**Briefing Paper on Commonwealth Charter School Tuition**

**Prepared for the Massachusetts Board of Elementary and Secondary Education Meeting on February 25 – 26, 2013**

* Per pupil tuition rates are calculated by ESE School Finance staff and include three components:
* A foundation component, which is based on the same demographic factors and rates used to calculate district foundation budgets under the Chapter 70 formula. The only difference is that the “out of district special education tuition” cost component of the Chapter 70 foundation budget is excluded from the charter school foundation calculation, because charter schools do not bear the financial responsibility for these types of placements.
* An above-foundation component, which looks at each sending district's actual spending above the foundation budget. The rationale here is that if a district chooses to spend more than the foundation budget, say ten percent more, for its students in district schools, then it should be required to spend ten percent more than foundation for its students in charter schools.
* A facilities component, currently $893 per pupil. This component recognizes that charter schools are ineligible to receive school building assistance grants.
* Rates are applied to students attending charter schools on a full-time equivalent (FTE) basis. If a student attends a charter school for less than the full year, the tuition charge is prorated.
* Payment of charter school tuition is an obligation of the sending district. Rather than having multiple checks sent directly from each sending district to each charter school, the payments are collected as offsets from the state's local aid distributions, and a single tuition check is sent quarterly to each charter school from the state treasurer.
* In March, each charter school submits a pre-enrollment report, based on the number of students who have signed up to attend the school the following year. The Department uses this number to produce tuition estimates for both the charter schools and districts, and it also uses this number to determine the first quarterly payment to each charter school, made on September 30. The September 30 payment is an advance from the state; districts are not asked to make a payment at this time.
* Because the pre-enrollment process is not binding on parents, the actual number of students who attend a charter school usually differs, sometimes significantly, from the pre-enrollment number. Some parents will change their mind over the summer, particularly after they receive their district school assignment or notice of admission to another charter school. The Department recalculates the tuition based on the October 1 student reports and makes appropriate adjustments to reflect any over- or underpayment to the school. We begin collecting tuition from the sending districts in December.
* Subject to appropriation, sending districts are reimbursed by the state for a portion of their charter tuition costs. There are two reimbursement programs:
* The first program reimburses the district 100% of the facility component of the tuition. This reimbursement continues indefinitely.
* The second program provides transitional help to a district in adjusting its budget to reflect charter tuition costs. In each year in which a district's total charter tuition is higher than the previous year, the state reimburses 100% of the increase in that year, and 25% of the increase in each of the succeeding five years. In addition, the state reimburses districts for the first year of tuition for pupils who are entering a charter school directly from an in-state private school or a home-schooled educational setting. Finally, if the enrollment of a sibling at a Commonwealth charter school is the sole cause of a district's tuition exceeding the Net School Spending cap, the sibling's tuition will also be paid by the state.
* Beginning in fiscal year 2011, charter schools are required to return a portion of their cash surpluses from tuition revenue if the surpluses exceed certain benchmarks. In the first year under this requirement, no school surpluses exceeded the benchmarks. Reports for fiscal year 2012 are still being compiled.
* Horace Mann charter schools do not use the above methodology. These schools receive payments directly from the local district in accordance with a memorandum of understanding negotiated between the district and the school. The charter school submits a budget request each year to the school committee, which must provide funding consistent with other schools in the district. The charter school can also elect to receive in-kind services from the district as part of its funding. If a charter school feels its budget allocation is disproportionately low, it can appeal to the Commissioner for a review and determination.