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I. INTRODUCTION

Monitoring is the regular and systematic examination of a grantee's administration and implementation of a Federal education grant, contract, or cooperative agreement administered by the U.S. Department of Education (ED). Monitoring the use of Federal funds has long been an essential function of ED. ED monitors programs under the general administrative authority of the U.S. Department of Education Organization Act. Section 80.40(e) of Education Department General Administrative Regulations (EDGAR) also permits ED to make site visits as warranted by program needs.

ED policy requires every program office overseeing discretionary or formula grant programs to prepare a monitoring plan for each of its programs. The plans are designed to link established monitoring to achieving program goals and objectives; adhering to laws, regulations, and assurances governing the program; and conforming to the approved application and other relevant documents. In a July 2002 memo from the Deputy Secretary, each principal office was advised to monitor (1) for results; (2) to ensure compliance with the law; and (3) to protect against waste, fraud, and abuse.

The purpose of the Charter Schools Program (CSP) Monitoring Plan is to assess the extent to which grantees are implementing their approved grant projects in compliance with Title V, Part B Public Charter Schools Program statutes, regulations, and guidance. The CSP monitoring objectives are threefold:

- Increase CSP fiscal and programmatic accountability at the State and local levels.
- Support and improve grantee capacity in carrying out the purpose of the CSP through the timely and efficient administration of Federal funds awarded under this program and other Federal education programs.
- Assist grantees with the planning and implementation of high-quality charter schools.

Thus, monitoring serves not only as a means for helping grantees achieve high-quality implementation of their CSP grant project, it also helps ED to be a better advisor and partner in that effort. CSP monitoring efforts are designed to focus on the results of grantees’ efforts to implement critical requirements of the CSP using available resources and guidance. Information and data from grantee monitoring also assist to inform the program’s performance indicators under the Government Performance Results Act.
II. DATA COLLECTION PROCESS AND METHODOLOGY

The CSP Monitoring Plan is being conducted with the assistance of WestEd (Contract # ED-CFO-10-A-0074/0001). The plan assesses grantee performance and compliance using indicators based on Federal charter school law including statute, EDGAR, and non-regulatory guidance. A monitoring handbook containing the indicators was provided in advance of the site visit and used to guide the monitoring process. The monitoring handbook specifies the language of each indicator, its statutory or other sources, criteria for meeting each indicator, guiding questions, and acceptable evidence.

In conducting this comprehensive review, the monitoring team carried out a number of major activities. These included:

- Reviewing key background documents on the State’s CSP grant provided by ED, including the grant application, grant award notice, annual performance reports, and CEEP review of objectives and performance measures.
- Researching and synthesizing other available information about the State grantee’s charter school program including relevant statutes, reports and evaluations, newspaper articles, and other data from government, research, and advocacy organizations.
- Consulting with ED prior to the site visit about issues of special concern in the State grantee’s administration of the CSP.
- Arranging the site visit in coordination with State and charter school officials, including identifying State officials for interviews and selecting subgrantees for visits.
- During the site visit interviews, collecting evidence of the State grantee’s compliance or performance with respect to each indicator. Materials and artifacts were collected at the SEA and school sites to document compliance with Title V, Part B Public Charter Schools Program statutes, regulations, and guidance.
- Analyzing the evidence obtained and collecting any follow-up information necessary to produce this report.

The Michigan monitoring visit occurred April 23-27, 2012. The monitoring team spent the first two full days at the Michigan Department of Education (MDE) and visited six subgrantee charter schools on the subsequent days. Interview participants at MDE included the Assistant Director, Office of Education Improvement and Innovation (OEII); Manager, Public School Academies Unit (PSAU); three Consultants, PSAU; one Analyst, PSAU; Supervisor, Office of Special Education; Director, Office of Audits; Assistant Director, Office of Field Services; Manager, Office of Field Services; two Supervisors, Office of Grants Coordination and School Support; Director, State School Reform/Redesign Office; Financial Manager, Office of Financial Management; Assistant Director, Office of Financial Management; Executive Director, Bureau of Assessment and Accountability; and Manager, Bureau of Assessment and Accountability.
Prior to the monitoring visit, PSAU staff provided a lengthy document that discussed each monitoring indicator. PSAU also provided an accompanying flash drive that contained PSAU’s supporting documents organized by indicator. Throughout the monitoring visit, PSAU staff e-mailed additional documents to the monitoring team. Additional documentation was requested from PSAU via email after the monitoring visit and the documents were provided in a timely manner.

The monitoring team visited six subgrantees. At each school, the monitoring team met with school leaders, EMO representatives (where applicable), and members of the schools’ boards of directors. The schools visited were:

- Michigan Connections Academy – a virtual school serving grades K-12 and associated with Connections Academy. The school enrolls 400 students who reside across the state. Students take classes online and receive instruction and support from MCA’s teachers. At the time of the monitoring visit, 1,000 students were on the school’s waiting list.

- FlexTech High School – a high school in Brighton that provides an alternative education program for students who might otherwise be at risk of dropping out of school. The school’s 120 students participate in a blended learning program that includes both online and traditional classroom experiences. Students also receive ongoing mentoring support from school staff.

- Noor International Academy – a K-5 school enrolling 65 students, located in Sterling Heights. The school offers Arabic language and cultural programs targeting the Middle Eastern community in Southeastern Michigan.

- Jalen Rose Leadership Academy – a high school located in Detroit that provides a rigorous program with both a longer school day and year. The school, which currently has only a ninth grade class, will expand one additional grade each year until the school has a senior class in 2014-15. The size of any incoming class will be limited to about 120 students.

- Regent Park Elementary School – an elementary school on the eastern side of Detroit affiliated with National Heritage Academy. The school serves 433 students in grades K-5.

- Holly Academy – a long established, high-performing charter school in Holly that enrolls 826 students in grades K-8. The school received a dissemination subgrant from MDE to share its Response to Intervention (RtI) strategy with other schools, particularly a partner school in Benton Harbor on the western side of the state.

This report is an analysis and assessment of the data, grant award documents, interviews, and information gathered prior to and during the site visit to the State grantee. Findings in this report reflect the monitoring team’s observations and conclusions about the State grantee’s compliance and performance under the CSP grant from the beginning of the current grant period to the time of the site visit.

A draft copy of the monitoring report was provided to State officials for review, with a request for technical edits and corrections accompanied by supporting documentation. The SEA grantee’s response is included as Appendix 4. This final report takes into consideration the SEA grantee’s response as well as all of the other evidence gathered during the monitoring process.
III. BACKGROUND INFORMATION ON GRANTEE

STATE STATUTE/POLICIES/CONTEXT

Michigan’s charter law was passed in 1993 and the first school opened in 1994. Michigan statute defines charter schools as Public School Academies (PSAs). As of fall 2011, there were 256 charter schools in Michigan. These schools enrolled over 119,000 students or about 8 percent of the State’s total enrollment. Charters are particularly prevalent in Detroit. In fall 2011, there were 52 charter schools operating in Detroit enrolling 33,812 students, nearly 34 percent of that city’s students. Detroit Public Schools (DPS) itself is the authorizer for 14 of the 52 charter schools located in the city.

AUTHORIZATION OF CHARTER SCHOOLS

There are several authorized public chartering agencies in Michigan: State public universities, community colleges, local school districts (LEAs), and intermediate school districts (ISDs). At the time of the monitoring visit, eight universities authorized almost 63 percent (N=160) of charter schools while three community colleges authorized another 18 percent (N=46). LEAs and ISDs combined authorized only about 20 percent of the charter schools in the State (7 LEAs authorized 21 charter schools, while 14 ISDs authorized 29 charter schools).

CAPS BY AUTHORIZER TYPE, ENROLLMENT, AND SCHOOL TYPE

LEAs, ISDs, and community colleges may authorize an unlimited number of charter schools within their geographic boundaries. Until recently, public universities could authorize up to 150 charter schools in the State. The State legislature passed two laws that significantly change Michigan’s charter school landscape. First, in 2011, Senate Bill (SB) 618 revised the cap on university-authorized charter schools. The cap rises to 300 charter schools through the end of 2012 and then to 500 in 2014. After 2014, there will be no limit on the number of charter schools that universities may authorize.

Cyber charter schools have received considerable attention in the State during the past year. At the time of the monitoring visit, two cyber charter schools were operating in Michigan. Enrollment at each of these schools was capped at 400 students in their first year of operation and a maximum enrollment limit of 1,000 students in subsequent years. SB 619, enacted in 2012 after the monitoring visit, changed the State’s law on cyber charter schools in two ways. First, the new law allows five cyber schools to operate in Michigan until the end of 2013 and 10 schools until the end of 2014. After 2014, there will be no limit on the number of charter schools that universities may authorize.

1 To avoid confusion, Public School Academies are referred to as charter schools throughout this document.
students will be permitted to enroll in a cyber charter school – until space is made available by graduating or otherwise exiting students.

In addition to regular charter schools and the cyber schools, Michigan statute defines three other types of charter schools:

- **Urban high school academy:** a charter school established to serve targeted students in grades 9 through 12 within the city of Detroit. Urban high school academies must be authorized by universities, but have not counted against the cap on university-authorized charter schools. These contracts are issued for a term of 10 years. The Public School Academies of Detroit serves as the governing board for all urban high school academies. At the time of the monitoring visit, three urban high school academies were open in Detroit, each of them authorized by the same university. MDE does not believe these academies are eligible for CSP funding because they have enrollment preferences.

- **Strict discipline academy (SDA):** a charter school serving adjudicated youth, expelled students, and students suspended for more than 10 school days. There were seven strict discipline academies at the time of the monitoring visit. Many of them are located with incarceration facilities, which makes open enrollment impossible. As a result, these schools are not eligible to receive a planning or implementation subgrant. However, MDE guidelines allow academically successful SDAs to compete for a dissemination subgrant (although, to date, none has received a dissemination grant). (See Section 1.2 for related concerns.)

- **Chartered educational clinic:** a charter school authorized by a local school district to serve at-risk students outside of normal school hours but for no more than three hours per week. The clinics are not eligible for CSP funds because they are not independent, standalone schools. Additionally, there currently are no chartered educational clinics operating in the State.

**CHARTER RENEWAL**

As noted in the CSP application, Michigan statute does not specify a contract term for charters, but instead empowers authorizers to set the term. Increasingly, authorizers are linking the length of contracts to academic quality. As a matter of general practice in the State, an initial charter is issued for a period of five years. Following this initial contract term, a school's academic performance becomes a factor in the duration of future contracts. A school that is performing well, for instance, may receive a seven- or even a ten-year contract. Schools that are struggling, however, could receive only a three-year contract, or a one-year extension. This reflects the additional attention and support that the authorizer believes the school requires. Section 380.503(3) of the Revised School Code (RSC) requires that authorizers submit to MDE a copy of every contract within ten days of issuance. Administratively, MDE has also developed an “Assurances and Verification” system, which asks authorizers to “assure” the State how they oversee 18 critical factors, including its decisions to revoke or non-renew a charter.

Section 380.507 of the RSC specifies that a charter may be revoked by the authorizing body if it determines that one or more of the following have failed to occur: (a) improved academic
achievement, (b) compliance with all applicable law, (c) sound fiscal stewardship, or (d) the existence of other grounds for revocation as specified under the contract.

In 2011 the RSC was amended in response to compliance concerns from the Charter Schools Program (CSP) office at ED. The RSC previously did not specify growth in student achievement as the “most important” factor in making such decisions. The new language under RSC 380.503(6)(h) brings the State into compliance with assurances 3A and 3B of the CSP by stipulating: “…standards for renewal shall include increases in academic achievement for all groups of pupils as measured by assessments and other objective criteria as the most important factor in the decision of whether or not to renew the contract.”

PERFORMANCE OF THE STATE CHARTER SECTOR

The Center for Research on Educational Outcomes (CREDO) at Stanford University compared the performance of charter school students in elementary and middle schools on the Michigan Educational Assessment Program (MEAP) to the same groups of students attending traditional public schools. Traditional school students outperformed charter school students on math, reading, writing, science, and social studies. When the analyses were limited to schools in communities with concentrations of charter schools, student performance rates were more similar in math and reading, with traditional school students more likely to be proficient. Disparities were greater in both science and social studies, again with traditional school students having higher rates of proficiency. One set of CREDO analyses includes only large districts with charter schools and students who stayed within the same building for at least three years. Here, charter school students were more likely to be proficient than traditional school students in math, reading, writing, and science.

When comparing traditional versus charter schools in communities with charter schools, CREDO found that students in both categories of schools had similar performance rates, with traditional students being more likely to be proficient in math, reading and writing. However, when examining large districts where there are three or more charter schools (e.g., Detroit, Grand Rapids, Flint), there was great variance in how well students performed. Overall, in these districts, students in charter schools were more likely to perform better in math; however, students in traditional schools performed better in reading and writing. When looking at an important subset of this data, comparing students who remained in the same building for three years in the larger districts, the results improved for charter schools. Charter students were more likely to outperform students in traditional schools in all three subjects of math, reading, and writing. This last subset of data appears to reinforce a widely held perception that charter school students begin to experience academic growth that surpasses that of traditional schooling the longer they stay in the charter environment.

Statistics from 2008-09 and 2009-10 comparing charter schools to all Michigan schools making Annual Yearly Progress (AYP) show that charter schools lag behind the total school population in the State. Among charter schools, 84 percent made AYP in 2008-09 and 82 percent made AYP in 2009-10. For all Michigan schools the corresponding percentages were 91 percent and 86 percent (downloaded from National Alliance for Public Charter Schools Dashboard, May 24, 2012).
THE SEA CHARTER SCHOOLS OFFICE/PROGRAM

The PSAU administers Michigan’s CSP grant program. The office includes seven staff members: a manager, four consultants, one analyst, and a secretary. These staff members work closely with other departments within MDE, such as the Office of Field Services, the Office of Special Education, and the Office of Grants Coordination and School Support, as well as with key stakeholders in Michigan’s charter community. These stakeholders include potential and current subgrantees, charter school authorizers, representatives from EMOs, and groups such as MAPSA, the State charter association. The State’s CSP grant provides some of PSAU’s funding, which is supplemented by other State funds.

CHARTER SCHOOLS PROGRAM GRANT

Michigan has been awarded six CSP grants. The State received its first CSP grant in 1995 for $6,112,453. ED awarded a second CSP grant for $19,600,000 in October 1998. Michigan’s third grant ($16,420,000) was in October 2001, its fourth ($22,476,459) in October 2004, and its fifth ($22,802,234) in August 2007. ED awarded a five-year CSP grant to Michigan in 2010 for a total of $43,903,325. Funds for the grant’s first year were $7,231,895. Year 2 funding was $9,452,683. The year 2 funds were forward-funded so MDE received both its year 1 and year 2 funds during year 1.

Michigan was monitored in 2009 under its 2007 CSP award. The previous monitoring team found the State’s performance was strong in a number of areas. The subgrant application and award process was clear and consistent. The State demonstrated that subgrantees met the term eligible applicant, subgrants were distributed across the state and represented a variety of educational approaches, and subgrants did not exceed the maximum program period. Subgrantee monitoring and performance were also strong and facilitated by subgrantee management plans, ongoing subgrantee reporting, and extensive desk monitoring. The State also had a well-defined system in place for disbursing and accounting for Federal funds.

In 2009, the monitoring team highlighted two areas of best practice. The first area was the State’s process for conducting peer reviews of subgrant applications. The second area related to the process for applying for dissemination subgrants where applicants were to describe how subgrantees would establish relationships with mentees interested in modeling a subgrantee’s educational practice. As a part of the previous monitoring, the SEA partially met indicators related to: required descriptions and assurances in the planning application; informing parents and teachers about the charter grant program; the quality of applications awarded subgrants; the guidance provided on allowable, allocable, and reasonable uses of grant funds; and eligibility criteria for dissemination grants.

The present document is a report of monitoring conducted as part of Michigan’s 2010 CSP grant. Michigan’s approved 2010 CSP grant application cites the following four objectives:

1. Increase the number of high-quality charter schools in Michigan, particularly in Detroit.
2. Improve academic achievement in Michigan charter schools, particularly among at-risk and/or secondary pupils.


4. Provide stronger vehicles for information sharing, training, and support among charter schools and boost communications between charter schools and traditional LEAs.

At the time of the monitoring visit, the State had awarded 65 planning subgrants and 17 implementation subgrants. Each planning subgrant is for $110,000 and planning subgrant activities may last up to 18 months. Planning subgrants are divided into two stages and frequently, though not always, function as pre-charter planning grants. In order to be awarded an implementation subgrant, a subgrantee must have completed all planning activities and received a charter from an authorized public chartering agency. A new charter school is then eligible to receive $200,000 annually of implementation funding for up to the first two years of operations. (See Indicator 1.1 for additional information on the subgrant application process.)

The State awarded 40 planning subgrants during its first year of the 2010 CSP grant and awarded an additional 25 planning subgrants during 2011. At the time of the monitoring visit, only 10 of the Year 1 planning subgrantees had moved on to implementation subgrants. The remaining 30 subgrantees that received a Year 1 planning subgrant were still completing planning activities (e.g., refining their grant application sections) or had not yet received a charter to operate a charter school. There are subgrantees that do not receive a charter until after the 18-month planning subgrant period. In such instances, the subgrantee may eventually receive implementation funding; however, the number of months such a subgrantee may receive implementation funding is limited because the combined period of planning and implementation funding may not exceed 36 months.

A total of 17 charter schools received implementation subgrants under MDE’s 2010 CSP grant. As noted in the previous paragraph, 10 of these subgrantees had received planning subgrants in Year 1 of the 2010 CSP grant. The remaining seven subgrantees had received planning subgrants under MDE’s 2007 CSP grant.

MDE awarded three dissemination subgrants in Year 1. The size of dissemination grants ranged between $84,525 and $100,000.

<table>
<thead>
<tr>
<th>Planning Subgrants</th>
<th>Implementation Subgrants</th>
<th>Dissemination Subgrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>Range of $ Awards</td>
<td>Range of $ Awards</td>
<td>Range of $ Awards</td>
</tr>
<tr>
<td>Year 1</td>
<td>40</td>
<td>11</td>
</tr>
<tr>
<td>$110,000</td>
<td>$200,000</td>
<td>$84,525-$100,000</td>
</tr>
<tr>
<td>Year 2</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>$110,000</td>
<td>$200,000</td>
<td>None</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>17</td>
</tr>
<tr>
<td>$10,255,000</td>
<td>$5,875,000</td>
<td>$277,010</td>
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Charter Schools Program 8 Michigan Monitoring Report
The three dissemination subgrant projects are described below:

- Holly Academy, $84,525 (8/1/2010-3/14/2011). The subgrantee is conducting a project focused on training other educators on implementing Response to Intervention (RtI) strategies to help students from falling behind academically compared to their peers. The school did not seek out dissemination funding on its own, rather, the Michigan Association of Public School Academies (MAPSA) suggested that the school apply.

- International Academy of Flint, $92,845 (7/1/2011-6/30/2012). This subgrantee is a part of the SABRIS® School Networks and uses the SABRIS® curriculum, which stresses a culture of achievement and post-secondary education for all students. The subgrantee is mentoring American International Academy, a school that is not a part of the SABRIS® School Network but plans to use the SABRIS® curriculum to build a school culture that stresses achievement.

- Edison Public School Academy, $100,000 (7/1/2011-6/30/2012). The Detroit Edison Public School Academy received a dissemination grant to mentor the team developing Detroit Edison Public School Academy Chadsey/Condon. This new school sought to replicate Detroit Edison Public School Academy, a high performing school.

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2 The funding that Holly Academy received for its dissemination grant activities came from two different CSP grants from ED to MDE. The school received $84,525 from the State’s 2010 grant to support activities during the 2011-12 school year. Holly Academy also received $98,100 from the State’s 2007 grant to support activities during the 2010-11 school year.

3 Without MAPSA’s nudge and help along the way, the charter school probably would not have been aware of the opportunity or willing to put the time and attention into applying. The subgrantee explained that the application and the reporting took a lot of effort. While the subgrantee deemed it ultimately a rewarding experience, it found at times that it was hard to justify committing the time and energy when there is always plenty to do just to keep a charter school enterprise performing at peak levels.

4 As of fall 2012, MDE is seeking to recoup funds from Detroit Edison Public School Academy because it failed to close its grant properly. MDE is working with the school’s management company to obtain the necessary substantiating documentation that would allow MDE to release a portion of funds to the Academy. Additionally, the Chadsey/Condon school has yet to receive a charter. The school had received a planning grant, but the non-profit subgrantee withdrew from the subgrant before drawing down any funds.
IV. SUMMARY

Monitoring focused on three areas: (1) Subgrant Application and Award Process; (2) CSP and Charter School Quality; and (3) Administrative and Fiscal Responsibilities. Within each area, the protocol identifies indicators of grantee compliance or performance. This section presents the monitoring team’s observations, assessment of the grantee’s performance, and recommendations for each indicator. Grantee ratings are based on the degree to which the grantee meets each indicator. The indicator rating system is as follows:

3 – Grantee fully meets the indicator.
2 – Grantee partially meets the indicator.
1 – Grantee does not meet the indicator.

To summarize, Michigan has demonstrated almost all of the necessary program management and fiscal controls to meet the application’s objectives. It met all indicators relating to its subgrant application and award process, met most indicators related to CSP and charter school quality, and met most indicators related to administrative and fiscal responsibilities. The State also engages in promising practices related to the peer review process, ensuring the quality of charter authorizers, and ensuring the quality of subgrantees. The grantee has had some trouble developing a large enough pool of potential dissemination subgrant applicants and has not made substantial progress on all of its project objectives. Lastly, new charter schools do not appear to be receiving their Federal funds in a timely fashion during their first year of operation.

Subgrant Application and Award Process – The State has a sound subgrant application and award process. The grantee assures applicants are eligible to receive CSP funds, meet the term “charter school,” and complete all required assurances. Subgrantees are selected using a sound peer review process, and no subgrant award exceeds allowable program periods. Subgrantees have opportunities to improve their plans before moving to the next stage.

CSP and Charter School Quality – The State engages in quality authorizing practices and provides a high degree of flexibility and autonomy to charter schools. The State awards subgrants based on an application’s quality, awards subgrants throughout the State, and monitors subgrantees to assure approved grant and subgrant objectives are achieved. The SEA has had a hard time establishing interest in the dissemination subgrant. Additionally, the SEA has recently revised its cut scores on the Michigan Educational Assessment Program and this may negatively impact performance measures related to student academic achievement.

Administrative and Fiscal Responsibilities – The State has strong fiscal control and fund accounting procedures, including the allocation of CSP funds, the administration and use of CSP funds, transferring student records, and recordkeeping. The monitoring team is concerned that first year charter schools are not receiving their Federal education formula funds in a timely manner.
Promising Practices

- The peer review process to review and select subgrant applications.
- Subgrant guidance and technical assistance which requires a subgrantee to modify or resubmit its subgrant application to bring any deficient areas up to the highest level of excellence before releasing subgrant funds.
- Influence in quality authorizing practices, including the Authorizer Assurance and Verification visits and the Handbook for District Authorizers.

Areas of Concern

- Strict Discipline Academies are likely not eligible to receive Federal CSP funds under current guidelines.
- The pool of dissemination subgrantee applicants is too small.
- The timely release of Federal education formula funds to new charter schools.

A summary table of all of the indicators and their ratings is provided below.

<table>
<thead>
<tr>
<th>Summary of Indicator Ratings</th>
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<tbody>
<tr>
<td><strong>Section 1: Subgrantee Application and Award Process</strong></td>
</tr>
<tr>
<td>Indicator 1.1</td>
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<td>Indicator 1.2</td>
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<td>Indicator 1.3</td>
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<td>Indicator 1.4</td>
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<tr>
<td>Indicator 1.5</td>
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<tr>
<td><strong>Section 2: CSP and Charter School Quality</strong></td>
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<tr>
<td>Indicator 2.1</td>
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<td>Indicator 2.2</td>
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<tr>
<td>Indicator 2.3</td>
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<tr>
<td>Indicator 2.4</td>
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</tbody>
</table>
### Indicator 2.5  SUBGRANTEE MONITORING. The SEA monitors subgrantee projects to assure approved grant and subgrant objectives are being achieved.

<table>
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<th>Rating</th>
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<tr>
<td>3</td>
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</table>

### Indicator 2.6  DISSEMINATION OF BEST OR PROMISING PRACTICES. The State disseminates best or promising practices of charter schools to each local educational agency in the State.

<table>
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<th>Rating</th>
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<td>2</td>
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### Indicator 2.7  ACHIEVEMENT OF APPLICATION OBJECTIVES. The State demonstrates substantial progress in meeting its application objectives.

<table>
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<tr>
<th>Rating</th>
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<td>2</td>
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### Section 3: Administrative and Fiscal Responsibilities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>3.1</td>
<td>FEDERAL PROGRAMS INFORMATION AND FUNDING. The State informs appropriate audiences about the SEA’s charter school grant program, Federal funds that the charter school is eligible to receive and Federal programs in which the charter school may participate, and ensures that each charter school in the State receives its commensurate share of Federal education formula funds.</td>
</tr>
<tr>
<td>3.2</td>
<td>ALLOCATION OF CSP FUNDS. The proportion of grant funds reserved by the State for each activity does not exceed the allowable amount.</td>
</tr>
<tr>
<td>3.3</td>
<td>ADMINISTRATION AND USE OF CSP FUNDS. The SEA administers the CSP funds and monitors subgrantee projects to ensure the proper disbursement, accounting, and use of Federal funds.</td>
</tr>
<tr>
<td>3.4</td>
<td>LEA DEDUCTIONS. The State ensures that the LEA does not deduct funds for administrative expenses or fees unless the eligible applicant enters voluntarily into an administrative services arrangement with the relevant LEA.</td>
</tr>
<tr>
<td>3.5</td>
<td>TRANSFER OF STUDENT RECORDS. The SEA ensures that a student's records and, if applicable, individualized education program accompany the student’s transfer to or from a charter school in accordance with Federal and State law.</td>
</tr>
<tr>
<td>3.6</td>
<td>RECORDKEEPING. All financial and programmatic records, supporting documents, statistical records, and other records of grantees and subgrantees related to the CSP grant funds are maintained and retained for grant monitoring and audit purposes.</td>
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<tr>
<th>Rating</th>
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<tr>
<td>3</td>
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V. FINDINGS

This section presents the monitoring team’s description and assessment of the grantee’s administration of the CSP grant for each indicator. Each indicator is stated, followed by summary narrative and detailed tabular information containing the monitoring team’s observations and findings of grantee implementation related to the indicator. Any areas of concern and promising practices are then highlighted. Finally, a rating, justification for that rating, and where appropriate, recommendations for improvement are given.

1. SUBGRANT APPLICATION AND AWARD PROCESS

A major function of CSP grantees is to conduct application and award processes to distribute CSP funds to subgrantees in the State, including funds for new charter school planning and implementation as well as for the dissemination of successful charter school practices. A minimum of 95 percent of each State’s CSP allocation is distributed to subgrantees through this process. This section focuses on the State’s requirements of subgrant applicants, and its processes for evaluating, selecting, and awarding subgrants. Specifically, this section addresses the State’s performance in fulfilling its responsibilities to:

- Require subgrant applicants to submit an application with Federally required descriptions and assurances;
- Determine that applicants are eligible to receive CSP subgrants;
- Ensure that eligible applicants meet Federal definitions of a charter school;
- Employ a peer review process to evaluate subgrant applications; and
- Ensure CSP subgrants adhere to allowable time periods.

Indicator 1.1: SUBGRANT APPLICATION DESCRIPTIONS AND ASSURANCES. The State requires each eligible applicant desiring to receive a subgrant to submit an application to the State Educational Agency that includes the descriptions and assurances required in Federal statute.

Observations: As a part of the 2009 monitoring, the State partially met conditions related to this indicator. Specifically, the previous monitoring team noted that the subgrant applications lacked the description and assurances related to how applicants would use subgrant funds in conjunction with other Federal funds.

After the last monitoring visit, the Public School Academies Unit (PSAU) revised its Planning and Implementation (P&I) subgrant application and the Dissemination subgrant application and also expanded its subgrant program to include what the State is referring to as Replication and Expansion subgrants. Starting in 2012-13, the SEA plans to administer the Replication and Expansion subgrant application process once a year. Replication and Expansion grants will be awarded for three years, with no more than 18 months used for planning with funds up to $100,000, and no more than two
years used for initial implementation. Depending on funds available and the size of the school, funds available for implementation may equal up to $200,000 for each year. The Replication & Expansion competition is set aside for existing charter schools that have been designated as Schools of Excellence or those eligible to be designated as Schools of Excellence to support their planned replication or expansion. At the time of the monitoring visit, the State had not released this competition and had not made any replication and expansion awards. The monitoring team notes that Michigan’s approved application does not include mention of these Replication and Expansion subgrant. However, MDE contacted ED about the Replication and Expansion subgrant and received approval for it. Additionally, while MDE views these subgrants as relating to charter school replication and expansion, ED, under its own definition, considers these potential sites to be new schools rather than expansion sites. Therefore an official substantial expansion waiver is not needed.

The PSAU asks all subgrant applicants to provide evidence for the required assurances. The current applications require subgrant applicants to address all of the Federally-required descriptions and assurances of section 5203 of the ESEA along with providing evidence of the following:

- Community need and demand for the proposed school.
- An analysis of the local educational marketplace and the competitive advantages brought to bear by the proposed school.
- The subgrantee has conducted meaningful research in adopting the curriculum and educational program being proposed.
- The school will incorporate the Michigan School Improvement Framework into its planning and evaluation efforts.
- The school calendar supports the proposed educational program.
- Sufficient capacity for governance.
- The subgrantee has a clear understanding of potential conflicts of interest and has taken steps to avoid related party transactions.
- Facilities planning and the development of sustainable school-wide budget.
- Planning for student transportation issues.
- An understanding of the administrative relationship between the charter public school and its authorizer.
- An understanding of the administrative relationship between the charter public school and its service providers.
- A “post-grant” operational budget.
- Description of enrollment policies in compliance with Federal and State law.

All applications are available online with the dates indicating when applications are due. Planning applications are accepted three times a year. However, if all the funds are used during the first or second round of applications, the third round of applications will be canceled and applications will
not be collected. The implementation grant is available to planning grantees who successfully complete the two stages of the planning grant cycle.

The planning subgrant is broken into two stages – these subgrants are typically awarded to applicants after submitting a charter application but prior to receiving a charter. During Stage One, the subgrantee refines and strengthens the academic vision section of its charter petition and establishes the data indicators the governance board will use to determine whether the school is succeeding. During Stage Two, the subgrantee strengthens its business plan to support the school’s academic vision with the goal of finalizing a full charter application strong enough to secure a charter from a Michigan authorizer. Subgrantees may use up to $35,000 for Stage One planning activities. Applicants who complete Stage One may receive up to $75,000 for Stage Two.

Successful planning subgrantees may submit a narrative, management plan, and budget at the end of Stage Two for implementation funds. Implementation funds are not awarded until after the subgrantee receives a charter from an authorizer. Implementation subgrantees may receive up to $400,000 ($200,000 annually for up to two years). Implementation funds are to be used for the initial operations of a charter school, such as equipping, supplying, and developing materials and systems the school will need to be successful.

Dissemination and Replication and Expansion subgrants are (or will be in the case of Replication and Expansion subgrants) submitted for review once a year. Dissemination subgrants are for a one-year period and for up to $100,000. A subgrantee that successfully completes its first year dissemination subgrant activities may submit a subgrant application including budget and management plan for a second year of funding that covers follow-up activities to the first year’s subgrant. The maximum available subgrant amount for that second year is $100,000.

All applicants receive feedback on the subgrant applications from PSAU and peer reviewers. Applicants receive their scored rubric along with narrative responses. Applicants that do not receive funding are able to appeal their scores and resubmit the application for the next round of reviews or withdraw their application, take the comments, and resubmit the application with revisions for the next round.

During each stage of the application process, subgrantees must submit the narrative, management plan, budget and other Michigan Electronic Grants System Plus (MEGS+) requirements. MEGS+ is an online system where grantees can submit completed applications, review submitted applications, and check the status of approved applications, certifications, and reports. Applicants must certify and confirm through the MEGS+ their compliance with the assurances and certifications that are required. Those include:

- Certification Regarding Lobbying For Grants And Cooperative Agreements
- Certification Regarding Debarment, Suspension, Ineligibility, And Voluntary Exclusion – Lower Tier Covered Transactions
• Assurance With Section 511 Of The U.S. Department Of Education Appropriation Act Of 1990
• Certification Regarding Nondiscrimination Under Federally And State Assisted Programs
• Participation Of Nonpublic Schools
• Assurance Regarding Access To Records And Financial Statements
• Assurance Regarding Compliance With Grant Program Requirements
• Certification Regarding Title II Of The Americans With Disabilities Act (A.D.A.), P.L. 101-336, State And Local Government Services
• Certification Regarding Title III Of The Americans With Disabilities Act (A.D.A.), P.L. 101-336, Public Accommodations And Commercial Facilities
• Certification Regarding Gun-Free Schools – Federal Programs (Section 4141, Part A, Title IV, NCLB)
• Audit Requirements
• Assurance Against Trafficking In Persons
• Assurance Regarding The Prohibition Of Text Messaging And Emailing While Driving During Official Federal Grant Business
• Certification Regarding Universal Identifier Requirements
• Assurance Regarding Reporting Subaward Data For Subrecipients
• PSA Assurances Regarding Grant Eligibility, Oversight And Reporting

The PSAU applicant orientation/informational meetings are held prior to each application round. These meetings are held in the Lansing and Detroit areas. At these meetings participants are told about the program periods. As outlined in the application, P&E subgrantees are required to provide estimates of each project period. Furthermore, all new subgrantees must attend a half-day technical assistance session where PSAU staff reminds subgrantees of project requirements and expectations.

Table 1.1: SUBGRANT APPLICATION DESCRIPTIONS AND ASSURANCES.

<table>
<thead>
<tr>
<th>ESEA Section 5203. Applications. (b) Each application submitted pursuant to subsection (a) shall — (3) contain assurances that the State educational agency will require each eligible applicant desiring to receive a subgrant to submit an application to the State educational agency containing —</th>
<th>Is this an area of concern?</th>
<th>Findings: How does the SEA grantee ensure that each description and assurance is included in the subgrant application?</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) a description of the educational program to be implemented by the proposed charter</td>
<td>☑ Yes ☒ No</td>
<td>The planning, implementation, dissemination, and replication &amp; expansion application narratives require...</td>
</tr>
</tbody>
</table>
school, including —
(i) how the program will enable all students to meet challenging State student academic achievement standards;
(ii) the grade levels or ages of children to be served; and
(iii) the curriculum and instructional practices to be used;

| (B) a description of how the charter school will be managed; | ☐ Yes ☑ No | The planning, implementation, dissemination, and replication & expansion application narratives require a description of the project team and how the charter school will be managed. Also to be included are the names of the members of the Board of Directors and the management and governance structure of the board. |
| (C) a description of —
(i) the objectives of the charter school; and
(ii) the methods by which the charter school will determine its progress toward achieving those objectives; | ☐ Yes ☑ No | The planning, implementation, dissemination, and replication & expansion application narratives must include a description of the vision, mission and educational goals of the proposed charter school. The educational goals should be complete, measurable, ambitious, tailored to the expected student population, and coordinated with the mission and vision. |
| (D) a description of the administrative relationship between the charter school and the authorized public chartering agency; | ☐ Yes ☑ No | The CSP planning application require the applicant to include in the narrative a letter of support or a letter indicating that the applicant is a finalist that is being considered to receive a charter from a Michigan authorizer. During Stage 2 the charter school must provide a final letter from a Michigan authorizer stating its support of the charter. |
| (E) a description of how parents and other members of the community will be involved in the planning, program design, and implementation of the charter school; | ☐ Yes ☑ No | The planning, implementation, dissemination, and replication & expansion applications require applicants to describe their proposed methods for involving parents and community members in the design of the school and the education of enrolled students. It must also include a description of the school’s advertising and recruitment plans. |
| (F) a description of how the authorized public chartering agency will provide for continued operation of the school once the Federal grant has expired, if such agency determines that the school has met the objectives described in subparagraph (C)(i); | ☐ Yes ☑ No | The planning, implementation, dissemination, and replication & expansion applications require applicants to contract with a Michigan authorizer. The applicant must provide evidence of facilities planning and the development of sustainable school-wide budget. |
| (G) a request and justification for waivers of any Federal statutory or regulatory provisions that the eligible applicant believes are necessary for the successful operation of the charter school, and a description of any State or local rules, generally applicable to public schools, that will be waived for, or otherwise not apply to, the school; | ☐ Yes ☑ No | The planning, implementation, dissemination, and replication & expansion applications require all applicants to identify if they will seek any waivers of Federal or State requirements that they believe will be necessary. Seat time waivers are the most common waivers requested. Seat time waivers are required for students who take more than two online courses. |
(H) a description of how the subgrant funds or grant funds, as appropriate, will be used, including a description of how such funds will be used in conjunction with other Federal programs administered by the Secretary;  
- Yes  
- No  
A description of how the applicant intends to use subgrant funds is required in the application narrative and detailed budget.

(I) a description of how students in the community will be —  
- Yes  
- No  
The planning, implementation, dissemination, and replication & expansion applications require the applicant to describe the school’s advertising and recruitment plans. The applicant must provide an outline of the planned policy and procedures for enrollment and how the proposed school will meet State and Federal requirements for open enrollment.

(i) informed about the charter school;  
and  
(ii) given an equal opportunity to attend the charter school;  

(J) an assurance that the eligible applicant will annually provide the Secretary and the State educational agency such information as may be required to determine if the charter school is making satisfactory progress toward achieving the objectives described in subparagraph (C)(i);  
- Yes  
- No  
The planning, implementation, dissemination, and replication & expansion applications require all applicants to commit to the required assurances and certifications in MEGS+. This assurance is covered in MEGS+. Also, Stage One of the application requires the submission of the design of an evaluation that will demonstrate whether the charter school’s vision is succeeding.

(K) an assurance that the eligible applicant will cooperate with the Secretary and the State educational agency in evaluating the program assisted under this subpart;  
- Yes  
- No  
The planning, implementation, dissemination, and replication & expansion applications require all applicants to commit to the required assurances and certifications in MEGS+. This assurance is covered in MEGS+.

(L) a description of how a charter school that is considered a local educational agency under State law, or a local educational agency in which a charter school is located, will comply with sections 613(a)(5) and 613(e)(1)(B) of the Individuals with Disabilities Education Act;  
- Yes  
- No  
The planning, implementation, dissemination, and replication & expansion applications require the applicant to include in the narrative a description of how the charter school will ensure high quality services to students with special needs. The narrative must “include a description of how the proposed charter school will participate in development of the county-specific ISD special education plan, which ensures compliance with the Individuals with Disabilities Act (IDEA).”

(M) if the eligible applicant desires to use subgrant funds for dissemination activities under section 5202(c)(2)(C), a description of those activities and how those activities will involve charter schools and other public schools, local educational agencies, developers, and potential developers; and  
- Yes  
- No  
The Dissemination subgrant application requires that the project narrative include a description of how the project would help “teachers teach, learners learn, or governance boards govern.” The narrative must also include activities to be conducted, proposed replication activities, and who is the target. The application must include data and documentation for efficacy of replication activities.

(N) such other information and assurances as the Secretary and the State educational agency may require.  
- Yes  
- No  
Applicants are required to provide any other information and assurances required by the US Department of Education and the SEA.

Promising Practices

• Opportunities and thresholds to ensure quality in the planning stage. Prior to the awarding of the second stage of planning grant funds, the grantee requires that the subgrantee modify and resubmit its subgrant application to bring any deficient areas up to the highest grade of excellence.

Rating and Justification: 3 – Grantee fully meets the indicator. The State’s application and award process adheres to all Federal requirements and contains all the necessary descriptions and assurances.

Recommendations: None.

Indicator 1.2: ELIGIBLE APPLICANTS. The State ensures each applicant desiring to receive a subgrant meets the term “eligible applicant.”

Observations: The grantee fully met the conditions of this indicator in the 2009 monitoring.

Subgrant applications require applying to an authorizer within the 12-month period before the subgrant application due date and notifying the authorizer of the intent to apply for CSP grant funds with a copy of the subgrant application. The submitted subgrant application must include a copy of the authorizer notification/transmittal letter. If MDE is unable to confirm that the authorizer has received the charter application and the planning grant application, MDE will not review the application. All of this is stipulated in the State’s Planning Application Guidelines.

All planning subgrant applicants may enter into a partnership with an existing School of Excellence that will work with and mentor the applicant. The Planning Application Guidelines includes a list of eligible charter schools to partner with. This partnership agreement must be included in the application narrative. Applicants must also have a Michigan nonprofit status and register their nonprofit corporations with Michigan’s Department of Licensing and Regulatory Affairs (LARA). PSAU staff verifies that these steps have been completed before a subgrant application will be reviewed. If applicants do not have current articles on file with LARA, their applications are not reviewed. According to PSAU staff 13 subgrant applications have been denied because of eligibility concerns since MDE received its current CSP grant.

All completed applications that have the required attachments as spelled out in MDE’s Planning Application Guidelines go through a peer review process that uses a Planning Subgrant Application Rubric included with the Guidelines. Rubric areas include assessment of community need, student population, educational program, student recruitment and community involvement, assessment and evaluation, strength of project team and management, and business planning.

Successful planning grant applications receive Stage One approval once they have met the initial requirements of the Funds Release Document. As noted earlier, the subgrantee refines and strengthens the academic vision section of its charter petition during Stage One and establishes the data indicators the governance board will use to determine whether the school is succeeding.
Subgrantees use Stage Two of their planning grant funds to strengthen their business plan. This provides applicants time and resources to revise and resubmit their subgrant application and charter application to ensure that subgrantees will receive a charter and implementation funding. During Stage Two of the planning grant, MDE provides feedback to the applicant on sections that received a rating of less than 4 (of a possible 4). MDE also provides the applicants with their scored rubrics and peer review feedback.

Private schools and for-profit management companies do not qualify as eligible applicants. An educational service provider (ESP) may help prepare an application for a subgrant award if it is acting as an agent of the charter school and must provide documentation that it is acting as an agent. According to PSAU staff, the SEA will disqualify an application from funding until eligibility concerns are rectified.

MDE’s *Announcement of the 2011-2012 Charter School Competitive Dissemination Grants* indicates that charter schools that “have achieved at least 70 percent proficiency in both English Language Arts and Mathematics MEAP results or serve Strict Discipline Academy (SDA) or Alternative Education populations and have alternate evidence of their academic success” are eligible to receive a dissemination grant. The 2012-2013 *Announcement* also indicates that a SDA might be eligible for a dissemination subgrant. While no SDA has received a dissemination subgrant, the monitoring team is concerned that these schools are not eligible for such a grant. SDAs do not meet the Federal definition of a charter school because parents do not choose to send their children to an academy; therefore, these schools would not be eligible for any CSP funds under current guidelines.

<table>
<thead>
<tr>
<th>Table 1.2: ELIGIBLE APPLICANTS.</th>
<th>Is this an area of concern?</th>
<th>Findings: How does the SEA grantee ensure that each applicant desiring to receive a subgrant meets the term eligible applicant?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The school’s developer has applied to an authorized public chartering authority to operate a charter school</td>
<td>Yes ☑ No ✗</td>
<td>The subgrantee is required to include a copy of the authorizer notification letter in the application narrative. The letter must state that the authorizer has received an application to become a charter and a copy of the planning grant application.</td>
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<tr>
<td>The school’s developer has provided adequate and timely notice to that authority under section 5203(d)(3).</td>
<td>Yes ☑ No ✗</td>
<td>The subgrant application must include a letter signed by the authorizer stating that it received both an application to charter and a copy of the planning subgrant application.</td>
</tr>
<tr>
<td>Non-profit status of the charter holder</td>
<td>Yes ☑ No ✗</td>
<td>Subgrant application guidance echoes Federal guidance regarding for-profit eligibility. Charter schools are also required to have non-profit status.</td>
</tr>
<tr>
<td>Not more than one grant to a charter holder.</td>
<td>Yes ☑ No ✗</td>
<td>PSAU and authorizers track all subgrants to ensure that a school receives no more than one Planning and Implementation subgrant, and one Dissemination subgrant. To ensure this all grantees must obtain a DUNS Number (Data Universal Numbering System), which is a unique nine-digit identification number for each physical...</td>
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</table>
For dissemination applicants: the charter school has been in operation for at least 3 consecutive years and has demonstrated overall success, including—

(i) substantial progress in improving student academic achievement;
(ii) high levels of parent satisfaction; and
(iii) the management and leadership necessary to overcome initial start-up problems and establish a thriving, financially viable charter school.

| Source: 2011-2012 Planning Grant Application Final; 2012-2013 Dissemination Grant Application. |

Areas of Concern

- Strict Discipline Academies are likely not eligible to receive Federal CSP funds under current guidelines.

Rating and Justification: 2 – Grantee partially meets the indicator. While the State ensures that current planning and implementation subgrantees meets the term “eligible applicant” and the State has not yet awarded a dissemination subgrant to a Strict Discipline Academy, there is a high likelihood that Strict Discipline Academies would not be eligible for dissemination subgrants.

Recommendations: MDE should modify its criteria for dissemination grants to ensure that all applicants, including dissemination applicants, are able to meet the Federal definition of “charter school.”

Indicator 1.3: DEFINITION OF CHARTER SCHOOL. The State ensures each eligible applicant meets the term “charter school.”

Observations: The grantee partially met the conditions of this indicator for the 2009 monitoring. The previous monitoring team was concerned about the SEA’s efforts to ensure all public school academies funded with CSP money met the Federal definition of “charter school.” The previous monitoring team had concerns regarding private school conversions; programs that were not elementary or secondary (or both); lotteries and enrollment procedures at some sites; and the eligibility of Strict Discipline Academies.
Part 6A of the Michigan Revised School Code (RSC) sets the State’s definition of charter schools. PSAU staff provided an item-by-item comparison of the Federal and State definitions of a charter school as evidence of the State’s assurance that each eligible applicant planning and implementing a charter school meets the term “charter school” outlined in section 5210 of ESEA during the period of Federal funding. The State’s definition incorporates each component of the Federal definition.

Applicants are required to provide assurances for eligibility and understanding of program requirements. According to the PSAU, it regularly monitors subgrantees to ensure that they meet the definition of charter school throughout the period of Federal funding. PSAU uses a contract checklist to review contracts for new and reauthorized charter schools. It ensures that contracts comply with all Federal and State requirements including open enrollment, random selection lotteries, prohibition from charging tuition, performance contracts, and other requirements to fit the Federal definition of a “charter school.”

<table>
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<th>Table 1.3: DEFINITION OF CHARTER SCHOOL.</th>
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<tbody>
<tr>
<td>ESEA Section 5210. DEFINITIONS.</td>
</tr>
<tr>
<td>(1) CHARTER SCHOOL— The term “charter school” means a public school that —</td>
</tr>
<tr>
<td>Is this an area of concern? Findings: How does the SEA grantee ensure that each eligible applicant meet each clause of the Federal term “charter school”?</td>
</tr>
<tr>
<td>(A) in accordance with a specific State statute authorizing the granting of charters to schools, is exempt from significant State or local rules that inhibit the flexible operation and management of public schools, but not from any rules relating to the other requirements of this paragraph;</td>
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<td>(B) is created by a developer as a public school, or is adapted by a developer from an existing public school, and is operated under public supervision and direction;</td>
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<td>(C) operates in pursuit of a specific set of educational objectives determined by the school’s developer and agreed to by the authorized public chartering agency;</td>
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<td>(D) provides a program of elementary or secondary education, or both;</td>
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<td>Number</td>
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</table>
(M) if the eligible applicant desires to use subgrant funds for dissemination activities under section 5202(c)(2)(C), a description of those activities and how those activities will involve charter schools and other public schools, local educational agencies, developers, and potential developers; and □ Yes □ No Each dissemination subgrantee is to make one or more presentation at one or more national, state, or regional conference as part of the plan for dissemination of the information regarding the project. MDE tracks these subgrantee presentations. Grantees are to share their successful teaching and learning strategies at these conferences.

(N) such other information and assurances as the Secretary and the State educational agency may require. □ Yes □ No The subgrant application requires that the subgrantee must certify compliance with all assurances.

Sources: MDE Response to Monitoring Documents, April 2012; Michigan Legislature Section 380.1311b; New School Definition; PSA Authorization & Reauthorization.

Rating and Justification: 3 – Grantee fully meets the indicator. The State ensures each eligible applicant meets the term “charter school.”

Recommendations: None.

Indicator 1.4: PEER REVIEW. The State uses a peer review process to review and select applications for assistance under this program.

Observations: In the 2009 monitoring, the grantee fully met the conditions of this indicator and its peer review system was recognized as a best or promising practice.

The peer review process has not changed since the last monitoring visit. All of MDE’s subgrant applications outline the peer review process it uses to review and select subgrantees. The peer review process is the same for all subgrant applications (including dissemination subgrants). PSAU recruits past subgrantees, charter school operators and board members, and MDE staff or other qualified individuals to establish review teams. Peer reviewers must submit their resumes before the review meeting and PSAU keeps these on file. To date, 108 different individuals have participated in the peer review for P&I subgrants. Most readers only participate in one peer review reading session: only 18 percent of reviewers participated in more than one review cycle. Reviewers are not compensated for their time; lunch is provided and mileage reimbursement is available.

Two weeks before the review day each reviewer is mailed instructions and no more than four applications. Reviewers are asked to read, score, and comment on each application using a scoring rubric before attending a common review session. This scoring rubric is included in the planning grant application. Reviewers are placed into teams and sign confidentially and conflict of interest statements that the PSAU keeps on file. Teams are provided with a laptop, rubrics, and copies of all assigned subgrants. The PSAU conducts a norming exercise, which consists of a whole-group review and discussion of a common application. All scoring rubrics and reviewer materials are brought back to MDE, where PSAU staff review and tabulate scores. Staff creates an applicant ranking sheet to determine the cut score. (See Appendix 1: PSA Subgrants – Planning Subgrant Application and Awards.)

At the end of the review session, reviewers are asked to evaluate the peer review process. Reviewers are given a survey to determine if the peer review process was successful or needs to be improved.
The State differentiates between new peer reviewers and returning peer reviewers and provides separate surveys to each group. The PSAU analyzes survey results to see what went well in the review process and what can be altered for the next round.

Table 1.4: PEER REVIEW.

<table>
<thead>
<tr>
<th>Elements of the State’s peer review process.</th>
<th>Is this an area of concern?</th>
<th>Findings: How does the SEA grantee conduct its peer review process?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Identification and notification to peer reviewers:</strong> The application does not address the identification and notification of peer reviewers.</td>
<td>Yes ☐ No ☒</td>
<td>PSAU sends out an email to anyone who registers with MEGS+ requesting peer reviewers. The MEGS+ system allows peer reviewers to indicate their willingness to serve as a peer reviewer or select a future date. Information about their employment and background is solicited to ensure the appropriateness of the review assignment. Personal contact is made by PSAU staff members to invite qualified individuals to participate in the peer review process.</td>
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<tr>
<td><strong>Composition and qualifications of peer reviewers:</strong> PSAU solicits teams of authorizer staff, past subgrantees, charter school operators and board members, MDE staff, or other qualified individuals.</td>
<td>Yes ☐ No ☒</td>
<td>Reviewers are sought from the public school community. Reviewers may be a public school board member, administrator, teacher, parent, charter school authorizer, school consultant, current or past subgrantee, or MDE staff. Reviewers must be able to attend a face-to-face meeting, pre-read, and score applications emailed prior to meeting.</td>
</tr>
<tr>
<td><strong>Reviewer guidance and training:</strong> Reviewers must attend a face-to-face meeting. Applications and instructions are emailed to all reviewers prior to the meeting. During the individual review period, reviewers may contact PSAU with questions and requests for guidance.</td>
<td>Yes ☐ No ☒</td>
<td>Applications are divided among teams. One application is common to all teams and will be read by every participating peer reviewer. Applications and instructions are provided electronically to each peer reviewer, typically 1-2 weeks prior to the review day. Reviewers are asked to read, score and comment on each application independently prior to the grant review. A rubric is provided to all reviewers.</td>
</tr>
<tr>
<td><strong>Use of peer reviews to select applications for funding:</strong> A cut score is developed based on the rubric scores.</td>
<td>Yes ☐ No ☒</td>
<td>Completed rubrics are brought back to PSAU, where they are reviewed and scores are double-checked for accuracy. A cut score is developed based on the rubric scores so PSAU staff can determine successful applicants who will be potentially funded. The cut score changes from review to review depending on how much money MDE has set aside for each round of funding. Successful subgrantees are notified approximately 2-3 weeks later and attend a mandatory orientation meeting. Unsuccessful applicants are encouraged to review the comments on the rubric, make modifications to their narrative, and resubmit during the next round.</td>
</tr>
</tbody>
</table>

**Other:** Evaluation of Peer Review Process | Yes ☐ No ☒ | PSAU conducts an evaluation of each review cycle to see what went well and what can be altered for the next round. |

**Sources:** PSA Subgrants – Planning Subgrant Application & Awards; Call for Peer Reviewers email; Peer Review Process; Guideline for Reviewer; Peer Reviewer Data.
Promising Practices

- **Peer Review Process and Evaluation**: The PSAU has a well-established peer review process, which was previously cited as a best practice. The process includes regular evaluations by the peer reviewers of the peer review process.

**Rating and Justification**: 3 – Grantee fully meets the indicator. The PSAU has a comprehensive procedure for recruiting and training peer reviewers, using the reviews to select applications for funding, and evaluating each review process.

**Recommendations**: None.

**Indicator 1.5: PROGRAM PERIODS.** CSP subgrants awarded by the State do not exceed the maximum program periods allowed.

**Observations**: In the 2009 monitoring, the grantee fully met the conditions of this indicator.

To ensure adherence to Federal timeline PSAU has created a three-tier system to inform applicants of program periods: (1) grant award notification letters clearly define Federally-imposed time limits; (2) dates are thoroughly discussed at new grantee orientations; and (3) the PSAU formalized a system for notifying subgrantees of procedures and protocols related to closing of their grant window. In all cases, PSAU guidance states that subgrant funds can be used for up to 18 months of planning and up to 24 months of implementation, with totals not to exceed 36 months.

A subgrant tracking system is used to identify the 36-month subgrant award period for the planning and implementation grant, as well as the replication and expansion grant. The PSAU tracks and records all subgrant dates for planning, implementation year 1, and implementation year 2, as well as for the replication and expansion grant to ensure that funds awarded by the State do not exceed the maximum program periods allowed. Dissemination grants are also tracked; however, grantees may receive a single year of funding and may submit for an additional year of funding for follow-up activities.

**Table 1.5: PROGRAM PERIODS.**

<table>
<thead>
<tr>
<th>CSP subgrants awarded by the State do not exceed the maximum program periods allowed of:</th>
<th>Is this an area of concern?</th>
<th>Findings: How does the SEA grantee ensure that subgrant awards are used within the allowable time periods?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than 3 years, of which the eligible applicant may use —</td>
<td>□ Yes □ No</td>
<td>The subgrant application states that the P&amp;E subgrant cannot be used for more than 3 years, with no more than 18 months used for planning, and no more than 24 months used for initial implementation.</td>
</tr>
<tr>
<td>(A) not more than 18 months for planning and program design;</td>
<td>□ Yes □ No</td>
<td>The subgrant application states that no more than 18 months can be used for planning. PSAU notes that this means that a subgrantee that opts for 18 months of planning time will receive only 18 rather than 24 months of implementation time. The applicant should propose a customized schedule that fits its unique situation, while ensuring that no more</td>
</tr>
</tbody>
</table>
The subgrant application states that no more than 24 months can be used for initial implementation. PSAU notes that this means that a subgrantee that opts for 18 months of planning time will receive only 18 rather than 24 months of implementation time. The applicant should propose a customized schedule that fits its unique situation, while ensuring that no more than 36 months total are used.

The Dissemination Grant application states that grantees may receive one or two years of funding through this grant.

**Rating and Justification**:
3 – Grantee fully meets the indicator. CSP subgrants awarded do not exceed maximum program periods allowed.

**Recommendations**: None.

## 2. CSP AND CHARTER SCHOOL QUALITY

One of the key goals of the CSP is to support and encourage the development of high quality charter schools. To do so, the SEA needs to establish policies and practices that promote high quality charter schools. This section focuses on how the SEA furthers high quality in authorizing practices, charter school flexibility and autonomy, subgrant assessment and awards, monitoring, dissemination of best or promising practices, and progress toward its own application objectives. It includes seven indicators that cover the State’s role in:

- Providing for quality authorizer practices;
- Affording charter schools a high degree of flexibility and autonomy;
- Awarding CSP subgrants on the basis of the quality of the applications;
- Awarding subgrants to ensure geographic distribution and a variety of educational approaches across the State;
- Monitoring subgrantee achievement of project objectives;
- Disseminating best or promising practices of charter schools; and
- Meeting its application objectives.

**Indicator 2.1: QUALITY AUTHORIZING PRACTICES.** State laws, regulations, or other policies provide for quality authorizing practices and the SEA monitors and holds accountable the authorized public chartering agencies in the State so as to improve the capacity of those agencies to authorize, monitor, and hold accountable charter schools.
Observations: This indicator was not a part of the 2009 monitoring. However, the grantee was able to fully demonstrate that it met the conditions of a related indicator on the SEA’s ability to assure that authorized public chartering agencies would provide for the continued operations of successful charter schools.

As noted earlier, the State does not authorize charter schools; however, it works collaboratively with 27 active authorizers to encourage high quality practices and monitors authorizers through several different avenues. The SEA conducts an Assurances and Verification visit for every authorizer on a two to three year rotation. The process begins with the authorizer completing a self-rating document on five main compliance areas: 1) Application, Authorization, and Contracting; 2) Governance; 3) Facilities; 4) Quality of Learning; and 5) Financial Accountability. During the PSAU’s visit, the self-rating is matched to observation criteria. A Feedback Report is created based on the authorizer’s self-rating, notes from the visit, and comments. These visits are used to rate the effectiveness of the authorizers. According to Section 380.502(5) of State statute, the State superintendent of public instruction may act if an authorizer is not engaging in appropriate continuing oversight by suspending the power of the authorizer to issue new contracts. (See Appendix 2: Self-rating Checklist for Authorizers.)

The grantee developed a Handbook for District Authorizers that is written in a Q&A format to guide districts that apply to be an authorizer through various legal, operational, financial, and governance considerations associated with becoming an authorizer. The Handbook also includes a helpful checklist of what districts need to think through in preparing to authorize charter schools. Currently, only three districts choose to authorize charter schools. (See Appendix 3: Handbook for District Authorizers.)

The grantee also utilized its independent evaluator in 2011 to develop profiles on all of the authorizers in the state. Each profile includes aggregate data on the portfolio of schools, including number of students, buildings, high schools and urban schools, number of closed schools, percentage of students receiving free and reduced price lunch or special education services, and a comparison of MEAP scores by authorizer. The grantee is in the early stages of dialogue within the SEA about how best to organize and potentially use these data to drive improvements in authorizer practices.

<table>
<thead>
<tr>
<th>Federally-defined quality authorizing practices</th>
<th>Is this an area of concern?</th>
<th>Findings: How are quality authorizing practices required by State law, regulation, or other policies and how are these policies implemented?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter or performance contracts describe the obligations and responsibilities of the school and the authorizer.</td>
<td>Yes</td>
<td>Section 380.503 sets forth the obligations of the charter school and authorizer to include that a contract shall contain (i) educational goals and the methods by which schools will be held accountable; (ii) methods for monitoring school compliance with applicable law; (iii) procedures for revoking the contract; (iv) requirements and procedures for quarterly financial reports and yearly financial audits;</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td></td>
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</tbody>
</table>

Table 2.1: QUALITY AUTHORIZING PRACTICES.
(v) curriculum documents and materials; (vi) proof of insurance; (vii) facility leases or deeds; (viii) all health and safety reports and certificates; (ix) demonstration of a reasonable effort to advertise its enrollment openings for a duration of at least two weeks to include some evening and weekend time; and (x) a requirement that the authorizer review agreements with educational management organizations before such agreements may be considered final and valid.

The SEA requires the submission of a completed contract checklist that is aligned with State law, for every new or renewed charter school that is authorized. The SEA checks it for errors or omissions and provides the authorizer with feedback.

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter schools submit annual financial audits to the authorizer.</td>
<td></td>
<td></td>
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<tr>
<td>Charter schools are held accountable to demonstrate improved student academic achievement.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorizers use student academic achievement for all groups of students as the most important factor when determining to renew or revoke a school’s charter and provide for the continued operation of successful charter schools.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The SEA’s plan to monitor and hold accountable authorized public chartering agencies, so as to improve the capacity of those agencies to authorize, monitor, and hold accountable charter schools.</td>
<td></td>
<td></td>
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</tbody>
</table>

Section 380.503(6)(g) requires that financial audits be conducted at least annually by a certified public accountant in accordance with GAAP and submitted to that authorizer.

Section 380.503(6)(a) requires that the educational goals of a charter school include demonstrated improved academic achievement for all groups of pupils and that authorizers make this the most important factor in charter renewal decisions. The SEA monitors this as part of its contract checklist. Authorizers require charter schools to submit documentation of progress as part of their annual reporting.

Historically, Section 380.507(5)(a) cites failure to demonstrate improved academic achievement for all groups of pupils as a reason for revocation. In 2011, the Code was further amended to specify that growth in student achievement is the “most important” factor in making such revocation decisions.

The grantee conducts an Assurances and Verification visit of every authorizer on a 2-3 year rotation. Authorizers rate themselves on five areas:

1) Application, Authorization, and Contracting
2) Governance
3) Facilities
4) Quality of Learning
5) Financial Accountability

A Feedback Report is created based on the authorizer’s self-rating, the notes from the visit, and comments.

Sources: CSP Application; Contract Checklist, Handbook for District Authorizers; Single Audit Findings Memo; MDE Response to Monitoring Documents, April 2012.
Promising Practices:

- **Authorizer Assurances and Verification visits** – The SEA conducts visits of every authorizer on a 2-3 year rotation using a rubric that the authorizer first completes as a self-rating. On the visits, the PSAU staff match up evidence to criteria in the rubric and file a written feedback report with the authorizer, especially denoting areas needing improvement.

- **Handbook for District Authorizers** – The SEA developed a handbook to guide district decisions to charter schools and to help them adapt to the additional responsibilities associated with the role.

**Rating and Justification:** 3 – Grantee fully meets the indicator. The SEA has developed several tools to ensure quality authorizing practices, reinforce charter accountability for academic performance expectations, and to improve the capacity to authorize high quality charter schools.

**Recommendations:** None.

**Indicator 2.2: FLEXIBILITY AND AUTONOMY.** The SEA affords a high degree of flexibility and autonomy to charter schools.

**Observations:** In the 2009 monitoring, the grantee fully met the conditions of this indicator. That being said, the 2009 monitoring team cited the prevalence of Educational Service Providers (ESPs) in Michigan and raised a concern that the full extent of charter school flexibility and autonomy may depend on how well the contractual agreements with ESPs are structured to preserve the governing board’s independence and authority.

Michigan law provides for a high degree of legal autonomy for charter schools, which are treated as LEAs under the law. Additionally, charter schools are granted specific statutory authority to contract for the services of their teachers, which traditional LEAs are prohibited from doing. Michigan charter schools operate autonomously with regard to control of their own budget, expenditures, and management of their funds.

The subgrantees reported experiencing wide flexibility and autonomy, including choice of curricular approaches, being able to select from a variety of authorizers, recruiting students across enrollment zones and district boundaries, modifying the length of the school day and year, retaining an outside management firm, requiring additional professional days for teachers, breaking up courses into competencies, fewer layers of administration, and streamlined procurement processes. A couple of subgrantees identified at least two areas where they would like to see more flexibility. One was to ease up on an authorizer requirement that a Board member co-sign all checks, by setting a reasonable dollar threshold under which a co-signer is not needed. Another issue was over a seat time waiver in which the charter school would receive a pro-rata amount for students taking less than a full load at the school, but no funding for a similar student that took less than a full load of classes online.

As was found in the first monitoring visit, many Michigan charter schools contract with local ESPs in ways that may vest considerable amounts of the school’s flexibility and autonomy with these outside
providers. As reported in the 2009 monitoring report, some ESPs have nearly carte blanche authority to select, hire, and evaluate the school leader and many have provided start-up support for facilities under complex loan arrangements. Consequently, the governing boards of these charter schools may be forfeiting a significant degree of autonomy that would otherwise rest with the board. The PSAU staff commented that no laws or regulations have been modified since the 2009 monitoring report to potentially curtail the latitude of ESPs. Authorizers offer varying degrees of training and technical assistance to boards on matters of contract oversight, conflict of interest, and related issues. One such authorizer requires that it pre-screen and approve candidates for the board and will dig into backgrounds to ensure the independence of all board members from the ESP. But this is not a common practice among authorizers.

Table 2.2: FLEXIBILITY AND AUTONOMY.

<table>
<thead>
<tr>
<th>Areas for charter school flexibility and autonomy as outlined in the State’s CSP application</th>
<th>Is this an area of concern?</th>
<th>Findings: How does the SEA grantee afford charter schools flexibility and autonomy in each area?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget/Expenditures:</strong> Section 380.504a of Michigan law allows a charter school to (a) sue and be sued, (b) own or lease property, (c) receive, disburse, and pledge funds for lawful purposes, (d) enter into binding legal agreements, (e) incur temporary debt and borrow money, and (f) solicit and accept any grants or gifts for educational purposes.</td>
<td>☒ Yes ☒ No</td>
<td>Charter schools in Michigan have the same budgetary and administrative flexibility as any other public school district. Authorizers act as fiscal agents for the charters to receive the per pupil State aid and are required to transfer all but up to 3% that the authorizer may retain for its oversight purposes. CSP grants and other Federal funds flow directly to the charter schools, which file their own reports and account for their own uses of those funds.</td>
</tr>
<tr>
<td><strong>Personnel:</strong> Under Section 380.506, charter schools, “with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the public school academy, prescribe their duties, and fix their compensation.”</td>
<td>☒ Yes ☒ No</td>
<td>Charter schools have significant latitude over personnel decisions, including the ability to contract with ESPs and that charter school employees do not have to be bound by district collective bargaining agreements. For non-district authorizers, this was once challenged legally and upheld by Attorney General Opinion #6915. Recently, State law provisions were loosened such that authorizing contracts issued by school districts no longer must require all charter school employees to be included in the school district bargaining units.</td>
</tr>
<tr>
<td><strong>Daily Operations:</strong> Under Section 380.502(2)(h), charter schools will comply with the provisions of the Revised School Code, subject to the provisions of this part, and with all other State law applicable to public bodies and with Federal law applicable to public bodies or school districts.</td>
<td>☒ Yes ☒ No</td>
<td>Charter schools are subject to all the same statutes, rules, and regulations as all other LEAs in the state. Charters receive the same autonomy as other LEAs; the State does not interfere in local decisions and respects the authority of the governing boards to operate their schools independently within the confines of law. More than 75% of all charters have opted to use one or more of two dozen ESPs in the State to manage some or all of their operations.</td>
</tr>
</tbody>
</table>

Rating and Justification: 3 – Grantee fully meets the indicator. The State affords a high degree of flexibility and autonomy to charter schools through statutory provisions. In practice, however, charter school flexibility and autonomy may depend on contractual agreements with ESPs.

Recommendations: None.

Indicator 2.3: SUBGRANTEE QUALITY. The SEA awards grants to eligible applicants on the basis of the quality of the applications submitted.

Observations: In the 2009 monitoring, the grantee was able to partially meet the conditions of this indicator. The previous monitoring team was concerned that while the grantee’s subgrant application evaluation rubric was strong, the process for awarding subgrants was not sufficiently rigorous to vet for successful charter applicants. Specifically, the previous monitoring team was concerned about low cut scores.

Definition of Quality. The SEA regards the primary purpose of its CSP as encouraging potential developers of charter schools to engage in a disciplined preparation process designed to improve the quality of applicants available to authorizers when they consider chartering schools. Under its CSP application, the grantee has sharpened its focus to improving academic performance among charter schools that serve at-risk and/or secondary students. Based on research the SEA has conducted on its “beating the odds” schools, it has identified several common core strategies that it wants to help schools replicate and implement:

- Utilization of clear, consistent educational approaches;
- Effective use of data;
- Collaborative staff and school leadership;
- Intentional development of school culture;
- Consistent approaches to students’ non-academic challenges; and
- Deliberate efforts to engage parents.

Subgrant Awards. The grantee awards bonus funding ($50,000 per implementation year) to subgrant applicants who propose to serve at-risk or secondary populations. The application and supporting material clearly outline all criteria that will be used to assess subgrant applicants in seven areas: assessment of community need, student population, educational program, attendance and participation, assessment and evaluation, strength of project team, and business planning. The grantee provides training for eligible applicants to increase the quality of the applications. The grantee determines the quality of the subgrant applicants through the peer and internal review processes. For those who do not meet the qualifying criteria in the first application round, the grantee provides feedback and encourages resubmission. For subgrantees selected to receive an award, there are two phases to the funding in the planning year. As further described in Indicator 1.1, the subgrantee is required to modify and resubmit its subgrant application to bring any deficient areas up to a level four grade of excellence in order to receive the second phase of planning funds.
**Cut scores.** For the more recent subgrants, the current cut score threshold is 79 out of a possible 112 points, or 70 percent. The average score for subgrantees over the last five rounds in 2010-11 and 2011-12 has been 85, or nearly 80 percent of total points. The average score for recent applications which did not receive awards (51.8 points, or 48 percent of total available points) is nearly identical to the minimum threshold (49 percent of total available points) that would have been granted awards in periods prior to 2010. Thus, the SEA has increased the rigor of the subgrant application process since the previous award cycle.

**Table 2.3: SUBGRANTEE QUALITY.**

<table>
<thead>
<tr>
<th>SEA efforts to award grants on the basis of quality as outlined in the State’s CSP application</th>
<th>Is this an area of concern?</th>
<th>Findings: What actions does the SEA take to award grants on the basis of quality?</th>
</tr>
</thead>
</table>
| The SEA’s criteria of subgrantee and application quality to assess CSP applicants and award subgrants: The SEA requires subgrant applicants to describe their fiscal/operational/accountability procedures and plans for managing ESP relationships, as well as their plans to obtain necessary training to ensure sound leadership. [p42] | ☐ Yes ✗ No | The application and supporting material for planning and implementation subgrants outline seven assessment criteria with point values noted for each:  
• assessment of community need (12 points)  
• student population (16 points)  
• educational program (28 points)  
• attendance and participation (12 points)  
• assessment and evaluation (12 points)  
• strength of project team (20 points)  
• business planning (12 points).  
The subgrant application review rubric includes 28 criteria in the seven aforementioned areas. Three of the criteria directly relate to assessment and evaluation.  
For dissemination grants, an internal staff review occurs at the front of the process to determine which charter schools satisfy the minimum Federal requirements of being financially viable and operationally successful for at least three consecutive years. Such eligible charter schools are invited to submit dissemination grant applications. The staff review the submitted applications to ensure proposals meet Federal guidelines for allowable activities. Proposals with activities meeting Federal guidelines are reviewed by peers using a defined rubric tailored to the grant’s requirements. |

| How the SEA uses these criteria to review and award CSP subgrant applications: PSAU staff rank order applications from those receiving the most to the least points in the review and scoring process.  
The SEA awards bonus funding ($50,000 per implementation year) to planning subgrant applicants who propose to serve at-risk or secondary populations. [p16] | ☐ Yes ✗ No | The application must have received a minimum average score from peer reviewers of 79 out of 112 points, or 70 percent. As noted in the chart below, this has led to a significant number of applicants that are not awarded subgrants in recent application rounds. |

<table>
<thead>
<tr>
<th>Subgrants</th>
<th>Awarded</th>
<th>Not Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-12 Rd 2</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>11-12 Rd 1</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>10-11 Rd 3</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>
Peer reviewers read and score the applications independently and then meet in-person on a pre-scheduled review day to discuss and arrive at a consensus score for each application. For each criterion the application is ranked on a four-point scale of weak (1), average (2), very good (3), or excellent (4).

PSAU staff report that total bonus funding awarded was in the following amounts:
In Year 1 $450,000
In Year 2 $900,000

Dissemination subgrant applicants undergo a peer review process similar in design to the planning and implementation grant process, but using different criteria. Chiefly, peer reviewers score each dissemination application to determine whether the applicant has adequately demonstrated “overall success” and evaluate the quality of the proposed practice to be disseminated and the applicant’s own outcomes and successes with this practice as well as its capacity to effectively disseminate and transmit the practice.

The SEA demonstrates a high quality process to determine the quality of the CSP applicant and application, including considering the review of the applicant during the charter authorization process (i.e., use of rubrics, hearings, rigor). The application cited a plan to continue to award early stage planning grants to developers that propose quality educational program models and demonstrate the capacity to effectively deliver them [p15]. Such early stage grants are awarded after charter application is made to at least one authorizer but prior to completion of all charter approval steps. Upon obtaining a charter contract from an authorizer, implementation funds are released for up to two years.

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of the planning subgrants awarded over the last 5 rounds, 17 have received charter contracts from an authorizer. This represents 27% of all recent subgrantees; however, this figure may rise when the grantee finds out in May/June how many subgrantees will be awarded charter contracts for fall openings. The other three yearly cohorts (from oldest to newest) have chartering rates of 50%, 20%, and 30%, respectively.</td>
<td></td>
</tr>
</tbody>
</table>

Sources: CSP Application, TA PowerPoint Presentations, Subgrant Application and Evaluation Rubric; Subgrant Application Scores Matrix; Web Resources for Charter School Developers; MDE Response to Monitoring Documents, April 2012.

Rating and Justification: 3 – Grantee fully meets the indicator. The SEA has taken steps that emphasize high quality in the awarding of subgrants and uses criteria to award grants to eligible applicants on the basis of the quality of the applications submitted.
Recommendations: The State is encouraged to consider stronger measures to determine subgrantee quality to ensure that planning subgrant recipients will be of sufficiently high quality to be authorized to open following the planning period.

Indicator 2.4: DISTRIBUTION OF SUBGRANTS. The State awards subgrants in a manner, to the extent possible, to ensure that such subgrants: a) are distributed throughout different areas of the State, including urban and rural areas; and b) will assist charter schools representing a variety of educational approaches.

Observations: In the 2009 monitoring, the grantee was fully able to meet the conditions of this indicator.

While it is ultimately the authorizers that make chartering decisions, the map of subgrantees in Michigan represents a reasonable distribution across the state. There is a concentration of subgrantees in the more populated and at-risk southeast region of the state (i.e., in the vicinity of Detroit). Additionally, the two cyber charters that were recently chartered have no geographic boundaries.

Among other factors, the grantee emphasizes innovative educational approaches in its subgrant application. This is reflected in the variety of approaches seen among subgrantees, including programs focused on Montessori, International Baccalaureate, STEM, language immersion, virtual education, technology, health care, green initiatives, single gender, students with behavioral issues, multi-culturalism, and global awareness. The SEA also awards bonus points for applicants with programs that serve at-risk or secondary students.

Rating and Justification: 3 – Grantee fully meets the indicator. The SEA awards subgrants in a manner, to the extent possible, that ensures subgrants are distributed throughout different areas of the State, including urban and rural areas, and assist charter schools representing a variety of educational approaches.

Recommendations: The State is encouraged to take steps to conduct outreach and to target areas of the state that to date have not been receptive to charters.

Indicator 2.5: SUBGRANTEE MONITORING. The SEA monitors subgrantee projects to assure approved grant and subgrant objectives are being achieved.

Observations: In the 2009 monitoring, the grantee was able to fully meet the conditions of related indicators.

The grantee relies primarily on ongoing desk monitoring of monthly status reports as well as mid- and end-of-year progress reports. Onsite monitoring occurs rarely and is triggered whenever the grantee has sufficient concerns.

Subgrantee desk monitoring begins with the review of the subgrant application, prior to the award being made. This pre-award monitoring verifies that each applicant has applied to an eligible charter
Performance objectives for the subgrant project are identified in the management plan section of the application and monitored through regular progress reports. The management plan is reviewed and requires approval by MDE staff before funds are released to the subgrantee. Management plans are required to include: (1) tasks and activities by identified stage of the project; (2) products resulting from those tasks; and (3) a timeline for task completion. Proposed budgets must relate directly to the tasks identified in the management plan.

Monthly Status Reports are reviewed for progress on tasks, finances, inventories, and leadership changes. Subgrantees must report on the progress specific to the achievement of the tasks and products identified, including funds expended to accomplish those tasks. Drawdowns are monitored for any irregularities.

Reviews occur at the end of Stage 1 and 2 for planning subgrantees and at mid-year and final reporting for implementation and dissemination subgrantees. Invoices, timesheets, cancelled checks, and payroll statements are reviewed for accuracy and to ensure the expenditures were connected to an approved management plan task. Records, both electronic and hard copies, are reviewed and filed.

At the end of the subgrant, PSAU staff also review the final expenditures report submitted by the subgrantee. Subgrantees are assessed on the degree that they have accomplished the tasks, deliverables, and outcomes identified in the management plan.

The SEA also examines academic achievement. Academic progress on MEAP and MME have been reported in MDE’s annual report to the legislature, which also tracks data on AYP attendance and graduation rates.

Corrective action resulting from review of unsatisfactory or non-submitted reports includes the requirement that the subgrantee develops and implements a Plan of Correction (POC) or meets directly with staff at the PSAU offices in response to findings, questioned costs, or other concerns. The POC or meeting must address the specific findings or recommendations of the PSAU and it must be acceptable to the PSAU in addressing and resolving the issues. Most issues that surface, however, are satisfactorily resolved through emails and phone calls. The grantee shared with the monitoring team its full file on a corrective action situation, which showed how irregularities were spotted during the monthly tracking, detailed emails on the matter were issued timely, access to funds was suspended in response to a less than complete response by the subgrantee, and how additional follow-up was triggered until the matter was finally resolved. As noted previously, PSAU staff may request a face-to-face meeting with the subgrantee at the PSAU offices in lieu of a POC. Onsite monitoring by PSAU is pursued only if being physically on the premises is best for securing the additional information being sought or as an opportunity for the provision of technical assistance to a diverse group of stakeholders involved with that subgrantee.
Onsite monitoring occurs whenever the grantee has sufficiently unaddressed concerns. PSAU staff explain that such onsite monitoring occurs rarely because of the robustness of its desk review at every step in the process, including the initial review of management plans, budgets, and other documents prior to release of funds, the detailed tracking monthly of finances, inventories and progress on objectives, the reviews of board policies prior to Stage Two funding, and the regular mid-period and end of period reviews. This is also supplemented by an annual independent audit, plus the major authorizers in the State have sophisticated systems of monitoring in place as well. PSAU staff also meet the school and board leadership during required orientation sessions and often at other charter school functions.

If any irregularities, especially regarding finances, are not addressed immediately drawdown access is suspended, future funding withheld, and PSAU staff will also work with its Office of Financial Management to recover funds when the situation calls for it.

PSAU staff coordinate with other MDE divisions to conduct field visits for compliance with Title funding requirements, if applicable, and IDEA requirements and regulations. Charter schools are treated as LEAs with regard to Federal funding and special education, so compliance is monitored in the same manner as for traditional school districts. The applicable MDE divisions conduct desk monitoring and target for site visits those LEAs which are flagged as deficient under regular desk monitoring of plans, policies, procedures, and practices. For special education, the appropriate Intermediate School District (ISD) provides guidance and intervention as necessary.

The monitoring team reviewed completed subgrantee monitoring reports as well as correspondence regarding errors or corrections. Each of the subgrantees visited was aware of the SEA’s monitoring process and acknowledged submitting monthly status and periodic progress reports.

<table>
<thead>
<tr>
<th>Table 2.5: SUBGRANTEE MONITORING.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elements of subgrantee monitoring as proposed in the State’s CSP application</strong></td>
</tr>
<tr>
<td>SEA regularly monitors subgrantee projects: MDE monitors subgrantees’ student achievement goals annually, providing data analysis, technical assistance, site visits, and feedback when necessary. [p16]</td>
</tr>
</tbody>
</table>

**Onsite monitoring** occurs whenever the grantee has sufficient concerns that are evidenced through the desk review system.
| SEA monitoring processes allow it to assess a subgrantee’s progress in meeting the performance objectives outlined in its subgrant application: MDE monitors subgrantees’ performance to ensure AYP, State report card, and growth objectives are met each year. [p45] | Yes | No | Monitoring process.  
Performance objectives for each subgrant project are identified in the subgrantee’s Management Plan and monitored through monthly status reports and other required progress reports. Management Plans are reviewed and must be approved by PSAU staff before funds are released to the subgrantee. Such plans are required to include: 1) tasks and activities by identified stage of the project; 2) products resulting from those tasks; 3) a timeline for task completion. Proposed budgets must relate directly to the tasks identified in the Management Plan. Subgrantees report on progress and barriers to progress for each task. Subgrantees must report on the progress specific to the achievement of the tasks and products identified, including funds expended to accomplish those tasks. |

Sources: CSP Application; Monitoring Memo; MDE Response to Monitoring Documents, April 2012.

**Rating and Justification:** 3 – Grantee fully meets the indicator. The SEA requires performance objectives for subgrantees to receive funding, and the grantee primarily uses extensive desk monitoring to ensure accountability for accomplishing the objectives. The SEA also utilizes corrective action notices to rectify deficiencies in subgrantee performance.

**Recommendations:** The grantee is encouraged to consider greater use of on-site monitoring by the PSAU staff or other SEA teams to observe and verify the assets purchased with grant funds, progress toward grant objectives, the proper use of grant funds, and/or to assure that any deficiencies identified during desk monitoring are corrected.

**Indicator 2.6: DISSEMINATION OF BEST OR PROMISING PRACTICES.** The State disseminates best or promising practices of charter schools to each local educational agency in the State.

**Observations:** In the 2009 monitoring, the grantee was fully able to meet the conditions of this indicator.

The SEA’s definition of best practices is grounded in research. The SEA has articulated High Performing School Standards with guiding standards for Vision/Purpose, Governance/Leadership, Teaching/Learning, Documenting/using Results, Resources/supporting Systems, Stakeholder Communication/Relationships, and Commitment to Continuous Improvement. Each standard has expectations and examples of evidence. When a school or program successfully implements the High Performing standards that follow the best practices, the SEA encourages them to disseminate their practices to other schools.

The State profiles Beating the Odds (BTO) schools that academically excel above the benchmark for their peer group. MDE identified 60 BTO schools that are performing above their predicted levels...
(Study 1) and 83 schools that perform better than a comparison group of schools with similar demographics (Study 2). Among the total of 123 schools identified, 20 schools – 3 of which are charter schools – met both study criteria and were profiled on the State’s website: http://www.michigan.gov/mde/0,1607,7-140-7083-254481--,00.html.

The website includes a presentation that details the BTO school successes, which was originally shown to the State Board of Education on November 8, 2011 and is now available for all schools and the public to view. A special BTO School Lookup search function makes it easy for other schools to find comparable schools on the BTO list in order to seek their technical assistance on improving student achievement and growth.

The SEA has also consistently involved experts from the charter school community as panelists at statewide school improvement conferences that are widely attended by educators from a variety of LEAs in the State. The SEA co-hosts a statewide School Improvement Conference twice yearly, which is attended by some 700 educators. With charter schools representing about 6 percent of Michigan’s LEAs, they are well represented at these conferences, delivering anywhere between 10 to 30 percent of LEA-driven content at the three most recent statewide conclaves. Two dissemination subgrantees led panels during breakout sessions. Other panels were associated with charter schools on the BTO list, or subject matter experts at charters or ESPs that support chartering.

The grantee also planned to use dissemination subgrants to disseminate charter school best practices to all LEAs in the state. However, the State has made limited progress thus far in awarding dissemination subgrants. The PSAU staff recognize this as a shortfall.

Table 2.6: DISSEMINATION OF BEST OR PROMISING PRACTICES.

<table>
<thead>
<tr>
<th>Elements of dissemination of best or promising practices as proposed in the State’s CSP application</th>
<th>Is this an area of concern?</th>
<th>Findings: How does the SEA implement the elements of its dissemination of best or promising practices of charter schools to each LEA in the State?</th>
</tr>
</thead>
</table>
| Identification and selection of best or promising practices: The application defines “best practices” as practices that meet the following criteria [p30]:  
- The practice is based on current research.  
- The practice includes the latest knowledge and technology.  
- Use of the practice has proven successful across diverse student populations. | ☑ Yes ☑ No | The SEA has High Performing School Standards with guiding standards for the following:  
- Vision/Purpose,  
- Governance/Leadership,  
- Teaching/Learning,  
- Documenting/using Results,  
- Resources/supporting Systems,  
- Stakeholder Communication/Relationships, and  
- Commitment to Continuous Improvement.  
Of 20 schools that made the BTO list across two studies, 3 were charter schools. While charter schools represent about 6 percent of Michigan’s LEAs, they represent 15 percent of schools on the BTO list. |
| Dissemination of best or promising practices of charter schools to each LEA in the State: The application cites | ☑ Yes ☑ No | The SEA co-hosts a statewide School Improvement Conference twice yearly that is attended by some 700 educators. Most recently, two dissemination subgrantees |
several dissemination strategies, including a quarterly e-newsletter distributed directly to every LEA, ISD and educational organization in the State that identifies and showcases best practices. Other highlighted activities include the award of a minimum of three dissemination grants per year [p.31].

led panels during breakout sessions. Other panels were associated with charter schools on the BTO list, or subject matter experts at charters or ESPs that support chartering.

The grantee has not published a quarterly e-newsletter profiling charter schools. Officials cited a change in philosophy by the current Governor who took office in January 2011 that charter schools should be treated like all other public schools. PSAU staff were unable to pinpoint any examples of where the general e-newsletter for MDE, Education Connection, had featured charter schools.

The grantee has made insufficient progress toward its goal for its dissemination subgrant program, having issued only two new dissemination subgrants in Year One and one in Year Two of the current grant period. The funds set aside for dissemination, approximately $300,000 per round, are not being spent down at anywhere close to this level.

Sources: CSP Application; Charter Panelists at School Improvement Conferences; MDE Response to Monitoring Documents, April 2012; Michigan Schools Beating the Odds presentation and profiles, November 2011.

Rating and Justification: 2 – Grantee partially meets the indicator. The grantee’s accomplishments in defining best or promising practices based on research and identifying “beating the odds” schools are exemplary. However, the actual dissemination of the best or promising practices of charter schools is limited to traditional means and does not include vehicles specific to sharing the best or promising practices of charter schools. Further, the State has had limited success in launching its dissemination subgrant program as an avenue to promote the best and promising practices of charter schools to all LEAs in the state as proposed in the approved application.

Recommendations: The grantee should focus additional efforts on encouraging eligible charter schools to submit dissemination grant proposals of high quality, and developing vehicles for disseminating the best or promising practices of charter schools specifically.

Indicator 2.7: ACHIEVEMENT OF APPLICATION OBJECTIVES. The State demonstrates substantial progress in meeting its application objectives.

Observations: In the 2009 monitoring, the grantee was able to demonstrate partial achievement of its application objectives. The previous monitoring team cited the cap on university-authorized charter schools and the reluctance of LEAs to charter as impediments in the State’s progress toward achieving its ambitious goals for expanding the number of charter applicants and authorizers. As noted in the background section of this report, recent legislation significantly raised the caps on the number of charter school that universities are allowed to authorize over the next several years with no limit being imposed after 2014.
The SEA has contracted with external evaluators cited in its application. The evaluation is led by Bettie Landauer-Menchik, previously the Director of Data Services at Michigan State University. The SEA also contracted with CREDO (Center for Research on Education Outcomes) of Stanford University to compare student achievement in the State’s charter schools and traditional public schools. The first CREDO comparative report examines MEAP data for 2006-2007 through 2009-2010; thus, it does not encompass data from the current grant period.

One significant component of the external evaluation that has not been realized is the establishment of a Charter School Performance Task Force to be comprised of representatives of the charter community, as well as those from the private, nonprofit, and foundation communities, that would meet quarterly. In its CSP application, the SEA ascribed to the Task Force many tasks, such as:

- Establishing quality standards for charter schools;
- Developing a consistent, reliable way of measuring and comparing charter school data, inputs, and achievement results;
- Researching commonalities in best practice among charter schools that are effective in reaching at-risk and/or secondary pupils;
- Supporting charter schools in setting expectations and effectively managing ESPs;
- Sharing barriers and supports for charter school fiscal success, including facilities; and
- Soliciting dissemination projects from qualified charter schools.

PSAU staff provided evidence that it invited members to participate in the Task Force, but noted that the focus changed in 2011 with the incoming administration’s desire to treat charter schools like all other public schools. Thus, the Task Force was never assembled. The shapers of the grant application seemed to envision having a “go to” resource of practitioners, researchers, and other stakeholders to which PSAU could reach out to help tackle issues, develop resources, provide ongoing advice, and promote and encourage excellence within the charter school community. While the grantee has been able to make headway on some tasks intended for the Task Force, especially the CREDO comparative data, it seems that it has not been able to find a suitable way to carry out most of the tasks in the absence of the Task Force.

### Table 2.7: ACHIEVEMENT OF APPLICATION OBJECTIVES.

**Objective 1: Increase the number of high quality charter schools in Michigan, particularly Detroit.**

<table>
<thead>
<tr>
<th>Performance Measure (How is the grantee measuring progress?)</th>
<th>Data Collection Activities (What data is being collected? How? By whom?)</th>
<th>Progress (To what extent has the goal been accomplished so far?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A: By 7/1/2015, the number of charters in MI will have increased from 240 to 282. Of the new schools, at least 35 will be located in Detroit.</td>
<td>SEA collects data on all charters in State.</td>
<td>Year 1: 13 new schools authorized with 5 in Detroit (including 2 statewide cyber charters) Year 2: 20 new schools authorized</td>
</tr>
</tbody>
</table>

---

*Charter Schools Program*  
*Michigan Monitoring Report*
<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
<th>Performance Measure</th>
<th>Data Collection Activities</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>1F: 100% of new charter schools will make AYP and meet or exceed the State-approved growth model during each year of the grant period.</td>
<td>MEAP is administered in the fall and released the next summer.</td>
<td>Measure Met</td>
<td>Year 1: Average is 40% proficiency</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not Met</td>
<td>Year 2: Data not available</td>
<td></td>
</tr>
<tr>
<td>1E: Coordinate and/or provide TA to planning subgrantees. Maintaining at a minimum monthly contact with 100% of subgrantees.</td>
<td>Grantee reviews monitoring reports to determine when/if TA might be needed and maintains monthly contact with all subgrantees.</td>
<td>Measure Met</td>
<td>Year 1: Actual percent registering an increase in knowledge is 97 percent</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not Met</td>
<td>Year 2: Data not available</td>
<td></td>
</tr>
<tr>
<td>1D: During each grant year, 100% of planning subgrantees who participate in monthly trainings conducted by MDE will report an increased knowledge of presented management, fiscal and/or operational issues according to post-training surveys.</td>
<td>An independent evaluator conducts satisfaction surveys after trainings.</td>
<td>Measure Met</td>
<td>Year 1: 29 awards</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not Met</td>
<td>Year 2: 26 awards</td>
<td></td>
</tr>
<tr>
<td>1C: Strengthen the pool of charter applications by awarding early-stage planning grants to at least 100 of MI’s strongest developers (an average of 20 in each year of the grant).</td>
<td>Grantee tracks the data on planning grants.</td>
<td>Measure Met</td>
<td>Year 1: 6 new high schools</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not Met</td>
<td>Year 2: 5 new high schools</td>
<td></td>
</tr>
<tr>
<td>1B: By 7/1/2015, the number of charters in MI offering grades 9-12 will have increased by 25. Annual growth is targeted at: 5 new high schools for 2010-2011.</td>
<td>SEA collects data on all charters in State.</td>
<td>Measure Met</td>
<td>Year 1: 6 new high schools</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not Met</td>
<td>Year 2: 5 new high schools</td>
<td></td>
</tr>
<tr>
<td>1A: Annual growth during the grant period is targeted at: 6 new schools in MI with 4 in Detroit for 2010-2011.</td>
<td></td>
<td>In Progress</td>
<td>with 8 in Detroit</td>
<td></td>
</tr>
</tbody>
</table>

**Objective 2: Improve academic achievement in MI charter schools, particularly among at-risk and/or secondary pupils.**

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Data Collection Activities</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>(How is the grantee measuring progress?)</td>
<td>(What data is being collected? How? By whom?)</td>
<td>(To what extent has the goal been accomplished so far?)</td>
</tr>
<tr>
<td>2A: Subgrantees will implement instructional programs that result in student achievement levels greater than or equal to 30% proficiency for</td>
<td>MEAP is administered in the fall and released the next summer.</td>
<td>Measure Met</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not Met</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In Progress</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For future goals only:</td>
</tr>
<tr>
<td>2B: Subgrantees will implement instructional programs that result in student achievement levels greater than or equal to 15% proficiency for high school students on State reading assessments following the first full year of operation (with proficiency climbing to 40% following the second full year of operation).</td>
<td>MEAP is administered in the fall and released the next summer.</td>
<td>Measure Met</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>2C: Subgrantees will implement instructional programs that result in student achievement levels greater than or equal to 70% proficiency for elementary and middle school students on State reading assessments following the first full year of operation (with proficiency climbing to 80% following the second full year of operation).</td>
<td>MEAP is administered in the fall and released the next summer.</td>
<td>Measure Met</td>
</tr>
<tr>
<td>2D: Subgrantees will implement instructional programs that result in student achievement levels greater than or equal to 70% proficiency for elementary and middle school students on State math assessments following the first full year of operation (with proficiency climbing to 80% following the second full year of operation).</td>
<td>MEAP is administered in the fall and released the next summer.</td>
<td>Measure Met</td>
</tr>
<tr>
<td>2E: Of elementary and middle school students who have not met State standards in the previous year, 80% will demonstrate improvement or significant improvement in reading following the first full year of operation, using MI’s Federally approved growth model.</td>
<td>MEAP is administered in the fall and released the next summer.</td>
<td>Measure Met</td>
</tr>
<tr>
<td>2F: Of elementary and middle school students who have not met State standards in the previous year, 80% will demonstrate improvement or significant improvement in math following the first full year of operation, using MI’s Federally approved growth model.</td>
<td>MEAP is administered in the fall and released the next summer.</td>
<td>Measure Met</td>
</tr>
<tr>
<td>2G: Of elementary and middle school students who have not met State standards in the previous year, 80% will demonstrate improvement or significant improvement in math following the first full year of operation, using MI’s Federally approved growth model.</td>
<td>MEAP is administered in the fall and released the next summer.</td>
<td>Measure Met</td>
</tr>
</tbody>
</table>
In the previous year, 90% of students will demonstrate improvement or significant improvement in **reading** and **math** following the second full year of operation, using MI's Federally approved growth model.

<table>
<thead>
<tr>
<th>Objective 2: Improve academic performance</th>
<th>Performance Measure</th>
<th>Data Collection Activities</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>2H: High school students</td>
<td>MME is administered in the spring.</td>
<td>The grantee provides four full-time staff who monitor monthly fiscal reports and review board policies and procedures for compliance with State and Federal regulations.</td>
<td>Measure Met</td>
</tr>
</tbody>
</table>

For future goals only:

- In Progress
- Insufficient Progress
- Data not available

The State currently does not have a growth model for improvement which measures annual academic growth for high schools. MME is administered in spring of 11th grade only; thus, data is not available for the current subgrant cohorts.

**Objective 3: Bolster Michigan charter school’s long-term fiscal and operational stability.**

<table>
<thead>
<tr>
<th>Performance Measure (How is the grantee measuring progress?)</th>
<th>Data Collection Activities (What data is being collected? How? By whom?)</th>
<th>Progress (To what extent has the goal been accomplished so far?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3A: During each year of the grant, 100% of subgrantees will be compliant with State and Federal regulatory and reporting requirements, taking into consideration recommendations from WestEd to oversee all grant expenditures more closely.</td>
<td>The grantee provides four full-time staff who monitor monthly fiscal reports and review board policies and procedures for compliance with State and Federal regulations.</td>
<td>Measure Met</td>
</tr>
</tbody>
</table>

For future goals only:

- In Progress
- Insufficient Progress
- Data not available

No subgrantee has been cited for fiscal reporting or policy irregularities and no third-party complaints were filed.

| 3B: Of charters established during the grant period, 100% will demonstrate sound fiscal practices. | Grantee reviews the annual audits. | Measure Met |

For future goals only:

- In Progress
- Insufficient Progress

There were no audit findings for any of the charters established during the grant period.

**Objective 4: Provide stronger vehicles for information sharing, training, and support among charters and boost communications between charters and traditional LEAs.**
<table>
<thead>
<tr>
<th>Performance Measure (How is the grantee measuring progress?)</th>
<th>Data Collection Activities (What data is being collected? How? By whom?)</th>
<th>Progress (To what extent has the goal been accomplished so far?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4A: The State will make dissemination funding available to at least 15 charters in support of research-based best practices.</td>
<td>Grantee has in place a dissemination application and review process.</td>
<td>□ Measure Met</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Year 1: 2 grants</td>
</tr>
<tr>
<td>4B: During each grant year, at least 90% of dissemination subgrantees will provide survey feedback indicating satisfaction with the State’s vehicles for information sharing, training and support.</td>
<td>Grantee has plans in its application to conduct satisfaction survey analysis around the issue of dissemination.</td>
<td>□ Measure Met</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grantee has produced no satisfaction survey data after year 1 and is not anticipating fielding a survey until the end of year 2.</td>
</tr>
<tr>
<td>4C: The State will disseminate best practices from charter schools among 100% of traditional LEAs in the State by year two of the grant.</td>
<td>Grantee profiles “Beating the Odds” schools and supports dissemination at State conferences.</td>
<td>× Measure Met</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Charter school panelists present at statewide school improvement conferences held twice annually and attended by educators from a variety of LEAs.</td>
</tr>
<tr>
<td>4D: By year two of the grant, 100% of subgrantees will participate in professional learning communities facilitated by the State.</td>
<td>Grantee conducts orientation sessions and webinars for subgrantees.</td>
<td>× Measure Met</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All new subgrantees attend an orientation meeting following their initial award.</td>
</tr>
</tbody>
</table>

Sources: APR, June 2011; Draft APR for 2011-12; MDE Response to Monitoring Documents, April 2012.

The SEA has met or is in progress to meet 13 of 21 performance measures. The SEA showed substantial progress toward its goals for increasing the number of high quality charter schools and for the awarding of early planning grants. Its academic goals are ambitious and the results at present are mixed. Moreover, the SEA has recently changed the cut score on the MEAP/MME assessments that may put the grantee’s benchmarks further out of reach.

The SEA was unable to meet or is showing insufficient progress in meeting five performance measures. The grantee is demonstrating insufficient progress in awarding dissemination subgrants and is aiming to put more emphasis on recruiting quality applicants for this program. The State also currently does not have a growth model for improvement that measures annual academic growth for high schools. The MME is only administered in the spring of the 11th grade, and thus is inadequate.
for measuring annual growth. MDE indicated to the monitoring team that it plans to request an amendment for these indicators to be re-calibrated to a reasonable, measurable target.

**Rating and Justification**: 2 – Grantee partially meets the indicator. The grantee met or is in progress to meet 13 of its 21 performance measures.

**Recommendations**: The grantee needs to continue its efforts to demonstrate progress towards all of its performance measures and objectives.

### 3. ADMINISTRATIVE AND FISCAL RESPONSIBILITIES

CSP grantees incur specific administrative and fiscal responsibilities under Federal law. This section focuses on the SEA’s allocation, use and controls over the CSP grant funds and other Federal funds, as well as associated State responsibilities in administering the CSP grant. It includes indicators that cover the State’s responsibilities to:

- Inform appropriate audiences about Federal funding for charter schools and ensure that charter schools receive their commensurate share of relevant funds;
- Allocate no more than the allowable amounts of CSP funds for administration, dissemination, and revolving loan fund purposes;
- Administer and monitor the proper use of CSP funds;
- Ensure LEAs do not deduct funds for administrative expenses or fees except in certain circumstances;
- Ensure the timely transfer of student records; and
- Maintain and retain records related to the CSP grant funds.

**Indicator 3.1: FEDERAL PROGRAMS AND FUNDING.** The State informs appropriate audiences about the SEA’s charter school grant program, Federal funds that the charter school is eligible to receive and Federal programs in which the charter school may participate, and ensures that each charter school in the State receives its commensurate share of Federal education formula funds.

**Observations**: The 2009 monitoring did not include this specific indicator. However, the grantee partially met the conditions of related indicators. The previous monitoring team was concerned that the SEA did not promote subgrant opportunities to families and communities and that the SEA could not ensure that charter schools were aware of and received their commensurate share of Federal formula funds.

**CSP FUNDING NOTIFICATIONS**

The current monitoring team found the grantee informs multiple stakeholders of the availability of CSP grants in many ways including notices from the State superintendent, press releases, the department’s listserv, and the wide distribution of grant announcements. Notice of the grant
program also goes from the superintendent to the Michigan Education Alliance, which includes the Michigan Education Association, the AFT Michigan, and the Michigan Parent Teacher Student Association. A variety of parent and community-centered organizations receive notification of the CSP grants through MDE’s listserv. These groups include the Michigan Community Action Agency, the Detroit Parent Network, Parent to Parent of Southwest Michigan, and the Michigan PTA. Additionally, the PSAU conducts orientation meetings and webinars for applicants interested in pursuing CSP funding. MDE also distributes copies of the grant announcement to groups such as the Michigan Association of Charter School Authorizers and the Michigan Association of School Administrators. Organizations such as MAPSA provide information about CSP grant opportunities to their members. MAPSA also encourages eligible schools to apply for dissemination grants.

SPECIAL EDUCATION FUNDS

Funding and services for special education programs come through a charter school’s county ISD. This process generally proceeds smoothly. However, there are issues related to students in cyber schools who receive special education services. Currently, these cyber schools only receive support for students residing in the county where the charter school is physically located. This practice hinders providing special education funding for cyber charter schools that may have students located in other counties. While MDE is aware of this issue, it is becoming increasingly important to address this issue since the recently enacted SB 619 allows the number of cyber schools to increase to 15 schools and enrollment at cyber schools to increase to 2 percent of the State’s student population.

TITLE PROGRAMS

As LEAs, charter schools receive notification of available Federal funds through MDE’s website and memos. Each March, all LEAs receive an MDE memo informing them that they may access preliminary Title I allotments for the coming school year to assist with planning. Charter schools also receive information and technical assistance related to Federal funds from their authorizers and, where applicable, their ESPs.

MDE charter school authorizers are supposed to contact PSAU at least 120 days in advance when new charter schools are established or an existing charter school is significantly expanded so the Office of Field Services (OFS), which administers Federal funds, may set aside funds for these schools. (In 2011-2012, no authorizers provided this information in a timely manner.) OFS staff make it a point to contact new charter schools and work with them individually to help them understand the process of applying for formula funds. OFS holds local application workshops around the State about planning the use of formula funds and completing the Consolidated Application. Charter schools provide enrollment counts to MDE in October that OFS uses to estimate the amount of Federal funds the school should receive for the current year. OFS has a plan on paper to notify charter schools of funding amounts in January so schools may access funds in February. Funds become available to a school when the charter school loads a funding application into MEGS+.
The monitoring team is concerned that MDE may not be timely in notifying new charter schools about funding amounts for Title programs. This is likely due to the fact that authorizers are required to submit enrollment information 120 days before a school opens, but because of authorizing timelines, have not been able to do so. Some of the new charter schools visited reported not receiving notification of funding amounts until late February. After they receive their notification, charter schools must then apply for these funds, with applications due to MDE by the end of April. Charter schools are able to access funds only after they submit their applications and their applications are approved. This process means that new charter schools receive their formula funds well after their first five months of operation. Many of these schools choose to roll these funds over to the following school year. The SEA is working with various departments (including the OFS and Office of Special Education) to identify what specific information from authorizers is necessary and how to work with authorizers to accommodate existing SEA timelines regarding Federal funds.

Table 3.1: FEDERAL PROGRAMS INFORMATION AND FUNDING.

<table>
<thead>
<tr>
<th>Responsibilities of the SEA to inform and ensure access to Federal programs and funding.</th>
<th>Is this an area of concern?</th>
<th>Findings: How does the SEA grantee inform and ensure access to Federal programs and funding?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The SEA informs teachers, parents, and communities of the State educational agency's charter school grant program: Outreach and dissemination activities include web-postings, letters to each LEA, listerv, information to MDE and authorizer field staff, publishing in MAPSA e-newsletter, notice to Michigan Education Association, Michigan Federation of Teachers, and Detroit Federation of Teachers.</td>
<td>Yes ☑ No</td>
<td>MDE disseminates information about planning and implementation subgrants via letters from the State superintendent, press releases, MDE’s listerv, information to field staff, applicant orientation meetings, and webinars. Information is also widely available through MAPSA’s e-newsletter and website. Notifications targeting parents, teachers, and communities include those to the Michigan Education Alliance, which includes the Michigan Education Association, AFT Michigan, and the Michigan PTA as well as community and parent groups such as the Michigan Community Action Agency, the Detroit Parent Network, Parent to Parent of Southwest Michigan, and the Michigan PTA.</td>
</tr>
<tr>
<td>The SEA informs each charter school in the State about Federal funds that the charter school is eligible to receive: Charter schools are treated as LEAs and each is informed and assisted as any other LEA. MDE offers/requires grantee workshops on use of formula funds and completing consolidated applications.</td>
<td>Yes ☑ No</td>
<td>MDE provides timely notification of Federal funds available to existing charter schools through its website and memos distributed to all LEAs and charter schools. Preliminary estimates of available Title I funds for the coming year are also posted on MDE’s website in March. OFS provides workshops, field representatives, and web-based information for charter schools.</td>
</tr>
<tr>
<td>The SEA ensures that each charter school in the State receives the charter school’s commensurate share of Federal education funds that are allocated by formula each year, including during the first year of operation of the charter school: As an LEA, each charter school receives its commensurate share of Federal funds</td>
<td>Yes ☑ No</td>
<td>MDE provides clear guidance on reporting timelines for new and expanding charter schools and procedures for new charter schools to obtain Federal formula funds. Under these procedures, new charter schools report enrollment counts in October for current year formula funds; MDE notifies new charter schools of funding amounts by the end of January; and charter schools may then complete and load funding applications into MEGS+. The site visit team is concerned, however, that new...</td>
</tr>
</tbody>
</table>
from the granting agency through regular allocation formulas. OFS notifies LEAs and posts allocations on the MDE website. Allocations are entered into MEGS+. MDE has established procedures for obtaining student counts and allocating funds to first year charter schools.

charter schools are not receiving notification of funding amounts until mid- to late February. Many new charter schools must roll over funds.

Sources: Announcement of grant 10-11; Announcement of informational meeting; Planning grant webinar; Field Services memo on estimated allocations; Memo on timely access to Federal formula funds for new and expanding PSAs; Field Services procedures for PSA allocations.

Areas of Concern

- Timely receipt of first-year Federal funds. Based on information provided by charter schools visited, the monitoring team is concerned that not all charter schools are receiving Title I funds within five months of opening.

Rating and Justification: 2 – Grantee partially meets the indicator. The grantee adequately informs appropriate audiences about the availability of CSP grants. However, while the State has a system in place on paper to ensure Federal formula funds are made available to charter schools in accordance with Federal law and guidance, in practice Title I funds are not available to all new charter schools within the required time frame.

Recommendations: The State needs to take the necessary steps to better ensure that new charter schools receive Title I funds within the required time frame.

Indicator 3.2: ALLOCATION OF CSP FUNDS. The proportion of grant funds reserved by the State for each activity does not exceed the allowable amount.

Observations: In the 2009 monitoring report, the grantee was able to meet all of the conditions of this indicator.

The current monitoring team found MDE uses five percent of CSP grant funds for administrative expenses. These expenses are divided among personnel, including fringe benefits, travel, contractual services, and indirect costs. PSAU staff are funded through multiple programs. Fifty percent of the unit manager’s position is funded through the CSP grant as is 50 percent of one consultant’s position, 40 percent of one secretary’s position, and 40 percent of one analyst’s position. Two consultants in the unit are funded through other State programs.

According to the approved application, MDE limits the total annual spending for dissemination subgrants to $300,000. This is substantially less than 10 percent of the State’s annual CSP budget. At the time of the monitoring visit, PSAU had funded three dissemination subgrants through the State’s 2010 CSP grant. (One of these subgrantees received its first year of funding through Michigan’s 2007 CSP grant.) Total funding from the 2010 CSP grant for these three subgrants equals $277,010, which is less than two percent of the State’s CSP grant award.
The grantee did not propose to use grant funds to establish a revolving loan fund.

**Rating and Justification:** 3 – Grantee fully meets the indicator. At the time of the monitoring visit, grantee expenditures were well within the allowable limits for both administration and dissemination activities.

**Recommendations:** None.

**Indicator 3.3: Administration and Use of CSP Funds.** The SEA administers the CSP funds and monitors subgrantee projects to ensure the proper disbursement, accounting for and use of Federal funds.

**Observations:** In the 2009 monitoring, the grantee was able to partially meet the conditions of this indicator. The previous monitoring team was concerned that the State’s guidance on allowable, allocable, and reasonable use of grant funds might not be sufficient to ensure all uses of CSP funds were appropriate.

The current monitoring team determined that MDE has established sufficient controls governing the SEA and subgrantee use of grant funds, which include comprehensive desk monitoring of subgrantee expenditures, a process implemented in 2008-09. Within MDE, a financial analyst from the Office of Educational Improvement and Innovation monitors all grant expenditures. At the subgrant level, PSAU works closely with each subgrantee to ensure it has appropriate policies and procedures in place prior to making grant funds available. PSAU staff conduct meetings with new grantees to orient them to the necessary fiscal control and accounting procedures, including board policies that need to be in place, grants management, and allowable costs. Subgrantees also receive a funds release document that spells out policies and procedures that they must put in place before they may access funds. These policies and procedures cover procurement practices, which must include competitive bidding, and conflict of interest. PSAU staff work with and monitor grantees as they establish these policies and procedures as well as their budgets.

Prior to the first award, applicants are required to produce nonprofit Articles of Incorporation and proof of application to a charter authorizer. After the award is made, funds are only released to subgrantees following desk review using a Funds Release Document protocol. This protocol includes the listing of contact information for all persons that serve on the board and in leadership positions. All such persons, including any ESPs, are checked through the Excluded Parties List System (EPLS) online, available through the U.S. General Services Administration. The protocol also requires copies of board-approved policies, contracts, and a complete, accurate and allowable management plan with tasks aligned to budget entries based on EDGAR.

Planning subgrantees must modify and improve their narrative responses in addition to successfully completing the End of Stage 1 Progress Report before Stage 2 funds are released. Another payment is made through the Final Expenditure Reports (FER) in the Cash Management System (CMS). A review is triggered by any deviation in a major line item of the project that exceeds 10 percent of the approved line item.
PSAU staff monitor all reports and provide feedback, request additional information, and/or approve acceptance of the reports. Funds may be withheld for subgrantees that have failed to provide satisfactory justification. If costs are questioned, the grantee may request that funds be returned if the subgrantee cannot satisfactorily respond.

Subgrantees enter their subgrant budgets into MEGS+. Once approved by PSAU staff, the budget information is loaded into the CMS. Funds are available through the CMS on a reimbursement basis only. Subgrantees submit regular reports to PSAU that provide extensive documentation supporting each drawdown of funds from the CMS. PSAU staff review each subgrantee report to ensure each purchase is budgeted, allowable, and appropriately documented. PSAU staff also monitor CMS drawdowns prior to receiving subgrantee reports to be sure reimbursement amounts appear reasonable. Staff investigate questionable drawdowns. PSAU also requires a member from a subgrantee’s board be actively involved in the process of requesting funds through the CMS to ensure that a board member is aware of how grant funds are being used.

Table 3.3.a: FISCAL CONTROL AND FUND ACCOUNTING PROCEDURES.

<table>
<thead>
<tr>
<th>EDGAR Regulations</th>
<th>Is this an area of concern?</th>
<th>Findings: How does the grantee ensure proper fiscal control and funding accounting and comply with Federal requirements in each area?</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 CFR 80.20 Standards for financial management systems.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Financial reporting</td>
<td>Yes √ No</td>
<td>Michigan’s Auditor General’s Office audits the PSAU each year as part of the State’s single audit. The most recent audit occurred in spring 2012. There have been no findings in any of the audits. Each LEA, including charter schools, must submit a financial audit to the State each year on November 15. Each of these audits is available online. The Office of Audits issues a school auditing manual that alerts schools to what to look for on Federally funded programs.</td>
</tr>
<tr>
<td>(2) Accounting records</td>
<td>Yes √ No</td>
<td>PSAU established fiscal and accounting procedures for charter schools seeking reimbursement for expenses. Charter schools must provide extensive documentation of their expenses including copies of invoices and cancelled checks. PSAU retains this documentation in its file for the subgrantee. PSAU staff review reimbursement requests on a regular basis both during and at completion of subgrants. See Indicator 3.6 for additional information.</td>
</tr>
<tr>
<td>(3) Internal control</td>
<td>Yes √ No</td>
<td>Once MDE receives a GAN, a financial analyst prepares the grant spending plan that includes a 5% set-aside for administration. Unique source codes are assigned to administration and subgrant budgets. Once approved, the budget is entered into the Michigan Administrative Information Network (MAIN). MDE analyst monitors administrative expenses to be sure they do not exceed 5%.</td>
</tr>
</tbody>
</table>
Unique source codes are assigned to both administrative and subgrantee budget line items with appropriate funding amounts. The Office of Financial Management Budget Specialist approves entries entered into MAIN based on a review of the grant spending plan submitted by the PSAU.

<table>
<thead>
<tr>
<th>(4) Budget control</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>An OEII Financial Analyst prepares a grant spending plan that the Budget Specialist from the Office of Financial Management enters into MAIN. The OEII Financial Analyst monitors CSP grant expenditures. Subgrantee budgets are entered into MEGS+ and reviewed by PSAU staff. Approved budgets are then loaded into the CMS. Subgrantees submit requests via CMS to be reimbursed for budgeted project expenses. PSAU staff monitor subgrantee expenditures on a regular basis to ensure that expenses were budgeted and are documented.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(5) Allowable cost</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSAU provides information to charter schools on allowable costs as well as the distinctions between supplementing and supplanting costs. PSAU staff both approve subgrantee budgets before grant amounts are loaded into the CMS and monitor subgrantee expenditures.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(6) Source documentation</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subgrantees must submit supporting documentation including copies of approved purchase orders, invoices, and cancelled checks in required reports that detail and justify expenditures (monthly for all planning grant subgrantees; mid-year and final progress reports for implementation and dissemination grant subgrantees).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(7) Cash management</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subgrantees may only receive reimbursements for actual, documented expenses. Funds are paid to the subgrantee four business days after the CMS receives a reimbursement request. PSAU staff review and approve subgrantee budgets, which the subgrantee inputs into MEGS+. Once approved, budgets load into the Cash Management System. Drawdowns from the CMS are on a reimbursement basis only after approved by an authorized subgrantee representative who must certify funds have been expended at the time drawdown is requested.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>34 CFR 74.40 Procurement standards, including competitive bidding and contracting</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDE requires subgrantees to adopt purchasing policies that meet Federal procurement standards including competitive bidding and contracting. MDE does not release subgrant funds until PSAU staff have verified satisfactory board policies governing these areas are in place.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>34 CFR 75.525 Conflict of interest</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDE requires subgrantees to adopt conflict of interest policies and will not release subgrant funds until PSAU staff have verified satisfactory policies are in place.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: PSA Subgrants – Fiscal/Accounting Procedures; Planning grant status report; Sample documentation for progress reports; 2011-12 Charter School Planning Grantee Orientation; Sample Fund Release document.
USES OF CSP FUNDS

Below is an overview of how subgrant activities fall within the allowable uses of grant funds. The information was taken from a review of a sample of planning/implementation budgets from five charter schools visited by the monitoring team. The monitoring team also reviewed the budgets of each dissemination subgrantee to determine how they used their funds from the State’s 2010 CSP grant.

<table>
<thead>
<tr>
<th>Table 3.3.b: USE OF GRANT FUNDS.</th>
<th>Is this an area of concern?</th>
<th>Findings: How did the grantee use the grant funds?</th>
</tr>
</thead>
<tbody>
<tr>
<td>How did the grantee propose to use the grant funds in the approved budget?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-award planning and design of the educational program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage One – the CSP subgrantee refines and strengthens the academic vision section of its charter petition and establishes the data indicators the governance board will use to determine whether the school is succeeding. Subgrantees may receive up to $35,000.</td>
<td>☑ Yes ☒ No</td>
<td>Subgrantees use these funds to strengthen their vision and board governance and design of a data-based program evaluation methodology that will demonstrate to the governance body whether the vision is succeeding. MDE requires subgrantees to spend at least $10,000 to procure necessary technical assistance in a systematic way that will support their charter development and subgrant activities.</td>
</tr>
<tr>
<td>Stage Two – the subgrantee strengthens its charter’s business plan to support the school’s academic vision with the goal of finalizing a full charter application able to secure a charter from a Michigan charter authorizer. Subgrantees may receive up to $75,000.</td>
<td>☑ Yes ☒ No</td>
<td>Subgrantees develop a sound business plan and refine a charter application that will result in the awarding of a charter from one of the State’s authorizers.</td>
</tr>
<tr>
<td>Refinement of the desired educational program and of the methods for measuring progress toward those results</td>
<td>☑ Yes ☒ No</td>
<td>Subgrantee activities include developing curriculum materials aligned with State standards. Subgrantee activities in this area are limited.</td>
</tr>
<tr>
<td>Professional development of teachers and other staff who will work in the charter school</td>
<td>☑ Yes ☒ No</td>
<td>Some subgrantees’ teachers received professional development related to curriculum, instruction, and assessment. Expenses included registration fees, travel, and stipends.</td>
</tr>
<tr>
<td>Initial implementation of the charter school</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informing the community about the school</td>
<td>☑ Yes ☒ No</td>
<td>There were differences among subgrantees in this area. One subgrantee hired a consultant to inform the community about the school’s activities, budgeting 9 percent of funds for this activity, while a virtual school spent 37 percent of funds on student outreach and orientation/information sessions.</td>
</tr>
<tr>
<td>Acquiring necessary equipment and</td>
<td>☑ Yes</td>
<td>This was a major budget category and included such</td>
</tr>
</tbody>
</table>
educational materials and supplies  ☒ No  items as furniture, computers, white boards, servers, copiers, and phones as well as office, classroom, art, music, and janitorial supplies.

Acquiring or developing curriculum materials  ☐ Yes ☒ No  Subgrantees acquired a range of curriculum materials using grant funds. Curricular areas included ELA, social studies, writing, math, and assessment materials.

Other initial operational costs that cannot be met from State or local sources  ☐ Yes ☒ No  Some subgrantees budgeted funds in this area for legal services related to board expansion; board training; and planning grant revision for the implementation stage.

Dissemination activities

Assisting other individuals with the planning and start-up of one or more new public schools  ☐ Yes ☒ No  56% of dissemination subgrant funds were used to provide mentoring, coaching, and training to plan and start up a new public school.

Developing partnerships with other public schools  ☐ Yes ☒ No  5% of dissemination subgrant funds were used for recruiting a partner school and staff at the partner school to attend a Response to Intervention conference; subgrantee training of the partner school; and books and manipulatives for the partner school.

Developing curriculum materials, assessments, and other materials that promote increased student achievement  ☐ Yes ☒ No  4% of dissemination subgrant funds were used on books and manipulatives for the subgrantee, as well as subscription renewal of student assessment software.

Conducting evaluations and developing materials that document the successful practices  ☐ Yes ☒ No  6% of dissemination subgrant funds were used for an external evaluator for a dissemination project.

Sources: Visited subgrantee planning and implementation budgets; dissemination subgrantee budgets.

Rating and Justification: 3 – Grantee fully meets the indicator. The State has detailed systems in place to ensure appropriate fiscal controls and accounting procedures for grant funds. It closely monitors subgrantees to ensure appropriate fiscal and accounting procedures for subgrantee funds are in place and that subgrantees are using funds according to program statute and related guidance.

Recommendations: None.

Indicator 3.4: LEA DEDUCTIONS. The State ensures that the LEA does not deduct funds for administrative expenses or fees unless the eligible applicant enters voluntarily into an administrative services arrangement with the relevant LEA.

Observations: In the 2009 monitoring, the grantee fully met the conditions of the indicator.

The current monitoring team found that MDE does not permit LEAs to make deductions from CSP funds for general overhead, indirect, or administrative fees.

Rating and Justification: 3 – Grantee fully meets the indicator. LEAs are not allowed to make deductions from CSP funds for general overhead, indirect, or administrative fees.
**Recommendations:** None.

**Indicator 3.5: TRANSFER OF STUDENT RECORDS.** The SEA ensures that a student’s records and, if applicable, individualized education program accompany the student’s transfer to or from a charter school in accordance with Federal and State law.

**Observations:** In the 2009 monitoring, the grantee was able to meet all of the conditions of this indicator.

The transfer of student records in Michigan is governed by Revised School Code Act Section 1135 (MCL 380.1135), which requires that “within 14 days after enrolling a transfer student, the school shall request in writing directly from the student’s previous school a copy of his or her school record. Any school that compiles records for each student in the school and that is requested to forward a copy of a transferring student’s record to the new school shall comply within 30 days after receipt of the request unless the record has been tagged pursuant to section 1134.”

The State maintains a Single Record Student Database (SRSD) where there is a unique identifier for each Michigan student. The database allows for continuous tracking of student data and can prompt school leaders when record transfers are needed. Additionally, the State conducts ongoing data comparisons and audits. Subgrantees might consult the SRSD when a student transfers into a school because this database indicates which school has the student’s records.

Subgrantees indicated that the records transfer process generally goes smoothly. Two subgrantees explained that they have had to follow up with Detroit Public Schools to obtain student records. The subgrantees saw this as an issue related to the mobility of Detroit students (as students may move four or five times in a single year) and not a reflection of issues with Detroit Public Schools or the State. The subgrantees did not feel this was an issue to raise to MDE. While charter schools have had to follow up to obtain student records, districts are working with charter schools to transfer student records. Transferring Individualized Education Plans (IEPs) for special education students is sometimes problematic. Although some parents may bring a copy of a student’s IEP to the charter school when the child transfers to it, other parents may not report that a child has an IEP when the student transfers to a charter school. As a result, a school may not know to request an IEP when contacting the previous school for a child’s records.

**Rating and Justification:** 3 – Grantee fully meets the indicator. In general, LEAs are transferring student records to charter schools in a timely fashion and without issue.

**Recommendations:** None.

**Indicator 3.6: RECORDKEEPING.** All financial and programmatic records, supporting documents, statistical records, and other records of grantees and subgrantees related to the CSP grant funds are maintained and retained for grant monitoring and audit purposes.

**Observations:** In the 2009 monitoring, the grantee was fully able to meet the conditions of this indicator.
The PSAU retains copies of the application for CSP grant funds made to ED, Grant Award Notice (GAN), and all official correspondence received from ED’s Charter Schools Program that directly relates to the grant and its administration.

Subgrantee files contain original subgrant applications, application revisions, scoring rubrics, notices of grant awards, and progress and final reports, which include receipts for items purchased with CSP grant funds. PSAU retains paper records documenting the receipt of the GAN and other correspondence, including funds obligated and expended on subgrantee awards. Electronic information is available to MEGS (MDE’s legacy data system), MEGS+, and CMS authorized users within MDE, including administrators within the Office of Education Improvement and Innovation, Financial Management, Audits, Grants Coordination and School Support, and the Office of the Superintendent. The CMS system records transactions electronically as they occur related to the use of grant funds by both MDE and subgrantees. MDE has maintained all programmatic and financial records for the CSP grant since 1996.

The State’s Schedule for Retention and Disposal of Public School Records clarifies the retention and disposal schedule for records related to the CSP subgrants. Subgrantees must keep records for the active grant period plus three years in accordance with EDGAR Part 80 Subpart C. Business records must be kept for the active grant period plus seven years. The official CSP grant files of the subgrantees visited by the monitoring team are maintained either at the school or at the offices of their respective charter management organizations (CMOs). In the event the CMO maintains the official grant file, a copy of the file is available at the school. The policies relating to records retention that were adopted by the boards of the visited schools comply with EDGAR Part 8 Subpart C.

Rating and Justification: 3 – Grantee fully meets the indicator. The State maintains and retains all required programmatic and financial records for the CSP grant.

Recommendations: None.
VI. LIST OF DOCUMENTS REVIEWED

2011-2012 Planning Grant Application Final
2011-2012 Dissemination Grant Application
2012-2013 Dissemination Grant Application
2012-2013 Charter School Replication & Expansion Planning Application Guidelines
MDE Response to Monitoring Documents, April 2012
Michigan Legislature Section 380.1311b
New School Definition
PSA Authorization & Reauthorization
PSA Subgrants – Planning Subgrant Application & Awards
Call for Peer Reviewers email
Peer Review Process
Guideline for Reviewer
Peer Reviewer Data
Fund Release Document
CSP Application
Contract Checklist
Handbook for District Authorizers
Single Audit Findings Memo
Contract Checklist, March 2012
TA PowerPoint Presentations: Subgrant Application and Evaluation Rubric
Subgrant Application Scores Matrix
Web Resources for Charter School Developers
Monitoring Memo
Charter Panelists at School Improvement Conference
Michigan Schools Beating the Odds presentation and profiles, November 2011
APR, June 2011
Draft APR for 2011-12
Announcement of grant 2010-11
Announcement of informational meeting
Planning grant webinar
Field Services memo on estimated allocations
Memo on timely access to Federal formula funds for new and expanding PSAs
Field Services procedures for PSA allocations
PSA Subgrants – Fiscal/Accounting Procedures
Planning grant status report
Sample documentation for progress reports
2011-12 Charter School Planning Grantee Orientation
Sample Fund Release document
Visited subgrantee planning and implementation budgets
Dissemination subgrantee budgets
CREDO Data Summary for WestEd
VII. APPENDICES

Appendix 1: PSA Subgrants – Planning Subgrant Application and Awards

Appendix 2: Self-rating Checklist for Authorizers

Appendix 3: Handbook for District Authorizers

Appendix 4: Grantee Response to Draft Report
Appendix 1:
PSA Subgrants – Planning Subgrant Application and Awards
Applicants for planning subgrants must complete a detailed application form as required by the PSAU. Forms and information must be submitted through the Michigan Electronic Grants System (MEGS+) according to the deadlines established by PSAU. The department establishes two deadlines: one for registration in MEGS+ and initiation of a grant application, and the second for the actual submission of application materials.

In addition to the minimal requirements of Section 5203 of the Elementary and Secondary Education Act (ESEA), the PSAU's grant application also asks subgrant applicants to provide evidence of the following:

- Evidence of community need and demand for the proposed school.
- An analysis of the local educational marketplace and the competitive advantages brought to bear by the proposed school.
- Evidence that the subgrantee has conducted meaningful research in adopting the curriculum and educational program being proposed.
- Evidence that the school will incorporate the Michigan School Improvement Framework into its planning and evaluation efforts.
- Evidence that the subgrantee has a clear understanding of potential conflicts of interest and has taken steps to avoid related party transactions.
- Evidence of facilities planning and the development of sustainable school-wide budget.
- Evidence of planning for student transportation issues.
- Evidence of their understanding of and ability to prevent conflict of interest issues.

At the time of the planning subgrant announcement, the PSAU schedules a series of informational meetings to be held in various locations across Michigan. MAPSA also offers one-on-one technical assistance to planning subgrant applicants. This technical assistance can take the form of consultation and guidance, assistance in locating a suitable grant writer, and/or advance review/critique of application materials.

To ensure quality and consistency during the grant review process, the PSAU has developed a clear and comprehensive rubric for use in evaluating subgrantee planning applications. Peer reviewers and PSAU officials alike rely on this rubric in scoring and awarding applications.

The State’s automated grants system requires each applicant to indicate the name(s) of the authorizer(s) to which they have made application for a charter. This information is then retrieved by PSAU, which then independently contacts the named authorizer(s) to verify that (i) a charter application has been received, and that (ii) a copy of the CSP grant application has also been received by the authorizer(s). This verification typically occurs within one week of the application deadline.
The PSAU also requires applicants to have registered their nonprofit corporations with LARA. Verification of this action is carried out by PSAU prior to grant review and typically occurs within one week of application receipt.

Planning subgrant applicants that have failed to complete one or both of the above-listed action steps are given an opportunity to demonstrate that they have complied with both steps in advance of the grant deadline. Absent such evidence, the subgrant applicant is notified that their P&I subgrant application will not be reviewed.

Once subgrant applications have been received, PSAU staff members work to assemble teams of qualified reviewers. PSAU solicits teams of: (i) authorizer staff, (ii) past subgrantees, (iii) charter school operators and board members, (iv) MDE staff, or other qualified individuals. PSAU’s objective is to establish well-rounded teams consisting of members from a variety of categories.

Several weeks prior to the grant review date, PSAU staff count and sort the subgrant applications received and determine how many review teams will be needed to provide adequate review of all materials. Peer reviewers generally come to PSAU’s attention in one of two ways:

- Individuals that register with the Michigan Electronic Grants System (MEGS+), the online submission and management program used by PSAU in awarding and administering CSP subgrant funds, have an opportunity to indicate their willingness to serve as a peer reviewer at some future date. Information about their employment and background is solicited at this time to ensure the appropriateness of their review assignment. These individuals are contacted by PSAU staff at the time their services are required.

- In addition, existing PSAU staff relationships with individuals across the State’s K-12 and higher education communities play an important role in identifying prospective grant reviewers. Personal contact is made by PSAU staff members to invite qualified individuals to participate in the peer review process.

Reviewers are not compensated for their time, although lunch is provided and mileage reimbursement is available. Resumes of peer reviewers are collected and kept on file in the PSAU whenever possible.

After the review teams have been established, a common review date and location are selected. Applications are divided among teams. One application is common to all teams and will be read by every participating peer reviewer. Applications and instructions are provided electronically to each peer reviewer, typically one to two weeks prior to the review day. Reviewers are asked to read, score and comment on each application independently prior to the grant review.
Peers are given advance copies of the grant announcement and rubric at the time they receive the applications they will be reading. During the individual review period, they may also contact PSAU with questions and requests for guidance. The planning subgrant rubric is very specific and easy to utilize and serves as a good tool for framing reviewers’ thinking prior to their group discussions.

On the day of the grant review, peer reviewers meet at a common location. They are seated in their teams, with a laptop, rubrics, and copies of all assigned grants at the table. Teams assign a recorder who uses the laptop to enter information into individual scoring sheets that have been pre-loaded on an accompanying flash drive.

The day begins with a large-group review and discussion of the one application that was common to all. This process helps frame the thinking of all reviewers, and helps allow for better calibration of scores and comments. Review teams then go back into their small groups to score and comment on remaining applications, entering all information on the flash drive. During these discussions, PSAU staff members listen to but do not participate in peer reviewers’ discussions, only answering technical questions as they arise. All materials – both paper and electronic – are collected by PSAU at the conclusion of the day.

The scoring review sheets are brought back to PSAU, where staff review and calibrate them once again. A cut score is developed based on the rubric scores so PSAU staff can determine successful applicants who will be potentially funded. Successful subgrantees are notified approximately two to three weeks later and attend a mandatory orientation meeting. Unsuccessful applicants are encouraged to review the comments on the rubric, make modifications to their narrative, and resubmit during the next round.
Appendix 2: Self-rating Checklist for Authorizers
PROCESS ASSURANCES:
AUTHORIZER DESCRIPTIONS AND SELF-RATING CHECKLIST
Definitions

Using the definitions on this page, please use the checklist on the next five pages to select as many as apply to the 18 identified aspects of the Public School Academies under your authorization. Note that the descriptions are not cumulative. Select any that apply.

Then insert brief descriptions of each of your eighteen processes. Use these high-level overview descriptions to provide a sense of the primary methods you employ, the frequency with which you employ them and the standards you use to form judgments. When MDE staff visit to verify your assurances on a rotating basis, we will request more detail and review files to verify that the systems operate as described; this is a summary overview only.

"Under Development" means that a policy or process:
- ☐ Falls short of the minimum criteria of "complete" because it is non-existent or not yet fully operational in one or more ways

"Complete" means that a policy or process:
- ☐ Addresses all elements of the process description
- ☐ Includes methods for monitoring, documenting and following up on shortfalls AND
- ☐ Identifies consequences of non-compliance

"Clear" means that a policy or process:
- ☐ Clearly defines expected actions and outcomes
- ☐ Has been made available to appropriate parties
- ☐ Identifies who is responsible for particular actions AND
- ☐ Identifies deadlines for specified actions

"Consistent" means that a policy or process:
- ☐ Is applied across-the-board to all eligible or applicable entities,
- ☐ Is maintained, checked or applied on a systematic, scheduled or routine basis AND
- ☐ Produces up-to-date status information

"Improved" means that a policy or process:
- ☐ has data collected on its implementation
- ☐ has identified patterns of success or challenge inherent in the data
- ☐ has experimented with one or more possible interventions to determine whether they are capable of improving results as predicted.
1. Overseeing Application, Authorization and Contracting

1.1 The Authorizer has a process in place for issuing charters, including open solicitation, evaluation of multiple applicants and consistent application of criteria including statutory requirements.

The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved

Describe the process in brief.

1.2 The Authorizer has a process in place for ensuring that PSA’s obtain and properly maintain Michigan non-profit incorporation status.

The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved

Describe the process in brief.

1.3 The Authorizer has a process in place for ensuring that required documents (including contracts, amendments and reauthorizations) submitted to MDE are complete, accurate, timely and updated.

The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved

Describe the process in brief.

1.4 The Authorizer has a process in place for determining and communicating reauthorizations, revocations and non-renewals of charters.

The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved

Describe the process in brief.
1.5 The authorizer has a process in place for conducting oversight or supervisory visits to the PSAs it authorizes. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

2. Overseeing PSA Governance

2.1 The Authorizer has a Board Appointment Process in place for ensuring that PSA Board vacancies are filled in a timely manner and member files are accurate and available including evidence of Oaths of Office, U.S. citizenship, conflict of interest statements, etc. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

2.2 The Authorizer has a process in place for ensuring that PSA’s comply with all applicable law, and for following up on allegations to the contrary. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

2.3 The Authorizer has a process in place for ensuring that PSA Boards establish reasonable governing policies, properly record and publish minutes, and ensure policies and minutes are readily available. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.
2.4 The Authorizer has a process in place for ensuring that PSA’s operate an open application/enrollment process, properly noticed, which employs random selection if necessary to allocate limited slots. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

2.5 The Authorizer has a process in place for ensuring that PSA’s that engage ESP’s perform sufficient due diligence, employ independent legal counsel and negotiate “arms-length” agreements that are available for public review. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

3. Overseeing Facilities

3.1 The Authorizer has a process in place for ensuring that all required occupancy and facility approvals have been issued, and that local health and safety citations are documented and followed up on as they are identified. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

4. Overseeing Quality of Learning

4.1 The Authorizer has a process in place for ensuring that a PSA has established goals aligned to state, federal, and authorizer requirements, has identified methods of assessment (including MEAP/MME) that are rigorous and measurable and has in place a process that monitors a PSA’s student progress (growth) in achieving those goals. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.
4.2 The Authorizer has a process in place for ensuring that PSAs employ teachers (or that the contracted educational services provider employs teachers on behalf of the PSA) who are certificated/highly qualified according to state board rule or who qualify under Section 505(2), and who have undergone criminal history background and unprofessional conduct checks. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

5. Overseeing Financial Accountability

5.1 The Authorizer has a process in place for ensuring that PSAs obtain an annual financial audit and submit it to ISD/MDE, and for monitoring PSA response to any audit exceptions, including identified related party transaction or other issues identified in the management letter. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

5.2 The Authorizer has a process and standards in place to determine financial stability. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.

5.3 The Authorizer has a process in place to assist PSAs in avoiding or resolving any potential conflicts of interest, related party transactions, and/or in determining fair-market value when it cannot be established by ordinary means. The process is (choose all that apply):
- Under development
- Complete
- Clear
- Consistent
- Improved
Describe the process in brief.
Appendix 3: Handbook for District Authorizers
A growing number of Michigan school districts are expressing interest in becoming authorizers of charter public schools (or public school academies, as they are identified in state law). As district leaders explore the nature of this work, they are beginning to encounter a series of common opportunities, challenges, and concerns.

In response to the questions raised by would-be district authorizers, the Public School Academies (PSA) unit within the Michigan Department of Education (MDE) has undertaken a comprehensive review of literature pertaining to school district authorizing experiences. This handbook builds upon that research to suggest a sound framework for future district-level decision-making and to identify resources that can support new authorizers as they adapt to this additional set of responsibilities.

**Statutory Basics**

The roles and responsibilities associated with becoming a charter school authorizer are clearly laid out and defined. It is essential for district leaders to understand the duties they will assume.

Michigan law states that a charter school must be organized and administered under the direction of a nonprofit board of directors. That board of directors is not the same school board that governs the local public school district. It is a separate legal entity and is governed by an independent group of community leaders who have the capacity needed to lead a public school.

The new nonprofit, charter school board of directors may receive a charter contract from the local school district board. Because the school district board will hold the charter school board accountable for a certain set of academic and operational performance results, it is important to ensure an appropriate arms-length relationship between the two public bodies. There can be no board members in common, and any related staffing and service agreements must be clearly defined to ensure that conflicts of interest are carefully avoided.

It is also important to note that the new charter school is free and open to all students by parent selection, pursuant to Michigan law. If the number of students seeking admission exceeds the number of available seats, the charter school must utilize a random selection process to determine which pupils will be enrolled. Discrimination is prohibited. Thus, the authorizing school district is not able to decide which students will be served by the charter school and cannot compel the new charter school to provide specific enrollment priorities for any individual student or groups of students.

Charter schools in Michigan are subject to essentially the same legal requirements as all other public schools. They must comply with state and federal requirements related to health and safety, staffing, management and accountability, and transparency just like any other public school. Language contained in Act 277 of 2011 increases the amount of information charter schools and management companies must provide to the public, especially as it relates to financial reporting and the disclosure of operating expenses.
Recent changes in the law have removed the requirement that authorizing contracts issued by school districts that require all charter school employees to be included in the school district’s bargaining units. Thus, regardless of the employment relationships for the charter school staff, they are no longer required to be subject to existing union contracts.

Any Michigan school district that currently serves grades K-12 can choose to act as an authorizer. They may charter an unlimited number of schools within its geographic boundaries. Additionally, recent legislation has also permitted two or more types of authorizers to enter into interlocal governmental agreements for the purposes of chartering schools. Depending on the types of authorizers participating in the agreement, the geographic boundaries may be expanded significantly.

As an authorizer, the K-12 school district is responsible for all of the following minimal activities under Michigan law:

- Reviewing applications and awarding charters to qualified applicants,
- Establishing the method of selection and appointment for board members,
- Issuing charter contracts that include clear expectations for performance,
- Acting as a fiscal agent for state school aid funds,
- Ensures the charter school follows applicable state and federal law,
- Gathering and evaluating data related to school compliance and performance, and ultimately,
- Taking action based on a school’s performance relative to the expectations set forth in the charter contract, and
- Uses academic achievement as the most important factor in determining whether a charter school contract should be renewed.

No formal MDE filing or approval is required for a K-12 school district to become an authorizer. Pursuant to Michigan Codified Law (MCL) 502(3), the school district must notify MDE of its actions and provide a single copy of the charter contract to the Superintendent of Public Instruction within ten (10) days of approval.

State law permits an authorizer to retain up to 3% of the total state school aid received by the charter school. The authorizer may provide other services to a charter school it authorizes for a fee, but shall not require such an arrangement as a condition to issuing the charter contract. Pursuant to MCL 502(6), no fee or reimbursement can be charged for considering an application, for issuing a contract, or for providing oversight of a contract for a charter school in an amount that exceeds a combined total of 3% of the total state aid received by the charter school in the year in which the fees or expenses are charged.

Can I “convert” an existing public school in my district into a charter under Michigan law?

State statute does not provide a process for immediate “conversion” of a traditional district school. However, a school district can certainly close one of its buildings and issue a charter contract to a nonprofit, charter school corporation to operate in that location or neighborhood. This has happened on a relatively limited basis in the past even though it remains one of the four options for restructuring pursuant to No Child Left Behind school reform models.
If my district wishes to start a charter school, why must we act as the authorizer? Why don’t we just run the school and get a contract from a public university or other existing authorizer?

While there is no specific prohibition against this approach, starting a PSA does not normally make good practical or economic sense unless a separate governance structure is helpful or needed. School districts can open new schools and reallocate resources at any time without a charter. Any school district wishing to pursue this approach should closely examine the potential litigation that may be forthcoming if the new charter school can be seen as a related entity for labor purposes.

Can my school district provide management, instructional or support services to the new charter school? Can district teachers work at the new charter school?

Michigan law permits district staff to provide fee-based services to a charter school it authorizes as long as conflicts of interest are carefully managed and the service arrangement is not made a condition of receiving a charter. Schools are advised to consult legal counsel to ensure such service agreements are properly structured and completed. An incomplete charter may delay access to state aid.

Our school district does not offer Schools of Choice. Would the new charter school be able to accept students from outside the district?

Yes. Pursuant to MCL 504(3), charter schools have a statewide geographic boundary. A charter school must be open to all pupils whose parent or guardian resides within the geographic boundaries of the state. A charter school may not be selective or screen out students based on disability, race, religion, gender, test scores, etc.

As mentioned previously, if the number of students seeking admission exceeds the number of available seats, the charter school must utilize a random selection process to determine which pupils will be enrolled. If a student is enrolled in a charter school during a particular school year, the student may automatically be granted enrollment privileges for succeeding school years. Siblings of admitted students and dependents of charter school founders may also be granted enrollment priority.

What elements are required to be included in the charter application and charter contract?

According to MCL 380.502(3), a charter application and contract must include a significant number of components. Prospective authorizers are encouraged to engage the services of charter school-familiar legal services for the construction of a complete and comprehensive application and charter contract. While the use of an old example or template may be convenient, they may not reflect the changes created from recent legislation.

The PSA website (www.michigan.gov/charters) may provide some assistance as the charter contract checklist is updated and made available on a recurring basis. The Michigan Council of Charter School Authorizers’ (MCCSA) website (www.mccsa.us) also contains a sample Phase I charter school application.
How will the new charter school be funded? Does a charter school qualify for federal and state grant funds in the same manner as a local school district?

A charter school receives funding through the per-pupil base foundation allowance as defined through the State School Aid Act (1979 PA 94, as amended). By law, this amount may not exceed the per-pupil base foundation received by the local school district where the charter school is geographically located.

A charter school is treated as a Local Education Agency (LEA) and, as such, may access state and federal grants in the same manner as local school districts.

Are their additional funds that may be available to support the PSA chartering process?

Yes, the federal Charter School Planning Grant funds may be available through MDE’s online application which can be accessed through the Michigan Electronic Grants + (MEGS+) process. Instructions and an application checklist are available at the PSA website (www.michigan.gov/charters).

Who can apply for a charter school contract? Who can be issued a charter contract?

With very few exceptions, anybody can make application for a charter. Non-profit groups and education management companies are the entities that are most frequent applicants. When evaluating an application, potential authorizers should not only consider the potential student academic achievement impacts, but should also consider the potential conflicts of interest that may exist between the applicant and the potential authorizer.

What does a local school district have to do to before they can become an authorizer?

All K-12, local school districts are eligible to be charter authorizers but that doesn’t mean they are fully prepared to do so. A local district looking to become an authorizer should:

- Establish a process for accepting applications to include the actual design and approval of an actual Phase I application,
- Create a review process and rubric for reviewing Phase I applications,
- Create a Phase II interview process designed to vet the applicant,
- Create a Phase II charter development process along with a delegation of responsibilities and distribution of labor between the applicant and the potential authorizer,
- Recognize that the development of a new charter school is a difficult and time consuming process with the creation of a timeline and deadlines for the submission of information from the applicant to the authorizer, and
- Establish a process to vet and select the new charter school board directors.
The Advantages of Chartering

Traditional K-12 school districts appear to have several objectives in mind when they begin to discuss the idea of chartering a school. It is important for district officials to identify their objectives clearly and objectively in order to ensure the correct strategic approach.

- **Ability to Restructure Low Performing Schools**

  No Child Left Behind provides school buildings that have failed to make Adequate Yearly Progress over a period of years with an opportunity to close and re-open as charter public schools. This approach offers districts that meet specific requirements an ability to “start fresh” in certain instances, shuttering poorly performing buildings and re-opening them with new leadership, new programs, and a set of concrete performance targets for the future.

  As a way to provide options for children in failing schools, chartering offers new opportunities to districts. First, districts can avoid forcing potentially overcrowded existing schools to enroll additional students. Second, district leaders can authorize charters targeted to the needs of a particular neighborhood or student group. Third, districts can encourage high-capacity institutions such as foundations, colleges, museums, and social service providers to run or contribute to the program mix in new schools.

  In the past, districts have had few options for turning around chronically low-performing schools other than to reconstitute a school by closing it and opening jobs up to all current members of the district teaching force. This approach left the possibility of re-creating a new school very much like the one that it was supposed to replace. The chartering option opens up a new possibility: creating an entirely new school staffed with new people (including some not previously employed in the district) and organized around a new plan. (Ziebarth and Wohlstetter, 2005).

  While this option has not been widely utilized to date, it offers promise for districts that need innovative solutions to resolve individual school performance problems.

- **Greater Autonomy for Neighborhood Schools**

  One of the appeals charter schools hold for students and families is the ease of access to key decision makers. Smaller schools with site-based management are sometimes more appropriate to the needs and concerns of various constituencies.

  District leaders – particularly in large urban areas – who wish to exercise control over the performance outcomes of individual buildings while lightening the load of their internal administrative structures, are beginning to regard charter schools in a new light. By issuing a charter to a neighborhood school, a sense of local school “ownership” and immediacy of access are restored to the community. Meanwhile, the authorizing district monitors and oversees a series of highly accountable operations without dealing with the daily management issues they currently face.
Retention of Quality Control Mechanisms

By developing a sound performance contract with specific measures of success, district authorizers retain a measure of control on the quality and outcomes of each school they authorize. Schools that fail to attain appropriate achievement levels can be closed if necessary to ensure the caliber of educational opportunity available within a particular geographic area remains strong.

It is a little recognized paradox that school system authorizers can achieve greater control over public education outcomes by delegating operational control to charter schools. When an authorizer approves a school and develops a performance agreement, it can foster and guide development of any program that it believes will meet the needs of students in the system. Even the state and federal regulations that inevitably constrain this discretion usually give greater flexibility and decision-making authority to the agency as authorizer than to the same agency acting as traditional school district or department of education. The school system authorizer can foster and guide development of a particular program and of a governance structure that makes successful implementation of the program more likely. It can also foster development of a management environment in which decision-making—including employment decision-making—is based, first and foremost, on meeting the terms of the charter. At all times the authorizer retains authority to intervene, as appropriate, based on fulfillment of the charter’s terms—including removing the school’s right to continue operating, if necessary. Nowhere else in public education is there such decisive authority regarding individual schools. (Tucker & Haft, 2003).

New Opportunities for Community Engagement

The effective development of a new charter school requires a significant amount of community dialogue and outreach. The opportunity to rekindle the interest of all or a portion of a school district’s population is often one that can be beneficial to a school district if handled well. Town hall meetings, media outreach, and board “listening” sessions provide dynamic opportunities for meaningful engagement with parents, opinion leaders, and others.

Although a discussion of adding new local charter schools often draws opposition, as noted later in this handbook, school districts do have clear opportunities to handle this issue well and drive meaningful local change through careful, decisive community engagement.

In addition, the development of one or more new charter models can draw in other community organizations – government, non-profits, foundations, arts organizations and social service providers all can be brought to the table to carve out innovative models of collaboration that can strengthen the community as a whole.

To engage the community, we have...observed new charter schools partnering with community-based organizations. ...Partnering with well-established and respected organizations, such as the Boys and Girls Clubs of America or the Urban League, can enhance the charter school’s legitimacy and credibility within the community. (Ziebarth & Wohlstetter, 2004).
Support to Financial Restructuring

With the financial difficulties being encountered by local school districts, chartering options are being explored on a more frequent basis. Local school districts wishing to investigate the chartering option as a means to address financial problems should consider the wider implications of academic achievement first.

However, if the opening of a new charter school is not likely to be an overwhelmingly negative enrollment factor, there are a plethora of opportunities to mitigate financial challenges being encountered in local districts. Unlike local school districts, charter schools can contract for instructional services, are not currently bound by local district collective bargaining agreements, and may not be required to participate in the Michigan Public School Employees Retirement System.

Additionally, local school districts may find the development of a charter school to be a potential vendor of excess capacity or potential leasees for vacant buildings. Stated another way, a vacant building leased by the district to the new charter school may turn that building from a liability to an asset. The same could be said for excess and unused capacity in programs like special education, transportation, food service, technology, and financial management.

Cautionary Note

Another frequently-cited factor for school districts that are considering chartering was summed up in a 2007 article from Education Next:

...under the guise of restructuring, district officials … take their worst-performing schools and slap a charter label on them. Think about it: You’re a superintendent with some pretty good schools and a dozen lousy ones. Invoke NCLB, charter them out, and in one fell swoop you have moved the bottom feeders from the district column to the charter column. Your district scores skyrocket, and all those that failed to make Adequate Yearly Progress (AYP) - 0h... well, you know, they’re charter schools. (Smith, 2007)

Districts that have this objective in mind are cautioned that Michigan authorizers are charged with the responsibility of holding their charter schools accountable for performance. An authorizing school district cannot evade responsibility for the achievement of the schools it oversees; in fact, stepping out into the world of chartering may result in greater scrutiny.

Authorizing Challenges

Authorizers across Michigan and the U.S. report common pitfalls and areas of concern when it comes to establishing effective charter school oversight and support operations. New district authorizers must anticipate and plan for these issues well in advance.

Ensuring Organizational “Fit”

Not all organizations are well suited to authorize charter schools. According to the Michigan Council of Charter School Authorizers, this work “requires strong administrative, financial and philosophical commitments on the part of the chartering institution to maintain a clear focus on the work at hand and not to be swayed by critics and detractors.” (Van Koevering, et al, 2008)
Experienced authorizers suggest that new authorizers carefully evaluate their reasons for entering the practice. They caution against quick decisions, and advise the creation of exploratory or advisory committees to thoroughly examine how well the creation of an authorizing arm will align with the mission, philosophies, and practices of the organization as a whole. The governing board of the would-be authorizer must also be thoughtfully and clearly engaged, given that the act of authorizing will require their involvement and support, and could ultimately be tested in the media, the courts, or the ballot box. (Van Koevering, et al, 2008).

Even if all possible care is taken, would-be authorizers should be aware of changes in leadership and governance that could threaten the stability of the authorizing operation. Constant internal communication is needed to ensure that the organization remains committed to providing quality oversight and support for the schools it oversees.

The promise of “increased accountability” can be realized only if an authorizer is willing to act decisively to end charter contracts that do not succeed in attaining their objectives. Holding firm to that intention is work every bit as unpopular as closing a school, and unless potential authorizers are willing and able to exercise this authority, they may not be a good “fit” for the oversight role.

Engaging Constructively with Critics

An important consideration relative to organizational “fit” is political, rather than practical. In many instances, new authorizers face some level of public opposition when they begin to contemplate establishing their operations. Since their inception, charter public schools have been controversial and those who engage in this type of work need to prepare for some degree of resistance.

Unions, school boards, and communities may react negatively to restructuring efforts merely because they are accompanied by the term charter. Schools that are most successful at conversion are able to withstand opposition when necessary, but also engage and educate parents and community leaders to help them embrace necessary changes. No matter the political environment in the district, community engagement is a critical component of the charter conversion process. (Arkin & Kowal, 2005).

In many instances, it is this type of political backlash that stops would-be charter authorizers in their tracks. Indeed, it may be prudent to engage in some degree of public opinion sampling may be appropriate to ensure sound decision-making. This type of advance polling and/or focus group testing may even turn the tide of public opinion through innovative community engagement strategies. This type of work was used very effectively in San Diego, where charter conversions have proven quite successful.

At the same time that [San Diego School Superintendent Alan] Bersin was looking for outside help with restructuring his troubled schools, he and his staff established “workgroups” of teachers, administrators, parents, union representatives, and community leaders at each of the schools out of a strong belief that reforms would take at the schools only if representatives of each school community were invested in change. Bersin also believed that board members and teacher-union leaders, important powerbrokers in public school systems, would not support such dramatic change unless they were presented with clear evidence of such bottom-up support from parents and others. (Williams & Toch, 2006).
Other superintendents and school leaders have spent time going door to door, working with community members on a one-on-one basis to dispel rumors and promote their efforts to build lasting educational change. (Paulson, 2005).

**Building Operational Capacity**

The development of a quality authorizer operation requires a great deal of an organization. New systems and strategies must be formulated to ensure equity, consistency and performance across the board.

Authorizers build their most important organizational capacity by creating processes that promote coherence and quality while reducing static. Even the small charter authorizer should develop a “policies and procedures” manual that codifies both its organizational routines and its relationship to schools. Application guidelines should be supported by decision rubrics, so that the bases for approval and denial are as clear to subsequent agency staff as they are to current applicants. Accountability policies and renewal protocols should be supported by consistent methods of generating and reviewing evidence. (Smith & Herdman, 2004).

Adequate staffing and resources are needed to ensure this work happens on the front end. This, too, can be challenging given the budget pressures facing many school districts. Careful financial planning is required to ensure that an authorizer’s operations are sufficient to develop effective oversight and support operations. This challenge may be partially addressed by entering into an interlocal agreement with a current charter authorizer with demonstrated capacity.

This work can be intriguing for an innovative school district leader who is interested in advancing new ideas about school leadership and practice.

Charter school authorizers generally have a fair amount of latitude in designing accountability policies. Legislation establishes boundaries and constraints on authorizers’ powers - particularly in the level of funding, if any, allocated to authorizing staff, minimum standards or required assessments - but laws generally do not spell out the specifics of how the agencies are supposed to hold charter schools accountable for results. Therefore, authorizers generally have some flexibility about how to craft their charter school accountability policies. This discretion is both a burden and an opportunity. It poses a burden if authorizers are saddled with authorizing responsibilities but few additional resources; however, it is an opportunity because it provides authorizers a chance to redefine how public schools are held accountable. (Hassel & Herdman, 2000).

**Special Concerns for Districts**

For district authorizers, a significant shift in thought and practice is also required. Overseeing a school is very different from actually operating a school, in that it is focused on performance outcomes and deliverables rather than direct management issues and program inputs. District leaders often are tempted to involve themselves in the day-to-day management decisions of the schools they authorize and thus defeat the purpose of creating a separate charter. However, when a new, independent board of directors is created to operate a charter – one that has its own statutory powers and autonomy – and the district authorizer must be prepared to let that board do its job.
This challenge is particularly great if the school district authorizer is closing one of its buildings and reopening it as a charter under NCLB.

...the reopen option under NCLB is not without pitfalls. Because many districts are hesitant to give up their influence over a school’s operations, districts might opt to charter a school in name only—that is, although the school becomes a charter school, it maintains the same staff and the same approach to teaching that existed in its previous struggling form. (Ziebarth & Wohlstetter, 2005).

Thus, it is even more critical that school district authorizers establish well-defined tools, structures and policies to help clarify their roles and responsibilities on the front end of this process.

Finding a Trusted Partner

As mentioned above, the school district authorizer will oversee an independent board of directors that is charged with operating the new charter school program. As the district board and the PSA board embark together on this new venture, it is critical that there be a high degree of mutual support and trust on both sides of the charter contract.

Good authorizers nurture “social capital” – the intangible ties of trust and reliability that facilitate cooperation. Despite the presence of a contract that spells out mutual obligations, relations between schools and authorizers can be friendly or confrontational, cooperative or compliance-driven, and building social capital between authorizer and schools is a good way to prevent a charter school initiative from becoming rule-bound. As historian Francis Fukuyama points out, “[n]o contract can possibly specify every contingency that may arise between the parties; most presuppose a certain amount of goodwill that prevents the parties from taking advantage of unforeseen loopholes.” (Smith & Herdman, 2004)

District authorizers can help maximize opportunities for success by selecting a PSA partner that demonstrates both strong capacity and a school program that meshes well with the authorizer’s objectives. Some authorizers may wish to go so far as to “seed” new programs within the community by recruiting development partners and offering support for desired approaches.

Through the charter application, states and districts should specify the types of problems that need to be tackled at any school identified for restructuring, as well as the types of knowledge, resources, and skills that the state or district feels are necessary to address these problems. The selected operators must not only be familiar with the challenges within chronically low-performing schools, but also must have a track record of success in meeting such challenges...To increase the odds of success, states and districts should choose charter school petitions that emphasize proven practices, whether it is a community-run school using a successful curriculum or a national management organization replicating an effective school. Although the charter school movement is also an opportunity for innovation, restructuring a clearly floundering school is not the place for experimentation. (Ziebarth & Wohlstetter, 2005).
Setting up a successful authorizer operation looks like it takes some time, and so does the development of an effective charter school. How long should we allow for these processes?

The amount of time to be allotted varies depending on the needs and capacity of the authorizer and the school. Most authorizers try to allow 12-18 months for the initial work to be completed, but it can be done in significantly less or significantly greater amounts of time depending on local circumstances.

Is there any funding available to help my district become an authorizer, or to help a charter school that’s just getting started?

At this time, there is no dedicated funding stream for new authorizers. Some private or local dollars may be available to authorizers who choose to pursue them.

There is a federal grant program that can help new charter school founders plan and implement their work. The program is administered by MDE. Application instructions and additional information can be accessed at www.michigan.gov/charters.

Where can I get help and assistance in developing an authorizer operation?

Please refer to the resource listing in the back of this handbook for technical assistance and support. The PSA unit at MDE also is available to provide more detailed technical assistance and to answer specific questions. Visit www.michigan.gov/charters, or call (517) 373-4631.

Districts should also consult with charter school-familiar legal counsel at all steps of the process to develop sound applications and contracts, to help the school district avoid conflicts of interest, and to ensure full compliance with applicable state and federal laws.

If our school district authorizes a new charter school, does it become affiliated with the district somehow? What sorts of financial liabilities might our district assume?

Charter schools are separate legal entities with operations that are separate and distinct from the legal structure of their authorizers. Many charter school contracts contain provisions stating that there is no contractual or organizational affiliation between the two organizations.

In addition, MCL 380.503b states that:

(1) An agreement, mortgage, loan, or other instrument of indebtedness entered into by a public school academy and a third party does not constitute an obligation, either general, special, or moral, of this state or an authorizing body. The full faith and credit or the taxing power of this state or any agency of this state, or the full faith and credit of an authorizing body, may not be pledged for the payment of any public school academy bond, note, agreement, mortgage, loan, or other instrument of indebtedness.

(2) This part does not impose any liability on this state or on an authorizing body for any debt incurred by a public school academy.
Our school district already knows what it wants to do and who we want to charter. Do we have to do a competitive application process, or can we just move forward?

MCL 380.503(1) requires that:

Public school academy contracts shall be issued on a competitive basis taking into consideration the resources available for the proposed public school academy, the population to be served by the proposed public school academy, and the educational goals to be achieved by the proposed public school academy. (emphasis ours)

PSA authorizers are encouraged to develop application rubrics that reflect their unique priorities and needs, and to communicate those rubrics publicly in advance of evaluating applications.

Our school district has a person on staff that is developing the new charter school we want to establish. Can we keep that person and just make him/her into our authorizing staff person or charter school liaison later on?

School district authorizers should be mindful of the need for a competitive application process, as described above, and the need for conflict-free, arm’s-length contracts and agreements. As the new charter school authorizer, school district staff will be holding a school accountable for achieving the performance results and outcomes set forth in the charter agreement. It is essential to ensure that the same staff that will be holding the school accountable are not also making leadership and management decisions for the charter school, or are actually doing the work for the charter school.

Make prudent use of your school district legal counsel in evaluating the appropriateness of all staff and board relationships between the school district authorizer and the new charter school. MDE closely scrutinizes these relationships and will notify you of identified problems.

Our school district wants to investigate chartering options. What should we do?

The school district leadership should review the MDE PSA website at [www.michigan.gov/charters](http://www.michigan.gov/charters) as well as the webinars that are linked at that website. Then, the district leadership should contact their trusted peers who may have already gone through the research process and gain any benefit they can from their experience. And then, if they still want to pursue the chartering options they should contact the MDE PSA unit ((517) 373-4631) to schedule a meeting appointment. The PSA unit staff will do whatever is necessary to answer the remaining questions, and to assist the district with the process.

As has been described earlier in this document, it is important that the district leadership be open and frank with the district stakeholders specifically regarding the potential chartering option, especially the school board, the labor organizations, and the existing staff.
Our school district is thinking about closing one of our school buildings. Since making the announcement we have been approached by an entity that is interested in acquiring the facility. What should we do?

The school district needs to determine if selling or leasing the school building is in its best interest. If the school district currently owns the building being closed it should consider how the building will be utilized and what expenses the district will have to incur to maintain the facility. School districts may lease, rent, or sell school property if it chooses to do so. Current law also permits the school district to refuse to sell the property to a particular entity if it decides to do so.

Our school district has some unused space in one of our school buildings. Can we lease that space to a charter school?

Yes. The current law provides school districts with the full authority to leasing or rent school property. Lease or rental agreements must be configured to meet the legal requirements for shared property. Since charter schools are public entities, they are required to abide by the same health, safety and occupancy requirements as traditional districts. It is common for lease agreements in these types of situations to address shared spaces, utilities, snow removal, etc.

Our school district has already issued a charter to one school. Can we charter another one?

That depends. The school district authorizer must maintain a K-12 presence. Larger districts with multiple elementary, middle and high schools generally do not have to worry about this issue. A small school district with one high school, one middle school and one elementary school can charter as many schools as they desire. However, many small school districts lack the capacity to comprehensively oversee more than one or two charter schools. A small school district wishing to charter multiple schools might want to consider entering into an agreement with another authorizer possessing the demonstrated capacity to oversee multiple charter schools.

Our intermediate school district is thinking about chartering a Strict Discipline Academy that serves all of the schools within the ISD. Can they limit enrollment to just the ISD geographic boundaries?

Yes. The Strict Discipline Academy authorized by an ISD may limit its enrollment to students from within the geographic boundaries of that same intermediate school district if it chooses to do so.

Our school district is thinking about closing some schools and then reopening them as charter schools. Can we limit enrollment to just the neighborhood catchment area of the closed school?

No. The current law provides that a charter school with a school district authorizer can limit enrollment to the geographic boundaries of the authorizer, but to a specific neighborhood. For example, if Tipacanoe School District authorizers a charter school, that charter school can limit enrollment to the geographic boundaries of the Tipacanoe School District, but it can’t limit enrollment to just a portion of that same district.
Self-Assessment Tools

The following questions are designed to help guide would-be school district authorizers in their thinking about their readiness and ability to authorize a new charter school in Michigan. They are best answered by a working group consisting of stakeholders from across the district as part of the initial exploration and planning process, and can provide an excellent framework for guided discussion.

Chartering Objectives

☐ Why do we want to authorize a new charter school? What will the school district gain from it?

☐ What unmet local needs will the charter school meet that our school district cannot meet directly?

☐ Where are the students who will attend the charter school going to school now? If the school district decides not to authorize the charter school, where will they go?

☐ Do we have a school that will be closed down or restructured as part of this process, and are we comfortable that this is the best solution for that particular school?

Practical/Legal Considerations

☐ Do we have a good understanding of what our responsibilities as an authorizer would be under Michigan law?

☐ Have we identified a technical resource or mentoring partner to aid us in this work?

☐ Is our legal counsel confident that we can do this job correctly?

☐ Can we do this work without entering into relationships that are not arms-length or conflict-free? Are we confident that we have no unclear staff or board relationships?

Organizational Issues

☐ How would charter school authorizing fit with and complement our organizational mission, vision, and philosophy?

☐ Is our board prepared to accept, defend, and promote the school district’s decision to authorize a new charter school?

☐ How will we manage staff to ensure best organizational “fit”?

☐ How involved will the superintendent and other school administrative leaders be in this endeavor? Are they prepared to accept, defend, and promote the decision with the public?
Community Engagement and Response

- How will the community respond to news that we are thinking of authorizing a charter school?
- Are there “safe” groups with which we can test this idea before we announce it publicly? Can we find a way to test our messages?
- Where are the pockets of strongest support likely to be?
- Where are the pockets of opposition likely to be?
- Do we have any available resources to help us manage our work with the community? What should our action plan look like?
- Do we have any local partners that can strengthen our ideas or help us develop a more compelling program?

Financial and Administrative Considerations

- Have we done the math? Can we afford to lose some school district pupils to the new charter school in exchange for a 3% oversight fee? Are staffing or service agreements possible?
- Are we prepared to commit other organizational resources to this effort over and above the 3% oversight fee, if necessary?
- Are there community members or private funders that have an interest in financially supporting a portion of this project?
- How will we ensure the new charter school does not enter into any financial or lease agreements that would limit their operational flexibility?
- Who will staff the new charter school operation? How will we ensure that they have adequate resources and tools to get the job done right? Can we or should we contract for all or some of that work?
- What is our timeline for making decisions and completing the contract development and approval work?

Finding a Trusted Partner

- What will our application rubric look like?
- Are we working to recruit qualified local candidates?
- Might we issue more than one charter? How will we recruit and evaluate multiple developers?
Oversight Considerations

☐ Are we comfortable relinquishing control over the daily management of a school? Can we play the oversight role in a manner that is true to its underlying design?

☐ Are there areas where we are unwilling to relinquish control or provide autonomy to the charter school? Can we accommodate these areas in a way that meets the requirements of the law?

☐ Do we have the institutional will and ability to close this charter school if it fails to meet the terms of its charter agreement? Can we be tough if we need to be?

☐ Conversely, do we have the institutional will and ability to provide appropriate levels and types of support to the charter school if necessary to allow effective services to students and families? Can we be fair and flexible, and not knee-jerk to closure when problems arise?

☐ Which performance measures do we feel are most important to include in a charter contract?

☐ Can we do this by ourselves or should we work with another authorizer?

Special Restructuring Considerations

☐ What barriers to performance exist at the struggling school? How will converting the school to a charter address those barriers?

☐ What kinds of improvement activities have been tried in the past? Why have they failed, and how will restructuring as a charter be different?

☐ What will happen to the teachers at the closing school? How or when will the union(s) become involved? Are the processes in place within the current evaluation mechanisms to retain the best and brightest teachers?

☐ How will we develop and maintain a positive, cooperative, working environment with the new charter school?
Resource Directory

**Michigan Department of Education**
Public School Academies
Office of Education Improvement & Innovation
608 West Allegan Street
P.O. Box 30008
Lansing, Michigan 48909
517-373-4631
www.michigan.gov/charters

**MI Council of Charter School Authorizers**
201 Townsend, Suite 900
Lansing, MI 48933
(517) 487-4848
www.mccsa.us

**Michigan Association of Public School Academies**
105 W. Allegan
Suite 300
Lansing, MI 48933
(517) 374-9167
www.charterschools.org

**U.S. Department of Education**
400 Maryland Avenue, SW
Washington, D.C. 20202
(800) USA-LEARN
www.ed.gov

**National Charter Schools Institute**
2520 S. University Park Drive
Mt. Pleasant, MI 48858
(989) 774-2999
www.nationalcharter schools.org

**The Education Policy Center at Michigan State University**
201 Erickson Hall
East Lansing, MI 48824
www.epc.msu.edu

Recommended Reading:

- Michigan’s Revised School Code, Part 6A (MCL 380.501 et seq)
- The Michigan State School Aid Act (MCL 388.1601 et seq)
- “Starting Fresh in Low-Performing Schools: A New Option for School District Leaders Under NCLB” and other publications of the National Association of Charter School Authorizers
- “Reopening as a Charter School,” published by The Center for Comprehensive School Reform and Improvement
Bibliography


Updated as of April 1, 2012
Appendix 4: 
Grantee Response to Draft Report
January 16, 2013

Ms. Carol Cohen
WestEd Senior Research Associate
1350 Connecticut Avenue NW, Suite 1050
Washington, DC  20036-1709

Dear Ms. Cohen:

The staff members of the Public School Academies unit within the Michigan Department of Education (MDE) have reviewed the draft copy of the Michigan Department of Education Charter Schools Program Monitoring Report (dated December 20, 2012) and they found a number of small items that you may consider addressing. They are included in enclosure 1.

However, within the email that accompanied the draft document, a request by ED was made to provide "further explanation of your Stage 1 and Stage 2 planning grants and your justification for why these should not be considered pre-planning grants." ED further asked that MDE "provide information on the charter approval process and timeline and the extent to which Charter School Program (CSP) funds are being used to develop a charter application." As a very active participant in the monitoring visit it is inconceivable that any member of the monitoring team could have come away with those questions. Since it appears obvious these questions were not generated by the monitoring team, but were most likely proposed by an individual or individuals without a basic familiarity with Michigan's CSP processes or procedures, we will respond accordingly. Please see enclosure 2 for our answers to those questions.

Please feel free to contact me at (517) 241-6668 or eitremm@michigan.gov if you are in need of additional information.

Respectfully,

Mark S. Eitrem
Supervisor

2 Enclosures

cc: Linda Forward, Director
Office of Education Improvement & Innovation
Page 7, Performance of the State Charter Sector. The Michigan Department of Education is not aware of any Center for Research on Education Outcomes (CREDO) published study conducted on students from Michigan that might have been available for review by the monitoring team. The actual results from Michigan’s first coordinated participation with CREDO will not be released until January 16, 2013. Additionally, the referenced CREDO study from the narrative is not listed in Section VI as a document reviewed by the monitoring team.

Page 21, Indicator 2.1, Observations, Second Paragraph. The first sentence of the paragraph states: “All planning subgrant applicants must enter into a partnership with an existing school of excellence that will work with and mentor the applicant.” This is not true. It would be correct if the word “must” would be replaced with “may”.

Page 21, Indicator 2.1, Observations, Fourth Paragraph. The first sentence of the paragraph states: “Successful planning grant applications receive Stage One approval.” This is not true. Successful planning grant applications do not receive Stage One approval until they have met the initial requirements of the Funds Release Document. Fund Release Documents identify the activities required by the applicant before funds can be released in both Stages One and Two. Once the Stage One requirements from the Funds Release Document are satisfied, then and only then is Stage One approved, thereby permitting the release of the initial $35,000.

Page 34, Indicator 2.2, Recommendation. The recommendation states: “The grantee should update its contract checklist to reflect changes in State law that no longer require assurances of employee collective bargaining for district-authorized charter schools.” This issue was addressed well before the monitoring visit and was not true at the time of the visit. The law that included this language changed for all but the Strict Discipline Academies on March 28, 2012. The contract checklist change including that modification was dated April 1, 2012. A review of the current contract checklist shows a notation specifying that this requirement only applies to SDAs. The legal citation that references the requirement is included on the checklist and is still current and accurate.

Page 49, Indicator 3.1, Observations, Title Programs. The problem with the issuance of Title funds is the lack of timely information provided by authorizers, not necessarily the distribution of funds by MDE. The authorizers must provide MDE with timely and accurate information at least 120 days before a school opens and in 2011-2012 they didn’t. Not one authorizer provided the necessary information required. The Public School Academies unit is working with the Office of Field Services and the Office of Special Education to identify the specific information that is necessary and to push that information to the authorizers in a way that will cause them to adjust their authorizing processes to accommodate this timeline. This situation is not likely to be solved as long as authorizers continue to issue charters in July, and MDE continues to adhere to the 120/150 day rules.
Transmittal Letter Questions

"ED is also requesting further explanation of your Stage 1 and Stage 2 planning grants and your justification for why these should not be considered pre-planning grants. In your response, please provide information on the charter approval process and timeline and the extent to which CSP funds are being used to develop a charter application."

In order to accurately and concisely answer the question, Michigan Department of Education will have to be provided the definition of a “pre-planning grant,” which heretofore has not been part of our lexicon. Additionally, while proving a negative is always difficult, we will attempt to describe how we think we are meeting the spirit, intent, and letter of the law as it relates to the awarding and monitoring of CSP Planning and Implementation Grants.

CONTEXT/Public School Academy Authorization in Michigan

Every authorizer has their own timetable for accepting charter applications, and process for considering them. Michigan has approximately 40 different, autonomous authorizers with as many different processes. No two authorizers have the same timetable or process. State public universities have the largest portfolios of public school academies, and arguably the most sophisticated authorizer chartering and oversight processes. More recently, the number of local education agencies (LEAs, aka traditional school districts) becoming charter authorizers has started to increase significantly. Thus, MDE's role to support new authorizers is expanding as is the amount of technical assistance they need and are being provided. While most experienced charter authorizers do not coordinate with MDE during their application process, MDE does require applicants to improve their systems and capacities during the subgrant periods. One should expect those enhanced capacities to be shown in subsequent charter applications to, or interactions with, potential authorizers.

Until recently, the public school academy (i.e. charter school) cap on state public university authorizers had an impact on how many development teams actually received charters. That led to a situation where a significant percentage of planning subgrantees did not receive charters within the initial 18 month planning window. However, less than a year ago the charter school cap for university authorizers was effectively removed, thereby permitting Michigan's largest authorizing agencies to expand. While these authorizers are expanding their portfolios, MDE is not increasing the number of planning subgrants issued. Based on current projections, there are likely to be more charters issued in 2013 than planning subgrants which has led some of our most insightful applicants to suggest that being awarded a CSP planning subgrant may now be more difficult than receiving a charter.
Phase I Charter Applications

Some authorizers have very sophisticated processes involving multiple phases, while others have little more than a Phase I application. For example, the state public universities have a somewhat standard process in that they ask eligible groups to submit a Phase I application to them during a certain time frame. This Phase I application must be submitted to an authorizer within the last twelve months before a group can be considered to be an eligible applicant for the CSP grant. Once the Phase I application is reviewed by the university’s charter school office, an eligible applicant may be asked by that office to participate in an interview. The interview process generally involves a question and answer session along with a “new school concept” presentation by the applicant. If the interviewers from the university’s charter school office are satisfied with the interview, they may ask the applicant to complete a Phase II application which may look very similar to the structure of a charter contract.

It is important to note that the Michigan Council of Charter School Authorizers (MCCSA) has a Phase I charter application posted on its website. Until very recently, this application was used almost exclusively by most of the members of the MCCSA which includes all of the state public university authorizers. A comparison of that Phase I charter application to the CSP Planning grant application shows that more than 80% of the questions are exactly the same. While it generally understood that individual authorizers may use different rubrics on similar questions, it is safe to say that a successful CSP subgrantee probably submitted a successful Phase I charter application. It should also be recognized that the vast majority of successful planning subgrantees were not successful the first time they applied, even though there are a significant number of resources available to help them prepare a successful grant application. Unfortunately, we have had a number of operating charter schools apply three or four times before they are awarded a subgrant. Some operating schools have stopped applying for planning grants because they didn’t want to put forth the kind of detail required to receive an award.

MDE’s Planning Grant Application

The MDE’s Charter School Program grants are issued in three parts, with a planning grant, and two implementation grants. The very competitive planning subgrant application is peer reviewed and those applicants scoring at or above 70% on the scoring rubric are generally awarded the subgrant. Applicants may be awarded planning subgrants just once, but the release of those planning funds is completed in two separate stages (aptly named Stage I and Stage II). The MDE releases funds in two stages to ensure that all subgrantees have the capacity to properly administer a federal grant, and to ensure that these funds are used for their approved purpose. Additional reasons include the assurance that proper accounting for the funds is accomplished, and to reduce the risk associated with issuing federal funds to new school development teams that may have a lack of demonstrated experience in managing the subgrant in accordance with applicable federal and state regulations. So, as one might expect, once a planning subgrantee demonstrates they are able to properly and accurately manage and account for the funds from Stage I of the subgrant, Stage II funds are released. We know this when our subgrantees have provided us with monthly Status Reports and a single,
end-of-Stage I Progress Report that includes all of the contracts, invoices, statements, and cancelled checks associated with the grant expenditures. Through extensive desk audits, we match the expenditures with the previously approved management plan and the budget to ensure the approved plan is being executed as presented. This process increases the CSP's fiscal and programmatic accountability at the state and local levels. It also provides MDE with the assurance that the subgrantee is fully capable of managing larger implementation subgrants once they receive their charters and district codes.

Even though a peer review score of 70% on our scoring rubric is required to be awarded a planning subgrant, funds are not released until MDE is satisfied that all eligible applicants address obvious weaknesses within their plan, budget and application narrative. MDE requires major vendor contracts to be provided, that operating procedures and policies be institutionalized, and that all potential conflicts of interest are eliminated. In some cases, significant revisions are necessary to the application narrative, management plan, and the budget before funds can be released because the plan calls for an action that is illegal, or lacks a basic component like a student assessment and evaluation plan, or academic achievement goals that are measurable. MDE views these steps as necessary to fulfill its primary responsibility of ensuring that subgrantees are prepared and capable of opening and operating a quality charter school in accordance with federal, state and local statutes. Within each round (3 rounds per year) and after each year, MDE identifies new and more rigorous methods of improving the systems and processes used to accomplish that responsibility.

Additionally, as peer reviewers become more experienced, one would expect them to be more likely to enforce the requirements more diligently, thereby lowering potential rubric scores. The increased rigor also evolves from the annual process of making subtle changes to the rubric and the application questions that more clearly describe elevated expectations and expose those groups that have not sufficiently developed their plan in enough significant detail. These peer reviews help to identify areas of needed improvement as well as areas that need to be addressed before any funds can be released. MDE believes that the initiation of a series of webinars designed to assist grant applicants, along with the rubric notes from previous submissions, three public grant application orientations, a detailed monthly monitoring process, end-of-stage progress reports, and more experienced peer reviewers all add to the improved capacity of groups seeking charter applications.

While recognizing that most applicants choose to apply to multiple authorizers over an extended period of time, one could presume that each subsequent application is better, more complete, and more likely to be successful than the previous one. MDE's grant application process requires eligible applicants to have first submitted a charter application to at least one potential charter authorizer within the last twelve months. So, as soon as each CSP planning application round closes, MDE verifies that the applicant has actually applied for a charter with a potential authorizer and that they have notified that same potential authorizer of their intent to apply for the CSP planning subgrant. When MDE is notified by a potential authorizer that CSP applicant has not applied to a prospective authorizer or that they have failed to notify the authorizer of their intent to apply for a CSP grant, the applicant is deemed to be ineligible.
Planning subgrantees are refining their systems and programs during the planning subgrant period which is normally simultaneous with the development of Phase II applications with authorizers. In most cases, the planning subgrantees refine their initial proposals by identifying potential products and vendors they will use, along with more sophisticated systems and process with which to manage the implementation of those products and services once the school is actually open.

**Phase II Charter Applications & Charter Contracts**

Once the Phase II application is substantially complete, it is then submitted to the university’s board of trustees for approval. Once the university’s board of trustees provides its tentative approval, the charter school office finalizes the paperwork, and the charter contract is presented to the Public School Academy’s board of directors for approval. Once they approve the contract it is transmitted to MDE within 10 days. MDE then reviews the contract for completeness and compliance. The State Superintendent issues a District Code to the academy within 30 days of receipt of a substantially complete and compliant charter contract. This district code permits the academy to receive state aid. It also permits the academy to apply for CSP implementation funds. The CSP implementation application in MEGS+ cannot be accessed by the academy until the academy has a district code. CSP implementation grant funds cannot be accessed until the planning subgrant is closed out.

**MDE’s Implementation Grant Application**

Successful planning subgrantees do not compete for implementation subgrants but they do have to submit an abbreviated application including a narrative, management plan and budget. These implementation grant applications include a requirement that applicants describe their plans to use the implementation grant funds in a narrative format. A month by month management plan is required to accompany the narrative so as to clearly define the execution of the narrative. A budget plan is also required. The budget and the management plan are synchronized to ensure that the flow of funds follows the over plan as it has been described within the narrative. Each element of the implementation grant application (narrative, management plan, and budget) are closely scrutinized for compliance with allowable expenditures, EDGAR, and the initial project as it was defined in the original planning grant application.

**Summary**

Recognizing that some eligible applicants are academies already in operation, some are new schools just waiting to open, and some are charter development teams in some form or at some level of discussions with an authorizer, provides the any outside monitor with at least three different lenses with which to view Michigan’s charter school grant processes. Unlike some states, MDE issues CSP planning grant funds to groups that are still in the initial planning process which means that some subgrantees may be 18 months from receiving a charter and some may never receive a charter. Obviously, the planning timelines and requirements for these two previous examples are significantly different. The group with an 18-month timeline may find it necessary to find and build capacity in multiple areas, including
school finance and accounting, student information systems, education programs and evaluations, facilities, and board competencies (including policies & procedures) before an authorizer will consider issuing a charter. It is MDE’s contention that most of these development teams would never receive a charter contract if they didn’t have access to the resources from the planning grant. Arguably, all of these new capacities will be reflected in the development and content of a charter contract, and ultimately, in the performance of the school. With a currently operating academy, planning may look a little different and more advanced. It may include a greater emphasis on board training, staff development, new software or equipment training, staff and student handbooks, initial school improvement plans, technology plans, and board-level strategic planning.

MDE has the ability through its electronic grants management system (MEGS+) and through its cash management system (CMS) to strictly control the flow of funds to these subgrantees. The release of funds in stages permits MDE to ensure that the subgrantee can actually demonstrate some level of capacity in administering a smaller amount of these funds before they receive the remaining, much larger amount. MDE views this process as a form of technical assistance, recognizing that in most cases, this subgrant is the very first federal subgrant these charter school development teams have encountered and will be called upon to administer. Through the creation of this subgrant’s rigid, structured, and comprehensive step-by-step reporting process, MDE can train groups that will become new schools to successfully administer any state or federal grant they are likely to encounter. And finally, since planning is a continuous process, it would be extremely hard to argue that MDE’s rigorous CSP planning grant application process is anything but a planning subgrant.