Johnston said that the state's decision jeopardized all charter schools' financial viability.

Nevertheless, PCCS opened its doors on August 23, 1999, holding classes in a one-room schoolhouse and using space in an historic dairy barn that had been renovated as a community

¹⁸⁰ Debra A. Schwartz, "Charter funding reform planned," *Libertyville Review*, February 25, 1999.

¹⁸¹ *Ibid.*

¹⁸² Debra A. Schwartz, "Fremont continues its charter school fight," *Libertyville Review*, April 15, 1999.

¹⁸³ *Ibid.*

¹⁸⁴ Grom, "Districts to fight charter decision from legislature."

¹⁸⁵ Rob Callender, "Charter school must absorb funding for special education," *Libertyville Review*, August 5, 1999. Dr. Conti and other public school officials, like Fremont's business manager David Schuler, periodically took more conciliatory positions. They did not object to charter schools in principle, they said. Their objection was to Illinois's funding mechanism. Cf. Angela D. Sykora, "How to fund a charter school," *Lake Villa Review*, July 10, 2003, and Korrina Grom, "Districts to fight charter decision from legislature," *Lake Villa Review*, December 9, 1999.

¹⁸⁶ Grom, "Districts to fight charter decision from legislature."

¹⁸⁷ Debra A. Schwartz, "First principal hired for charter school," *Libertyville Review*, June 10, 1999.

center to house school offices. According to PCCS's 2001 Illinois School Report Card, 1999-2000 operational expenses were \$6,525 per pupil, \$1,541 less than Fremont's per pupil expenditures, but \$259 more per pupil than Woodland. PCCS's per pupil expenditure rate was higher than Woodland's in 1999-2000 largely because of the charter school's start-up costs. As demonstrated in the chart below, Prairie Crossing's per pupil expenditure levels were substantially below Fremont's and Woodland's every year after 1999-2000.¹⁸⁸

Operating Expenditures Per Pupil: 1999-2000 to 2003-2004			
Year	Prairie Crossing	Fremont District 79	Woodland District 50
1999-2000	\$ 6,525	\$ 8,066	\$ 6,266
2000-2001	\$ 5,493	\$ 7,271	\$ 6,701
2001-2002	\$ 5,830	\$ 7,475	\$ 7,196
2002-2003	\$ 5,805	\$ 8,053	\$ 8,255
2003-2004	\$ 6,614	\$ 8,304	\$ 8,514

Source: ISBE School and School District Report Cards

During its second year of operation, PCCS continued to hold classes in the Wright Schoolhouse and also held some classes in the adjacent renovated barn space before moving three classes into a building owned by the Prairie Holdings Corp. in January 2001.¹⁸⁹ By the end of 2000-2001, PCCS was already planning for a \$3 to \$5 million building to permanently house the school.¹⁹⁰ This building, one of the most energy efficient schools in the country when it opened in January 2005,¹⁹¹ was funded by private bank loans rather than bond issues, for which taxpayers would have been responsible.¹⁹²

In 2000-2001 every third-grader attending PCCS met or exceeded the Illinois State Achievement Test (ISAT) standards in both reading and math (62% and 74% of third-graders respectively met or exceeded standards statewide), and 88% met or exceeded the ISAT writing test standards (58% of third-graders met or exceeded standards statewide). Prairie Crossing's test scores continued to be impressive in 2001-2002 and 2002-2003, by which time PCCS was a K-5 school. The chart below compares 2002-2003 ISAT scores for Prairie Crossing, Fremont, Woodland, and the State. PCCS students outperformed the other districts' and the state's in nearly every category.¹⁹³ District statistics do not include the scores of the charter school students.

¹⁸⁸ This chart does not demonstrate or imply that Prairie Crossing uses its funds more efficiently than Fremont or Woodland, since school districts have legal obligations to provide services that charter schools may choose to provide or not. For example, by state law, Fremont and Woodland must provide students with transportation to and from school. Prairie Crossing is not legally obliged to provide transportation and does not do so.

¹⁸⁹ Korrina Grom, "Charter school adds new grade," *Grayslake Review*, August 3, 2000.

¹⁹⁰ Korrina Grom, "Charter school continues growth," *Grayslake Review*, April 14, 2001.

¹⁹¹ Jodi S. Cohen, "Green day dawns for pupils," *Chicago Tribune*, January 4, 2005.

¹⁹² Illinois's charter school laws do not provide for capital funding for charter schools. For a full description of Illinois charter schools' funding, see pp. 25-26 of this report.

¹⁹³ In a letter explaining his objections to the renewal of Prairie Crossing's charter, Dr. Conti said that comparing Prairie Crossing's academic record to Woodland was not an equitable comparison. For a fuller description of Dr. Conti's position, please see p. 63 below.

2002-2003 Percent of Students Meeting or Exceeding State Standards on the Illinois State Achievement Test: Grades Three through Five								
	Grade 3			Grade 4		Grade 5		
	Reading	Math	Writing	Science	Soc. Studies	Reading	Math	Writing
Prairie Crossing	86.8%	97.4%	71.1%	97.3%	94.0%	95.0%	95.0%	100.0%
Fremont	73.3%	94.4%	78.4%	86.5%	82.9%	79.1%	82.1%	86.0%
Woodland	76.1%	91.8%	72.9%	76.4%	70.6%	73.2%	81.4%	71.0%
State	62.0%	75.7%	60.1%	66.5%	62.8%	60.4%	68.3%	64.8%

Source: ISBE 2003 Illinois School and School District Report Cards

PCCS faced criticism in May 2003 when its school board dismissed Principal Johnston. Both Ms. Johnston and parents publicly complained that the decision was unexpected and unjustified. Parents speculated that Ms. Johnston was fired because she did not support the school board's decision to hire a director to whom the principal would report.¹⁹⁴ The board had announced its decision to hire a new Director of the School in a December 19, 2002 letter to PCCS parents. The letter said that the Director was being hired as PCCS prepared to add middle school grades because these grades "involve different educational challenges and skills than the existing successful grades K-5."¹⁹⁵

The board did not publicly respond to parents' speculation that Ms. Johnston refused to report to the new director, and said only that Ms. Johnston's termination reflected "a deteriorating relationship between the board and the principal."¹⁹⁶ Victoria Ranney, who had been a member of the PCCS board since its inception and served as the board's acting president for a brief period in 2003, said that the board's decision about Ms. Johnston was made in closed session in accordance with the Illinois Open Meetings Act, which exempts the discussion of personnel matters from the open meetings requirement.¹⁹⁷ Ms. Ranney said that the board felt that the confidentiality afforded by this provision of the Open Meetings Act was in the best interest of both the school and Ms. Johnston.¹⁹⁸

This incident led to friction between the board and parents, some of whom expressed the feeling that the decision to fire Ms. Johnston had been hidden from them. They said that the board often operated in too secretive a manner.¹⁹⁹ One parent echoed school district complaints that school board members are "running a private school with public funds."²⁰⁰ They also objected that only two of the eleven board positions were elected by parents, and that Ms. Ranney had too much influence over the board.²⁰¹ In order to address parents' concerns about the structure of the

¹⁹⁴ Angela D. Sykora, "Prairie Crossing hires new director," *Grayslake Review*, May 22, 2003.

¹⁹⁵ Gregory Hunt, letter on behalf of the Prairie Crossing Charter School Board to the Parents, Staff, and Friends of Prairie Crossing Charter School, December 19, 2002.

¹⁹⁶ Angela D. Sykora, "Charter school principal let go," *Grayslake Review*, May 15, 2003.

¹⁹⁷ Victoria Ranney, personal communication to the Civic Federation, June 5, 2007. See also Open Meetings Act, 5 ILCS 120. Section 120/2 C-1 exempts from the statute's open meetings requirement, "The appointment, employment, compensation, discipline, performance, or dismissal of specific employees."

¹⁹⁸ Victoria Ranney, personal communication to the Civic Federation, June 5, 2007.

¹⁹⁹ Angela D. Sykora, "Parents want more say on board," *Grayslake Review*, July 10, 2003.

²⁰⁰ *Ibid.*

²⁰¹ Editorial, "Elect board," *Mundelein Review*, August 21, 2003, and Sykora, "Parents want more say on board." The *Mundelein Review*'s editorial favored changes to the composition of Prairie Crossing's board, and advocated for more elected positions. Current Illinois charter school law does not provide that charter school boards should comprise a specific number of parents or any other category of person.

school's board, the board invited John Ayers, President of Leadership for Quality Education (an independent charter school advocacy group), to speak at the September 22, 2003 board meeting. Mr. Ayers explained at the meeting that the board was legally responsible to ISBE for the fulfillment of its charter and not to the local school districts or any other authorities. He said that independence from local school districts' existing rules and mandates was what distinguished charter schools from traditional public schools, and that it was his recommendation that not more than two members of a seven- or nine-member charter school board be elected.²⁰² The board defended its practices, saying that the protection of the school's environmental mission was a paramount concern, and that the small size of the school necessitated the selection of board members possessing skills that would benefit the school.²⁰³

Dr. Linda Brazdil was hired to fill the school's newly created director position on the recommendation of a search firm that had conducted a five-month review of potential candidates. She started work on July 1, 2003 under a three-year contract. Her responsibilities included both supervision of the school's daily operation and oversight of its fundraising and grant-writing efforts. Ms. Katie Reynolds, who had taught a second- and third-grade class at Prairie Crossing the year before, replaced Ms. Johnston as principal beginning in the 2003-2004 school year.

Public debate about PCCS intensified in September 2003 when ISBE reviewed and voted on the request for renewal that PCCS had submitted to the board in July. Both Fremont and Woodland wrote letters to ISBE requesting that the Board turn down Prairie Crossing's request for renewal, but the substance and tone of the letters from the two districts were very different. Fremont had enjoyed significantly improved relations with PCCS since Dr. Rick Taylor replaced Dr. Mical as District Superintendent in July 2002.²⁰⁴ Superintendent Taylor wrote a letter to the board explaining the charter school's financial impact on the district, and arguing that the charter should not be renewed unless the state intended to fund the school it chartered. Dr. Taylor said that, because Fremont would not have to invest additional money in transportation, classrooms, or utilities to educate the 50 Fremont students that would attend PCCS in 2005-2006, Fremont would only spend an additional \$180,000 on those students if they were to attend Fremont schools. PCCS was scheduled to receive \$386,000 of Fremont's General State Aid for 2005-2006. The net loss to the district, he estimated, would be \$206,000.²⁰⁵

Woodland's Superintendent Conti mounted a far more vigorous campaign against PCCS. In a 22-page letter alleging an extensive list of charter violations, Dr. Conti bluntly stated, "we believe PCCS is operating as an elitist private school using public funds." Dr. Conti charged that Ms. Ranney's presence on the school board represented a conflict of interest because PCCS rented space from Prairie Holdings Corp., whose president was her husband, Mr. George Ranney.²⁰⁶ Dr. Conti further alleged that PCCS had been created to sell homes in the Prairie Crossing subdivision, much of which is also owned by Prairie Holdings Corp.²⁰⁷ Ms. Ranney

²⁰² Final Minutes for the Prairie Crossing Charter School Board of Directors' Meeting, September 22, 2003.

²⁰³ Sykora, "Parents want more say on board."

²⁰⁴ Under Dr. Taylor, Fremont sometimes coordinated activities with PCCS, and members of the PCCS community volunteered time to help Fremont pass its education fund tax increase in 2003. "We have a good working relationship with them," Taylor said (Sykora, "How to fund a charter School").

²⁰⁵ Angela D. Sykora, "District fights new charter," *Grayslake Review*, September 11, 2003.

²⁰⁶ Lee Filas, "Charter school mum on criticism," *Daily Herald*, September 9, 2003.

²⁰⁷ Sykora, "District fights new charter."

has strongly objected to the charge that her involvement with the PCCS board was intended to benefit Prairie Crossing Holdings Corp. She said that a notice posted in the Prairie Crossing Holdings Corp. sales office explicitly warns that ownership of a Prairie Crossing home does not ensure that a child will be able to attend PCCS.²⁰⁸ PCCS board meeting minutes also consistently demonstrate that Ms. Ranney recused herself both from discussing and from voting on any issues related to the purchase or lease of property held by Prairie Crossing Holdings Corp.²⁰⁹

Dr. Conti's letter began and concluded with these allegations. The rest of his letter sought to demonstrate that PCCS had violated its charter.²¹⁰ He pointed first to PCCS's failure to enroll at-risk children. Since the 1998 amendments to the State's charter school law, the targeting of at-risk children had been an "emphasis" for charter schools rather than a legal requirement. PCCS's charter, however, made it an admissions goal to "Achieve a student population generally reflective of the larger population, including at-risk children and children with mild to moderate special needs." The demographics for the charter school in 2003 resembled the relatively homogeneous Fremont district rather than the more diverse Woodland district where the majority of PCCS students lived. In his letter to the Board, Dr. Conti attributed the lack of diversity at PCCS to several causes – that the school did not reach out to the Spanish-speaking and low-income communities, that it did not make school forms including admissions forms available in Spanish, and that there was no provision for school fee waivers for low-income students. Addressing PCCS's exemplary academic record, Dr. Conti pointed out that PCCS did not necessarily outperform neighboring districts since PCCS had no low-income or low English proficiency (LEP) students. He also said that the school's 2003-2004 budget did not allocate funds for a transportation stipend for low-income students even though the renewal proposal said such a stipend would be available. (PCCS did not offer bus transportation to any students, but relied on a parent-operated carpooling system to transport children to and from school.)

Dr. Conti argued that PCCS was having a serious and on-going negative effect on Woodland's budget, and that the PCCS had not "alleviate[d] local district revenue requirements by reducing facility and transportation costs," although PCCS had claimed it would do so in its original charter. He also raised serious concerns about whether PCCS was in compliance with the Individuals with Disabilities Education Act (IDEA). He said that the school's renewal proposal did not specify that there would be a Director of Special Education position, and he made numerous observations intended to show that the school was ill-equipped to handle special needs students. Lastly, Dr. Conti raised questions about the school's governance, referring to the recent friction between PCCS parents and the school's Board of Directors.

In a press release Ms. Ranney addressed two of Dr. Conti's charges. She rejected Dr. Conti's complaints about funding, saying that the money follows the student in accordance with state law, and she strongly objected to the insinuation that PCCS was trying to exclude at-risk students. She said that all Woodland and Fremont students were eligible to apply for admittance,

²⁰⁸ Ibid.

²⁰⁹ See, for example, the Final Minutes for Prairie Crossing Charter School Board of Directors' Meeting Minutes from July 28, 2003, May 18, 2004, and June 15, 2004.

²¹⁰ Dr. Dennis R. Conti, "Woodland School District 50 Response to the Recharter Proposal of the Prairie Crossing Charter School," letter submitted to ISBE (September 5, 2003).

and that admitted students were selected through a scrupulously fair lottery system, as mandated by state law.²¹¹ According to Ms. Ranney, PCCS is not able to collect socio-demographic information for any of its applicants because Illinois charter school law proscribes the preferment of applicants for any reason other than their having a sibling that already attends the school.²¹²

Prior to its vote on the charter renewal, ISBE held public hearings on September 17 and 18, 2003. On the 18th, the day of the vote, the *Chicago Tribune* published an editorial supporting PCCS. While acknowledging that PCCS should make greater efforts to reach out to the Hispanic community, it enthusiastically endorsed the charter's renewal. The editorial said that "At least 95 percent of Prairie Crossing Charter School's students meet or exceed state standards every year in reading and math. Student test scores have consistently put the elementary school among the top 25 in the state since it opened in 1999."²¹³ The editorial admonished Woodland for trying to shut down a school that was so successful, saying that "This kind of attack on charter schools ... has become a vexing and all too familiar patter in Illinois." It also characterized Dr. Conti's claim that PCCS was an "elitist private school using public funds" as "nonsense."²¹⁴

ISBE voted 6-0 to renew PCCS's charter for five years, from July 2004 until June 2009. ISBE's approval was contingent upon PCCS meeting several requirements that addressed some of Dr. Conti's concerns. The board stipulated that PCCS must do each of the following:

- provide more detailed information on its governance in order to be in compliance with the Illinois Charter Schools Law;
- require the Board of Directors and administrative staff to file Statements of Economic Interest with the Lake County Clerk's Office;
- develop and publish a Freedom of Information Act Policy;
- improve access to PCCS for all students eligible to attend by
 - reaching out to families who are low-income or have LEP needs,
 - planning for a transportation stipend in its budget,
 - and providing assurance that no student will be excluded because the student's family fails to volunteer or contribute monetary donations;
- comply with special education requirements by
 - hiring a Director of Special Education,
 - joining the Special Education District of Lake County,
 - providing technical assistance supervision to special education staff,
 - and developing written special education policies and procedures.²¹⁵

In 2004-2005 PCCS students continued to perform well above state standards and at slightly higher levels than the neighboring districts. The table below shows the percentage of PCCS

²¹¹ Sykora, "District fights new charter."

²¹² Ranney, personal communication to the Civic Federation, June 5, 2007. Springfield Ball charter school faced similar allegations during its re-chartering process and responded to them with nearly identical arguments. For a description of Springfield Ball's experience, see p. 101 of this report.

²¹³ Editorial, "Attacking a school that works," *Chicago Tribune*, September 18, 2003.

²¹⁴ Ibid.

²¹⁵ Robert E. Schiller, "Recommendation of the State Superintendent" (reports submitted to ISBE, December 17, 2002), http://www.isbe.net/news/2003/recommend_prairie_crossing.pdf, 26-29. The requirements summarized here are excerpted from a complete list contained in Dr. Schiller's report.

students that have met or exceeded standards on the ISAT since 2000-2001, a year after the school's opening.²¹⁶ PCCS had the highest test scores of any Illinois charter school in 2004-2005, with 92.3% meeting or exceeding state standards.

Prairie Crossing Charter School 2001 to 2005: Percent of Students Meeting or Exceeding State Standards on the ISAT								
Year	Grade 3			Grade 4		Grade 5		
	Reading	Math	Writing	Science	Soc. Studies	Reading	Math	Writing
2000-2001	100.0%	100.0%	88.0%	--	--	--	--	--
2001-2002	100.0%	100.0%	83.3%	100.0%	94.5%	--	--	--
2002-2003	86.8%	97.4%	71.1%	97.3%	94.0%	95.0%	95.0%	100.0%
2003-2004	82.9%	100.0%	78.0%	97.6%	92.7%	90.0%	97.5%	95.0%
2004-2005	90.2%	95.1%	N/A	88.6%	N/A	92.1%	94.7%	N/A

Source: ISBE 2001-2005 Illinois School Report Cards

By 2003-2004 the proportion of students living in the Prairie Crossing subdivision had fallen to 30% of all PCCS students.²¹⁷ To date the enrollment of at-risk children attending PCCS has not increased substantially, though PCCS has increased its efforts to reach out to Latino communities in particular. PCCS outreach initiatives have included the production of a Spanish language brochure describing the school, active membership in the Latino Coalition, targeted marketing pieces in an area newspaper printed in Spanish and English, and displays in local libraries.²¹⁸ In 2004-2005 one child of the 304 enrolled was low-income and no students had limited English proficiency. Only 2.0% of the school's students were black and 4.7% were Hispanic.

In 2005 PCCS revised its by-laws to specify that, of the nine members constituting the PCCS school board, three would be elected by the parents of students currently attending the school and at least five would be parents of currently attending students.²¹⁹ According to a 2005 survey conducted by the Illinois Network of Charter Schools, PCCS had the highest number of parent board members of the 20 Illinois charter schools surveyed.²²⁰

In the summer of 2006, PCCS again experienced turnover in the school's leadership positions. Ms. Reynolds was dismissed as principal at the end of the 2005-2006 school year, and Dr. Brazdil announced the resignation of her director position shortly thereafter, on August 5. Ms. Reynolds and Dr. Brazdil were replaced by a temporary principal and a temporary director in mid-August, shortly before the beginning of the 2006-2007 school year.²²¹ PCCS also experienced funding shortfalls in the fall of 2006 due to lower than expected enrollment in the seventh and eighth grades.²²²

²¹⁶ There are no scores for the 1999-2000 school year because ISAT testing begins in the third grade, and PCCS was a K-2 school the year it opened.

²¹⁷ Angela D. Sykora, "Renewal re-ignites funding debate," *Grayslake Review*, September 25, 2003.

²¹⁸ Ellen Winick, Prairie Crossing Charter School Board Member, in an e-mail to the Civic Federation, June 6, 2007.

²¹⁹ Ranney, personal communication to the Civic Federation, June 5, 2007.

²²⁰ Summary of highlights from the Prairie Crossing Charter School Board of Directors' Meeting on June 20, 2006.

²²¹ Bob Susnjara, "Prairie Crossing lands temp," *Daily Herald*, August 12, 2006, and Bob Susnjara, "Director has plans for Prairie Crossing interim boss," *Daily Herald*, August 19, 2006.

²²² Mike Riopell, "Charter school adjusts budget after payroll scare," *Daily Herald*, October 25, 2006, and Marcia Sagendorph, "PC looks to fix financial problems," *Grayslake Review*, December 14, 2006.

Decatur District 61 and Robertson Charter School

The following sections provide background information on the demographics, the population and enrollment trends, and the financial condition of Decatur District 61.

Student Demographics

Decatur District 61 is a unit (K-12) school district that had a total 2003-2004 enrollment of 9,617 students. Two-thirds of the district's students were low-income. Fifty-two percent of the district's students were white, 45.7% were black, 1.2% were Hispanic, 0.9% were Asian, and 0.1% were Native American.²²³

Decatur District 61 had the largest student population of the seven unit school districts in Macon County, Illinois in 2003-2004. The district encompasses Decatur, the county seat, and it remains the county's only urban school district. Decatur is the 11th largest city in Illinois, with a 2000 census population of 81,860.

Robertson Charter School was established in 2001 to serve Decatur District 61 students who were struggling in a more traditional school environment. In 2003-2004 it enrolled 125 students in grades K-5. Ninety percent of Robertson's students were low income, 9.6% were white, and 90.4% were black.

As the following figure illustrates, Decatur District 61 had significantly more minority and low-income students than the surrounding school districts, reflecting the demographic composition of the city of Decatur. Robertson Charter School served a higher percentage of minority and low-income students than most Decatur District 61 schools.

Macon County School District Student Demographic Data: 2003-2004							
	White	Black	Hispanic	Asian	Native American	Low Income	Total Enrollment
Niantic-Harristown District 6	97.4%	2.0%	0.6%	0.0%	0.0%	24.9%	497
Argenta-Oreana District 1	93.3%	4.8%	1.0%	0.9%	0.0%	24.4%	996
Maroa Forsyth District 2	93.1%	4.3%	1.1%	1.4%	0.1%	11.8%	1,061
Meridian District 15	98.7%	0.4%	0.4%	0.3%	0.2%	18.2%	1,113
Warrensburg-Latham District 11	96.4%	1.8%	0.4%	1.1%	0.3%	14.4%	1,150
Mt. Zion District 3	97.8%	0.8%	0.5%	0.7%	0.2%	9.1%	2,458
Decatur District 61	53.4%	44.4%	1.1%	0.9%	0.1%	67.0%	9,617
Robertson Charter School	9.6%	90.4%	0.0%	0.0%	0.0%	90.4%	125
<i>State of Illinois</i>	<i>57.7%</i>	<i>20.8%</i>	<i>17.7%</i>	<i>3.6%</i>	<i>0.2%</i>	<i>39.0%</i>	<i>2,060,048</i>

Source: ISBE, 2004 School District Report Cards

Population and Enrollment Trends

The population of Macon County peaked in 1980 and has been declining ever since. Between 1980 and 2003, the population fell by 15.4%, or 20,200 residents. Between 2000 and 2003, the population declined by 3.1%, or 3,531 residents. The *Illinois Statistical Abstract* estimates that

²²³ ISBE, 2004 School District Report Card.

Macon County lost 13,526 residents to domestic migration between 1990 and 2003.²²⁴ Downturns in the local economy have been a principle cause of Macon County's population loss.

Macon County Population 1950-2003								
1950	1960	1970	1980	1990	2000	2003 est.	% change 1980-2003	% change 2000-2003
98,853	118,257	125,010	131,375	117,206	114,706	111,175	-15.4%	-3.1%

Source: *Illinois Statistical Abstract 2004*, Institute of Government & Public Affairs, University of Illinois

Macon County's school enrollment has fallen at a rate nearly commensurate with the rate of population decline. Between the 1992-1993 and 2001-2002 school years, overall enrollment decreased by 2,159 students, or 9.6%. Over the same period, however, there was an increase in nonpublic school enrollment. While public school enrollment declined by 12.0% or 2,459 students between 1992-1993 and 2001-2002, nonpublic school enrollment grew by 14.2%, or 300 students. More recently the enrollment shift from public to nonpublic schools has fallen off. Local school district officials believe that increased home schooling may also account for some of the decline in public school enrollment.²²⁵

Macon County Public and Nonpublic School Enrollment 1992-1993 to 2001-2002				
	1992-1993	2001-2002	# change 1993-2002	% change 1993-2002
Public Schools	20,418	17,959	-2,459	-12.0%
Nonpublic Schools	2,118	2,418	300	14.2%
Total	22,536	20,377	-2,159	-9.6%

Source: *Illinois Statistical Abstract 2004*, Institute of Government & Public Affairs, University of Illinois

The rate of enrollment decline for Decatur District 61 has outpaced the rate of population decline for Macon County as a whole. In 1998-1999, 11,168 students were enrolled in the district. Six years later, 17.2% fewer students – only 9,252 students in total – were enrolled.²²⁶

Decatur District 61 Enrollment: 1998-1999 to 2004-2005								
1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	# change 1999-2005	% change 1999-2005
11,168	10,857	10,531	10,121	9,698	9,617	9,252	(1,916)	-17.2%

Source: ISBE, School District Report Cards 1999-2005

The steep decline in student enrollment between 2001 and 2003 was due in part to the December 2002 closing of a Bridgestone/Firestone plant in Decatur, which cost the city 1,500 jobs.²²⁷ "But the handwriting was on the wall before that," one reporter wrote in October 2003. "In 2000 alone, Decatur lost more than 2,200 jobs to closings and cuts."²²⁸ At the release of the 12-day student count for 2005-2006, district enrollment in Decatur 61 schools had fallen to 9,154

²²⁴ Institute of Government & Public Affairs, *Illinois Statistical Abstract 2004* (University of Illinois), <http://www.igpa.uiuc.edu/Abstract/Population/index.htm>.

²²⁵ Valerie Wells, "Enrollment figures into discussion," *Herald & Review*, October 3, 2004.

²²⁶ In fact, the student population has diminished steadily since it reached a peak of 21,713 students in 1968. Wells, "Enrollment figures into discussion."

²²⁷ *Ibid.*

²²⁸ Valerie Wells, "Economy dips into Decatur schools," *Herald & Review*, October 23, 2003.

students.²²⁹ The school district’s director of research has projected that the enrollment decline will continue unabated until 2010.²³⁰

The percentage of low-income students in Decatur District 61 schools peaked after the Bridgestone/Firestone plant closed. As shown in the table below, 49.3% of Decatur District 61 students qualified as low-income in 1998-1999. By the 2002-2003 school year, 67.0% of students were low-income. Decatur’s economy improved modestly in 2003 as Macon County’s unemployment rate fell from 8.5% in August 2002 to 5.9% in December 2004.²³¹ Still, Macon County was placed on a poverty warning list compiled by the Heartland Alliance for Human Needs & Human Rights in March 2005.²³²

Decatur District 61 Low Income Rate: 1998-1999 to 2004-2005						
1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
49.3%	61.1%	63.1%	66.7%	67.0%	64.3%	64.6%

Source: ISBE, School District Report Cards

Robertson Charter School opened with 71 students enrolled in grades K-3 in 2001-2002. Each year, Robertson has offered a new grade level and increased its enrollment by roughly 30 students.

Robertson Charter School Enrollment: 2001-2002 to 2004-2005				
2001-2002	2002-2003	2003-2004	2004-2005	% change 2002-2005
71	97	126	161	126.8%

Source: ISBE, Illinois Charter School Annual Report (January 2006)

Decatur School District 61 Finances

Macon County had a median household income of \$40,376, which ranks 41st among Illinois’s 102 counties, according to 2000 census results. Macon ranked 26th among Illinois’s 102 counties for the percentage of residents living below the poverty level (12.7%).²³³ The average EAV per pupil for the seven unit districts in Macon County was \$83,311 in 2003-2004, \$3,563 less than the \$86,874 state average for unit districts.²³⁴

Property Taxes

Decatur District 61’s EAV per pupil has, until 2003-2004, consistently ranked in the bottom half of Illinois unit districts. Since at least 1996-1997, Decatur District 61 has received the Foundation General State Aid Formula, which applies to districts whose local source funding per

²²⁹ Wells, “Enrollment sags in Decatur schools.” Enrollment was 9,247 at the same point during the previous year, according to Ms. Wells’ report.

²³⁰ Valerie Wells, “Decatur schools project enrollment decline,” *Herald & Review*, September 29, 2004.

²³¹ Theresa Churchill, “Macon County lands on poverty warning list,” *Herald & Review*, March 1, 2005.

²³² Ibid. Fourteen of Illinois’s 102 counties were placed on the watch list.

²³³ Institute of Government & Public Affairs, *Illinois Statistical Abstract 2004*.

²³⁴ ILEARN. Because the collection of property taxes lags two years behind the school fiscal year, the 2003-2004 EAV per pupil measurement is generated with 2002 district EAVs.

pupil is less than 93% of the foundation level set annually by the Illinois General Assembly. In 2003-2004, 93.3% of Illinois unit districts received the Foundation Formula.

Decatur District 61 Equalized Assessed Property Value (EAV) and General State Aid Formula Type				
Year	Two Year Prior EAV Per Pupil	Rank...	out of	Formula Type
1996-1997	\$ 56,647	219	406	Foundation
1997-1998	\$ 52,355	235	406	Foundation
1998-1999	\$ 59,301	218	408	Foundation
1999-2000	\$ 62,814	233	409	Foundation
2000-2001	\$ 66,236	236	408	Foundation
2001-2002	\$ 69,400	235	406	Foundation
2002-2003	\$ 76,213	206	407	Foundation
2003-2004	\$ 83,311	185	403	Foundation

Source: ILEARN, ISBE

Decatur District 61's property tax rate is relatively low. Between 1997 and 2001, Decatur District 61 ranked in the bottom 10% among Illinois unit districts. In November 2000 voters rejected a referendum proposal that the maximum property tax rate for the district's education fund, which stood at \$1.84 per \$100 EAV, should be increased by \$1.50. In February 2001, Decatur voters approved a more modest property tax increase of \$0.73 per \$100 EAV. Prior to the referendum increase's having taken effect, Decatur District 61's total tax rate increased in 2001-2002 by \$0.34 per \$100 of EAV because the district raised its Tort Fund levy, which can be increased without voter approval.²³⁵ In 2002-2003 Decatur District 61 began to benefit from the \$0.73 rate increase approved by voters. The district's rank among unit districts has risen sharply since then, and it has nearly moved out of the bottom third of Illinois unit districts. Decatur District 61's tax revenues are not subject to PTELL caps.²³⁶

Decatur District 61 Property Tax Rate			
Year	2 Yr. Prior Total Tax Rate	Rank...	out of
1996-1997	3.2742	380	406
1997-1998	3.2600	383	406
1998-1999	3.2994	381	408
1999-2000	3.3086	377	409
2000-2001	3.2946	377	408
2001-2002	3.6250	355	406
2002-2003	3.9862	284	407
2003-2004	4.1053	271	403

Source: ILEARN, ISBE

²³⁵ The discretionary spending of property tax revenue raised through the tort immunity fund continues to be a controversial issue. As the *Chicago Tribune* reported in 2005, "Hundreds of school districts across the state and dozens in the Chicago region have dramatically increased special taxes for legal claims and insurance expenses over the last five years, a recent study shows, but not necessarily because legal troubles have mounted." The article said that "220 districts—nearly a fourth of the state's school districts—have increased their tax levies for tort immunity expenses by 100 percent or more between 1998 and 2003." Diane Rado, "Use of obscure school tax sparks 4 Downstate suits," *Chicago Tribune*, April 20, 2005.

²³⁶ For a description of the PTELL law, see p. 43.

Financial Health

Decatur District 61 has received the relatively high “Review” designation on its ISBE School District Financial Profiles between 2001-2002 and 2003-2004. “Review” standing is awarded to districts with Profile Scores between 3.08 and 3.53. It indicates that a district’s finances are relatively stable, and that the State will monitor the district for potential downward financial trends.

School District Financial Profiles: 2002-2004		
		Decatur District 61
2001-2002	Score /4.0	3.45
	Designation	Review
2002-2003	Score /4.0	3.45
	Designation	Review
2003-2004	Score /4.0	3.45
	Designation	Review

Source: ISBE School District Financial Profiles 2002-2004

From 1997 and 2004, between 49% and 54% of Decatur District 61’s total revenue came from the State of Illinois, except in 2002-2003 when State revenues accounted for only 46% of Decatur 61’s total. From 1996-1997 to 2002-2003, the percentage of Decatur District 61’s total revenue that came from the Federal government rose from 9% to 14%. Federal revenues fell to 10% of Decatur District 61’s total in 2003-2004. With the exception of 2002-2003, approximately 37-38% of Decatur District 61’s revenues have been local source, primarily from property taxes.

Decatur District 61 Revenues by Source							
Year	State Revenues	% of Total	Local Revenues	% of Total	Federal Revenues	% of Total	TOTAL Revenues
1996-1997	\$ 31,823,499	53.33%	\$ 22,576,798	37.83%	\$ 5,274,711	8.84%	\$ 59,675,008
1997-1998	\$ 33,293,011	53.57%	\$ 23,082,309	37.14%	\$ 5,776,435	9.29%	\$ 62,151,755
1998-1999	\$ 34,977,223	53.11%	\$ 24,487,266	37.18%	\$ 6,394,078	9.71%	\$ 65,858,567
1999-2000	\$ 33,928,848	50.50%	\$ 25,256,944	37.60%	\$ 7,994,732	11.90%	\$ 67,180,524
2000-2001	\$ 34,667,254	50.90%	\$ 25,388,612	37.28%	\$ 8,046,745	11.82%	\$ 68,102,611
2001-2002	\$ 35,451,772	49.39%	\$ 26,993,773	37.61%	\$ 9,335,751	13.01%	\$ 71,781,296
2002-2003	\$ 34,269,726	46.07%	\$ 29,925,988	40.23%	\$ 10,198,304	13.71%	\$ 74,394,018
2003-2004*	\$ 45,215,090	52.34%	\$ 32,345,523	37.44%	\$ 8,831,659	10.22%	\$ 86,392,272

* State Revenues for the 2003-2004 school year includes a \$9.8 million construction grant.

Source: ILEARN, ISBE

District Funds Contributed to Robertson Charter School

Because Robertson Charter School was chartered by the Decatur District 61 Board of Education, its per capita tuition revenues come directly from the district. Some federal and state categorical funds are received by the district and passed through to Robertson. Decatur District 61 provides special education services to Robertson on the same basis that it provides these services to district schools. Robertson is therefore not entitled to any state or federal special education funds.

Between 1996-1997 and 2003-2004, Decatur District 61’s total revenues increased by \$26.7 million or 44.8%, and these increased revenues were matched by increased expenditures. Coupled with its declining enrollment, the district’s increased expenditures led to a substantial increase in the annual per capita tuition between 1999-2000 and 2003-2004.

Decatur District 61 Per Capita Tuition: 2000-2004						
1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	\$ change 2000-2004	% change 2000-2004
\$ 4,986	\$ 5,490	\$ 4,975	\$ 5,434	\$ 6,834	\$ 1,848	37.06%

Source: ILEARN, ISBE

The increase in district revenues and the corresponding increase in per capita tuition is somewhat misleading. Of the \$26.7 million increase in total revenues between 1996-1997 and 2003-2004, \$9.8 million was a state construction grant for a multi-year capital improvement project. Decatur District 61 received this grant in 2003-2004. Illinois school districts usually pay for construction expenses out of a district’s Site & Construction / Capital Improvement Fund, and these expenditures are typically not calculated as part of a district’s per capita tuition cost. The \$9.8 million construction grant, however, flowed through the district’s Operations & Maintenance Fund. The \$1,400 or 25.8% increase in the annual per capita tuition cost between 2002-2003 and 2003-2004 was primarily due to district construction expenditures. This dramatic per capita tuition increase is therefore an inflated number that does not reflect the actual amount of increased spending on district operations. In determining both the tuition charge for out-of-district students attending Decatur District 61 schools and the per capita tuition amount used as a basis for determining payments to Robertson, Decatur District 61’s Business Manager Martin Getty recalculates the per capita tuition, factoring out the funds spent on capital improvement projects.²³⁷

The language of Robertson Charter School’s contract specifies that Decatur District 61 must estimate the per pupil revenues that will be available to the district for a given school year, and transfer to Robertson an amount equaling Robertson’s enrollment multiplied by 100% of this per pupil revenue estimate. According to the contract, Decatur District 61 is to calculate the revenues available on a per pupil basis using the district’s projected enrollment and revenue estimates for “all revenues available to the Board for general use to support all pupils and programs, including but not limited to General State Aid, General Operating Funds, property taxes, Corporate Personal Property Replacement Tax revenues, and unrestricted State block grant revenues.”²³⁸

In practice, though, Decatur District 61 simply provides Robertson with funding equal to the total number of students enrolled in a given year multiplied by the two-years-prior per capita tuition rate.²³⁹ Decatur District 61 also passes through the federal and state funds intended for Robertson’s student population.

²³⁷ Martin Getty (Business Manager, Decatur District 61), in discussion with the Civic Federation, November 2, 2006.

²³⁸ Getty, in discussion with the Civic Federation, July 6, 2005.

²³⁹ Getty, in an e-mail message to the Civic Federation, November 2, 2006.

Decatur District 61 received a total of \$1,059,438 in Transition Impact Aid (TIA) from the State during Robertson’s first three years of operation. In the first and third years of Robertson’s operation, the TIA received by the district totaled 90% and 35% respectively of the district’s payments to Robertson, as called for in the Illinois Charter School law. In the second year, however, the District received TIA equal to 98% of its payments to Robertson, an amount that significantly exceeded the 65% to which the district was entitled by statute. The 98% reimbursement that Decatur received in 2002-2003 appears to have been an anomaly or an error.²⁴⁰ In total, Decatur District 61 was reimbursed for 70.1% of the funds in transferred to Robertson during that three-year period. The TIA funding calculation does not reimburse school districts for any services provided.

Transition Impact Aid Transferred to Decatur District 61: 2002-2004			
Year	TIA Received by District 61	Funds Transferred to Robertson	TIA as % of Funds Transferred
2001-2002	\$ 318,333	\$ 353,703	90.0%
2002-2003	\$ 524,329	\$ 534,864	98.0%
2003-2004	\$ 216,776	\$ 621,875	34.9%
TOTAL	\$ 1,059,438	\$ 1,510,442	70.1%

Source: ISBE, communication with Tim Imler, July 5, 2005

The following two tables show the amount contributed to Robertson as a percentage of Decatur 61’s operating expenses and total revenues. In 2003-2004 the funds provided to Robertson Charter School by Decatur District 61 represented 0.9% of Decatur District 61’s operating expenses and 0.7% of its total revenues. For 2001-2002 through 2003-2004, the years in which Decatur District 61 received TIA assistance from the State, the amounts transferred to Robertson that are listed in the table are the gross amounts transferred and do not net out the TIA funding. Subtracting out the amount received by Decatur in TIA, the district contributed \$35,370 in 2001-2002 (0.1% of regular K-8 operating expenses), \$10,535 in 2002-2003 (0.02% of operating expenses), and \$405,099 in 2003-2004 (0.6% of operating expenses).

Decatur District 61: Financial Contribution to Robertson Charter School as % of Operating Expenses			
Year	Operating Expenses Regular K-12	\$ Contributed to Charter School	%
1999-2000	\$ 58,555,176	N/A	N/A
2000-2001	\$ 62,091,400	N/A	N/A
2001-2002	\$ 56,391,673	\$ 353,703	0.6%
2002-2003	\$ 58,796,498	\$ 534,864	0.9%
2003-2004	\$ 67,978,634	\$ 621,875	0.9%

Source: ILEARN, ISBE, and data provided by District 61

²⁴⁰ Tim Imler (Division Administrator for Funding and Disbursements, ISBE), e-mail message to the Civic Federation, January 12, 2007. Mr. Imler said that ISBE no longer had the paper records showing Decatur District 61’s payments to Robertson, and that this limited his ability to determine why Decatur 61 was paid at the 98% rate. He said, however, that it appears Decatur District 61 should only have received 65% of per capita tuition funding that it transferred to Robertson, in accordance with the Transition Impact Aid legislation.

Decatur District 61: Financial Contribution to Robertson Charter School as % of Total Revenues			
Year	Total Revenues All Sources	\$ Contributed to Charter School	%
1999-2000	\$ 67,180,524	N/A	N/A
2000-2001	\$ 68,102,611	N/A	N/A
2001-2002	\$ 71,781,296	\$ 353,703	0.5%
2002-2003	\$ 74,394,018	\$ 534,864	0.7%
2003-2004	\$ 86,392,272	\$ 621,875	0.7%

Source: ILEARN, ISBE, and data provided by District 61

History of Decatur District 61

Decatur District 61's declining enrollment and rising low-income population have challenged the district's ability to balance its budget and complicated its efforts to educate its students.

As shown in the chart below, Decatur District 61's total operating expenditures exceeded revenues by \$3.0 million in 1997-1998, \$0.9 million in 1998-1999, and \$2.9 million in 1999-2000.²⁴¹ The Decatur Board of Education sought to address these annual budget shortfalls by placing a referendum proposal to increase the District's Education Fund property tax rate on the November 2000 ballot. District voters rejected the proposal, which called for the Education Fund's maximum property tax rate of \$1.84 per \$100 EAV to be increased by \$1.50. Following the failed referendum, Decatur spent \$8.3 million more than it generated in revenues in 2000-2001. The district transferred \$8 million from its working cash fund into its education fund.²⁴² According to the *Decatur Tribune*, "The district would not [have been] able to meet payroll without the transfer."²⁴³ The working cash fund balance fell from \$7.9 million at the end of 1999-2000 to \$0.3 million at the end of 2000-2001, and the education fund balance fell from \$7.9 million to \$0.5 million over the same period.²⁴⁴

Decatur District 61 Operating Funds: 1997-1998 to 2000-2001						
	1997-1998	1998-1999	1999-2000	2000-2001	\$ change 1998-2001	% change 1998-2001
Excess (Deficit) of Revenues over Expenditures	\$ (2,964,756)	\$ (866,476)	\$ (2,898,605)	\$ (8,300,665)	\$ (5,335,909)	180.0%
Operating Funds Ending Balance	\$ 12,270,419	\$ 11,403,943	\$ 7,857,813	\$ 548,916	\$ (11,721,503)	-95.5%
Working Cash Fund Ending Balance	\$ 7,454,436	\$ 7,698,739	\$ 7,949,782	\$ 265,692	\$ (7,188,744)	-96.4%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds

Source: ISBE, 2002 School District Financial Profile

In December 2000 the Decatur District 61 Board of Education began to address budget projections showing that Decatur District 61 would face an Education Fund deficit of more than \$10 million in 2001-2002. The Board approved \$7.2 million in budget cuts recommended by

²⁴¹ ISBE, 2002 School District Financial Profile.

²⁴² Ibid.

²⁴³ "Decatur school board cuts \$7.2 million," *Decatur Tribune*, December 13, 2000.

²⁴⁴ ISBE, 2002 School District Financial Profile.

Superintendent Kenneth Arndt, eliminating the Alternative Classroom Education program (for students who consistently exhibited disruptive behavior), developmental kindergarten, teen parent programs, mentors for new teachers, and police liaison officers. The district also laid off nurses, librarians, and a large number of teachers.²⁴⁵ The cuts reduced the number of programs serving at-risk students and increased the district's average class sizes for most grade levels.

As part of its overall plan to reduce expenditures, the district closed John Adams Elementary School.²⁴⁶ In addition to Robertson Charter School, which opened in August 2001, Decatur District 61 planned to operate 20 elementary, middle, and K-8 schools in 2001-2002.

In February 2001, Decatur District 61 again asked voters to raise property taxes, this time by 73 cents per \$100 EAV. The district threatened to eliminate all athletic and extra-curricular programs if the referendum did not pass.²⁴⁷ The local newspaper, the *Herald & Review*, quoted parents who said that the elimination of school sports programs would drive them to leave the city.²⁴⁸ Community members conducted an active campaign in support of the district's request, and a *Herald & Review* editorial strongly endorsed the tax rate increase. On February 27, 55% of Decatur voters approved the rate increase in an election that spurred record voter turnout.²⁴⁹ Voters approved a new Education Fund maximum tax rate of \$2.57 per \$100 EAV, up from \$1.84. Superintendent Arndt resigned his position at the end of the 2000-2001 school year in order to accept a superintendent position in Carpentersville, Illinois. He was replaced in May 2001 by Mr. Elmer McPherson, formerly the district's Assistant Superintendent.

In 2001-2002, Robertson Charter School's first year of operation, the district found its budget cuts had yielded about \$8.1 million in savings, \$0.9 million more than the \$7.2 million it had projected.²⁵⁰ The Education Fund balance still showed a deficit at the end of the 2001-2002 school year, but that deficit had been reduced from almost \$2.1 million at the beginning of the school year to just over \$38,000 at its close. District revenues for all operating funds now exceeded total operating expenditures by \$2.8 million even though Decatur District 61 was not yet benefiting from the education fund property tax increase that voters had passed in February 2001. The district did, however, collect increased property taxes by raising its Tort Immunity Fund levy. This levy, which is not subject to tax caps and which can be increased without voter approval, jumped from \$0.11 per \$100 EAV for 2000-2001 to \$0.45 for 2001-2002.²⁵¹ Part of the Education Fund's recovery is attributable to the fact that \$1.7 million in operating expenditures were paid for from Tort Fund revenue in 2001-2002.²⁵² School district officials

²⁴⁵ Valerie Wells, "Learning to Cope," *Herald & Review*, August 19, 2001. According to ISBE, the number of teachers employed by the district fell from 553 in 2000-2001 to 465 in 2001-2002.

²⁴⁶ Wells, "Learning to Cope." Superintendent Arndt rescinded an initial proposal that a second school, Mound Middle School, should also be closed.

²⁴⁷ James S. Tyree, "District exodus? Referendum defeat could prompt some families to leave Decatur schools," *Herald & Review*, 17 February 2001. A four-to-three vote by the school board had largely spared these programs during the budget cuts made by the district in December 2000. Two programs that had been cut – the Suzuki music program and Young Authors – were "saved by grants from donors."

²⁴⁸ Tyree, "District exodus?"

²⁴⁹ Valerie Wells, "Schools get voters' OK," *Herald & Review*, February 28, 2001. 10,591 people voted yes and 8,622 voted no.

²⁵⁰ Wells, "Learning to Cope."

²⁵¹ *Decatur School District No. 61 Accountants' Report and Financial Statements June 30, 2002.*

²⁵² Wells, "Learning to cope."

acknowledged that broad budgetary concerns had led them to raise the Tort Immunity Fund property tax rate. The Tort levy yielded a total of \$2.6 million in revenues for 2001-2002.²⁵³

In 2001-2002 the district also sold \$6 million in bonds to restore a working cash fund balance that had been severely depleted during 2000-2001. Even with the issuance of these bonds, the District only had \$6.9 million in outstanding long-term debt at the end of 2001-2002, a relatively small amount of long-term debt for a district of Decatur District 61's size. Decatur District 61 received an ISBE Financial Profile Score of 3.45 for 2001-2002 (the first year such scores were awarded), placing the district in the "Review" category and indicating that the district's financial health had stabilized. The table below shows that, as the district began collecting property tax revenue at the increased rate in 2002-2003, its financial recovery continued, allowing the District to add to its fund balances for three consecutive years.²⁵⁴ District revenues exceeded total operating expenditures by \$3.0 million for 2002-2003, and the district's Education Fund revenue exceeded Education Fund expenditures that year for the first time since 1998-1999. For 2002-2003 and 2003-2004, ISBE again assigned Decatur District 61 a Financial Profile Score of 3.45.

Decatur District 61 Operating Funds: 2000-2001 to 2003-2004						
	2000-2001	2001-2002	2002-2003	2003-2004	\$ change 2001-2004	% change 2001-2004
Excess (Deficit) of Revenues over Expenditures	\$ (8,300,665)	\$ 2,825,073	\$ 2,953,011	\$ 5,621,390	\$ 13,922,055	N/A
Operating Funds Ending Balance	\$ 548,916	\$ 9,646,148	\$ 12,599,159	\$ 18,492,946	\$ 17,944,030	3269.0%
Working Cash Fund Ending Balance	\$ 265,692	\$ 6,572,378	\$ 6,832,642	\$ 7,158,925	\$ 6,893,233	2594.4%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds

Source: ISBE, 2004 School District Financial Profile

In March 2002 the School Board approved a plan to improve and upgrade its school buildings. The plan called for the district to build a new K-8 school, renovate or build additions to three existing schools, and close two others.²⁵⁵ Board approval of the \$26.5 million project was contingent on the district's receiving a \$17 million state construction grant, which Governor George Ryan awarded to the district on September 4, 2002.²⁵⁶ In December 2002 the Decatur City Council agreed to buy the property of Mound Middle School, one of the two schools that the District planned to close, for a lump-sum payment of \$5 million that was due in 2005.²⁵⁷ Together with another \$5.5 million that the district raised by issuing health/life safety bonds in 2004, the proceeds from the Mound property sale constituted the district's funding for the

²⁵³ Valerie Wells, "Schools tap tort fund," *Herald & Review*, May 26, 2002.

²⁵⁴ Decatur did not immediately raise the property tax rate to the maximum level. The Education Fund property tax rate for the revenue the district received that year was \$2.45 per \$100 EAV. The tort levy was \$0.38 per \$100 EAV. *Decatur School District No. 61 Accountants' Report and Financial Statements June 30, 2003*.

²⁵⁵ Valerie Wells, "Board favors new school," *Herald & Review*, March 27, 2002.

²⁵⁶ State of Illinois, "Governor Awards Decatur School District 61 \$17 Million for New K-8 Building" (Press release, September 4, 2002), www.illinois.gov/PressReleases/PrintPressRelease.cfm?SubjectID=1&RecNum=1895. Hope Academy Accelerated School opened for the 2005-2006 school year.

²⁵⁷ Amy Hoak, "District outlines land deal," *Herald & Review*, December 12, 2002.

construction project it had approved in March 2002.²⁵⁸ The construction of Hope Academy, a new K-8 school, began in November 2003.

In 2004-2005 Decatur’s finances again earned the district “Review” standing, but this time Decatur received a score of 3.10 (3.08 is the lowest score still in the “Review” category). The lower score in part reflected the fact that total operating expenditures exceeded total revenues by \$4.1 million. The operating funds’ aggregate year-end balance was \$14.5 million, down from \$18.5 million the year before. As the chart below indicates, since the 2001-2002 budget cuts, per pupil operating expenditures have risen sharply. The ranking of Decatur’s per pupil operating expenditures among Illinois unit districts rose from 267 in 2001-2002 to 57 in 2003-2004. (Spending on construction out of the Operations & Maintenance Fund accounts in large part for the 18.7% increase in per pupil operating costs between 2003-2004.)

Decatur District 61 Operating Expenditures Per Pupil: 1998-1999 to 2003-2004				
Year	Decatur Operating per Pupil	% Increase (Decrease) Over Previous Year	Rank...	out of
1998-1999	\$ 5,891	--	183	408
1999-2000	\$ 6,430	9.1%	154	409
2000-2001	\$ 7,016	9.1%	138	408
2001-2002	\$ 6,653	-5.2%	267	406
2002-2003	\$ 7,193	8.1%	218	407
2003-2004	\$ 8,537	18.7%	57	403

Source: ILEARN, ISBE

Since the 2001-2002 budget cuts, the amount of money that the district spends on instruction per pupil has risen at a much lower rate than operating expenditures per pupil, as shown in the chart below. A relatively high percentage of Decatur’s district budget is allocated to administrative and support costs. ISBE’s School Profile reports break down district spending into seven categories, one of which, “Administration/Operations,” comprises the money spent on principal salaries and janitorial services. Decatur spent 39.7% of its budget on these costs in 2003-2004, whereas Springfield District 186, another unit district, spent 20.9% on principal salaries and janitorial services. The average amount spent on principal salaries and janitorial services for all Illinois school districts (including elementary, high school, and unit districts) was 22.8% for that year.²⁵⁹

²⁵⁸ Valerie Wells, “Decatur schools out of red,” *Herald & Review*, July 23, 2003. The Board prevented the bond issue from affecting the district’s overall property tax levy by reducing the Retirement, Tort Immunity, and Social Security fund levies in amounts that offset the bond levy increase.

²⁵⁹ ISBE, 2005 School District Financial Profile. Once again, the district’s construction spending in 2003-2004 skews these percentages to some extent. 2003-2004 data are the most recent available for these statistics. The average percentage of Illinois unit districts’ budget that was spent on administration is not available.

Decatur District 61 Instructional and Operating Expenditures Per Pupil: 1998-1999 to 2003-2004				
Year	Decatur Instructional per Pupil	% Increase Over Previous Year	Decatur Operating per Pupil	% Increase Over Previous Year
1998-1999	\$ 3,143	--	\$ 5,891	--
1999-2000	\$ 3,402	8.2%	\$ 6,430	9.1%
2000-2001	\$ 3,739	9.9%	\$ 7,016	9.1%
2001-2002	\$ 3,431	-8.2%	\$ 6,653	-5.2%
2002-2003	\$ 3,540	3.2%	\$ 7,193	8.1%
2003-2004	\$ 3,840	8.5%	\$ 8,537	18.7%

Source: ISBE, School and School District Report Cards

In addition to opening Hope Academy in 2005-2006,²⁶⁰ the district also began running the Phoenix Enrichment Center, a K-12 program for at-risk students that was housed in a building formerly occupied by a district elementary school. The Enrichment Center had only been proposed in February 2005, but it began operating in August of the same year. According to the district's 2004-2005 report to the community, "Students can be referred to Phoenix if they are struggling academically or if they are having problems with truancy or discipline."²⁶¹ Mr. Getty explained to the *Herald & Review* that providing a place for such students would increase state aid payments, which are based in part on student attendance, and would also save the district the hearing officer and legal fees associated with expulsion proceedings.²⁶² Nevertheless, the Phoenix Program's 2005-2006 budget was projected at \$2.2 million, \$1.1 million of which (after state and other grants) would have to come from district operating funds.

District finances for 2005-2006 were also impacted by a drop in the Macon County's total EAV caused by increases in the Senior Citizens and General Homestead Exemptions for the 2004 tax year.²⁶³ Mr. Getty calculated that the total EAV, which fell from \$706 million for the 2003 tax year to \$690 million for 2004, would have risen to \$711 million without the exemption increases.²⁶⁴ Because Decatur's Education, Transportation, and Operations and Maintenance Fund levies were already at their legal rate limits, the Mr. Getty projected that the EAV drop would cost the district a total of \$482,000 in revenue for those three funds.²⁶⁵

Despite the need for budget cuts and Decatur's diminishing student population, the school board and district officials have continued to make school choice and curriculum innovation a district priority.²⁶⁶ Excluding Robertson Charter School, Decatur operated 19 schools for its 6,708 PK-8

²⁶⁰ Hope Academy began operating on a year-round schedule beginning in July 2006. Hope Academy Accelerated School website, <http://www.dps61.org/schools/hope/samplecalendar.htm>.

²⁶¹ *Decatur Public Schools Report to the Community 2004-2005*, www.dps.org/DPSReport2005.pdf.

²⁶² Valerie Wells, "Alternative school for younger kids proposed," *Herald & Review*, February 9, 2005. Cf. also Wells, "Phoenix center could cost district \$2.22 million," *Herald & Review*, May 11, 2005.

²⁶³ Public Act 93-0715 raised the Senior Citizens Homestead Exemption from \$2000 to \$3000 of EAV, and raised the General Homestead Exemption from \$3500 to \$5000 beginning in tax year 2004.

²⁶⁴ Getty, in discussion with the Civic Federation, July 6, 2005.

²⁶⁵ Ron Ingram, "Valuation drop pinching budgets in Macon County," *Herald & Review*, April 30, 2005.

²⁶⁶ Martin Getty, in discussion with the Civic Federation, July 6, 2005. See also Editorial, "Open enrollment good for schools," *Herald & Review*, November 21, 2003.

students in 2004-2005.²⁶⁷ The District offers magnet schools, accelerated schools, a year-round school, a Montessori school, and an alternative school for students with academic or behavioral difficulties.

History of Robertson Charter School

Robertson Charter School opened as a K-3 school in August 2001 to serve at-risk students in Decatur, Illinois. It has added one grade level each year since 2001-2002, and realized its goal of becoming a K-8 school when it added an eighth grade for the 2006-2007 school year.²⁶⁸

Robertson also offered summer school for the first time in 2006. Emphasizing discipline and character building, Robertson maintains small class sizes (roughly 22 students per class) and offers all students instruction in Spanish as a second language.

The Decatur District 61 Board of Education supported the idea of a Decatur charter school for at-risk students from the outset, assisting and encouraging Robertson Charter School founder Reverend Aubrey Hudson during the school's planning stages. The Board endorsed a proposal to study the feasibility of a local charter school in 1997, emphasizing that a charter school would serve students who had the greatest difficulties succeeding in traditional schools.²⁶⁹ The state provided a \$10,000 grant to facilitate the study, and in February 2000, Rev. Hudson secured an \$11,250 federal grant to begin work on the school.²⁷⁰

The Decatur Board of Education voted to approve Robertson's charter in January 2001. Coming just weeks after the board approved \$7.2 million in district budget cuts for the 2001-2002 school year, the vote affirmed the district's commitment to alternative education programs for at-risk students. ISBE approved the school's charter in July 2001, making Robertson the 20th charter school in Illinois. That same month, the school was awarded a \$127,105 grant for start-up costs by the Walton Family Foundation.²⁷¹

Robertson's first year was marked by financial and managerial turmoil that nearly ended in the revocation of the school's charter. On October 10, 2001 Robertson's teachers and its principal, Ms. Nelda Sumner, walked out of an after-school meeting with Rev. Hudson to protest his failure to provide faculty and administrative personnel with health insurance or retirement plans. The Decatur District 61's new Superintendent Elmer McPherson offered to assist in resolving the dispute, saying that the district shared in Robertson's responsibility for its students. This dispute was quickly settled to everyone's satisfaction.²⁷² Later that month, Ms. Sumner allegedly

²⁶⁷ By way of comparison, Woodland served its PK-8 population of 7,038 students with four schools in 2004-2005. Decatur has made a modest reduction in the number of schools it operates. The district had 24 elementary, middle, and PK-8 schools in FY1999.

²⁶⁸ Robertson Charter School, <http://www.rcs61.com>.

²⁶⁹ District Superintendent Kenneth Arndt said of the school, "We can only gain. It means we want to do something different with the kids that we know we're not reaching." Robin Rivers, "Charter school study wins OK," *Herald & Review*, January 15, 1997.

²⁷⁰ Ibid.; and Ken Dickson, "Charter school planned," *Herald & Review*, February 17, 2000.

²⁷¹ Valerie Wells, "State OKs Robertson school charter," *Herald & Review*, July 17, 2001.

²⁷² Tony Reid, "Charter school dispute settled," *Herald & Review*, October 12, 2001.

dragged a first-grader by the arm and was consequently dismissed. Rev. Hudson, the school's Board President and CEO, became the school's acting principal.²⁷³

In November 2001 Ms. Sumner filed a lawsuit to protest her dismissal, leading Decatur District 61 to inquire into Robertson's finances. The Board learned that, although he was listed as uncompensated on the school's application for tax-exempt status, Rev. Hudson received an annual salary of \$70,000 and had drawn more than 80% of that salary during the first five months of the fiscal year.²⁷⁴ At Superintendent McPherson's request, the Decatur Board of Education initiated a formal investigation into Robertson's financial records on November 27, 2001.

Requests for Robertson's financial records revealed that the school's record-keeping was alarmingly inadequate. On December 18, days before a Decatur Board of Education hearing on Robertson's finances, Rev. Hudson resigned from his position as Board President and CEO.²⁷⁵ At the December 22 hearing, the Decatur Board of Education stipulated that Robertson must submit adequate financial records within one month's time. The board said Robertson would face the revocation of its charter if it failed to do so. Rev. Hudson agreed to recreate from memory financial records for donations he had received on Robertson's behalf prior to July 1, 2000.²⁷⁶

By the time Reverend Glenn Livingston replaced Rev. Hudson as Robertson's Board President and CEO in late December 2001, the school's \$30,000 credit line had been frozen and creditors were demanding payment.²⁷⁷ Robertson's new principal, Ms. Helen Merriweather, was also hired in December 2001. On March 25, 2002, Rev. Livingston accepted Rev. Hudson's financial report and the Robertson Board voted to exonerate Rev. Hudson of any wrong-doing. The following day, Robertson presented Rev. Hudson's documents and a school finance report to the Decatur Board of Education, and the Board voted to spare Robertson's charter. It demanded an independent audit of the Robertson's finances. Rev. Livingston said that the school would welcome such an audit.²⁷⁸

Since the District's vote to spare Robertson's charter, the financial difficulties and record-keeping problems that characterized Robertson's first year have not recurred. Under Rev. Livingston's stewardship, Robertson paid off \$90,000 in debt by May 2002. Its credit line was reestablished, and the school began its second school year on financially stable ground.²⁷⁹ Paul Seibert of Charter Consultants, Inc., which advised Robertson Charter School, attributed the

²⁷³ Valerie Wells, "Charter school probe OK'd.," *Herald & Review*, November 28, 2001.

²⁷⁴ *Ibid.*

²⁷⁵ Valerie Wells, "Robertson chairman urges support at board meeting on Thursday," *Herald & Review*, December 19, 2001.

²⁷⁶ Valerie Wells, "Two Robertson school employees dismissed, board member resigns post," *Herald & Review*, March 15, 2002.

²⁷⁷ Valerie Wells, "Robertson Charter enjoying turnaround," *Herald & Review*, May 10, 2002.

²⁷⁸ Amy Hoak, "Robertson school's charter spared," *Herald & Review*, March 27, 2002. Two Decatur School Board members voted in favor of revoking the charter because, according to board Vice President David Butts, "the charter school board didn't live up to generally accepted accounting principals."

²⁷⁹ Valerie Wells, "Robertson's grants on hold," *Herald & Review*, December 13, 2002.

school's turbulent start to the inexperience of its staff and Board.²⁸⁰ He noted that such initial problems are common among charter schools, and said that Robertson Charter School had since recovered from its early setbacks.

The school's improved financial situation allowed Robertson to weather delays in ISBE and federal charter school grant payments in 2002-2003 without difficulty.²⁸¹ Robertson had 92 students enrolled for the 2002-2003 school year, and had waiting lists for kindergarten and first grade.²⁸² A December 2002 editorial in the local paper praised the school for overcoming its first-year difficulties, highlighting community enthusiasm for the school, and touting students' academic achievement: "Forty percent of students met or exceeded state standards in reading; 50 percent met or exceeded state standards in math. That's a better showing than at two of the Decatur School District's elementary schools that have a lower percentage of students in poverty."²⁸³

An April 26, 2003 editorial in the *Herald & Review* once again praised Robertson for having recovered from its early financial and managerial difficulties, and said that Robertson was now succeeding in educating its students.²⁸⁴ The editorial pointed out that "The Robertson students who took the Iowa Test of Basic Skills in two consecutive years improved their scores by [an average of] 20.1 standardized points."

Compared to the rest of Decatur District 61, though, Robertson's ISAT scores showed a mixed record of academic achievement. In 2002-2003, nine of Decatur's 17 elementary schools (including Robertson) had a student population with more than 70% low-income students. For each of those nine schools, the table below indicates the percentage of low-income third- and fourth-graders who met or exceeded standards on the ISAT in 2002-2003. (The table also includes district and statewide data on low-income third- and fourth-grade students.) Among the nine Decatur schools with more than 70% low-income students, Robertson's third-grade scores ranked third in reading, eighth in math, and first in writing. Its fourth-grade scores ranked ninth in science and sixth in social studies.²⁸⁵

²⁸⁰ Valerie Wells, "School consultants' roles vary," *Herald & Review*, January 14, 2002.

²⁸¹ Wells, "Robertson's grants on hold."

²⁸² Valerie Wells, "Turnaround Bound. Start of second year finds school on right track," *Herald & Review*, August 13, 2002.

²⁸³ Editorial, "Robertson has much to be proud of," *Herald & Review*, December 6, 2002.

²⁸⁴ Editorial, "Robertson Charter School shows progress," *Herald & Review*, August 26, 2003.

²⁸⁵ 2002-2003 was the first year that Adequate Yearly Progress (AYP) was measured under federal No Child Left Behind legislation. Robertson did not make AYP because less than 40% of its students met or exceeded standards in math.

2002-2003 Percentage of Low-Income Students Meeting or Exceeding State Standards: Grades Three and Four						
School	Percentage of Low-Income Students	Grade 3 Low-Income			Grade 4 Low-Income	
		Reading	Math	Writing	Science	Soc. Studies
Robertson*	96.9%	42.1%	31.6%	89.5%	33.3%*	46.7%*
Benjamin Franklin	77.3%	55.9%	73.5%	73.5%	63.0%	70.4%
Dennis	76.7%	35.9%	59.0%	41.0%	45.0%	55.0%
Durfee	77.1%	41.8%	58.1%	59.5%	55.2%	39.5%
Parsons	81.0%	56.0%	88.0%	72.0%	35.5%	35.5%
Southeast	78.1%	32.1%	60.8%	64.3%	40.7%	29.6%
Stevenson	81.3%	38.9%	44.5%	66.7%	40.9%	59.1%
Washington	82.0%	34.0%	30.0%	40.8%	42.4%	45.8%
William Harris	82.2%	36.0%	59.2%	14.8%	56.3%	53.1%
Decatur District	67.0%	46.1%	62.9%	54.7%	48.8%	48.7%
Statewide Average	37.9%	41.3%	57.6%	43.5%	45.0%	39.9%

*The percentage of Robertson students meeting Science and Social Studies standards includes all students because figures isolating Robertson's low-income students are not available for these tests. The number of non-low-income Robertson students taking the fourth-grade tests was too small for their scores to be reported separately.

Source: ISBE 2003 Illinois School and School District Report Cards

After a year and a half as principal, Ms. Merriweather was terminated by the Robertson School Board in July 2003 and replaced by Mr. Cordell Ingram, a math teacher and football coach from a local high school. In a complaint filed with the City of Decatur Human Relations Commission, Ms. Merriweather alleged that her termination was motivated by religious discrimination. She said she was fired because she had left Rev. Livingston's church the previous year. Rev. Livingston said she was released because she did not have a strong enough education background to help the school continue to grow. Ms. Merriweather vigorously disputed this explanation.²⁸⁶ In December 2004 the City of Decatur Human Relations Commission found in Ms. Merriweather's favor, and awarded her \$42,385 in damages.²⁸⁷

In 2003-2004 and 2004-2005, Robertson's third grade students made impressive gains in both reading and math, but its fourth-grade students lost ground in science and social studies. The charter school's two-year record for fifth-grade students shows mixed results: there was a substantial improvement in reading scores, but a sharp drop in math scores.

Robertson Charter School 2002-2003 to 2004-2005: Percent of Students Meeting or Exceeding Standards on the Illinois State Achievement Test								
Year	Grade 3			Grade 4		Grade 5		
	Reading	Math	Writing	Science	Soc. Studies	Reading	Math	Writing
2002-2003	47.6%	38.1%	90.5%	33.3%	46.7%	--	--	--
2003-2004	55.0%	66.7%	85.0%	26.3%	21.1%	31.3%	43.8%	46.7%
2004-2005	69.6%	73.9%	N/A	20.0%	N/A	52.6%	15.8%	N/A

Source: ISBE 2004 and 2005 Illinois School Report Cards

Robertson enjoyed financial stability throughout the 2004-2005 and 2005-2006 school years. In December 2005 Robertson paid off the mortgage of the school building it had used since it

²⁸⁶ Valerie Wells, "Living his Dream," *Herald & Review*, August 18, 2003.

²⁸⁷ Mike Frazier, "Former Robertson principal receives \$42,385 award," *Herald & Review*, December 15, 2004.

opened, and Robertson had a \$600,000 fund balance in February 2006.²⁸⁸ Operating revenues in 2005-2006 slightly exceeded operating expenditures, by roughly \$42,000.²⁸⁹ Robertson began offering summer school classes in 2006, and on June 19, Robertson purchased the facility that became its permanent home in 2006-2007, a school building with 25,000 square feet that had housed the Institute of Construction Education in 2005-2006.²⁹⁰ This building is 65% larger than Robertson's previous building.

Robertson has also continued to enjoy substantial community support. From January 2004 to the present, five different stories or editorials highlighting Robertson's successes and community enthusiasm for the school have appeared in the local newspaper. The school anticipates an enrollment of 222 students for the 2006-2007 school year.²⁹¹

In May 2006, however, there was friction between Robertson and the Decatur Board of Education over Robertson's request for a charter renewal, which had been submitted to the District in February. Because of the school's fifth-grade math scores, in 2004-2005 Robertson failed to make Adequate Yearly Progress (AYP) as defined under federal No Child Left Behind legislation. In the renewal contract, the Decatur Board of Education included language permitting it to revoke Robertson's charter if Robertson failed to make AYP for two consecutive years.²⁹² The Board said that the language was included only to protect the district, so that if Robertson did fail, the Board could act without a protracted legal struggle. The language was not included, the Board said, to allow the district "to find a reason to close the charter school."²⁹³ Robertson signed the contract renewal, but the Charter School's Board sent a strongly-worded letter of protest to the Decatur Board. The protest letter said that the Decatur Board was holding Robertson to a higher standard than the standard to which it held its own schools.²⁹⁴

Springfield District 186 and Springfield Ball Charter School

The following sections provide background information on the demographics, the population and enrollment trends, and the financial condition of Springfield District 186.

Student Demographics

Springfield District 186 is a unit school district (K-12) that had a total 2003-2004 enrollment of 14,245 students. Fifty-seven percent of the district's students were low-income. Fifty-nine percent of the district's students were white, 37.7% were black, 1.2% were Hispanic, 1.9% were Asian, and 0.2% were Native American.²⁹⁵

²⁸⁸ Valerie Wells, "Entering its fifth year, Robertson Charter School is model of success," *Herald & Review*, May 7, 2006.

²⁸⁹ Valerie Wells, "Robertson Charter School ends fiscal year with slight surplus," *Herald & Review*, August 4, 2006.

²⁹⁰ "Robertson Charter School purchases new facility," *Decatur Tribune*, June 29, 2006.

²⁹¹ Valerie Wells, "Robertson agrees to contract," *Herald & Review*, June 28, 2006.

²⁹² Valerie Wells, "Contract not a done deal for Robertson," *Herald & Review*, May 30, 2006.

²⁹³ Valerie Wells, "Robertson Charter School considering options in contract dispute with school district," *Herald & Review*, June 16, 2006.

²⁹⁴ Wells, "Robertson agrees to contract."

²⁹⁵ ISBE, 2004 School Report Card.

Springfield District 186 had the largest student population of the 13 unit school districts in Sangamon County, Illinois in 2003-2004. The district encompasses the city of Springfield, the county seat and state capital. Springfield is the sixth largest city in Illinois, and had a population of 113,586 in 2003.²⁹⁶

Springfield Ball Charter School was established in 1998 to serve as a laboratory for curriculum and pedagogical innovation in Springfield District 186. In 2003-2004 it enrolled 405 students in grades PK-8. Twenty-eight percent of Ball Charter's students were low-income. Sixty-two percent were white, 32.3% were black, 1.7% were Hispanic, 3.5% were Asian, and 0.2% were Native American.²⁹⁷

As the following table illustrates, Springfield District 186 had significantly more minority and low-income students than the surrounding school districts, reflecting the demographic composition of the city of Springfield. The ethnic diversity of Springfield Ball Charter School largely reflected that of Springfield District 186, but Ball Charter's student body had a significantly smaller percentage of low-income students than did the district's.

Sangamon County School District Student Demographic Data: 2003-2004							
	White	Black	Hispanic	Asian	Native American	Low Income	Total Enrollment
Pleasant Plains District 8	97.1%	0.8%	0.8%	1.2%	0.1%	8.4%	95
Illiopolis District 12	99.3%	0.3%	0.3%	0.0%	0.0%	24.7%	296
Divernon District 13	98.0%	0.3%	1.0%	0.7%	0.0%	15.9%	296
Tri City District 1	98.3%	1.4%	0.3%	0.0%	0.0%	14.1%	639
Community District 16	97.3%	1.6%	0.6%	0.4%	0.0%	20.4%	677
Pawnee District 11	98.1%	1.6%	0.1%	0.1%	0.0%	13.7%	736
Auburn District 10	96.6%	1.8%	1.0%	0.5%	0.1%	25.0%	1,190
Williamsville District 15	99.0%	0.2%	0.4%	0.5%	0.0%	4.2%	1,316
Riverton District 14	97.4%	1.3%	0.5%	0.3%	0.5%	26.9%	1,473
Rochester District 3A	96.9%	0.9%	1.0%	0.8%	0.3%	4.2%	1,912
Ball Chatham District 5	93.5%	2.7%	0.9%	2.4%	0.4%	7.3%	4,060
Springfield District 186	58.9%	37.7%	1.2%	1.9%	0.2%	56.7%	14,245
Springfield Ball Charter School	62.2%	32.3%	1.7%	3.5%	0.2%	27.7%	405
<i>State of Illinois</i>	<i>57.7%</i>	<i>20.8%</i>	<i>17.7%</i>	<i>3.6%</i>	<i>0.2%</i>	<i>39.0%</i>	<i>2,060,048</i>

Source: ISBE 2004 School District Report Cards

Population and Enrollment Trends

The population of Sangamon County has risen each decade since 1880, when census data was first collected. Between 1980 and 2003, the population increased by 9.0%, or 15,800 residents. Between 2000 and 2003, the population increased by about 1,000 residents each year, a cumulative increase of 1.5% or 3,000 residents over the course of three years. This rate of increase is consistent with the rate of general population increase in Illinois. Springfield's

²⁹⁶ Institute of Government & Public Affairs, *Illinois Statistical Abstract 2004* (University of Illinois), <http://www.igpa.uiuc.edu/Abstract/Population/index.htm>.

²⁹⁷ ISBE, 2004 School Report Card.

population hovered at 1.52% of the state's population between 2000 and 2003.²⁹⁸ Sangamon County's population has increased by 45.9% since 1950.

Sangamon County Population 1950-2003							
1950	1970	1980	1990	2000	2003 est.	% change 1950-2003	% change 2000-2003
131,484	161,335	176,089	178,386	188,951	191,875	45.9%	1.5%

Source: *Illinois Statistical Abstract 2004*, Institute of Government & Public Affairs, University of Illinois

School enrollment in Sangamon County has likewise remained steady over the past decade. From 1993 to 2002, public school enrollment increased by only 2.8%, or 791 students. Nonpublic school enrollment dropped by 4.2% or 259 students over the same period. Low-income enrollment for both public and nonpublic schools, however, increased dramatically. Public schools saw an 18.3% increase, while low-income enrollment rose by 31% in nonpublic schools. The dramatic growth in the enrollment of low-income students in public schools has been a statewide phenomenon. Between 1993 and 2002, low-income enrollment grew by 36.8%, from 574,245 to 785,628. Sangamon County's total enrollment growth of 1.5% over the ten years surveyed is also consistent with statewide trends.²⁹⁹

Sangamon County Public and Nonpublic School Enrollment: 1992-1993 to 2001-2002				
	1992-1993	2001-2002	# change 1993-2002	% change 1993-2002
Public Schools	28,318	29,109	791	2.8%
Nonpublic Schools	6,098	5,839	-259	-4.2%
Total	34,416	34,948	532	1.5%

Source: *Illinois Statistical Abstract 2004*, Institute of Government & Public Affairs, University of Illinois

Despite modest countywide enrollment gains, total enrollment in Springfield District 186 has declined by 4.4% or 647 students since 1998-1999. District enrollment was 14,607 that year, and fell to 13,960 by 2004-2005.³⁰⁰

Springfield Ball Charter School opened as a PK-3 school in 1998 with 175 students enrolled, 135 of whom were enrolled in grades K-3. The school's K-8 enrollment reached 354 students in 2004-2005. According to Ball Charter's renewal agreement with Springfield District 186, the maximum enrollment for Ball Charter is 488 students, including pre-K students.³⁰¹ The chart below shows Ball Charter's enrollment growth between 1998-1999 and 2004-2005. The chart excludes pre-K enrollment because Ball Charter does not receive per capita tuition revenues for pre-K students.³⁰²

²⁹⁸ Institute of Government & Public Affairs, *Illinois Statistical Abstract 2004*.

²⁹⁹ Ibid.

³⁰⁰ ISBE, 1999 and 2005 Illinois School Report Cards.

³⁰¹ *Springfield Ball Charter School Agreement*, April 7, 2003, 2.

³⁰² Scott Brower (Business Manager, Springfield Ball Charter School), in a letter to the Civic Federation, November 6, 2006. Ball Charter enrolled 40 pre-K students in its first year and has enrolled 60 pre-K students each year since.

Springfield Ball Charter School Student Enrollment (Excluding Pre-K Enrollment)							
1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	% change 1999-2005
135	173	218	259	299	345	354	162.2%

Source: ISBE, School Report Cards and information provided by Springfield Ball Charter School

Springfield School District 186 Finances

Sangamon County had a median household income of \$44,425, which ranked 21st among Illinois's 102 counties, according to 2000 census results. Sangamon ranked 64th among Illinois counties for the percentage of residents living below the poverty level (9.5%).³⁰³ The average EAV per pupil for unit districts in Sangamon was \$92,915 in 2003-2004, \$6,041 more than the \$86,874 state average for unit districts.³⁰⁴

Property Taxes

Springfield District 186's EAV per pupil has consistently ranked in the top 20% of Illinois unit districts. Nevertheless, since at least 1996-1997, Springfield District 186 has received the Foundation General State Aid Formula, which applies to districts whose local source funding per pupil is less than 93% of the foundation level set by the Illinois General Assembly each year. In 2003-2004, 93.3% of Illinois unit districts received the Foundation Formula.

Springfield District 186 Equalized Assessed Property Value (EAV) and General State Aid Formula Type				
Year	Two Year Prior EAV Per Pupil	Rank...	out of	Formula Type
1996-1997	\$ 100,138	45	406	Foundation
1997-1998	\$ 95,899	44	406	Foundation
1998-1999	\$ 101,128	46	408	Foundation
1999-2000	\$ 104,308	51	409	Foundation
2000-2001	\$ 107,989	56	408	Foundation
2001-2002	\$ 109,005	66	406	Foundation
2002-2003	\$ 114,802	60	407	Foundation
2003-2004	\$ 118,509	58	403	Foundation

Source: ILEARN, ISBE

The district's property tax rates have not increased substantially since 1997-1998. Rates rose for the 1997-1998 school year after the Board of Education approved a 6% overall property tax rate increase in 1996. Part of the increase, including a \$0.05 increase for the bond and interest fund and a \$0.05 increase for the lease fund, was approved to finance construction projects voters had rejected in a 1994 referendum. The liability insurance fund was also increased that year, by \$0.13 (this increase was unrelated to district construction).³⁰⁵ The aggregate rate increase

³⁰³ Institute of Government & Public Affairs, *Illinois Statistical Abstract 2004*.

³⁰⁴ ILEARN. Because the collection of property taxes lags two years behind the school fiscal year, the 1999-2000 EAV per pupil measurement is generated with 1998 district EAVs.

³⁰⁵ John O'Connor, "Board OKs increase in school tax," *State Journal-Register*, December 17, 1996, and Springfield School District 186, *1997 Comprehensive Annual Financial Report*.

brought Springfield District 186 into the upper half of unit district tax rates statewide where the district has remained.

Springfield District 186 Property Tax Rate			
Year	Two Year Prior Total Tax Rate	Rank...	out of
1996-1997	4.22	221	406
1997-1998	4.49	166	406
1998-1999	4.46	176	408
1999-2000	4.48	155	409
2000-2001	4.48	146	408
2001-2002	4.48	150	406
2002-2003	4.51	167	407
2003-2004	4.52	171	403

Source: ILEARN, ISBE

The growth of Springfield District 186’s property tax revenue is limited by the Property Tax Extension Limitation Law (PTELL) that Sangamon County approved by referendum on November 5, 1996. This cap took affect in 1997 and limited the growth of property tax revenue to 5% or the percentage increase in the Consumer Price Index, whichever is less. According to Springfield District 186’s *1999 Comprehensive Annual Financial Report*, the district first “experienced the impact of this law during fiscal year 1999.” That year, “the estimated tax dollars lost in the major operating funds due to PTELL was \$503,890.”³⁰⁶

Financial Health

From July 1998 to July 2002, Springfield District 186 experienced a financially turbulent period in which operating expenditures consistently exceeded revenues. Over that period of time, the Operating Funds balance fell by 45.3%, from \$33.5 million to \$18.3 million.

Springfield School District 186 June 30 Ending Fund Balances (in millions): 1998 to 2002							
	1998	1999	2000	2001	2002	\$ change 1998-2002	% change 1998-2002
Operating Funds*	\$ 33.5	\$ 33.4	\$ 32.9	\$ 25.8	\$ 18.3	\$ (15.2)	-45.3%
Working Cash Funds	\$ 22.8	\$ 23.4	\$ 24.1	\$ 17.9	\$ 10.7	\$ (12.1)	-53.1%

* Includes Educational, Operations and Maintenance, Transportation, and Working Cash Funds.

Source: ISBE, 2002 School District Financial Profile

For the 2001-2002 school year Springfield District 186’s finances received the “Financial Early Warning” designation on ISBE’s District Financial Profile. The Early Warning designation is given to schools that score between 2.62 and 3.07. This designation means that a district’s finances will be closely monitored by ISBE, and that ISBE will offer the district technical assistance with financial planning. Substantial budget reductions, however, have helped the district recover financially since 2001-2002. Beginning in 2002-2003, Springfield District 186 received the “Review” designation for two consecutive years. The “Review” designation, awarded to districts with Profile Scores between 3.08 and 3.53, indicates that the district’s

³⁰⁶ Springfield School District 186, *1999 Comprehensive Annual Financial Report*.

finances have stabilized, though the State will continue to monitor the district for potential downward trends.

School District Financial Profiles: 2002-2004		
		Springfield District 186
2001-2002	Score /4.0	2.80
	Designation	Financial Early Warning
2002-2003	Score /4.0	3.25
	Designation	Review
2003-2004	Score /4.0	3.35
	Designation	Review

Source: ISBE School District Financial Profiles 2002-2004

Between 1997 and 2004, roughly 27-29% of Springfield District 186's revenues came from the State of Illinois, and between 8 and 14% came from the federal government. Approximately 58-63% of Springfield District 186's revenues were local source, primarily from property taxes. The percentage of revenue that is local source has been decreasing since 1998-1999, while the percentage provided by the Federal government has risen steadily. Springfield District 186's federal revenues have more than doubled since 1998-1999, and the district's total revenues have increased by 35.5% since 1996-1997.

Springfield District 186 Revenues By Source							
Year	State Revenues	% of Total	Local Revenues	% of Total	Federal Revenues	% of Total	TOTAL Revenues
1996-1997	\$ 30,708,350	28.87%	\$ 66,853,552	62.85%	\$ 8,806,990	8.28%	\$ 106,368,892
1997-1998	\$ 32,475,622	28.35%	\$ 70,478,225	61.52%	\$ 11,610,962	10.13%	\$ 114,564,809
1998-1999	\$ 33,454,531	28.47%	\$ 73,575,176	62.62%	\$ 10,462,604	8.90%	\$ 117,492,311
1999-2000	\$ 35,397,109	28.72%	\$ 76,534,885	62.09%	\$ 11,329,605	9.19%	\$ 123,261,599
2000-2001	\$ 37,346,808	28.93%	\$ 79,857,910	61.86%	\$ 11,893,258	9.21%	\$ 129,097,976
2001-2002	\$ 35,167,091	26.84%	\$ 80,799,240	61.67%	\$ 15,060,508	11.49%	\$ 131,026,839
2002-2003	\$ 36,101,110	26.72%	\$ 79,683,310	58.97%	\$ 19,336,064	14.31%	\$ 135,120,484
2003-2004	\$ 38,487,584	26.69%	\$ 84,105,907	58.33%	\$ 21,585,023	14.97%	\$ 144,178,514

Source: ILEARN, ISBE

District Funds Contributed to Springfield Ball Charter School

Since Springfield Ball Charter School was chartered by the Springfield Board of Education, the majority of its revenues, which are determined on a per pupil basis, come directly from the district. Appropriate federal and state categorical funds are received by the district and passed through to Ball Charter. During the first five years of Ball Charter's operation, Springfield District 186 provided special education, transportation, and food services to Ball Charter on the same basis that it provides these services to district schools. These arrangements remained the same after the Ball Charter's contract was renewed in April 2003, except that Springfield District 186 would reimburse Ball Charter for its special education expenses rather than provide special education services. Ball Charter, therefore, does not receive any state or federal funds for these purposes. Ball Charter does not receive per capita tuition reimbursement for its pre-K students from Springfield District 186. Springfield District 186 does, however, pass through to Ball Charter a proportional amount of the pre-K funding that the district receives from the state and federal government.

Between 1998-1999 and 2003-2004, Springfield 186's total revenues rose by 22.7% while enrollment declined by 4.4%. Despite these trends, and despite the fact that per pupil operating expenses have increased by 12.2% over the same period, up from \$7,620 to \$8,549, the district's per capita tuition has decreased by \$88 or 1.4%. The tuition decrease has occurred in part because the District expenditures and revenues that the State per capita tuition formula factors out have both risen dramatically since 1998-1999.³⁰⁷

Springfield District 186 Per Capita Tuition: 1999-2004							
1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	# change 1999-2004	% change 1999-2004
\$ 6,149	\$ 6,267	\$ 6,573	\$ 6,850	\$ 5,952	\$ 6,061	\$ (88)	-1.4%

Source: Springfield School District 186 Annual Financial Reports

Springfield District 186 pays Ball Charter a percentage of the district's per capita tuition from three years prior multiplied by the number of K-8 students enrolled in the charter school.³⁰⁸ During the first five years of its operation, Ball Charter's contract stipulated that the school would receive at least 80% of the district's per capita tuition. The per capita tuition payments that Ball Charter has received between 2000-2001 and 2003-2004, based on Springfield District 186's three-year prior per capita tuition rate, are listed in the following table:

Springfield Ball Charter School Per Capita Tuition Received: 2000-2001 to 2003-2004				
Year	SBCS Per Capita Tuition Rate	Springfield 186 Three-Years-Prior Per Capita Tuition	%	
2000-2001	\$ 4,742	\$ 5,928	80.0%	
2001-2002	\$ 4,919	\$ 6,149	80.0%	
2002-2003	\$ 5,014	\$ 6,267	80.0%	
2003-2004	\$ 5,258	\$ 6,573	80.0%	

Source: Scott Brower (Business Manager, Springfield Ball Charter School)

Ball Charter's renewal contract stated that Ball Charter would be paid per capita tuition rates as detailed in the following schedule:

³⁰⁷ ISBE, 1999 and 2004 Annual Financial Report for Springfield District 186. The expenditures deducted from the district's total expenditures in the per capita tuition calculation rose from \$13.7 million in 1998-1999 to \$23.1 million in 2003-2004. The revenues subtracted out by the formula rose from \$24.3 million to \$37.2 million. See p. 25 for a general description of the per capita tuition formula.

³⁰⁸ After 2003-2004, the district began using the two-years-prior per capita tuition rate to calculate the payments due to Ball Charter school. Scott Brower (Business Manager, Springfield Ball Charter School), in a letter to the Civic Federation, November 6, 2006.

Springfield Ball Charter School 2003 Funding Agreement	
School Year	Per Pupil Funding
2003-2004	\$ 5,320.32
2004-2005	\$ 5,426.73
2005-2006	\$ 5,535.26
2006-2007	\$ 5,645.97
2007-2008	\$ 5,758.89

Source: 2003 Springfield Ball Charter School Agreement

The schedule notwithstanding, Ball Charter was guaranteed to receive a minimum of 75% of the District's per capita tuition, but would not be permitted to receive more than 90% of the district tuition rate. For the 2005-2006 school year, Ball Charter received 90% of the district's 2002-2003 per capita tuition rate, which was less than the amount specified in the schedule.³⁰⁹

Springfield District 186 did not receive Transition Impact Aid (TIA) in the first year of Ball Charter's operation because the legislation creating TIA had not yet been passed by the General Assembly. In the charter school's second year of operation, Springfield 186 was eligible to receive 65% of the funds it transferred to Ball Charter, but in fact received 59.8% or \$498,801 of the \$834,600. All eligible districts received a prorated share of the TIA for which they were eligible because the funds appropriated for TIA by the General Assembly were insufficient to fully fund all districts at the prescribed levels. In 2000-2001, the third year of Ball Charter's operation, Springfield District 186 received the 35.0% of funds transferred for which it was eligible. During the two years that the district received TIA, the TIA funding defrayed 45.8% or \$874,142 of the \$1,907,003 that the district transferred to Ball Charter. The TIA funding calculation does not reimburse school districts for any services provided.

Transition Impact Aid Transferred to Springfield District 186: 2000-2001			
Year	TIA Received by District 186	Funds Transferred to Springfield Ball	TIA as % of Funds Transferred
1999-2000	\$ 498,801	\$ 834,600	59.8%
2000-2001	\$ 375,341	\$ 1,072,403	35.0%
TOTAL	\$ 874,142	\$ 1,907,003	45.8%

Source: ISBE, communication with Tim Imler, July 5, 2005

The following two tables show the amount contributed to Ball Charter as a percentage of Springfield District 186's operating expenses and total revenues. In 2003-2004, the funds provided to Springfield Ball Charter School by Springfield District 186 represented 1.4% of the district's operating expenses and 1.1% of its total revenues. For 1999-2000 and 2000-2001, the years in which Springfield 186 received TIA assistance from the State, the amounts transferred to Ball Charter that are listed in the table are the gross amounts transferred and do not net out the TIA funding. Subtracting out the amount received by Springfield in TIA, the district contributed \$335,799 in 1999-2000 (0.3% of regular K-8 operating expenses), and \$697,062 in 2000-2001 (0.6% of operating expenses).

³⁰⁹ Amy Raftis (Chairperson, Ball Charter School Board) and Julie Ruskey (Principal, Ball Charter School), in discussion with the Civic Federation, July 11, 2005.

Springfield District 186: Financial Contribution to Springfield Ball Charter School as % of Operating Expenses			
Year	Operating Expenses Regular K-12	\$ Contributed to Charter School	%
1998-1999	\$ 102,756,822	\$ 724,660	0.7%
1999-2000	\$ 106,093,071	\$ 553,006	0.5%
2000-2001	\$ 112,401,894	\$ 796,830	0.7%
2001-2002	\$ 114,753,117	\$ 1,021,968	0.9%
2002-2003	\$ 109,095,558	\$ 1,306,373	1.2%
2003-2004	\$ 113,020,073	\$ 1,606,204	1.4%

Source: ILEARN, ISBE, and data provided by District 61

Springfield District 186: Financial Contribution to Springfield Ball Charter School as % of Total Revenues			
Year	Total Revenues All Sources	\$ Contributed to Charter School	%
1998-1999	\$ 117,492,311	\$ 724,660	0.6%
1999-2000	\$ 123,261,599	\$ 553,006	0.4%
2000-2001	\$ 129,097,976	\$ 796,830	0.6%
2001-2002	\$ 131,026,839	\$ 1,021,968	0.8%
2002-2003	\$ 135,120,484	\$ 1,306,373	1.0%
2003-2004	\$ 144,178,514	\$ 1,606,204	1.1%

Source: ILEARN, ISBE, and data provided by District 61

History of Springfield District 186

Springfield District 186’s declining enrollment and rising low-income population have challenged the district’s ability to balance its budget and complicated efforts to educate its students. Despite these challenges, the district has shown a strong commitment to school choice.

In May 1996 Springfield District 186 adopted a strategic plan that expressed this commitment. The District’s Board of Education described school choice as a policy that would meet community expectations for the Springfield school system.³¹⁰ Drafted by Superintendent Bob Hill, who led Springfield District 186 schools from 1991 to 2002, the plan established “policies and procedures for the design and creation of a Charter School,” and “guidelines for the development and implementation of theme, magnet and similar ‘school’ approaches.”³¹¹

The strategic plan was in part a response to the financial difficulties that the District had been experiencing for several years. In addition to faulting inadequate state funding and the property tax caps that restricted district revenue growth, Superintendent Hill blamed the District’s financial troubles on the loss of students to schools in neighboring suburban communities.

³¹⁰ Springfield District 186, *2000 Comprehensive Annual Financial Report*.

³¹¹ *Ibid.*

School choice was envisioned as a strategy for making district schools more competitive with suburban schools.³¹²

The Ball Foundation was awarded a charter to operate a school in Springfield at the March 16, 1998 Springfield Board of Education meeting. At the same meeting, the district discussed \$1.8 million in budget cuts to address a projected budget shortfall for the 1998-1999 school year.³¹³ District officials attributed the shortfall to declining enrollment's effects on funding.³¹⁴ As shown in the table below, in 1997-1998 operating revenues exceeded operating expenditures by \$2.2 million.³¹⁵ Faced with the projected budget shortfall for 1998-1999, however, the Board of Education decided to release 80 employees in June 1998. These layoffs were "the most in a decade," and Superintendent Hill warned that, "Even with these cuts, two years out further, the scenario is still dreadful."³¹⁶ Operating expenditures rose to \$106.4 million in 1998-1999, a 5.0% increase over the 1997-1998 total of \$101.3 million.³¹⁷ Operating expenditures exceeded operating revenues, which increased only 2.3% over the previous year, by \$0.5 million.

Springfield District 186 Operating Funds: 1997-1998 and 1998-1999				
	1997-1998	1998-1999	\$ change 1998-1999	% change 1998-2000
Excess (Deficit) of Revenues over Expenditures	\$ 2,158,928	\$ (526,089)	\$ (2,685,017)	-124.4%
Operating Funds Ending Balance	\$ 33,513,405	\$ 33,369,405	\$ (144,000)	-0.4%
Working Cash Fund Ending Balance	\$ 22,749,048	\$ 23,424,568	\$ 675,520	3.0%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds

Source: ISBE, 2002 School District Financial Profile

Despite the district's anticipation of looming budget difficulties, Springfield District 186 continued to explore its interest in school choice during the 1998-1999 school year. In November the district began to consider "the possibility of inviting the Edison Project, a private New York Corporation, to manage a school." Edison schools offered "reading and math curricula developed by universities," "foreign language [instruction] beginning in kindergarten," "laptop computers for every teacher and administrator," and "Internet terminals in the homes of all its students beginning in third grade."³¹⁸ The newspaper article reporting the district's interest

³¹² Lisa Kernek, "Charter school OK'd," *State Journal-Register*, March 17, 1998. Kernek wrote that "Springfield schools want to offer more choices to parents, particularly because of increasing competition from suburban schools."

³¹³ Published reports do not indicate that employees protesting the cuts saw Ball Charter as an unjustified district expense at that time. A subsequent report in the *State Journal-Register*, however, did link the \$2.5 million projected deficit to the fact that the "the district must spend \$728,000 on a new charter school." See Lisa Kernek, "District 186 expects \$2.5 million shortfall," *State Journal-Register*, June 15, 1998.

³¹⁴ Kernek, "Charter school OK'd."

³¹⁵ Springfield District 186's total expenditures exceeded total revenues by \$8.1 million due to a capital outlay of \$11.7 million. The district made up the deficit by assuming \$9.0 million in long-term debt.

³¹⁶ Kernek, "Charter school OK'd."

³¹⁷ These operating expenditure figures differ slightly from the figures presented in the table above because they are derived from different sources and calculated differently. See the footnote on page 48.

³¹⁸ Lisa Kernek, "City might let business run school," *State Journal-Register*, November 22, 1998.

in Edison noted other examples of Springfield's commitment to school choice, citing the recent opening of Springfield Ball Charter School, Southern View Elementary School's year-round curriculum, and the district's suggestion that its schools "cultivate individual 'themes.'"³¹⁹

In December 1999 the Springfield Board of Education voted to allow Edison Schools Inc. to manage one of its schools. Feitshans-Edison Partnership School was scheduled to open as a magnet school offering grades K-5 in 2000-2001. The district announced that two other schools would become magnet schools for the 2000-2001 school years, and began accepting transfer requests to these schools and to Feitshans-Edison in February 2000. One of the new magnet schools was a gifted program that admitted students on the basis of achievement test scores. The local newspaper greeted the new school choice options enthusiastically. In March 2000 the Board of Education also approved plans for an alternative school "aimed at keeping expelled students off the street."³²⁰

The district continued to face a difficult financial outlook during the 1999-2000 school year. Total operating expenditures that year exceeded revenues by \$0.4 million. During the course of the year, the district succeeded in spending less than it had planned, reducing a budgeted general fund deficit of \$6.5 million, which would have absorbed the District's entire general fund balance, to \$2.3 million. However, the district did use the entire unreserved portion of its general fund balance, \$3.3 million, to meet operating costs.³²¹ In November 1999 Superintendent Hill indicated that the district would not plan for future budget cuts until the school year had ended. He continued to blame the property tax caps, declining enrollment, and "inequitable state funding" as causes of the district's financial difficulties.³²²

In June 2000 the district acknowledged that it faced "a projected deficit of nearly \$7 million" for the 2000-2001 school year.³²³ District Board of Education Vice-President Mark Ferguson said, "There should be a general alarm about how the financial situation appears at this point."³²⁴ The Board had not cut any teaching positions in the spring, when it would have had to notify teachers of layoffs in order to comply with union contracts. As projected, at the end of the school year, operating expenditures exceeded operating revenues by \$7.1 million. The district's combined operating funds balance fell from \$32.9 million to \$25.8 million. The working cash fund was used to make up the majority of this shortfall. Its fund balance fell \$6.2 million, from \$24.1 million to \$17.9 million.³²⁵

³¹⁹ Ibid. The district also states in its *1999 Comprehensive Annual Financial Report* that, "District 186 will continue to support the concept of charter schools, with the intent of working collaboratively on the operation of a charter school within its boundaries."

³²⁰ Lisa Kernek, "Board OKs new alternative school," *State Journal-Register*, March 8, 2000.

³²¹ Springfield School District 186, *2000 Comprehensive Annual Financial Report*.

³²² Sean Dailey, "District 186 eyes amended budget," *State Journal-Register*, November 16, 1999.

³²³ Lisa Kernek, "School board faces major deficit," *State Journal-Register*, June 19, 2000.

³²⁴ Ibid.

³²⁵ ISBE, 2001 School District Financial Profile.

Springfield District 186 Operating Funds: 1999-2000 and 2000-2001				
	1999-2000	2000-2001	\$ change 2000-2001	% change 2000-2001
Excess (Deficit) of Revenues over Expenditures	\$ (448,127)	\$ (7,133,156)	\$ (6,685,029)	1491.8%
Operating Funds Ending Balance	\$ 32,921,278	\$ 25,788,122	\$ (7,133,156)	-21.7%
Working Cash Fund Ending Balance	\$ 24,133,621	\$ 17,910,801	\$ (6,222,820)	-25.8%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds

Source: ISBE, 2002 School District Financial Profile

When the new schools of choice opened for the 2000-2001 school year, the local newspaper published celebratory stories. The *State Journal-Register* heralded the 2000-2001 school year as ushering in the most significant district-wide change “since desegregation in the mid-1970s.” The *State Journal-Register* reported: “Doors opened Monday on the first elementary school built since 1966, a new privately managed school, two new middle-grade buildings and four new magnet programs open to children citywide.... [S]chool officials are striving to offer a variety of choices to parents, letting them shop for the best school for their child.”³²⁶

In the second half of the 2000-2001 school year, however, the Springfield Board of Education again faced projections showing that the district’s deficit was continuing to grow. In April 2001 the Board outlined \$5 million in cuts “to shrink a deficit that is nevertheless expected to hit \$12 million by summer 2002.”³²⁷ Nearly 50 teaching positions were eliminated, primarily through teacher retirement. The *State Journal-Register* reported that the cuts affected “art, music, physical education, high school vocational academies, the alternative program..., technical-education classes and foreign language.”³²⁸ The district also announced at that time that it would seek “at least a 13 percent increase in property taxes” in the 2002 spring election.³²⁹ In March 2002 the district’s proposed tax increase of \$1.00 per \$100 EAV was soundly defeated – 61.4% of Springfield voters rejected the measure.³³⁰ By the end of the 2001-2002 school year, the district’s deficit was smaller than had been feared, but total operating expenditures did exceed operating revenues by \$7.4 million. The district again relied on its working cash fund to make up the majority of the deficit, and the working cash fund balance fell from \$17.9 million to \$10.7 million.

Its property tax referendum defeated, the Springfield Board of Education made substantial budget cuts again in March and April 2002, reducing planned expenditures for the 2002-2003 school year by 11% or \$9.6 million. The Board’s cuts included: the elimination of nearly 200 positions, including 64 teaching positions, 22 custodial positions, and almost 100 support

³²⁶ Lisa Kernek, “A day of firsts,” *State Journal-Register*, August 29, 2000.

³²⁷ Lisa Krennek, “Springfield schools facing \$12 million deficit despite budget cuts,” *State Journal-Register*, April 3, 2001.

³²⁸ Ibid.

³²⁹ Dean Olsen, “Hill: 13% tax hike needed. School superintendent urges funding reform,” *State Journal-Register*, April 20, 2001.

³³⁰ Illinois Association of School Administrators, www.iasaedu.org.

personnel; the elimination of funding for consultants, library books, field trips, and out-of-district travel for teacher training; and funding reductions for substitute teachers, equipment repair, supplies, and sports programs. Superintendent Hill said that, following the cuts, “There won’t really be elective courses in the middle schools,” and that high school students “will be restricted to no more than six courses daily.”³³¹

Since the financially difficult 2001-2002 school year, Springfield District 186’s financial situation has improved. As shown in the table below, from 2001-2002 to 2002-2003, operating expenditures dropped from \$125.3 million to \$119.3 million while operating revenues rose from \$117.8 million to \$121.7 million. Springfield’s expenditure to revenue ratio remained favorable in 2003-2004 as district operating revenue growth more than kept pace with operating expenditure increases. District operating revenues rose by 5.0% to \$127.8 million, while operating expenditures totaled \$123.6 million, a 3.6% increase over the previous year. The district’s Financial Profile score rose from 2.80 in 2002, a score that placed Springfield in the State’s “Early Warning” category, to 3.25 in 2003 and 3.35 in 2004. Both of these scores earned the district “Review” standing.³³² In 2004-2005 the district’s financial profile score improved again, this time to 3.45. Operating revenue growth continued to exceed operating expenditure increases, despite the adverse affects that a State law increasing homeowner and senior citizen property tax exemptions had on the district’s property tax revenue.³³³ Between 2001-2002 and 2004-2005, the District’s aggregate operating funds balance climbed steadily from \$18.3 million to \$31.5 million.³³⁴

Springfield District 186 Operating Funds: 2001-2002 to 2004-2005					
	2001-2002	2002-2003	2003-2004	\$ change 2002-2004	% change 2002-2004
Excess (Deficit) of Revenues over Expenditures	\$ (7,448,256)	\$ 2,389,786	\$ 4,195,341	\$ 11,643,597	N/A
Operating Funds Ending Balance	\$ 18,339,866	\$ 20,729,652	\$ 26,089,336	\$ 7,749,470	42.3%
Working Cash Fund Ending Balance	\$ 10,667,013	\$ 11,423,012	\$ 12,221,081	\$ 1,554,068	14.6%

Note: Operating Funds include Education, Operations and Maintenance, Transportation, and Working Cash Funds
Source: ISBE, 2005 School District Financial Profile

In May 2002, little more than a month after approving the significant budget cuts necessitated by the district’s property tax referendum defeat, the Springfield Board approved a plan to sell \$20 million in life-safety bonds in order to secure \$12.4 million in state funds for designated capital projects.³³⁵ The board’s decision to issue life-safety bonds was controversial, because it barred the public from holding a “backdoor” referendum on the bond sale. Had the Board chosen to secure state funding by selling working-cash bonds, Springfield residents could have blocked the bond sale by collecting signatures from 10% of registered voters. In addition to preventing such

³³¹ Sean Dailey, “District budget cut by \$9.6 million,” *State Journal-Register*, March 27, 2001.

³³² ISBE, Financial Profile Scores by County, http://www.isbe.net/pdf/financial_profile.pdf.

³³³ Public Act 093-0715 increased the homeowner exemption from \$3,500 to \$5,000 and the senior citizen exemption from \$2,000 to \$3,000. These increases effectively reduced the taxable EAV available to taxing bodies.

³³⁴ ISBE, Financial Profile Scores by County.

³³⁵ Sean Dailey, “Life-safety optioned OK’d,” *State Journal-Register*, May 29, 2002.

a referendum, the Board's decision to issue life-safety bonds also placed restrictions on how the Board could use the capital funds: "any new construction must be matched by the same amount of square footage being taken out of service."³³⁶ The *State Journal-Register* admonished the school board for its decision to issue life-safety bonds in an editorial that began, "The Springfield School Board last week essentially told local voters, 'We want your money, not your input.'" In its resolution approving the life-safety bonds, the Board called for "a citizens' committee to study the projects called for under the plan adopted."³³⁷ The plan that was approved earmarked the "biggest chunk of money," \$5.7 million, for Springfield Ball Charter School.³³⁸

Dr. Diane Rutledge, formerly the district's Deputy Superintendent, replaced Bob Hill as District Superintendent following the 2001-2002 school year. Mr. Hill retired after accepting a position with the Ball Foundation, the Glen Ellyn-based group that ran Springfield's Ball Charter School.³³⁹ The district's financial recovery largely proceeded under Dr. Rutledge's stewardship. Despite the district's improved financial outlook, however, Springfield 186 failed to make Adequate Yearly Progress, as defined under federal No Child Left Behind legislation, in both 2003-2004 and 2004-2005.³⁴⁰ Springfield was identified for District Improvement under NCLB and was placed on the State's Academic Early Warning list for the 2004-2005 school year.

In May 2005 the district Board of Education voted to end the district's relationship with Edison when the Feitshans-Edison Magnet School's contract came up for renegotiation. "Despite Edison's intervention," the *State Journal-Register* reported, "the school is one of two in the district that, due to consistently low test scores in some areas, [is] close to facing the most extreme sanctions for not meeting state and federal academic requirements."³⁴¹ Edison had run the Feitshans-Edison school for "about 87 percent of what the district would have spent operating it," but was "asking the district for \$300,000 to \$400,000 more"³⁴² per year to run the school in the future.

History of Springfield Ball Charter School

Springfield Ball Charter School opened as a PK-3 school in 1998 with the goal of offering an innovative school curriculum and an extended school year to students in Springfield, Illinois. It was proposed to the Springfield District 186 Board of Education by the Ball Foundation, a not-for-profit group located in Glen Ellyn, Illinois that was founded in 1975. The Ball Foundation has pursued its broad mission "to discover and develop human potential" by creating career planning programs and programs for implementing education initiatives.³⁴³ The Ball Foundation's proposal said that Springfield Ball Charter School would focus on literacy,

³³⁶ Ibid.

³³⁷ Ibid.

³³⁸ Sean Dailey, "School funding measure debated," *State Journal-Register*, May 19, 2002.

³³⁹ Ibid.

³⁴⁰ For both school years, the District's overall scores would have qualified it for AYP standing, but in both years there were subgroups of the student population that did not make AYP (African American students and students with disabilities in 2003-2004, and African American students, low-income students, and students with disabilities in 2004-2005). Therefore, under No Child Left Behind legislation, the District as a whole failed to make AYP.

³⁴¹ Pete Sherman, "District 186 to keep a few Edison innovations," *State Journal-Register*, May 22, 2005.

³⁴² Ibid.

³⁴³ Ball Foundation, <http://www.ballfoundation.org/about-print.html>.

numeracy, foreign-language instruction, multi-aged grouping, and professional development for teachers. It also offered a longer school year and a longer school day than Springfield district schools.

When the Ball Foundation proposed Springfield Ball Charter School in February 1998, it had an existing relationship with Springfield District 186. During the four years prior to Springfield's March 1998 approval of the Springfield Ball Charter School charter, the Ball Foundation had "invested millions in literacy and teacher-development programs at Graham, Harvard Park and Wilcox elementary schools in Springfield."³⁴⁴ The Ball Foundation had also recently opened a charter school in Chandler, Arizona, and had already secured charters for eight other Arizona charter schools.³⁴⁵

The Foundation's proposal said that Springfield Ball Charter School would be "a laboratory for Springfield's other public schools."³⁴⁶ The school year was to be 200 days long, 20 days longer than the school year for Springfield District 186 schools, because longer school years reduced "achievement loss" and benefited at-risk students.³⁴⁷ Ball Charter would also be open from 7 a.m. to 6 p.m. so that working parents, for a fee, could leave children in the school's care before and after classes. Spanish language instruction would begin in kindergarten and would be offered for all grade levels.³⁴⁸ Like many charter schools, Ball Charter emphasized its commitment to parental involvement.

The school's charter required Springfield District 186 to pay the charter school "no less than eighty percent of the School District's per capita student tuition rate for each enrolled Kindergarten through Grade Eight student."³⁴⁹ The Ball Foundation was responsible for first-year costs that exceeded the amount paid to Ball Charter by the District. The Foundation estimated that these costs would come to \$468,000.³⁵⁰ Springfield District 186 also agreed "to provide the charter school with special education services, food services, and transportation services free of charge throughout the term of the charter."³⁵¹ Ball Charter would lease the Webster school building from the district for \$280,000 per year.³⁵² The charter school would be governed by a five-member board of directors, two of whom would be appointed by the school. The other three members were to be appointed by the Ball Foundation.

Springfield Ball Charter School's charter was approved by the district Board of Education on March 16, 1998, making it the first charter school in Springfield, the second to open downstate,

³⁴⁴ Kernek, "Charter School OK'd."

³⁴⁵ Lisa Kernek, "Plan charts new course for schools," *State Journal-Register*, February 8, 1988.

³⁴⁶ *Ibid.*

³⁴⁷ *Ibid.*; and the *Springfield Ball Charter School Agreement* (March 11, 1998), which says, "For children at-risk of school failure, maximizing the opportunity to learn is a critical factor in school success."

³⁴⁸ Lisa Kernek, "Charter school opens doors," *State Journal-Register*, July 31, 1998.

³⁴⁹ *Springfield Ball Charter School Agreement*, 21.

³⁵⁰ Kernek, "Plan charts new course for schools." This figure is cited by Kernek, though the estimate does not appear in the contract language of the charter. The charter states that, "In the first year of operation, one-time start-up expenses which exceed the revenue received by the Charter School, shall be borne by the Ball Foundation."

³⁵¹ *Springfield Ball Charter School Agreement*.

³⁵² Springfield Ball was charged the \$280,000 lease rate until the 2003-2004 school year, when the rate began to decrease according to a schedule listed in Springfield Ball's charter renewal agreement. That year, the lease rate fell to \$224,000. The rate has diminished in each succeeding year and will reach \$0 in 2007-2008.

and the ninth charter school in Illinois. Ball Charter opened as a PK-3 school. Enrollment was capped at 175 students for the first year, but was unrestricted thereafter. In the first year, a maximum of 135 students could be enrolled in grades K-3 and a maximum of 40 students could be enrolled in pre-school. The contract authorized Ball Charter to add grade levels at its discretion after the first year until the school offered grades PK-8. The day that Springfield Ball Charter School's charter was approved by the School Board, the Ball Foundation announced the selection of the charter school's first principal, Ms. Harriet Arkley, formerly the principal of Springfield's Withrow Early Childhood Center. A feature in the *State Journal-Register* highlighted Principal Arkley's success with innovative teaching techniques at Withrow, and said that Arkley was one of eight candidates considered for the Ball Charter position.³⁵³

The charter was approved at a time when the district faced substantial budgetary pressures. In June 1998 the *State Journal-Register* reported that, together with a 25% increase in health insurance costs, the district's obligation to spend \$724,660 on a new charter school was driving the district's \$2.5 million deficit for the 1998-1999 school year.³⁵⁴ Published reports do not indicate that either the district Board of Education, district officials, district teachers, or the public had concerns about charter school costs. On the contrary, when Springfield Ball opened for registration on July 30, the *State Journal-Register* published an enthusiastic article that said, "The Springfield school district has supported the charter school from the beginning, providing not only its charter, but its funding (as required by the charter law), transportation and rented building." The article also noted district officials' optimism that the charter school would develop new educational approaches that could be shared with other district schools.

The school opened on August 24, 1998 in the Webster Science Academy building, which had housed "a science academy and optional-education programs for middle and high school students."³⁵⁵ Three hundred seventy-seven students applied for the 175 charter school slots, and a lottery was held to determine which students would be able to attend Ball Charter.³⁵⁶ In the school's first year of operation, the percentages of minority students attending approximated district-wide percentages. However, only 20.0% of Ball Charter's student population qualified as low-income, whereas 52.0% of Springfield District 186 students were low-income in 1999. Eighty-four percent of Ball Charter's third-graders met or exceeded standards on the reading portion of the Illinois Standards Achievement Tests (ISAT), and 72% met or exceeded standards for math. For Springfield District 186 third-graders that year, 58% met or exceeded reading standards and 59% did so for math.³⁵⁷ The performance of Ball Charter students on the writing portion of the ISAT, though, was less successful. Whereas 50% of district third-graders passed

³⁵³ Lisa Kernek, "Guiding principal: Arkley sets charter school course," *State Journal-Register*, March 22, 1998.

³⁵⁴ Kernek, "District 186 expects \$2.5 million shortfall."

³⁵⁵ Kernek, "Plan charts new course for schools." Both the science academy and the optional-education programs were relocated to middle and high school campuses.

³⁵⁶ Lisa Kernek, "Charter school opens doors." According to the March 11, 1998 charter, students were to be enrolled on a first-come, first-served basis in subsequent years. Ball Charter had a first-come, first-served admissions policy for 1999-2000 and 2000-2001. As discussed below, Ball Charter changed this policy with the district's assent in 2001, and reverted to the lottery system. The lottery system is specified by State law when the number of applicants exceeds the number of openings in the charter school: "If there are more eligible applicants for enrollment in a charter school than there are spaces available, successful applicants shall be selected by lottery. However, priority shall be given to siblings of pupils enrolled in the charter school..." (*Illinois School Code*, 105 ILCS 5/27A-4, paragraph (h)).

³⁵⁷ District statistics do not include Springfield Ball Charter School scores.

the ISAT writing test, only 33% of Ball Charter third-graders did so. Nevertheless, Springfield District's *Comprehensive Annual Financial Report* for the 1999 fiscal year said that, "The first year of operation of the charter school appears to have been an unqualified success," and stated the district's intention to expand its relationship with the Ball Foundation.

In May 1999 the State General Assembly passed legislation creating Transition Impact Aid (TIA) for school districts hosting new charter schools. Since Ball Charter was already in its second year of operation, Springfield District 186 was eligible to receive only two years of TIA, payments in the amount of 65% of the funds it transferred to Ball Charter in 1999-2000 and 35% of the funds transferred in 2000-2001. For the 1999-2000 school year, Springfield District 186 received a total of \$498,801 in TIA.³⁵⁸ After TIA, the district's net payment to Springfield Ball was \$553,006, \$171,654 less than the year before. According to ISBE records, Springfield Ball received 83% of the district's per capita tuition rate in 1999-2000, or \$4,471.89 per student.³⁵⁹ In addition to district money and \$222,467 in State and Federal grants, Ball Charter received \$305,000 from the Ball Foundation in 1999-2000.

The district expanded its relationship with the Ball Foundation in November 1999. The Foundation agreed to become involved with seven district schools in addition to Wilcox Elementary, Harvard Park Elementary, Graham Elementary, and Ball Charter. In February 2000 the *State Journal-Register* published an article celebrating the expansion of school choice options that the District had planned for the 2000-2001 school year. These options included the new Feitshans-Edison school and three other magnet programs, one of which was for gifted students. "Gone are the days when your child's choice of public school depended on where you lived," the article began.³⁶⁰ The article also noted that several district schools had followed Ball Charter in offering an elementary-level Spanish program. Third and fourth grade Ball Charter students substantially outperformed district students in all subject areas for the 1999-2000 school year. Community interest in the school continued to be strong. For the 2000-2001 school year, Ball Charter received 200 applications for its 42 openings.³⁶¹

In December 2000 ISBE released its annual charter school report, which pointed to Ball Charter as "one of only two charter schools statewide where elementary students surpassed state averages on achievement tests."³⁶² A newspaper article describing the report highlighted some of the school's pedagogical innovations, the positive effects of multi-age classrooms, and the high quality of Ball Charter's teachers.³⁶³ The article did note, however, that the under-representation of the district's low-income population continued to be a problem. According to

³⁵⁸ The Financial Reimbursement Information System of the Illinois State Board of Education. Under the Transition Impact Aid legislation, Springfield School District 186 was actually entitled to receive \$545,554 rather than \$498,801. After the first two of four scheduled payments were made to the District, ISBE owed the district a balance of \$301,873. ISBE found, however, that it did not have sufficient funds to pay in full the balances still due to Illinois districts hosting charter schools as prescribed under the TIA legislation. All districts, therefore, received 84.5% of the balance due to them as of February 1, 2000. Tim Imler (Division Administrator for Funding and Disbursements, ISBE), e-mail message to the Civic Federation, July 5, 2005.

³⁵⁹ Tim Imler, e-mail message to the Civic Federation, July 5, 2005.

³⁶⁰ Lisa Kernek, "Schools offer variety of choices," *State Journal-Register*, February 13, 2000.

³⁶¹ Lisa Kernek, "Ball Charter pupils do well," *State Journal-Register*, December 26, 2000.

³⁶² Ibid.

³⁶³ Ibid.

ISBE, 23.4% of Ball Charter’s students were low-income, whereas 50.1% of District students were low-income that year.

Ball Charter’s test scores remained strong for 2000-2001, with charter school students outperforming district students at all grade levels and in all subject areas except fifth-grade writing. Compared to State achievement levels, though, Ball Charter did not fare quite so well. Ball Charter’s test scores fell slightly behind state averages in third-grade math, third-grade writing, fourth-grade social studies, fifth-grade math, and fifth-grade reading.

2000-2001 Percent of Students Meeting or Exceeding State Standards on the Illinois State Achievement Test: Grades Three through Five								
	Grade 3			Grade 4		Grade 5		
	Reading	Math	Writing	Science	Soc. Studies	Reading	Math	Writing
Springfield Ball	68%	71%	54%	73%	58%	73%	60%	60%
District	51%	66%	53%	54%	51%	46%	47%	63%
State	62%	74%	58%	65%	61%	59%	61%	70%

Source: ISBE 2001 Illinois School and School District Report Cards

The Ball Foundation’s contribution to Ball Charter diminished in 2000-2001 to \$100,000. State and Federal grant revenues also fell, to \$187,606.³⁶⁴ Ball Charter’s operating expenditures per pupil were \$5,052 in 2000-2001.³⁶⁵ Ball Charter continued to receive special education, transportation, and food services from the district free of charge.

In January 2001 parents camped out overnight in front of Ball Charter to enroll their children. At that time, the school followed a first-come, first-served enrollment policy. With the district Board of Education’s permission, Ball Charter switched to a lottery system to avoid these camp-outs in the future.³⁶⁶

By the 2001-2002 school year, Ball Charter had outgrown its facilities at the Webster School. In addition to five portable buildings, Ball Charter was using classroom space at Iles Elementary School for its fourth-grade class.³⁶⁷ The Springfield District acknowledged in its 2000 *Comprehensive Annual Financial Report* that “the Ball Foundation has initiated discussions with the district concerning the expansion of facilities to house the anticipated enrollment” which was “expected to reach more than 400 students in the next three years.” In May 2002 the district Board of Education announced that, of the \$32.4 million it would raise for district capital projects, it would allocate \$5.7 million for the renovation and expansion of a permanent home for Ball Charter. Initially, the Board proposed to move Ball Charter into a building that housed the Enos School. Parents from the Enos School strongly objected to this plan, however, and Ball Charter parents and faculty also preferred that their school remain at the Webster location.³⁶⁸

³⁶⁴ Springfield Ball Charter School, “Statement of Cash Receipts and Disbursements Year Ended June 30, 2001.”

³⁶⁵ ISBE, 2002 School Report Card.

³⁶⁶ Lisa Kernek, “Springfield schools facing \$12 million deficit despite budget cuts,” *State Journal-Register*, April 3, 2001.

³⁶⁷ *Ibid.*

³⁶⁸ Sean Dailey, “Enos parents fight to keep school,” *State Journal-Register*, November 5, 2002; and Sean Dailey, “Ball Charter parents want to stay put,” *State Journal-Register*, December 12, 2002.

The Board eventually agreed to keep Ball Charter in a renovated and expanded Webster building.

As in the previous year, 2001-2002 ISAT scores for Ball Charter's third-, fourth-, and fifth-graders compared favorably with district scores and were generally in line with State averages. The charter school's operating expenditures in 2001-2002 reached \$6,413 per pupil, a \$1,361 or 26.9% increase over the previous year.

In December 2002 Ball Charter asked the district to renew its charter, which was due to expire in at the end of June 2003, for another five years. The renewal charter submitted to the district by representatives from Ball Charter several changes to the original charter's contract language. A schedule of per capita tuition payments was agreed upon.³⁶⁹ Irrespective of the schedule, though, Ball Charter was guaranteed a minimum of 75% of district per capita tuition, and the agreement also specified that the school would not receive more than 90% of the per capita tuition. The funding schedule and the 75-90% funding parameters were written into the charter because the Ball Foundation's supplemental funding was to be phased out beginning in 2003-2004.³⁷⁰

The renewal contract specified that the district would continue to provide food and transportation services to Ball Charter at no charge. Rather than provide Ball Charter with special education services, the district agreed to reimburse the charter school "for costs incurred in the provision of special education services." The contract specified, however, that the charter school and the district would negotiate the reimbursement rate should the cost of educating a particular special needs student exceed "125 percent of the average costs incurred by the district for serving all special education students."³⁷¹

The renewal contract also modified descriptions of the charter school's focus areas. More significantly, it specified that Ball Charter's school year would be between 180 and 200 days long, thereby authorizing Springfield Ball to shorten its school year if it chose to do so. According to Amy Raftis, Chairwoman of Springfield Ball Charter School's Board of Directors, the school requested this flexibility because research could not conclusively demonstrate the benefits of a longer school year, and because "some of our own stakeholders feel that [200] is too many days."³⁷² In the wake of disruptions caused by the school's having outgrown its facilities, the new charter also assured Ball Charter that, after the 2003-2004 school year, Springfield District 186 intended that the charter school should "be located at a single site (preferably at 2530 East Ash Street)."³⁷³

Before the district Board of Education's vote on the charter renewal, Springfield National Association for the Advancement of Colored People (NAACP) president Rudy Davenport faulted Ball Charter for failing to enroll adequate numbers of minority and low-income students. He said that the admission of at-risk students should not be left to a chance mechanism like the

³⁶⁹ See the chart on p. 89.

³⁷⁰ Sean Dailey, "Ball Charter to request five-year contract," *State Journal-Register*, December 16, 2002.

³⁷¹ *Springfield Ball Charter School Agreement*, April 7, 2003, 16. Since the contract's renewal, the charter school has been reimbursed for all special education costs (Agnes Nunn, in a telephone conversation with the Civic Federation, December 19, 2006).

³⁷² Dailey, "Ball Charter to request five-year contract."

³⁷³ *Ibid.*

lottery system.³⁷⁴ Ms. Raftis said that Ball Charter would welcome a higher low-income and minority enrollment, but she said that State legislation precluded the school from privileging any student’s application or from setting quotas. The law specified that a lottery was to be used if the number of applicants exceeded the number of spaces available, she said. Ms. Raftis suggested that the NAACP might help to boost low-income and minority enrollment by encouraging more low-income and minority families to enter their children in the lottery.³⁷⁵ Ball Charter was also criticized by Board of Education member Judy Johnson because minority test scores lagged behind test scores for other students at the school. Such criticism notwithstanding, the renewal charter was signed by Ball Charter representatives and Springfield District 186 on April 7, 2003. The construction project to expand Ball Charter began in July 2003.

As the chart below indicates, Ball Charter’s test scores in 2002-2003 showed considerable gains over the previous school year in almost all areas. Ball Charter’s test scores were not quite as high the following year: fifth-grade reading, fifth-grade math, fifth-grade writing, and seventh-grade science scores all declined substantially in 2003-2004, and eighth grade math and writing scores were very low that year, the first that eighth grade was offered at Ball Charter. But the school did make Adequate Yearly Progress (AYP) for the 2003-2004 school year, and student scores rebounded in 2004-2005, improving in all areas except third- and eighth-grade reading.³⁷⁶ Ball Charter’s scores have compared very favorably with District averages each year since the school opened.

Springfield Ball Charter School 2000-2001 and 2004-2005													
Percent of Students Meeting or Exceeding State Standards on the Illinois State Achievement Test													
Year	Grade 3			Grade 4		Grade 5			Grade 7		Grade 8		
	Reading	Math	Writing	Science	Soc. Studies	Reading	Math	Writing	Science	Soc. Studies	Reading	Math	Writing
2000-2001	68.0%	71.0%	54.0%	73.0%	58.0%	73.0%	60.0%	60.0%	--	--	--	--	--
2001-2002	62.0%	81.4%	53.5%	72.8%	72.8%	62.1%	55.1%	72.4%	--	--	--	--	--
2002-2003	68.1%	89.4%	59.6%	68.6%	74.3%	79.1%	83.7%	78.6%	76.9%	53.8%	--	--	--
2003-2004	64.3%	81.4%	60.5%	71.4%	67.3%	59.6%	70.2%	51.1%	65.2%	52.2%	75.0%	30.8%	33.3%
2004-2005	59.1%	86.4%	N/A	76.6%	N/A	68.2%	75.0%	N/A	80.6%	N/A	72.7%	68.2%	N/A

Ball Charter staff, students, and parents marked the completion of their newly renovated school with a dedication ceremony on January 27, 2005. The addition to the Webster building expanded the school by eight classrooms or 40,000 square feet, tripling the building’s size.³⁷⁷ In September 2005 Ball Charter had waitlists for every grade level.³⁷⁸ The district’s relationship with the Ball Foundation has continued to grow since the opening of the charter school. Currently, 27 of the district’s 32 schools participate in the Ball Foundation partnership program.³⁷⁹

³⁷⁴ Sean Dailey, “Ball Charter makeup reviewed,” *State Journal-Register*, January 7, 2003.

³⁷⁵ Ibid.

³⁷⁶ Unlike Springfield District 186, Springfield Ball Charter School’s AYP standing is not affected by the test scores of those subgroups traditionally considered most at-risk. Under No Child Left Behind guidelines, none of Ball Charter’s student population’s subgroups other than white students were large enough to be reported individually in 2003-2004 or 2004-2005.

³⁷⁷ Sean Dailey, “Construction under way on school projects,” *State Journal-Register*, July 7, 2003.

³⁷⁸ Peter Sherman, “School board weighs reports, data,” *State Journal-Register*, September 20, 2005.

³⁷⁹ Springfield School District 186, <http://www.springfield.k12.il.us/schools/ballpartnership/>.

SUMMARY: EFFECTS OF CHARTER SCHOOLS ON SCHOOL DISTRICT FINANCES IN ILLINOIS

The purpose of this study was twofold. First, it sought to provide a primer on charter schools, comprising a general description of charter schools, an overview of national charter school research, an outline of charter school funding models, and a review of the legislative history of charter schools in Illinois. Second, it presented three case studies in order to consider the financial impact of charter schools on their host districts. This study examined the three oldest Illinois charter schools located outside of Chicago that are still in operation – Prairie Crossing Charter School in Lake County, Robertson Charter School in Macon County, and Springfield Ball Charter School in Sangamon County.

Having completed these three case studies, the Civic Federation has drawn the following conclusions:

1. The Illinois charter schools studied do not constitute an undue financial burden for districts, and school choice is worth the cost to those districts that value choice.
2. All four of the host school districts studied showed an operating fund deficit either the year that the charter school began operating or the year prior to its opening. All four districts achieved operating fund surpluses thereafter, indicating that the diversion of charter school funds did not compromise school districts' abilities to manage their financial obligations.
3. Factors such as the General State Aid Foundation Level set by the General Assembly and the growth or diminishment of property tax revenue had a stronger effect on the revenues available to schools than enrollment growth or decline for the four school districts studied.
4. Of the three charters studied, Prairie Crossing Charter School allows for the most equitable comparison between charter school and school district per pupil operating expenditures (this is the case for a variety of reasons, which are enumerated on page 107). Prairie Crossing spends less money per pupil than either Fremont or Woodland districts.
5. Transition Impact Aid is an important and appropriate measure for mitigating the effects of diminished revenues on districts during charter schools' first years of operation.
6. The Illinois State Board of Education's authority to authorize a charter school over a local school board's objections, contingent on the Board's determination that the school district is sufficiently financially healthy, is an appropriate mechanism for encouraging charter school growth.

1. The Illinois charter schools studied provide school choice without significantly burdening district budgets.

How large a percentage of district operating expenditures transferred to charter schools is large enough to constitute an undue or significant burden? For school districts uninterested in school choice, the diversion of even 1.0% of operating expenditures might seem burdensome; but there might also be a substantial difference between how a district perceives an expense and the district's financial capacity to bear that expense. In the absence of ISBE standards for

identifying the point at which a particular school district expense becomes burdensome, the Civic Federation concurs with the position taken by the Illinois Supreme Court in its ruling on *Comprehensive Community Solutions, Inc. (CCS) v. Rockford School District No. 205*. Justice Fitzgerald's written opinion suggested that the financial impact of charter schools on school districts must be determined on a case by case basis.

In measuring the financial impact of the charter schools studied on their host school districts, the Civic Federation primarily considered the percentage of district operating expenditures that were transferred to the charter schools. Our analysis showed that, for the four school districts studied, the money contributed to charter schools constituted a small percentage of district operating expenditures, between 0.9% and 2.5% in 2003-2004.³⁸⁰ 2003-2004 was chosen as the best school year for comparison because the three charter schools studied had their highest enrollment that year, and because only Decatur 61 received Transition Impact Aid that year. Prairie Crossing Charter School, drawing students from Fremont 79 and Woodland 50, served grades K-6 in 2003-2004. Robertson Charter School served grades K-5, and Springfield Ball served grades K-8.

Financial Contribution to Charter Schools by District: 2003-2004			
District	Operating Expenses Regular K-12	\$ Contributed to Charter School	%
Fremont 79	\$ 12,039,599	\$ 292,958	2.4%
Woodland 50	\$ 55,896,423	\$ 1,407,190	2.5%
Decatur 61	\$ 67,978,634	\$ 621,875	0.9%
Springfield 186	\$ 113,020,073	\$ 1,606,204	1.4%

Source: ILEARN, ISBE

To indicate whether or not the percentage of funds transferred is reasonable, the table below lists the percentage of district students that attended charter schools in the 2003-2004 school year. In 2003-2004, all three charter schools had the highest enrollment levels for the years included in this study. For each of the four districts, the percentage of district students attending charter schools exceeded the percentage of operating revenue diverted to the charters that year.

District Students Enrolled in Charter Schools: 2003-2004			
District	District Enrollment	District Students in Charter School	Charter Students as % of Total Enrollment
Fremont 79	1,561	44	2.7%
Woodland 50	7,055	220	3.0%
Decatur 61	9,617	126	1.3%
Springfield 186	14,245	345	2.4%

Note: "Total Enrollment" is "District Enrollment" plus "District Students in Charter School"

Source: ILEARN, Illinois State Board of Education

Comparing these tables does not demonstrate that charter schools use their funds more efficiently than traditional public schools. These tables do not account for demographic differences in the student population attending charter schools and the population attending regular public schools.

³⁸⁰ For Decatur District 61 and Springfield District 186, the data presented in the table is slightly skewed by the fact that Decatur and Springfield provide some services to Robertson and Springfield Ball Charter School, respectively. The cost of providing these services is counted as a district expense.

It costs more to educate students with disabilities, students with Limited English Proficiency, and at-risk students than it does to educate other students. Charter schools are also exempted from many state and federal mandates with which regular public schools must comply. Finally, based on publicly available financial data, the Civic Federation cannot determine whether a particular school district would require more or less money to educate a charter school's students than the amount it pays to a charter school for doing so. Such a finding would require a detailed cost-benefit analysis, as well as specific knowledge of the decisions a school district would make if it were to assume responsibility for a charter school's students. For example, in 2003-2004, if Woodland District 50 had enrolled the 220 students that attended Prairie Crossing, would the District have hired more teachers, or would it have allowed District class sizes to increase? How much, if anything, would Woodland have paid its private contractors to transport these additional students? This study does not attempt to resolve such questions.

Based on the small percentage of district funds transferred to charter schools, the percentage of district students attending charter schools, and the context provided by the district financial histories compiled in this study, the Civic Federation concluded that the charter schools studied are a small cost to their host districts rather than a significant burden. This cost may or may not be more expensive than enrolling the students who attended these charter schools in regular public schools. This small cost is particularly worthwhile to those districts that value school choice and the attendant benefits that school choice brings to students and administrators.

The Civic Federation's review of the four districts' financial histories yielded two findings pertaining to the impact of charter schools on school district finances. These findings support the Civic Federation's broad conclusion that the charter schools studied do not create an undue financial burden for their host districts.

2. The diversion of district funds to charter schools did not compromise districts' ability to manage financial obligations.

The Civic Federation's review of the financial histories for the four school districts studied strongly suggests that the budget constraints and funding shortfalls faced by school districts were primarily related to factors other than charter schools: district budget priorities, teacher union contracts, the failure of property tax referendums, and the effects of property tax caps.

The following chart shows that each of the four school districts had an operating funds deficit either the year before or the same year as its charter school began operating. Both Decatur 61 and Springfield 186, in fact, authorized their charter school's charter within weeks of dramatically cutting their school district budgets. Each of the four districts emerged from this deficit while the charter school continued to operate, suggesting that charter schools did not substantially compromise districts' ability to manage their financial obligations.

Operating Funds Surplus (Deficit) and Funds Transferred to Charter Schools for Fremont District 79, Woodland District 50, Decatur District 61, and Springfield District 186								
	Fremont District 79		Woodland District 50		Decatur District 61		Springfield District 186	
	Operating Funds Surplus (Deficit)	\$ Transferred to Charter School	Operating Funds Surplus (Deficit)	\$ Transferred to Charter School	Operating Funds Surplus (Deficit)	\$ Transferred to Charter School	Operating Funds Surplus (Deficit)	\$ Transferred to Charter School
1998-1999	\$ (1,772,425)	--	\$ (1,963,250)	--	\$ (868,476)	--	\$ (526,089)	\$ 724,660
1999-2000	\$ (1,473,425)	\$ 69,171	\$ 713,123	\$ 256,362	\$ (2,898,605)	--	\$ (448,127)	\$ 553,006
2000-2001	\$ 459,075	\$ 141,100	\$ 5,901,716	\$ 577,631	\$ (8,300,665)	--	\$ (7,133,156)	\$ 796,830
2001-2002	\$ 632,680	\$ 185,610	\$ 5,147,282	\$ 717,308	\$ 2,825,073	\$ 401,152	\$ (7,448,256)	\$ 1,021,968
2002-2003	\$ 694,490	\$ 219,626	\$ (3,641,698)	\$ 1,070,321	\$ 2,953,011	\$ 591,052	\$ 2,389,786	\$ 1,306,373
2003-2004	\$ 1,260,526	\$ 292,958	\$ (1,295,782)	\$ 1,407,190	\$ 5,621,390	\$ 704,567	\$ 4,195,341	\$ 1,606,204

Sources: ILEARN, ISBE, and information provided by the four districts

For each of the four districts, the year-to-year changes in operating funds balances shown in this chart are primarily attributable to factors other than the charter schools.

Fremont District 79's operating expenditures exceeded operating revenues each year between 1995-1996 and 1999-2000, the school year in which Prairie Crossing opened. Following the failure of a property tax referendum in March 2000, Fremont made \$1.2 million in budget cuts, and its financial situation improved dramatically in 2000-2001. By exercising fiscal restraint, Fremont continued to realize end-of-year operating funds surpluses through 2003-2004.

Woodland District 50 reversed its 1998-1999 operating funds deficit and had a modest operating funds surplus in 1999-2000, the year that Prairie Crossing opened. The following year, when Woodland began to collect additional property tax revenue from a tax levy increase that had been approved by referendum in February 1999, its operating funds surplus reached \$5.9 million, over \$5 million more than the previous year's surplus. Woodland's operating funds balance went back into the red in 2002-2003 after the District "lost \$7.9 million" to "increased expenses and the hiring of more teachers" when it opened a new school.³⁸¹ Woodland continued to operate in the red in 2003-2004 after committing to a contract with the teachers union that cost \$4 million in salary increases over the 2003-2004 and 2004-2005 school years. In published newspaper reports, the financial reversal Woodland suffered in 2002-2003 after three years of end-of-year operating fund surpluses was attributed directly to the District's opening a new school and to unfavorable union contracts with teachers and other school employees.

The narrative histories of Decatur District 61 and Springfield District 186 told similar stories: both districts spent substantially more than they were receiving in operating revenues until budget cuts or a combination of budget cuts and property tax increases improved their financial health. Decatur realized \$8.1 million in savings from budget cuts it enacted for the 2001-2002 school year and enjoyed an end-of-year operating funds surplus that year after at least four consecutive years of deficits. Decatur began receiving additional operating revenue in 2003-2004 from a property tax increase that had been passed in February 2001. Between 2001-2002 and 2003-2004, Decatur posted three consecutive years of operating funds surpluses.

Springfield District 186 reversed four consecutive years of operating funds deficits with \$5 million in budget cuts enacted for the 2001-2002 school year and another \$9.6 million in budget

³⁸¹ Angela D. Sykora, "Cuts to help secure district future," *Gurnee Review*, November 6, 2003.

cuts for 2002-2003. District 186 consequently enjoyed growing end-of-year operating fund surpluses in 2002-2003 and 2003-2004.

For Fremont, Decatur, and Springfield, the substantial budget cuts that improved these districts' financial outlook were all triggered by the defeat of district referendums asking voters to increase property taxes. Fremont's 2000-2001 budget cuts followed a property tax referendum defeat in March 2000, Decatur's 2001-2002 cuts followed a defeat in November 2000, and Springfield's \$9.6 million in cuts in 2002-2003 followed a referendum defeat in March 2002.

3. Factors like the General State Aid Foundation Level set by the General Assembly and the growth or diminishment of property tax revenue had a stronger effect on the revenues available to schools than enrollment growth or decline.

Given the range of factors impacting a school district's revenue stream, small or even moderate changes in student enrollment levels do not diminish district revenues so substantially that they compromise a district's ability to meet its budget.

District officials generally see gradual enrollment growth as desirable for maintaining the district's financial health. Both rapid enrollment growth and enrollment decline tend to put financial pressure on a school district. Rapid enrollment growth, such as that experienced by Fremont 79 and Woodland 50 throughout the '90s, can cause financial strain if expenses created by the need for additional infrastructure outpace revenue growth from property taxes and state aid.

Enrollment declines tend to have more immediate negative effects on school district budgets. Districts receive less GSA revenue than they would have received had enrollment remained flat or increased. More significantly, such districts may have infrastructure, personnel, and program costs that are no longer suited to a smaller student body, or that cannot be sustained with the funds available for a smaller student population. Such were the problems that faced Springfield 186 and, more dramatically, Decatur 61 during the 1999-2000 to 2003-2004 period studied.

The general significance of student enrollment for school district funding notwithstanding, this study did not find that the students diverted from a host district to its charter school substantially impacted either per pupil expenditures or state funding levels for the school districts studied.

District enrollment levels are an important factor in determining the amount of revenue that a school district receives each school year. In Illinois, enrollment levels principally affect the amount of General State Aid (GSA) allocated to school districts, with more GSA going to school districts that have higher enrollment levels. However, increases in the GSA Foundation Level, set by the Illinois General Assembly, is one of several factors that, in the aggregate, have a more significant effect on school district operating revenues than enrollment losses to charter schools.

General State Aid Foundation Level									
1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	\$ change 2000-2007	% change 2000-2007
\$ 4,225	\$ 4,325	\$ 4,425	\$ 4,560	\$ 4,810	\$ 4,964	\$ 5,164	\$ 5,334	\$ 1,109	26.2%

Source: ISBE Illinois Education Funding Recommendations, April 2005, p. 2, and FY2007 Proposed Budget, p. 7

Other factors that significantly affect school district operating revenues include:

- PTELL, which limits property tax extension growth to 5% or the rate of inflation, whichever is less. PTELL applies to all of the school districts studied except Decatur 61.
- The success or failure of property tax referendums.
- Increases in salaries and benefits resulting from labor negotiations between teachers' unions and unions representing other school district personnel.
- The availability and use of fund balance to make up budget shortfalls.
- Access to federal and state aid targeted for specific student populations or designated for specific purposes, and increases or decreases in payment levels for these programs.

4. Prairie Crossing spends less money per pupil than Fremont or Woodland.

Of the three charter schools examined in this study, Prairie Crossing allows for the most equitable comparison between the charter school's and host districts' per pupil operating expenditures. Comparing Prairie Crossing's per pupil expenditures to Fremont's and Woodland's is more reasonable than comparing Robertson's to Decatur's or Springfield Ball's to Springfield's for several reasons. Like the Fremont and Woodland school districts, Prairie Crossing serves K-8 students. Robertson and Springfield Ball are also K-8 schools, but Decatur 61 and Springfield 186 are unit districts that serve K-12 students. The state's figure for per pupil operating expenditures for these two districts includes expenditures for high school students, who are typically more expensive to educate than elementary students. Based on publicly available data, the Civic Federation cannot separate expenditures for grades 9-12 from the total expenditures for unit districts.

Prairie Crossing is also the only one of the three charter schools studied that does not receive in-kind services from its host districts. Springfield District 186 spends money on special education and transportation for Ball Charter students. These expenditures therefore show up as District per pupil operating expenses rather than charter school operating expenditures. Based on publicly available data, the Civic Federation cannot separate the charter school expenses borne by the District from other District expenditures. For these two reasons, a comparison of charter school and District per pupil operating expenditures for Decatur 61 and Springfield 186 would be unfairly skewed, to the disadvantage of the school district.

The following chart lists per pupil operating expenditures for Prairie Crossing, Fremont, and Woodland from 1999-2000 to 2003-2004. As shown below, after Prairie Crossing's first year, when the charter school incurred substantial one-time start-up costs, the charter school's per pupil operating expenditures have been significantly less than both Fremont's and Woodland's.

Operating Expenditures Per Pupil: 1999-2000 to 2003-2004			
	Prairie Crossing	Fremont District 79	Woodland District 50
1999-2000	\$ 6,525	\$ 8,066	\$ 6,266
2000-2001	\$ 5,493	\$ 7,271	\$ 6,701
2001-2002	\$ 5,830	\$ 7,475	\$ 7,196
2002-2003	\$ 5,805	\$ 8,053	\$ 8,255
2003-2004	\$ 6,614	\$ 8,304	\$ 8,514

Source: ISBE School and District Report Cards

This chart only shows that, on a per pupil basis, Prairie Crossing has cost less to operate than either Fremont District 79 or Woodland District 50 schools between 2000-2001 and 2003-2004. This chart does not demonstrate that Prairie Crossing uses its funds more efficiently than Fremont or Woodland, since the school districts have legal obligations to provide services that charter schools may choose to provide or not. For example, by state law, Fremont and Woodland must provide students with transportation to and from school. Prairie Crossing is not legally obliged to provide transportation and does not do so. Other factors also prevent the Civic Federation from making judgments about the relative efficiency of district and charter schools' use of funds. Woodland, for example, has a substantially higher percentage of at-risk students than Prairie Crossing. Education experts widely agree that at-risk students are more expensive to educate.

5. Transition Impact Aid helps districts weather a charter school's early years.

Transition Impact Aid is an effective mechanism for assisting districts that have authorized a charter school. It provides support to the district during a charter school's initial years where revenue loss may outweigh any financial benefits of charter school student enrollment. The argument often made by traditional school administrators that charter schools do not reduce costs has some merit in the first years, when charter schools tend to offer few grade levels, enroll relatively few students, and therefore do not relieve districts of very many fixed expenses. Once a charter school has reached its full size, however, the argument that the provision of a school for several hundred students does not save the district some infrastructural and personnel expenditures is less compelling.

Though TIA diminishes as the money that the district must pay to the charter school increases, savings to the district increase over this period. TIA strikes the balance initially envisioned by the General Assembly. It helps districts plan for the diversion of revenue, but does not become so strong an incentive for districts to authorize charter schools that it erodes the element of competition charter schools are thought to introduce into districts.

6. ISBE's authority to authorize a charter school over a local school board's objections is an appropriate mechanism for encouraging charter school growth.

Only two charter schools have been authorized directly by ISBE since the law enabling ISBE to grant charters was passed in 1998. As of August 2005, ISBE had denied 19 of 21 appeals (two

schools appealed to ISBE twice and were rejected both times).³⁸² One of the two schools whose charter was authorized by ISBE, Thomas Jefferson Charter School in northern Cook County, was denied a renewal authorization by ISBE after the school's first term expired. The only school directly authorized by ISBE that is currently operating is Prairie Crossing.

ISBE's restraint in authorizing charter schools over the objections of school districts demonstrates the Board's regard for the criteria that must be met before ISBE can uphold a charter school's appeal of an unfavorable district ruling. These criteria include both the financial viability of the school and the financial capacity of the host district to support a charter school.

ISBE's rulings on charter schools' appeals have twice been challenged in cases that were reviewed either by an Illinois Appellate Court or the Illinois Supreme Court. In a challenge to ISBE's authorization of Thomas Jefferson Charter School, the First District Appellate Court of Illinois upheld ISBE's decision to override the host school district and grant the charter. In a challenge to ISBE's decision to sustain Rockford District 205's rejection of a charter proposed by Comprehensive Community Solutions, Inc., the Illinois Supreme Court likewise concluded that ISBE had acted within the bounds of its authority and according to the charter school law's provisions.

Given the conditions placed upon ISBE's authority to authorize charter schools and ISBE's self-restraint in observing those conditions, the Civic Federation believes that the authority vested in ISBE by Illinois's charter school law is appropriate, and has the potential to promote charter school expansion in parts of Illinois that might otherwise be resistant to charters.

The Civic Federation continues to view charter schools in Illinois as an important initiative for public education, not only because charter schools provide school choice for parents and students, but also because charter schools offer an alternative model for the funding and governance of public schools. Charter schools also provide an opportunity for the implementation of alternative curricula and experimentation with innovative pedagogical methods. The Civic Federation believes that, over the long term, charter schools have the potential to introduce traditional school districts to new ways of achieving operational efficiencies.

³⁸² From ISBE data provided by Jo Ann Price on August 26, 2005.

APPENDIX: IN THEIR OWN WORDS

All of the charter schools and all of the host school districts described in this report were invited to evaluate the strengths and weaknesses of Illinois's charter school laws. The invitation was as follows:

What do you consider to be the strengths and weaknesses of the Illinois laws that govern charter school funding? You may wish to address the equity of charter school funding, Transition Impact Aid, the 75%-125% of per capita tuition funding parameters, the stipulation that charters must negotiate the provision of special services with their host district, or issues pertaining to capital funds for charter schools.

The Civic Federation pledged to print all responses received in full, and asked respondents to limit their responses to 500 words or less.

Myron Dagley, Director of Prairie Crossing Charter School, and Bishop G.E. Livingston, President and Chief Executive Officer of Robertson Charter School, were the only school or school district officials to accept the Civic Federation's invitation. Their responses are as follows:



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Mr. Laurence Msall, President
The Civic Federation

By email

Thank you for the opportunity to review and comment upon the Case Study on Charter School Funding, particularly those portions of the document germane to Prairie Crossing Charter School.

I would like to comment on the efficacy of the funding formula enacted into law to support charter schools in Illinois. Illinois lacks an enviable record with respect to funding for public education in general. Article 27 of the School Code of Illinois did not treat charter schools any more favorably. To wit:

Charter schools are not granted bonding authority for the purpose of building facilities

and must, therefore, build or rent facilities from the operational funds which are available to them. Other school districts have such bonding authority.

Charter schools are not granted access to State funds from the Capital Development Board to facilitate construction or repair of facilities. Other school districts have such access through an application process.

Charter schools have no taxing authorities as do other districts to finance IMRF payments, working cash, special education costs, etc.

To my knowledge, Charter schools have no access to State Funds reimbursing food service expenses as do other schools.

The point of this listing is simply to affirm that charter schools generally have needs to fund an array of services quite similar to the array of services provided by the regular public school systems with whom the study makes comparisons.

Charter schools must fund all aspects of their operations from operating funds generated by the enrollment/funding formula and from proceeds of philanthropic efforts undertaken on their own behalf. The founding members of this school clearly understood this requirement, and the current Board Members of this school take very seriously the responsibility to operate within these parameters. We simply do not compete on an even financial playing field with our sister districts.

Most recently, I have had conversations with the Superintendent of Woodland Schools exploring opportunities whereby collaboration with that district would result in mutual benefits to both parties while preserving the current funding formula established in Article 27, School Code of Illinois. Improved relations among districts are seen as a desirable additional outcome of such collaboration, a goal worthy of ongoing pursuit.

I remain firm in my resolve that public education is a viable forum providing essential public service and; is, therefore, worthy of public support while pursuing improved outcomes for all students regardless of district of enrollment.

Cordially,

Myron T. Dagley, Director
Prairie Crossing Charter School

Robertson Charter School

Decatur, Illinois

11-30-06

By email

My three main concerns regarding state law are: First, the five year limit on contract renewals. It is my understanding that some states are now allowing longer renewal periods (i.e. 10 years). Second, the necessity to ease restrictions on who can be an authorizer. There are many good, well established organizations (i.e. colleges, corporations) who could prove to be beneficial partners. Finally, the difficulty in getting capital funds. This is a crucial issue for schools that plan to be around for a long time.

Bishop G.E. Livingston
RCS President/CEO