

October 2006



MAINTENANCE REQUIRED:

Charter Schooling in Michigan

by Sara Mead

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FOREWORD

In the 1980s, Michigan's automakers faced a challenge from foreign competitors who won customers with cheaper, more reliable vehicles. A decade later, the state's public schools faced their own competition when, in 1993, then-Governor John Engler signed a law creating public charter schools. Just as foreign competition lured customers away from Detroit's products, Michigan's charter schools have lured students away from the state's traditional district schools, especially in Detroit and other urban areas. Today, only California and Florida have more students in public charter schools than Michigan.

Yet as *Maintenance Required: Charter Schooling in Michigan* by Education Sector Senior Policy Analyst Sara Mead shows, it's not clear that these students and their families are always getting a better deal. Michigan has some outstanding charter schools, but student performance in charter schools, on average, is little better than in the state's troubled urban districts. And high profile allegations of shady dealings by some charter school operators have tainted the brand of charter schools. As a result, Michigan's charter schools are highly controversial and needlessly polarizing. To their credit, charter leaders in Michigan and the universities that oversee most of the state's charter schools have worked to improve school quality but, as this analysis shows, further maintenance is required.

Maintenance Required is an important resource for educators, policymakers, journalists, and others interested in charter schooling in Michigan and throughout the nation. This report is part of an ongoing series of case studies analyzing state and urban experiences with charter schooling. Previous reports, published by the Progressive Policy Institute, looked at California, Minnesota, Arizona, Ohio, Texas, Colorado, Indianapolis, New York City, Chicago, and Washington, D.C. Education Sector Co-Director Thomas Toch and I have continued the series at Education Sector, starting with a report that looks at Florida's charter schools published earlier this year.

A generous grant from the Annie E. Casey Foundation made it possible for Education Sector to produce this report. We are grateful to the Foundation for its support of this research project and other Education Sector work, as well as their overall commitment to educational improvement for low-income youngsters.

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Andrew J. Rotherham
Co-Director
October 2006

ACKNOWLEDGEMENTS

I would like to thank the following people who shared generously of their time, knowledge and opinions about Michigan's charter school sector to help me produce this report: Theresa Ellis, Jim Goenner, Tim Odykirk, Jason Sarsfield, Marc Weinberg and the staff at the Central Michigan University Charter Schools office; Stephanie Van Kouvering with the Michigan Council of Charter School Authorizers, Gary Miron at the Evaluation Center, Joann Neuroth and Greg Olszta with the Michigan Department of Education, Lawrence Patrick III with BAEO, Lawrence Patrick, Jr., Dan Quisenberry and Kelly Eison with MAPSA, Doug Ross at University Prep, Ed Richardson at Grand Valley State University, Pat Shannon at Bay Mills, and Len Wolfe with Dykema. Special thanks to Jesse Kilgore at Plymouth Academy, Danielle Jackson at Old Redford Academy, Carmen N'Namdi at Nataki Talibah Schoolhouse of Detroit, Thomas Hicks at Walden Green, Daniel Harris at Eagle Academy, and Paul Marazita and Countryside Academy, for the opportunity to visit their amazing schools. Thanks to Education Sector team members Carol Johnson, Abdul Kargbo, Molly Norton, Andrew Rotherham, Renée Rybak, Alex Redfield and Thomas Toch. And a special thanks to Ron and Marilyn Mead.

This research was funded by the Annie E. Casey Foundation. We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of the author alone, and do not necessarily represent the opinions of the Foundation.

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ABOUT EDUCATION SECTOR

Education Sector is an independent education policy think tank devoted to developing innovative solutions to the nation's most pressing educational problems. We are nonprofit and nonpartisan, both a dependable source of sound thinking on policy and an honest broker of evidence in key education debates throughout the United States.

Michigan is no stranger to the effects of competition. The auto industry was forced to adjust to an onslaught of foreign competition in the 70s and 80s. Now, Michigan's public schools face their own competition in the form of public charter schools. Since 1993, when Michigan became one of the first states in the nation to enact charter legislation, the number of charter schools has grown exponentially in the state. Today Michigan has 230 charter schools that serve nearly 100,000 students, or more than 5 percent of the student population.

Some of the state's charter schools are excellent and have provided more educational choices for Michigan families. But charter schooling is controversial in Michigan. Opponents are critical of the dominant role that for-profit educational management organizations (EMOs) play in Michigan's charter schools. EMOs, some of which have been plagued by allegations of corruption and profiteering, run nearly 75 percent of charter schools in Michigan. Nationally, only one in four charter schools is run by an EMO.

Established education interests have decried the fact that the majority of the state's charter schools have been authorized by the state's public universities because the universities have been willing to authorize large numbers of charter schools that compete directly with traditional public schools. Local and regional school boards, in contrast, have been hesitant to authorize charter schools that would compete with the boards' own schools. A proposal to create 15 new charter schools in Detroit in 2003 drew protests from more than 3,000 public school teachers who skipped work to march on the state capital.

Some charter schools have been hit with charges of teaching religion at taxpayer expense, and many charter schools suffer from poor student performance. Michigan's charter schools perform only marginally better than the state's urban school districts—and well below statewide averages.

Despite that, demand for charter schools from parents seeking educational alternatives for their children remains high and proponents would like to increase the number of charter schools available. But in 1999, university-

authorized charter schools reached their statutory cap of 150. Since then, proponents have lobbied the legislature to allow more university-authorized charter schools, but have been unsuccessful in their efforts. This has constrained the overall growth of charter schools in Michigan.

It is unlikely that there will be any successful move to increase the number of charter schools that universities can authorize until Michigan's existing charter schools deliver better student performance, authorizers can ensure adequate oversight, and EMOs are held publicly accountable.

Michigan's charter school sector has tremendous potential, but achieving that potential will require significant maintenance.

This report examines both the achievements and shortfalls of Michigan's experiment in charter schooling. It reviews Michigan's charter school legislation and the evolution of charter schools in the state. It describes the state's charter school sector today and evaluates the performance of the state's 230 schools. It explores the problems of quality and other challenges facing Michigan's charter schools, and it offers recommendations for improvement.

The Law

Origins and History

The state's first charter school law was enacted in 1993 as a result of a crisis in the state's education finance system. The public had grown increasingly angry at high property

tax rates, and because much of school funding came from local property taxes, there were dramatic inequities between rich and poor school districts and funding shortages. One school district in northern Michigan faced with inadequate funding had to close more than two months early in 1993.¹

Responding to public discontent, in June of 1993 the Michigan Legislature took the drastic step—proposed by then-Democratic state senator (and current U.S. Senator) Debbie Stabenow—of eliminating local property taxes to fund elementary and secondary schools. This in turn precipitated another crisis—finding alternative funding for schools. Because such a significant share of Michigan’s public education funding came from local property taxes, legislators had to act quickly to provide an alternative funding source for the schools in time for the 1994–95 school year.

Republican Governor John Engler quickly seized the opportunity to make the case for broader school reform and insisted, as a condition of any new finance plan, on policy changes to raise standards and increase school choice. Engler was encouraged to consider charter schools as an alternative to vouchers by advocates who earlier had experimented with the charter concept in Detroit, including Detroit School Board member Lawrence Patrick, Jr. and his former board colleague David Olmstead. A pro-voucher group known as TEACH Michigan, realizing that the financial crisis presented the opportunity to expand school choice, threw its weight behind charter proposals. TEACH Michigan hired Richard McLellan, a school choice supporter and Lansing lawyer, who drafted the language that would eventually become the state’s charter school law.²

In a speech to the state legislature in October 1993, Engler called for a wide array of education reforms, including:

- An overhaul of state school finance, centered around a state-funded “foundation grant” to ensure each district an adequate minimum per pupil funding amount;
- Gubernatorial appointment of the state school superintendent;
- A study of school district consolidation;
- Abolition of teacher tenure and labor law changes that would give teachers the right not to join a union;

- A state-mandated core curriculum;
- State-generated school report cards;
- An inter-district choice program, and
- An ambitious charter school initiative that would allow virtually any public entity in the state to approve an unlimited number of independent public schools that would receive full state per-pupil funding (through the newly established foundation grant program), on par with that of other public schools.³

Engler also proposed an increase in the state sales tax and other revenue enhancements to fill the gap in school funding left by the elimination of the local property tax revenue source.

Michigan’s established educational interests—teachers unions, school boards, administrators associations—opposed charter schools, but they opposed some of Engler’s other reform proposals even more. They were most concerned about passing some type of finance reform package that would provide schools with funding to operate in the coming school year.⁴

So, in December of 1993, the Michigan Legislature was able to pass a charter school law that, although less extensive than Engler’s initial proposal, was still one of the nation’s most ambitious charter laws. The following spring, Michigan voters passed “Proposal A,” a statewide referendum needed to raise the sales tax from 4 to 6 percent and put a new school finance system into effect.

Michigan’s new charter school law allowed a wide range of entities—including local school boards, intermediate school boards, and the boards of trustees of community colleges and public universities in the state—to authorize charter schools; it placed no cap on the number of charter schools that could open statewide; and it allowed charter schools to receive per-pupil state foundation funding on the same basis as traditional public school districts. It mandated that charter schools comply with all requirements of the school code, including hiring state-certified teachers, but allowed charter schools to apply for waivers on a case-by-case basis.

The crisis in the state’s school finance system, and the political crisis it provoked, provided important political leverage for Engler and other charter school supporters to get charter school legislation enacted. But the finance

reforms themselves also aided charters, as well as inter-district choice, because school funds were no longer tied to schools and communities, but to individual students.

Legal Challenges

Legal challenges soon placed Michigan’s nascent charter school movement in jeopardy. In the fall of 1994, a group that included the Michigan Education Association and two Democratic state school board members filed suit to block state funding to charter schools, arguing that they violated a provision of the state constitution prohibiting state funding for nonpublic schools. And in November 1994, Ingham County Circuit Judge William Collette ruled the state’s charter school law unconstitutional. Although charter school supporters and the state’s legal team argued that charter schools were public schools, Collette ruled that they were not, saying that a public school “must be under the immediate, exclusive control of the state to pass constitutional muster as well as being open to all students that care to attend.”⁵

The state immediately appealed the ruling. Republican state legislators who recently had taken control of both legislative houses also moved to pass another charter school law that addressed Collette’s objections and gave the state board of education some oversight for charter schools. The 1994 legislation was written so that it would be revoked if the 1993 law prevailed in court.

Rapid Growth—and a Cap

Because of the legal cloud hanging over charter schools, and the short timeline between the charter law’s passage and the start of the 1994–95 school year, only eight charter schools—mostly conversions from existing private schools—opened that school year.

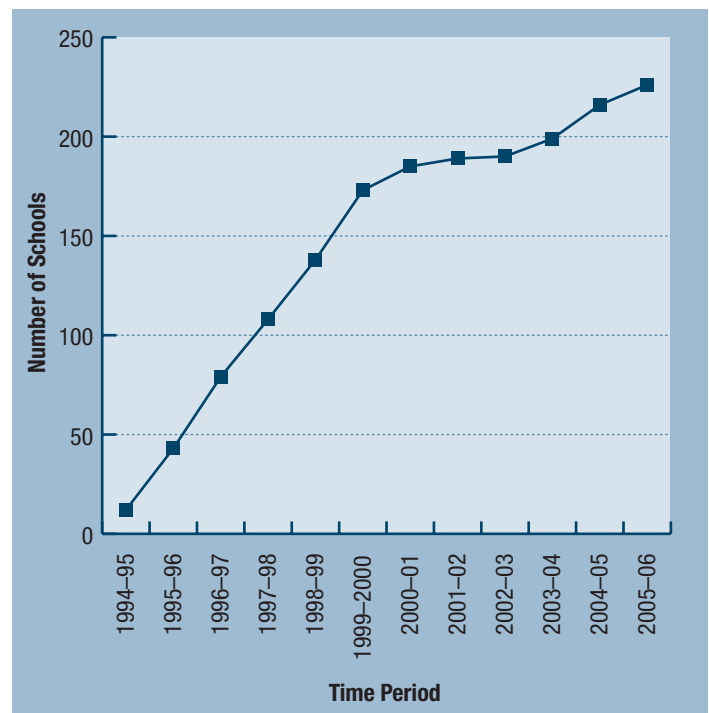
The first school chartered in Michigan, Noah Webster Academy, could hardly have been a worse start for the state’s charter school movement. Webster, a cyber school, was created by conservative home-school activists for the express purpose of teaching home-schooled students “traditional values,” which many viewed as code for religion. Berlin Township School District 3, a small, rural district that operated a one-room school house with just 21 students, granted the charter principally for 3 percent of per-pupil funding that the law allowed charter

authorizers to hold back for operating expenses. Noah Webster clearly did not meet the requirements of the state’s charter school law, and State Superintendent of Public Instruction Robert Schiller refused to approve it for state funding. Charter school opponents pointed to Webster as proof that charters were a dangerous backdoor route to public funding for religious schools. The allegation that charter schools allow public funding for religious instruction continues to dog the state’s charter school movement.⁶

The number of charter schools exploded in the 1995–96 school year, when Central Michigan University authorized some 30 schools and other authorizers entered the field as well, bringing the total number of Michigan’s charter schools to 43. That number nearly doubled to 79 the next year, and grew more than 25 percent for each of the next three years (see Figure 1).⁷

As the charter movement grew under the 1994 law, the court case involving the original 1993 law continued making its way through Michigan’s court system. A state appeals court upheld the circuit court ruling in 1996, but in

Figure 1. Number of Michigan Charter Schools: Growth Over Time



Source: Michigan Association of Public School Academies Fact Sheet; National Alliance for Public Charter Schools.

1997, the state's Supreme Court overturned the ruling and reinstated Michigan's original charter school law.

The original charter school law placed no caps on the number of schools that could be authorized, but late in the 1995 legislative session lawmakers revised the state school code and placed a cap on university authorizers, who had authorized the vast majority of the state's charter schools. The revision allowed universities to authorize up to 75 charter schools through the 1995–96 school year and an additional 25 each year after that through 2000, the last year mentioned in the law.⁸

In 1999, when Michigan had a total of 173 charter schools, university authorizers hit their statutory cap of 150. Charter-friendly legislators sought to raise the cap on the number of university-authorized schools that fall, but established education interest groups opposed raising the cap and moderate and even charter-friendly legislators were wary of raising the cap because of serious questions about quality and university oversight. Despite Engler's strong support and Republican control of both legislative houses, proponents were unable to pass a bill.

Quality Concerns Stymie Expansion

Michigan has not experienced the high-profile scandals or spectacular charter school failures that have occurred in other states, but there were numerous incidents in the mid- and late 1990s that raised significant concerns about school quality, compliance with state and federal laws, and other improprieties. A former special education teacher sued the state's largest EMO, National Heritage Academies, alleging that the company did not provide adequate services for students with special needs and deliberately avoided meeting its obligations under special education law.⁹ Several Michigan charter schools, including those operated by National Heritage, were accused of illegally teaching religion.¹⁰ A state investigation found several charter schools employed uncertified teachers in violation of the state's charter school law.¹¹ Other improprieties were also widespread. For example, the owners of Warwick Pointe Academy, a private school that converted to a charter, rented its facilities to the charter at more than three times the per-foot rate paid by other charters and public schools in the area.¹² And an October 1997 report by the state's Auditor General identified serious problems with how the state's

largest authorizer, Central Michigan University (CMU), was overseeing charter schools.

The state commissioned two research teams, one from the Evaluation Center at Western Michigan University, which has never authorized charter schools, and another from Public Sector Consultants, Inc., a private policy consulting firm, to study Michigan's charter schools. The teams investigated a wide variety of issues, including the impact of charter schools on school districts, the role of for-profit management companies, how well charters served children with special needs, charter school academic performance, authorizing and oversight. They also collected descriptive information about charter schools in different areas of the state.

Both research teams identified serious concerns about the quality of authorizer oversight, a lack of clarity about the statutory role of authorizers, and the growing dominance of for-profit educational management organizations in the state's charter sector. Both also found charter schools were not performing as well as their school district peers, although they placed significant caveats on this finding. The Evaluation Center study also suggested that some charter schools were not fulfilling their responsibility to educate children with special needs.¹³

Bay Mills Emerges as an Authorizer

Michigan's charter movement appeared to stall after the legislature failed to raise the cap on university-authorized charter schools. But in December 2000, a new opportunity for the charter school movement emerged when Bay Mills Community College, a tribally-controlled institution in the state's Upper Peninsula, approved charter contracts with two schools.

Community colleges were among the organizations allowed to grant charters under Michigan's charter school law, but only one, Washtenaw Community College, had done so as of 2000, and it had authorized only a single school that allowed high school students to take community college courses. In 1996, Engler's staff and the Michigan Attorney General had advised Bay Mills that it was not eligible to authorize charter schools because as a federally-chartered school, it was not officially a state educational institution and its board members were not state officials, both of which were required of authorizers under Michigan's charter school law.

But in the summer of 2000, pro-charter school legislators, who had been frustrated by their failure to raise the cap on the number of university-authorized schools, inserted a provision in the state school code that allowed Bay Mills to grant charters. Bay Mills in December authorized two charter schools, in Pontiac and Bay City, immediately sparking controversy because the schools were in the state's Lower Peninsula far away from Bay Mills' campus.¹⁴

Michigan's charter school law allowed community colleges to authorize charter schools only in the districts they served, but Bay Mills claimed that it did not have a district like other community colleges because its mission was to serve Native American students throughout the state, and therefore it could charter schools anywhere in the state. Thus, Bay Mills had the potential to circumvent the cap on university-authorized charter schools.

Representative Ron Jelinek opposed Bay Mills' entry into charter schooling and requested a ruling from then-Attorney General Jennifer Granholm on the legality of Bay Mills' statewide charter authority. Granholm ruled in September 2001, that Bay Mills had the authority to charter schools anywhere in the state because the college's compact with the Bay Mills Indian Community said its district was the state. The ruling allowed the two Bay Mills-chartered schools to open in the 2001–02 school year.¹⁵

The Michigan Education Association almost immediately filed suit against Bay Mills' entry into chartering, arguing that because the Bay Mills Indian Community was a sovereign nation, its board members could not be considered Michigan public officials as required of charter authorizers. The Michigan Court of Appeals dismissed the suit in August 2006, saying the MEA lacked legal standing to bring suit. Bay Mills currently authorizes 33 charter schools in Michigan, making it the state's second largest authorizer, after only Central Michigan University.¹⁶

Commissioning a Cap Expansion

At the same time that Michigan grappled with Bay Mills' chartering authority, legislators once again took up the issue of raising the cap on university-authorized charter schools. Political opposition and concerns about quality stymied the effort, but lawmakers established

a commission to study Michigan's charter schools and offer recommendations about the cap and other issues. The commission was chaired by Peter McPherson, the well-respected President of Michigan State University (Michigan State did not authorize any charter schools).¹⁷

The McPherson commission held two hearings in December 2001 and released its report the following April. It called for incrementally raising the cap on university-authorized charter schools, allowing five new schools in 2002 and 10 in each of the following years through 2007, as well as up to 15 "special purpose" charter schools serving at-risk students. It also recommended that there be no more than two new charters annually in a single school district.

The commission argued that charter schools needed stronger accountability and oversight in return for the cap increases. Specifically, it recommended that charter schools be required to test students annually in grades three through eight,¹⁸ that private management companies disclose more information about their operations and finances, that the state superintendent be given more authority to hold charter authorizers accountable, and that new restrictions be implemented to prevent nepotism, conflicts of interest and excessive EMO interference in charter school boards.¹⁹

The commission's 2002 report drew fire from all sides despite this relatively measured and balanced slate of recommendations. Charter advocates took issue with the characterization of lax oversight and argued that new accountability and oversight measures would subject charter schools to more scrutiny and regulation than traditional public schools. They opposed the "special purpose" charter school recommendations, and they argued that preventing more than two new charters per district per year would limit parent choice. Critics of charter schools embraced the recommendations for additional accountability and regulation, but remained adamantly opposed to raising the cap on the number of charters.²⁰

In November 2002, Michigan voters elected Granholm governor, but Republicans maintained control of both houses of the state legislature. Granholm, a "New Democrat," was more favorable towards charter schools than many Michigan Democrats, but she was clearly more skeptical about charter schools than her predecessor.

Urban High School Academies

As a lame-duck legislature scrambled to complete several pieces of legislation in December of 2002, outgoing governor Engler and Detroit Mayor Kwame Kilpatrick introduced a plan to create 15 new charter schools in Detroit over the next five years. The plan's appeal was dramatically enhanced by a pledge of \$200 million to build facilities for the 15 new schools by Detroit-area philanthropist and asphalt magnate Bob Thompson.²¹ House lawmakers passed legislation based on the plan, but the Senate had already adjourned for the year. Engler managed to convince the Senate to reconvene in special session on Dec. 30, 2002, just five days before he was scheduled to leave office, but pro-charter Republican leaders were unable to pull together the 20 votes needed to pass the legislation. But the issue was not dead; the incoming majority leader vowed to reintroduce the bill in the next session and Thompson's \$200-million offer remained on the table.

Raising the cap on university-authorized charters came up again in the summer of 2003 when the House and Senate passed two separate bills on the issue, which were then sent to conference committee to work out the differences. The Senate's version, which Granholm opposed, would have allowed universities to charter 200 additional schools over the next 10 years.

Conferees were unable to reach agreement on the charter cap, but legislators in August passed a bill to allow 15 university-authorized charter high schools in Detroit. Granholm threatened to veto the bill because she wanted a comprehensive charter bill, but the Republican legislature sent the bill to Granholm anyway, forcing her to work with them to work out a compromise. Thompson threatened to withdraw his offer of \$200 million if the legislature did not pass legislation by the end of 2003, which increased the pressure on both Granholm and the legislature to find a compromise.

On Sept. 16, Granholm and the leaders of the House and Senate announced that they had reached agreement on a comprehensive charter school law. The compromise would:

- Allow state universities to authorize an additional 150 charter schools statewide over the next 10 years, including 15 high schools in Detroit and at least 10 other high schools statewide;

- Prevent more than two new charter schools per district per year and provide \$15 million for one-time reimbursements to school districts that lost students to charter schools;
- Bring Bay Mills Community College under the cap for university-authorized charter schools;
- Require all new charter schools to have at least one local community representative on their governing boards;
- Subject all charter school information to the state Freedom of Information Act, and
- Reinstate Detroit's elected school board, but retain a strong CEO. The CEO would be appointed by the elected school board, but Mayor Kwame Kilpatrick could veto the appointment.

The last provision was intended to make the package more appealing to Detroit residents and Mayor Kilpatrick and counter criticisms that white suburban legislators were using charter school laws to impose their agendas on Detroit and disenfranchise the city's predominately African-American population.

But the bill proved to be a tough sell for Granholm within her own party, even though it included many provisions the Democrats wanted: a cap on Bay Mills, limits on the impact of charters on existing districts, requirements for greater EMO transparency and community representation on charter school boards, and restoration of Detroit's elected school board. It was also opposed by organized labor, including both the MEA and the state AFL-CIO, whose member unions include the AFT-affiliated Detroit Federation of Teachers. And Detroit Mayor Kwame Kilpatrick, who Granholm believed supported the compromise, complicated things further by changing his mind.

On Sept. 24, Granholm backed out of her agreement with the Republican leadership, claiming they had betrayed her trust by including provisions in the bill to which she had not agreed, although Republicans said Granholm was just looking for an excuse to back out because of opposition from Kilpatrick, her Democratic colleagues, and organized labor.

Even so, the next day more than 3,000 people, including large numbers of Detroit teachers and other AFL-CIO members, descended on the state capital to protest raising the cap. Detroit Public Schools had to close for the

day because so many Detroit teachers did not show up for work. It looked like the legislation to raise the cap on university-authorized charter schools was dead.

But it wasn't. While Granholm and the legislature were caught up in political wrangling, the bill to allow 15

additional charter schools in Detroit became law. The Senate had recalled the bill when Granholm and House and Senate leaders thought they had reached agreement on the comprehensive charter school package, but the House didn't recall the bill until 15 days after it had been sent to the governor. Under Michigan law, if a governor fails to sign or veto legislation within 14 days, it becomes law. So the bill allowing the 15 Detroit schools sneaked through the back door.

Bob Thompson had become so frustrated by the political obstacles and hostility his plan had encountered that he announced he was taking his \$200 million off the table.²² However, Thompson announced at a February 2004 event that he had reconsidered. Former Detroit Piston and businessman Dave Bing joined his effort. They postponed any further efforts, however, until after the November 2004 election when Detroiters would vote to reinstate the city's elected school board.²³

In 2006, Grand Valley State University opened the application process for charter contracts under the new law, commonly known as the Urban High School Academies legislation. Grand Valley in April approved an application from a nonprofit group called Public School Academies of Detroit. The contract allows Public School Academies of Detroit to open one school—University Prep—Math and Science—in downtown Detroit. The board of Public School Academies of Detroit will serve as the governing board for the school and any other charter schools opened under the contract. The Thompson Foundation and other entities will be involved through subcontracts with Public School Academies of Detroit.

Legal threats continue to dog the initiative. The Detroit Federation of Teachers has indicated that it may sue to block it, arguing that the law's exclusive focus on Detroit results in injury to the Detroit Public Schools.²⁴

Characteristics

In the 2006–07 school year, Michigan has 230 charter schools serving nearly 100,000 students—more than 5 percent of the state's elementary and secondary enrollment. Charter schools in Michigan range from small rural schools that offer individualized learning plans to large urban academies.²⁵

Urban High School Academies

The Urban High School Academies legislation passed in 2003 allows the creation of 15 additional university-authorized charter schools in Detroit. The law has a number of elements that make urban high school academies different from other charter schools in the state, including:

- Urban High Schools must be authorized by universities.
- Urban High School Academies must be located within the boundaries of the Detroit school district.
- An authorizer may issue a single contract to a single governing board for multiple schools. The contract can also be amended to add additional schools. This allows the creation of networks of schools. Regular charter schools in Michigan must each have their own board and contract.
- Unlike regular charter schools in Michigan, which cannot serve students in the same grade in more than one site, an urban high school may have unlimited campuses within a one-mile radius.
- Urban high schools may not serve more than 125 students in the same grade.
- Urban high schools must serve students in grades 9–12 within five years of opening, but may serve younger students as well.
- Authorizers must give priority to applicants who:
 - Will serve all of grades 9–12 within three years of opening;
 - Occupy new buildings constructed or renovated after 2003;
 - Have a stated goal of increasing graduation rates;
 - Make commitments of financial or educational support to the school, and
 - Have net assets of at least \$50 million.
- Urban High Schools may give enrollment priority to siblings of current students and to children of employees or members of the school's board. Otherwise, applicants must be selected through a random process as in other charter schools.
- The contract may give the entity that applies for a charter an ongoing role in the governance, operations, and evaluation of the school.
- The law also specifies the role of authorizers and processes for the dissolution of an urban high school academy in greater detail than the state's regular charter school law.

Source: Michigan Compiled Laws Complete Through PA 324 of 2006. Part 6C Urban High School Academies, Sections 380.521–380.529. Common Name Act 451. Effective Oct. 3, 2003.

Student Demographics

Michigan's charter schools enroll a student population that is more than half African-American, one-third white, and the remainder Hispanic, Asian, Native American and multi-racial. About 56 percent of Michigan's charter school students qualify for free or reduced-price lunch. The state's overall elementary and secondary population is substantially different, with about 70 percent white, 20 percent African-American, and only 37 percent eligible for free or reduced-price lunch. Michigan's charter school population is quite similar, however, to the student body composition of the 18 "host" school districts where the majority of charter schools are located, mostly in cities or the Detroit suburbs. About two-thirds of students in host districts are African-American, one-quarter are white, and the remainder are drawn from other ethnic groups. Sixty-three percent of host district students are eligible for free and reduced price lunch (see Figures 2 and 3).

Locations

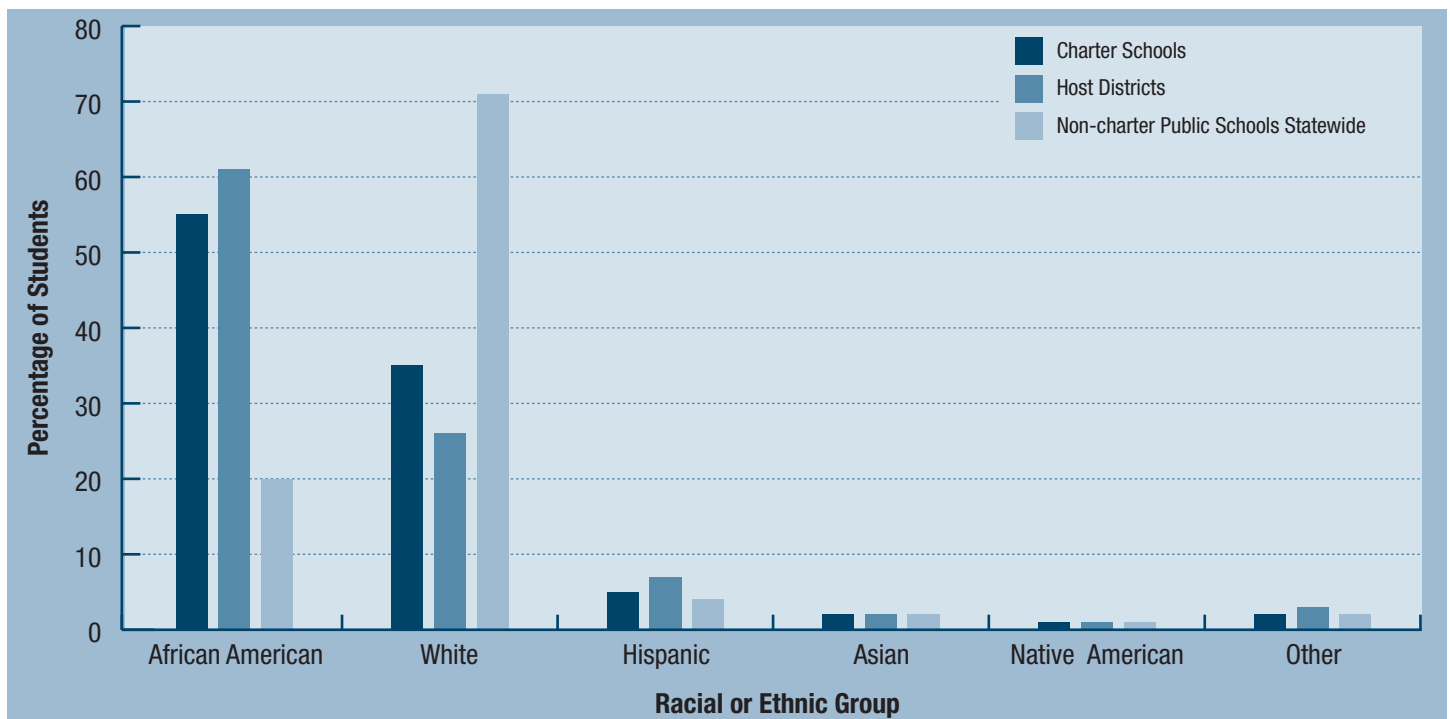
The majority of charter schools and their students are concentrated in 18 host districts, but charter schools are

located throughout the state, although most Michigan school districts have no charter schools (see Appendix 2). The largest concentration of charter schools by far is in Detroit and the Detroit suburbs, which together account for nearly half of the state total. Another 25 percent are located in other cities, such as Grand Rapids, Flint, and Lansing, with a significant number of schools in the suburbs surrounding these cities. But nearly one out of five Michigan charter schools is located in a rural community or small town.²⁶

Grade Configurations

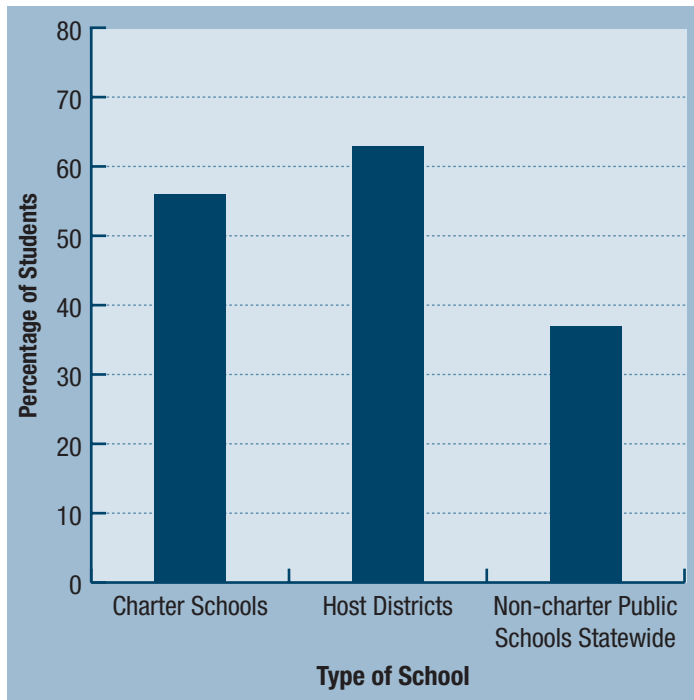
Many of Michigan's charter schools serve unique grade configurations and include K–8 schools, K–12 schools and schools serving grades 6–12, as well as vocational and alternative schools serving students in grades 11 and 12 only. The most popular grade configuration is K–8; the least popular is middle school only. About one-quarter of Michigan's charter schools serve only elementary school students, a little more than one-third serve students in grades K–8, about 10 percent serve grades K–12, and the remaining 30 percent serve students in middle and/or high school grades.²⁷

Figure 2. Race and Ethnicity of Michigan Students



Source: Michigan Department of Education.

Figure 3. Free or Reduced-Price Lunch Eligibility of Michigan Students



Source: Michigan Department of Education.

Some critics say that Michigan’s charter schools, particularly those run by EMOs, exploit the state’s school funding formula, which provides the same funding amount per student regardless of grade, by serving only elementary students who are less costly to educate.²⁸ Charter schools clearly do not serve elementary students exclusively, but they do disproportionately serve younger students. Nearly 60 percent of charter school students in Michigan are in grades K–5, compared to about 40 percent statewide. Just under a quarter of charter school students are in grades 6–8, similar to the statewide percentage. But only 17 percent of charter students are in high school, compared to about 30 percent statewide. More than half of charter high schools are vocational or alternative schools.²⁹

Teacher Characteristics

Michigan requires charter school teachers, with a few exceptions, to be certified, and most meet this requirement. But charter school teachers are paid substantially less on average than traditional public school teachers. This is in part because they have less experience and education than their public school

peers, but even experienced teachers are paid less in charter schools, in part because charter schools receive less money on average than traditional schools. Charter school teachers also get less generous benefits. Michigan public school teachers are enrolled in the Michigan Public Employees Retirement System, while the vast majority of charter school teachers are not eligible to participate in the state’s retirement system because they are employed by private educational management companies.

The lower salaries and benefits offered by charter schools make it difficult to attract experienced teachers and lead to higher turnover of teachers who after gaining experience in a charter school often seek better-paid jobs in local school districts.³⁰ Charter critics argue that for-profit EMOs hire teachers with little experience and education and keep salaries low to control costs and increase profits; charter school leaders say that, because they get on average about 13 percent less funding per pupil than school districts, they have no choice but to offer lower salaries.³¹

Advocacy and Support Organizations

Michigan charter schools have a robust network of advocacy and support organizations that represent their interests, advocate for them in the legislature and public outreach, and provide limited technical support. The Michigan Association of Public School Academies (MAPSA) provides policy and public relations support to the charter school movement and works to build a grassroots advocacy base. MAPSA includes 90 percent of the state’s charter schools, as well as authorizers, education management organizations, and others involved in the charter school community. Two other groups, the Michigan Association of Charter School Boards and the Michigan Council of Charter School Authorizers, represent and provide support to smaller segments of the charter sector. Michigan is the only state that has a state-level authorizer association. The Detroit chapter of Black Alliance for Educational Options (BAEO), a national grassroots advocacy group that works to expand school choices for African-American youngsters, supports efforts to expand charter schools and helps parents make educated choices about school options, including charters.

A Choice of Charter Schools Cater to Diverse Populations

Michigan's charter school sector supports an array of charter schools that cater to diverse student and family interests and offer innovative educational approaches. Some examples of Michigan's diverse charter schools include:

- **Nataki Talibah Schoolhouse of Detroit:** Nataki Talibah is a K–8 public school that uses a social studies immersion program to integrate civics, economics, geography, history, and world culture into the core curriculum. The school uses a “builders of society” micro-society educational model, in which students play different roles within the school’s “society” and economy. The student body is 100 percent African-American, and the school’s curriculum, organization and activities provide opportunities for students to learn about African-American history and cultural heritage.
- **Star International Academy:** Star International Academy is a K–12 school in Detroit that serves 1,200 students from diverse ethnic and cultural backgrounds, including recent immigrants. In addition to the Michigan curriculum frameworks, the school offers a multicultural curriculum that teaches children about international cultures, ethnic traditions and values. Students study Arabic in grades K–8 and high school students can choose between Arabic, French and Spanish. Founded as an alternative to Dearborn-area Islamic schools, Star International is one of three schools managed by Hamadeh Associates, one of 15 charter school networks nationally recognized for excellence by the Charter School Growth Fund in 2006.
- **AGBU Alex and Marie Manoogian:** Founded by the Armenian General Benevolent Union in 1969, and converted to a charter school in 1995, AGBU Alex and Marie Manoogian is a K–12 school in Detroit. In addition to core academic subjects, students receive instruction in Armenian language and culture. Despite the school’s Armenian focus, about 10 percent of the student body is African American, Hispanic, Asian or Native American.
- **Nah Tah Wahsh:** Located near Escanaba in Michigan’s Upper Peninsula, the Nah Tah Wahsh Public School Academy is a K–12 school affiliated with the Hannahville Potawatami Indian Community. Nah Tah Wahsh is both a Michigan public school academy and a Bureau of Indian Affairs (BIA) contract school. In addition to core subjects, Nah Tah Wahsh students learn about Potawatami language and culture.
- **Countryside Academy:** A K–12 school in Benton Harbor, Countryside Academy educates students using both core knowledge and thematic curricula and activities focused on FARE (food, agriculture, renewable resources and the environment). Although Benton Harbor is typically associated with urban blight and racial tension, Countryside Academy’s two campuses (one for early elementary and one for later elementary, middle and high school) are located in a rural, agricultural area on the edge of Benton Harbor and in neighboring Milburg. Half of the school’s students are white students from nearby farms and half are African-American youngsters from the central city of Benton Harbor.
- **Walden Green Montessori:** Walden Green is a Preschool–Grade 8 Montessori school located in Spring Lake, Michigan, a small resort community near the Lake Michigan shore just south of Muskegon in Western Michigan. Founded in 1983 as a private day school, Walden Green received a charter from Central Michigan University and converted to a public charter school in 1995. Walden Green implements a Montessori program based on the teachings of Dr. Maria Montessori that children learn best through engagement in developmentally appropriate activities. Music and Spanish language are also core elements of the curriculum for all age levels. Walden Green’s students scored higher on the 2005–06 MEAP tests than any other school in the state. In fall 2006, Walden Green moved to a brand new facility designed around its educational needs and financed with tax-free bonds issued through the Michigan Public Education Funds Association.

Source: Nataki Talibah Schoolhouse of Detroit: <http://www.ntsds.com/>; Star Academy: <http://www.starpsa.org/>; AGBU Alex Marie Manoogian: <http://www.manoogian.org/>; Nah Tah Wahsh: <http://www.hvl.bia.edu/>; Countryside Academy: <http://www.countrysidecharter.com/>; Karen Bouffard, “Charter School Operator Honored,” Detroit News, March 22, 2006; <http://www.detroitnews.com/apps/pbcs.dll/article?AID=/20060322/SCHOOLS/603220400/1026>, Brian Lotven and Jerry G; Horn, “A Case Study of Nah Tah Wahsh Public School Academy and its Role as a Partner in the NSF-Supported Michigan Rural Systemic Initiative.” (Western Michigan University: The Evaluation Center. January 2003); Interview with Doug Ross; University Prep Web site <http://www.uprep.com/>; Interview with Thomas Hicks, www.schoolmatters.com, Central Michigan University.

Outcomes

Michigan’s charter schools are clearly providing choices for some Michigan families. But are they delivering quality education? The evidence is mixed. Most analyses of Michigan’s charter school performance use test scores from the Michigan Educational Assessment Program (MEAP), the state’s standards assessment that both charter and traditional public school students must take. The MEAP is an imperfect tool because it shows only how a school’s students are doing at a particular moment

in time, and not how much they have learned during their time in a school. This is particularly problematic for efforts to evaluate charter school performance because Michigan’s charter schools serve a more economically-disadvantaged and racially diverse population than most of the state’s schools. Most researchers therefore choose to focus on comparing the performance of Michigan’s charter schools to the performance of “host” districts where the majority of charter schools are located. A few have tried to compare charter and traditional schools with changes in student performance over time.

Comparative Studies

In 2000, a state-funded study by the Evaluation Center at Western Michigan University compared MEAP proficiency rates of charter and traditional public school students for fourth, fifth, seventh and eighth grades. It found that host districts outperformed charter schools on all the tests in all grades. Researchers also tried to compare how individual charter schools were doing over time in improving student achievement and found evidence that a significant subset of individual charter schools was raising student performance faster than host districts.³² A separate state-funded study by Public Sector/MAXIMUS found that charter schools performed worse than neighborhood schools on the state's MEAP assessment, but were improving at a greater rate than comparable traditional public schools. The Public Sector/MAXIMUS study looked only at schools in southeast Michigan, however.³³

A 2004 study by Harvard economist Carolyn Hoxby measured the likelihood that students would be proficient on state assessments in individual charter schools and comparable public schools in 19 states and the District of Columbia. Hoxby found that charter school students in most states were more likely than their traditional school peers to be proficient. This was not the case in Michigan, however, where charter school students were less likely than their traditional school peers to be proficient in both math and reading, although the results were not statistically significant.³⁴

2005–06 MEAP Results

On the most recent MEAP assessment in the fall of 2005, a slightly higher percentage of charter school students than host district students were proficient on the English language arts and math assessments in grades three through eight. Charter schools had a higher percentage of student proficiency than host districts on 19 of the 27 individual tests (English and math in each of the six grades, and some combination of reading, writing, science and social studies). Charter schools also had higher percentages of African-American, Hispanic and economically-disadvantaged students in grades three through eight proficient in English language arts and math (see Figures 4, 5 and 6).³⁵

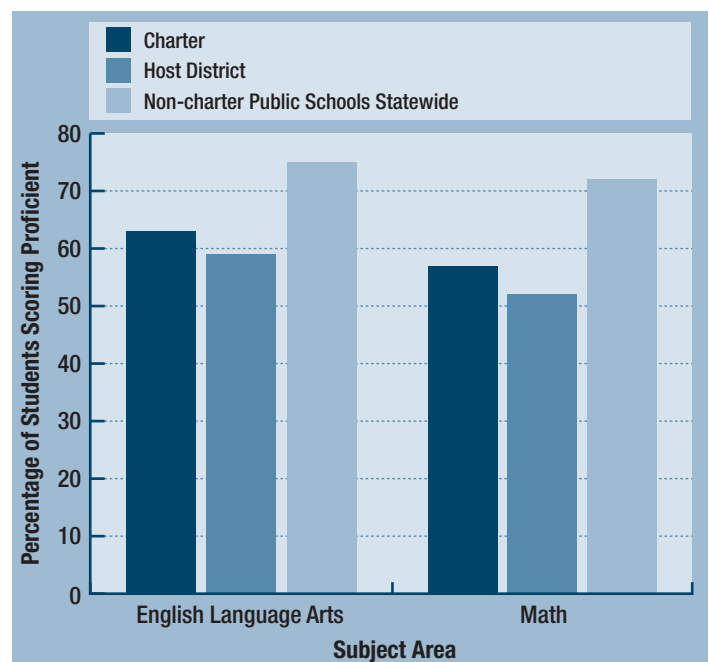
Comparing charter and school district performance for individual cities produces a mixed picture. In Detroit,

charter schools are performing better than the Detroit Public Schools at all grade levels in math. In English Language Arts, reading, and writing Detroit charters perform on par with or slightly below Detroit Public Schools in the early grades, but outperform Detroit Public Schools in grades four through six. A similar pattern appears in Lansing. In Grand Rapids, charter schools are outperforming the host district in all subjects at every grade level.³⁶

Results at the high school level are less encouraging. Comparisons of MEAP proficiency rates show that charter high schools have about the same percentage of students proficient on the English Language Arts MEAP as host districts, but a lower percentage of students proficient in math. This information should be interpreted cautiously, however, because many of Michigan's charter high schools are alternative schools serving students who have had problems in traditional public schools (see Figure 7).³⁷

Most of Michigan's public school academies (82 percent) in 2005–06 made Adequate Yearly Progress (AYP) under the federal No Child Left Behind Act. A slightly higher share of charter schools than host district schools made AYP. Both charter schools and their host districts made AYP at significantly lower rates than the state's public schools overall.³⁸

Figure 4. Grades 3–8 MEAP Proficiency Rates



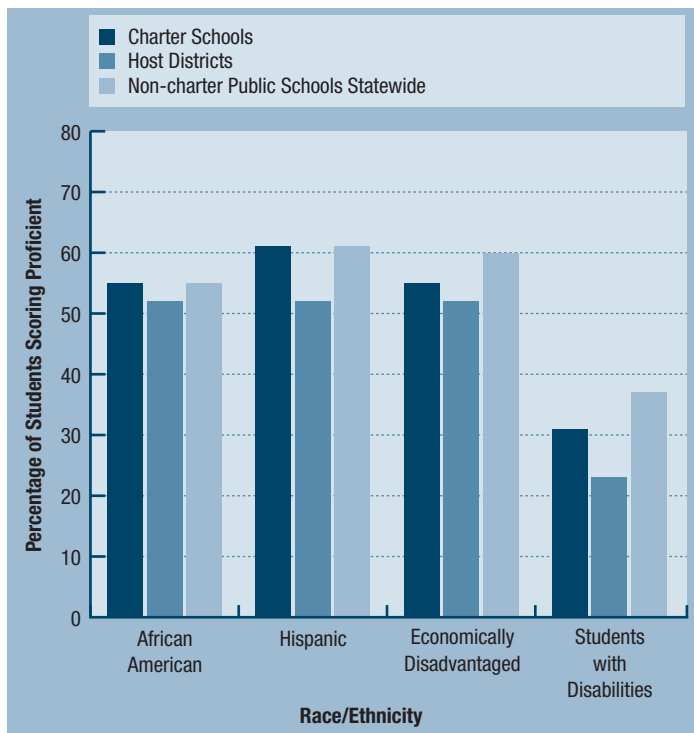
Source: Michigan Center for Education and Performance Information.

Beyond the Host Districts

While charter schools appear to be just barely outperforming the districts in which they are located, both charter schools and their host districts have student achievement far below that of Michigan’s public schools statewide. Even if Michigan’s charter schools are outperforming the districts in which they are located at the elementary and middle school levels, they are not closing gaps between the students they serve and students in more affluent districts elsewhere in the state. Simply being on par with or slightly better than their host districts is not enough. Michigan’s charter schools must do better.

Comparisons with host districts are a relatively crude way of trying to adjust for the fact that charter schools generally serve more disadvantaged populations than the state’s public schools as a whole. A better way to compare the performance of charters to other public schools in their host districts or the state as a whole would be to look at student growth over time. Many of the state’s authorizers, including Central Michigan University and Grand Valley State University, already use some type

Figure 5. Grades 3–8 MEAP English Language Arts Proficiency Rates by Subgroup



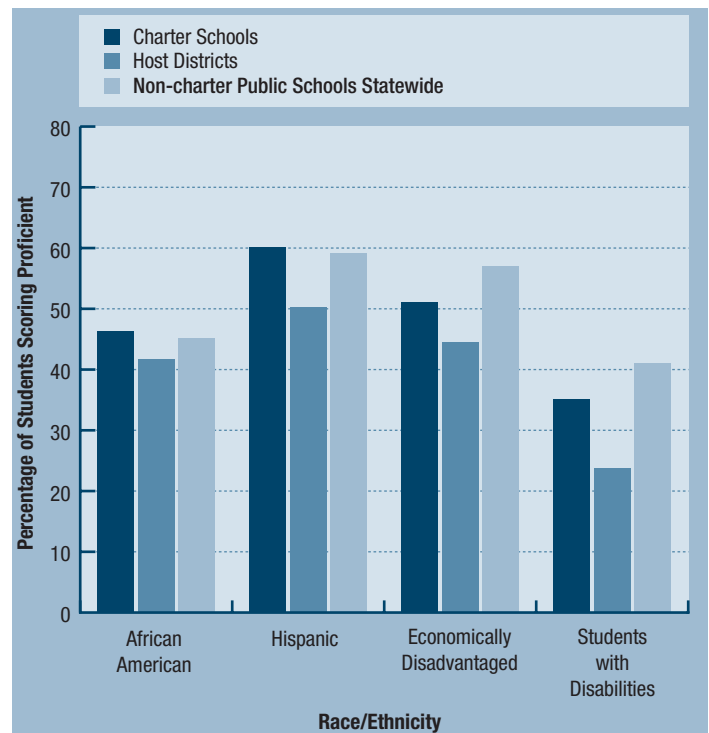
Source: Michigan Center for Education and Performance Information.

of value-added analysis to evaluate value-added by the schools they charter. But the authorizers themselves use different methods, and there is no comparable data or analysis for Michigan’s school districts.

High-Performing Charter Schools

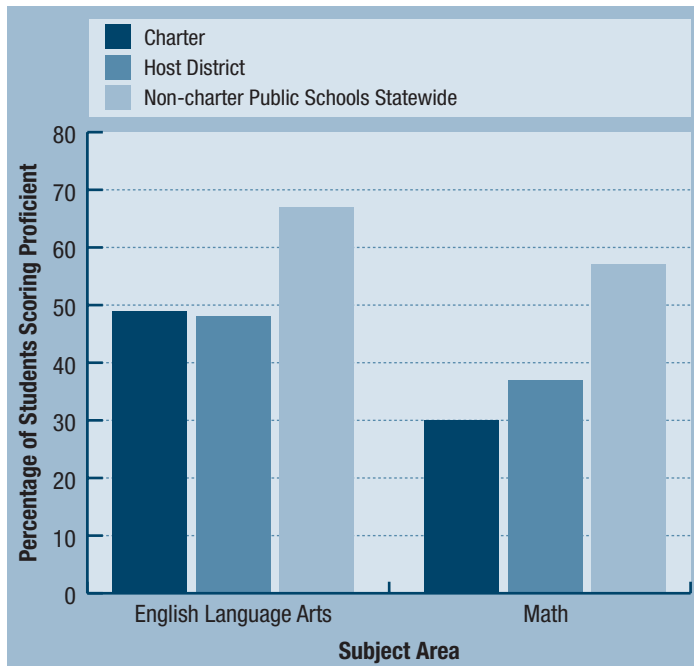
There is evidence that at least some of Michigan’s charter schools are performing very well. At the Saginaw Preparatory Academy, for example, 88 percent of students tested proficient on the MEAP English language arts assessment and 90 percent tested proficient on the MEAP math assessment, even though more than 90 percent of the school’s students are economically disadvantaged. Similarly, the Martin Luther King, Jr., Education Center in Detroit had 93 percent of its students proficient in both English language arts and math, even though more than two-thirds of its pupils are economically disadvantaged. Both of these schools are among a handful of Michigan charter schools that are outperforming state—not simply host district—averages despite high percentages of disadvantaged students. Other schools that do not serve high percentages of disadvantaged students also deserve

Figure 6. Grades 3–8 MEAP Math Proficiency Rates by Subgroup



Source: Michigan Center for Education and Performance Information.

Figure 7. High School MEAP Proficiency Rates



Source: Michigan Center for Education and Performance Information.

recognition. The highest performing school in the state, Walden Green Montessori, is a charter school.³⁹

Closures

To date, 29 Michigan charter schools—about 10 percent of all charter schools ever opened in the state—have closed. This includes schools that closed voluntarily as well as those whose charters were revoked or not renewed. Schools closed for a number of reasons, including lack of enrollment, facilities loss, financial problems and failure to meet academic and other expectations set in the charter.⁴⁰ Michigan’s charter school closure rate is slightly higher than the national average.⁴¹ Considering the rapid pace at which Michigan’s charter school sector grew in its earlier years, and the quality and improprieties concerns that have been raised about Michigan charter schools, it is not surprising that Michigan has a higher than average charter school rate. The closure rate suggests that authorizers in the state haven’t been hesitant to close schools.

District Effects

Charter school advocates sometimes argue that competitive pressures from charters will lead to better

performance in traditional district schools. Charter opponents, on the other hand, say they have a negative effect on existing schools because they take away students and funds. It is difficult to assess how charter schools affect Michigan’s school districts because charter schools are not evenly dispersed throughout the state and most school districts do not have any charter schools in or near them, although some school districts, particularly Detroit and its close-in suburbs, have faced intense charter competition. Also, many charter schools, particularly at the high school level, target niche populations, such as at-risk students.

Charter schools are not the only type of competition facing Michigan’s school districts. The charter-school legislation also created an inter-district choice program that allows public school students to transfer to schools in districts that border their home school district or are part of the same intermediate school district. School districts cannot prevent students from transferring to another district, although districts do not have to accept transfers. About half as many students participate in inter-district school choice programs as attend charter schools. But, like charter schools, inter-district choice is not evenly distributed throughout the state, and in some areas it is a more competitive threat than charter schools. There is significant overlap, however, between districts facing strong charter competition and inter-district choice.⁴²

Where there is competition, the potential consequences are significant. Michigan’s state funding formula makes school funding almost entirely dependent on enrollment. School districts can raise some funds in other ways, but nearly all operating funds for public schools come through state per pupil “foundation” funds. When a school district loses a child to a charter school or inter-district choice, it also loses the funds associated with that child. These losses are particularly damaging because Michigan has been cutting state funding for public education for several years. When state budget cuts combine with falling enrollment, school districts can experience severe losses, as Detroit has.

While most Michigan school districts have experienced little increased competition from charter schools, school districts that face significant competition have taken some steps to respond. For example, many Detroit area schools have added full-day kindergarten or after-school programs to better compete with charter schools that

offer such programs. Some schools have also tried to be more responsive to parents and engage them in their children’s education. Detroit Public Schools, by far the hardest hit by increased competition, has spent millions of dollars on advertising campaigns to try to persuade parents to keep their children in its schools.⁴³

The Lansing Public Schools (LPS), which lost some 4,000 students to charters in the late 1990s, have also responded competitively, adding full-day kindergarten and magnet schools, and test scores are up. Students have returned to LPS from charters that performed poorly, closed, or eliminated grades. But it is difficult to disentangle the impacts of charter competition from other factors, such as pressure from local businesses, like General Motors, to improve student achievement.⁴⁴ Overall there is little evidence of fundamental changes in teaching and learning, or of significant improvements in student achievement in the districts most affected by charter schools. This is consistent with research on the competitive impacts of school choice in other states and cities.⁴⁵

There is also little evidence that school districts are benefiting from innovations pioneered by charter schools. Although there are some pedagogically innovative charter schools, the most significant innovations implemented by charter schools are organizational and management innovations that school districts are less likely to adopt than pedagogical innovations. Further, the polarized political climate around charter schools in the state and the animosity many school district educators have towards charter schools make collaboration and sharing across sectors difficult.⁴⁶

Educational Management Organizations

Nearly three quarters of Michigan’s charter schools—a larger share than in any other state—are run by EMOs, for-profit corporations contracted to manage all or some of the school’s operations.⁴⁷ The reason is that starting and running a charter school requires both substantial resources and expertise in a wide range of areas, including education, business management, real estate, law and, often, political diplomacy. Therefore, it is very difficult for individuals or community groups to bring together all the resources and expertise needed

to successfully launch a charter school, particularly in disadvantaged communities. EMOs offer expertise necessary to run a school, as well as up-front capital to support the school’s operations during start up, and this can give them an advantage over stand-alone charter operations. This is particularly significant in Michigan, where the state does not provide start-up funds for charter schools, and new schools do not receive their first state school-aid payment until October, a month after most schools open.

Other policy choices unique to Michigan also account for the predominance of EMOs here. Teachers who are employed by an EMO are not eligible to participate in the state’s retirement system for public school employees, but non-EMO charters that employ their teachers directly must contribute to the pension fund, which is extremely costly. As a result, many charter schools, particularly those that used to be private schools, have created stand-alone EMOs that allow them to stay out of the state retirement system, saving millions of dollars.

Finally, at least some of Michigan’s authorizers have concluded that EMOs are more likely to have the skills, knowledge and funding to successfully open and run a school than stand-alone charter founders. Some university authorizers will only approve charter applications that include a management company. Most schools that have been authorized by universities in the past five years, including all the schools authorized by Bay Mills, are run by EMOs.⁴⁸

EMO Market Share

The share of Michigan charter schools run by EMOs has risen over time. In 1995, when many charter schools were conversions from previously-existing private schools, EMOs accounted for only 17 percent of Michigan charter schools. By 1997–98, they comprised up to 50 percent, and since 2000, 73 percent of the state’s charter schools have been EMO-run.

“EMO” conjures up an image of “cookie-cutter” schools using identical, centrally-dictated, “off-the-shelf” curricula and teaching methods. But many of Michigan’s EMO schools defy this stereotype. For example, Walden Green, a high-performing, innovative Montessori school, has an EMO that employs its teachers. University Prep also created its own EMO. Other schools purchase payroll,

facilities management and other services from their EMO on an *a la carte* basis but keep curricular and other decisions in house. This is becoming less common, however, as *a la carte* EMOs have increasingly moved toward becoming full-service EMOs.⁴⁹

More than half of Michigan’s charter school students attend schools operated by large, multi-state, full-service EMOs, such as National Heritage Academies, the Leona Group, Helicon Associates, Mosaica, Charter School Administrative Services, White Hat Management, Imagine Schools and Edison Schools.⁵⁰

Some members of the state’s charter school community fear that the prevalence of EMOs may produce schools that are insufficiently connected to their communities and undermine the movement’s original goals of fostering diversity, parental choice, and innovation. There is, however, abundant parental demand for the schools EMOs offer.

Table 1. Michigan EMOs

EMO	Number of schools
Stand-Alone EMO (1 or 2 schools)	28
National Heritage	33
Leona Group	16
Helicon	15
Mosaica	12
Charter School Administrative Services	11
Choice Schools Associates	6
Romine	5
White Hat Management	5
Imagine Schools	5
Global Educational Excellence	4
Advance Staff Leasing	3
American Institutional Management Services	3
C.S. Partners	3
Edison Schools	3
Hamadeh	3
Schoolhouse Services and Staffing	3
Smart Schools	3
West Michigan Education Services	3

Source: Michigan Department of Education.

Conflicts of interest and corruption by some EMOs are also a problem. Michigan’s Auditor General found that one EMO charged a school it operated more than \$300,000 *annual* rent for a building it had purchased for \$40,000 and spent \$145,775 renovating. The auditor general also found several examples of conflicts of interest, including cases where charter school board members were related to EMO or school staff.⁵¹ Charter School Administrative Services has encountered numerous problems with schools in other states and has been accused of corruption in its Michigan schools.⁵²

School Board Independence

Charter school boards are supposed to be independent, but often they are not. EMOs often apply for charters and select the charter school’s board members—who are then supposed to oversee the EMO’s management of the school. Inexperienced charter school board members may defer too much to the EMO’s decisions. One school’s board approved a contract stating the board would be in breach of contract if it did not accept the management company’s recommendations regarding policies, rules, regulations, procedures, curriculum, and budget—even though this provision was in clear violation of Michigan laws. Problems can also arise when an EMO loans a school money for start-up costs, facilities, supplies, or to carry the school between state-aid payments. Such loans can shift the balance of power in favor of the EMO and make it difficult for board members to hold the EMO accountable or challenge its decisions. Under one EMO’s contract, charter schools paid it 100 percent of their net revenues, making it impossible for the schools’ boards to build up a fund balance and effectively eliminating their ability to leave the EMO if problems occurred.⁵³

Quality authorizing can help prevent some of these problems. Authorizers are very clear that their relationship is with the school’s governing board—not the EMO or school employees. But authorizers are responsible for ensuring that charter school boards are truly independent, and many provide education and development to help board members understand the appropriate relationship, as well as how to ensure that the EMO’s contract protects the interests of the school and its students. Authorizers can also refuse to approve a charter if they feel the school’s contract with the EMO is inappropriate. Some authorizers may hesitate, however, because they fear legal implications of interfering with a charter’s EMO contract,

and some authorizers themselves have symbiotic relationships with EMOs.⁵⁴

The prevalence of EMOs in Michigan has political implications for the charter school movement there. Their dominance feeds into conspiracy theories that charter schools are part of a broader effort to privatize public education. Even some parents and policymakers, who

EMO: National Heritage Academies

Educational management organizations (EMOs) dominate the charter school landscape in Michigan, operating almost three quarters of the state's charter schools. National Heritage Academies is Michigan's largest EMO, managing 33 charter schools in the state, where it is headquartered. NHA, founded in 1995 by Grand Rapids entrepreneur J.C. Huizenga, also operates 20 charter schools in Indiana, Ohio, New York and North Carolina. As a private company, NHA is not obligated to report earnings but was the first major national EMO to report a profit.

National Heritage Academies serve students in grades K–8 and deliver a traditional curriculum with a heavy emphasis on “moral education.” All NHA schools use the Core Knowledge Sequence; Open Court, a scripted, teacher-led, scientifically-based reading program published by the McGraw-Hill Companies; and Saxon Math, published by Harcourt Achieve. The moral education curriculum is National Heritage's own and is based on “the Greek Cardinal Virtues of prudence, temperance, fortitude and justice.” This has led some critics to allege that NHA teaches religion.

Virtually all NHA schools are located in buildings built new by the company using identical floor plans. There is a common sentiment that, “if you've seen one National Heritage School, you've seen them all.” NHA schools are usually located in suburban communities and often near a church.

National Heritage Academies tend to have strong academic results. A 2003 evaluation by independent researchers Frederick M. Hess and David L. Leal found that NHA student gains on the Metropolitan Achievement Test dramatically exceeded national norms, and several NHA schools are among the highest-performing charter schools in the state. But some parents and educators have accused NHA of “skimming” students who are easier to educate. NHA schools tend to draw white, middle-class youngsters.

Academic results are not as strong in the several urban schools serving disadvantaged and minority students. The Hess/Leal evaluation found, however, that NHA urban schools on average are also posting gains exceeding national norms for African-American, Hispanic and disadvantaged youngsters.

Sources: National Heritage Academies Web site: www.heritageacademies.com; Frederick M. Hess and David L. Leal, “An Evaluation of Student Performance in National Heritage Academies Charter Schools: 2000–2003,” September 2003 evaluation commissioned by National Heritage Academies and available on their Web site; Daniel Golden, “Old-time Religion Pushed at these Charter Schools,” *Wall Street Journal*, Sept. 19, 1999.

might otherwise support charter schools, are skeptical of EMOs because of they fear EMOs will put profits ahead of student learning.

The state's largest EMO, National Heritage Academies, carries some political baggage that affects the charter school debate. National Heritage's “traditional” curriculum, pedagogical approach and heavy focus on moral teaching have particular appeal for conservative parents. But a blistering 1999 *Wall Street Journal* article accused the schools of using public funds to teach religion. Although the company says its schools comply with the law and do not teach religion, there remains a strong public perception that NHA, and charter schools more generally, provide a backdoor for public funding of religious education. NHA's founder J.C. Huizenga is a major GOP donor, and the company itself has donated funds to the Republican Party, which provide fodder for those who view charters as part of a broader conservative, religious, privatization agenda in the state.⁵⁵

Authorizers

When Michigan's legislature wrote the state's charter school law, they made virtually unprecedented decisions about how to handle authorizing and oversight. Two other states, Ohio and Minnesota, allow colleges and universities to authorize charter schools, but when Michigan's charter school law was passed it allowed a more diverse and expansive slate of potential charter school authorizers than any other state.

Michigan's diverse pool of charter school authorizers allowed rapid growth. In states where the only authorizers are local school boards, these boards may be hesitant to sign off on their own competition, but Michigan's universities were enthusiastic about authorizing charter schools. Engler, who was himself quite bullish about charter schools, appointed the boards of most of the state's universities and strongly encouraged them to authorize charter schools.

But the rapid growth also was accompanied by problems with quality. Michigan's charter law defined the responsibilities of authorizers more clearly than some other states' laws but still left ambiguities. As universities moved quickly to become authorizers, they did not always put in place the processes and controls

needed to effectively monitor schools. In 1997, the state's Auditor General found that Central Michigan University's charter school office lacked internal controls; had failed to sufficiently monitor charter school boards for conflict of interest; and had not ensured charter schools' compliance with their contracts, state law and required reporting.⁵⁶

The Auditor General's report gave ammunition to charter critics in the short term, but in the long term it may have been one of the best things that happened to Michigan's charter school movement. It forced CMU and other university authorizers to focus on improving the quality of their authorizing. A 2002 Auditor General report was generally positive about the quality of Michigan's charter school authorizers: "Authorizers had developed and implemented varied techniques, many of which were effective and efficient" and "continue to enhance the scope of their PSA contracts."⁵⁷ Central Michigan University is now nationally regarded as a leader in quality charter school authorizing, and other authorizers from around the country now turn to CMU's charter office for assistance developing and improving their authorizing practices.

Michigan's authorizers collect more data about the schools they charter than the state, intermediate school districts or local school districts collect from regular public schools. They visit schools on a regular basis and, in some cases, attend every meeting of the charter school's board. Many authorizers argue their schools are more accountable than traditional public schools.⁵⁸

But not everyone is so sanguine about the quality of Michigan's university authorizers. Some critics argue that the universities are too close to the EMOs and discriminate against non-EMO charters. Others argue that authorizers are too much of an advocate for charter schools and that, as a result, they are unwilling to crack down on schools even though they know there are problems. "It's not that we're not doing oversight in the state," Western Michigan University researcher Gary Miron told the *Detroit Free Press*. "It's just that the information is not being shared, it's not being acted upon."⁵⁹

Michigan's university authorizers have created the Michigan Council of Charter School Authorizers (MCCSA) to support quality authorizing. MCCSA began as an informal roundtable in 1994 and incorporated as a formal organization in 2003. In addition to advocating for charter

Authorizer: Central Michigan University

Michigan's charter schooling is unusual in that most of its charter schools have been authorized by the state's public universities. Central Michigan University (CMU) is Michigan's largest charter school authorizer, with 58 schools operating throughout the state. It was also the first university to authorize charter schools in Michigan and continues to lead the state's charter school movement. CMU has been a lightning rod for criticism of the charter school movement because of early problems with its oversight of schools, but today it is a national leader in quality authorizing, oversight and accountability.

After a 1997 auditor general's report found a number of deficiencies in its charter oversight practices, CMU responded by focusing its efforts on improving the authorizing process and implementing systems to better monitor and oversee schools. On a subsequent audit CMU garnered a perfect score and it was nominated by the Michigan Department of Education to receive U.S. Department of Education recognition as one of the nation's outstanding authorizers. The Center for Charter Schools at Central Michigan University uses a variety of innovative tools to oversee and support their schools. These include:

AOIS: AOIS is an information technology system that CMU developed to track and manage the regulatory reporting requirements of its charter schools. Several other Michigan authorizers also use AOIS. CMU and the schools can access the online system at any time wherever they have a Web connection. CMU is about to complete an expansion of AOIS which will allow the gathering, management and storage of data from a variety of sources and put them into a single database, which will allow CMU and the schools they charter to analyze school operations, finance, governance and academic performance.

Student Achievement: All schools chartered by CMU must administer online, computer-adaptive assessments, each fall and spring. This provides CMU and the schools with real-time analyses of student performance, including value-added analysis of the students' progress over time. The system also creates individualized student reports for parents, teachers and administrators.

Individualized Performance Review: The core of CMU's charter school oversight and accountability system is the Individualized School Performance Review. Center staff conducts an onsite meeting with school staff that generates an individualized school report providing a 360-degree view of school performance, including state and federal accountability measures, value-added results, mission-specific goals, financial performance, governance, management, and site and facilities.

School Visits: Analysts from The Center for Charter Schools make regular oversight and support visits to each of the schools chartered by CMU. Their analysts have the ability to direct resources and support based upon individual school needs.

Source: Interviews with CMU charter school office staff members.

authorizers, the Council coordinates a variety of activities intended to help authorizers improve quality, and provides a forum for them to develop and share information on best practices. In addition to the eight university authorizers, MCCSA's members include Bay Mills Community College and Wayne Regional Education Service Area (RESA), an intermediate school district that authorizes several Detroit-area charter schools.⁶⁰

Challenges

Michigan's charter school sector has accomplished many things. Some 230 schools serve more than 5 percent of the state's students; there is a strong advocacy infrastructure and grassroots support for charter schools; school performance is improving; and university authorizers have developed innovative ways to monitor schools and hold them accountable. But the state's charter school community continues to face significant challenges.

The Public/Private Paradox

The charter school laws in Michigan probably place greater emphasis on the public nature of charter schools than any other state. For both constitutional and political reasons, Michigan authorizers must be public state entities, unlike neighboring Ohio and Minnesota, whose similarly diverse authorizer portfolios include private universities and nonprofit organizations. Similarly, charter school board members in Michigan are public officials of the state who must take an oath of public office. Charter school boards must follow stringent open meetings requirements. Ironically, despite this emphasis on the public nature of charter schools and their authorizers, Michigan's charter school sector is in many ways more private than in most states. Nearly three-quarters of its charter schools are run by private, for-profit companies, which often provide the public with little information about how key decisions are made or public funds are spent.

Quality

There is consensus that Michigan's charter schools must improve their quality to improve student performance. Michigan has some very high-performing charter

schools and strong parent demand for them, and there is evidence that charter schools perform on average slightly better than the school districts in which they are concentrated. Charter schools and their authorizers have taken critical steps to better monitor quality and improve performance.⁶¹

But educational quality is a continuing problem that is a political liability to Michigan's charter movement and one of the major obstacles to enacting legislation to raise the cap on university-authorized charter schools. If charter school laws don't result in the creation of high-quality new options—as measured by both student test scores and more holistic measures—the charter school policy is not achieving its goals.

Authorizing

Despite significant problems in the past, Michigan's authorizers have substantially improved charter school monitoring and oversight, have developed innovative new systems and strategies to hold schools accountable, and are nationally recognized as leaders in improving quality authorizing. But they still have room to improve.

Michigan's authorizers collect a wealth of information about the schools they authorize: charter school board meeting minutes, records and copies of all compliance reporting submitted to the state, a variety of types of student performance data. But much of this information is more about regulatory compliance than school quality or performance. Michigan's laws require charter schools to submit a vast amount of paperwork and to comply with the same exact regulations and reporting requirements as traditional public schools, which are substantial. Authorizers have focused on processes and systems for ensuring charter school compliance with regulatory and paperwork requirements since the 1997 auditor general's report. These efforts have resulted in quality improvements and increased safeguards against fiscal problems or improprieties.

But a tremendous amount of authorizer effort is going to activities that are tangential to the core mission of improving school quality and student performance. These requirements also place a tremendous burden on individual schools. Charter schools are subject to a plethora of reporting and regulatory requirements that further skew the playing field towards EMO-run

schools with more experience and resources to meet these requirements. EMOs also may be able to achieve economies of scale by consolidating reporting and compliance across multiple schools.

Michigan lacks technical assistance and support organizations to help turn around low-performing charter schools, so some authorizers may go too far in intervening in the affairs and performance of schools they charter. It can be difficult for authorizers to determine how to respond to a low-performing charter school that might be capable of improving given the right support.⁶²

Caps on Growth

Whatever concerns exist about university authorizers, it's clear that the cap on their authorizing constrains charter growth. The sector continues to grow because of Bay Mills' authorizations and enrollment growth in existing schools, but there are clear limits to the capacity of both. Parent demand—particularly in places like Detroit—continues to outstrip supply. During the 2005–06 school year, more than 6,500 students were on waiting lists in Wayne County alone.⁶³ This fall's teacher strike in Detroit, which closed school for several weeks at the beginning of the school year, sent thousands of parents scrambling for space in charter schools, private schools, and neighboring districts. Although Detroit's charter schools opened their doors and made space for some students, they could accommodate only a fraction of students seeking other options.⁶⁴

Bay Mills has gotten around the cap on university authorizers. But Bay Mills' focus as an authorizer is on schools that will serve disadvantaged, minority, and urban youngsters, and it is increasingly focused on authorizing alternative schools for at-risk high school students. Similarly, Urban High School Academies will expand charter school opportunities—although it appears it will do so rather slowly—but only in the Detroit school district.

The inability of university authorizers to charter additional schools limits opportunities for charter schools outside of urban areas. Quality schools for at-risk and disadvantaged youngsters are clearly a major need in Michigan, but there is also value in expanding the range of choices available to all families in different types of communities.

Since suburban school districts typically are reluctant to authorize schools that will compete directly with them, and community colleges other than Bay Mills have seemed uninterested in chartering, there are few viable authorizers for suburban charter schools.

The limits placed and kept on university authorizers due to quality concerns actually may undermine quality authorizing in the state. Michigan's university authorizers (including Bay Mills) are, for the most part, better authorizers than local school boards, intermediate school boards, and community colleges. Smaller authorizers have only a few charter schools and can't devote the same resources to oversight as the "professional" university authorizers.⁶⁵ This presents a potential quality problem for the state's charter sector in the future.

Charter Schools and NCLB

Concerns about the quality of school district, ISD and community college authorizers are particularly relevant as substantial numbers of Michigan schools are in or move toward restructuring under the No Child Left Behind Act (NCLB). Under NCLB, schools that fail to make AYP for six or more consecutive years are subject to "restructuring," and school districts must take significant steps—such as reconstituting staff, hiring a private management company to run the school, or converting the school to a charter school—to try to improve achievement.⁶⁶

Michigan has progressed further in its NCLB implementation than most other states and has a number of schools that have been in restructuring for multiple years. So far, no Michigan schools have converted to charters under NCLB's restructuring provisions, but it is an option that the state is seriously considering, particularly for schools that are not improving after several years in restructuring.

The charter school community, both in Michigan and nationally, is understandably concerned about the possible effects of NCLB's restructuring provisions. It is possible to convert a low-performing school to a charter school in a thoughtful way that improves educational options for students, but school districts could also convert low-performing schools to charters in name only without actually improving educational options, flooding the charter school movement with low-performing schools.

Funding

Michigan's charter school legislation intended for charter schools to receive per-pupil funding from the state on par with school districts, less 3 percent retained by authorizers to support their operations. Michigan's state education funding system, which relies primarily on a per-pupil "foundation" grant from the state, provides greater finance equity for charter schools than many other states. But Michigan's charter schools still receive about 13 percent less funding per pupil on average than the state's school districts, mostly because they do not have access to some local and facilities funds that school districts get. In Detroit, the difference is about 15 percent.⁶⁷

The effects of this funding disparity are seen most clearly in teacher salaries, which make up the largest component of spending in most public schools, and facilities. The 1999 Public Sector/MAXIMUS report identified facilities as one of the major obstacles facing Michigan's charter schools. This appears to be less true today. Charter schools have been around long enough in Michigan that the financial community no longer sees them as a novelty, and some individual schools have been around long enough to build up a respectable credit and academic history. EMOs have the capital resources to invest in facilities and have better access to financing than individual schools do. Authorizers also have played an important role helping charter schools gain access to facilities. In Michigan, state funds for charter schools flow through the authorizers to the schools. When a charter school finances a facility, the authorizer will hold back the funds needed to service its debt and pay them directly to the lender. This helps charter schools get more favorable loan terms because it provides lenders with increased assurance that they will get their payments. But charters—particularly those not affiliated with an EMO—continue to have a difficult time obtaining facilities compared to school districts.

Finally, it's worth noting that all of Michigan's public schools—both charter and district—have suffered from significant state budget cuts in recent years as a result of the economy.

Political Opposition

Michigan's charter schools continue to face significant political opposition from established education interests

using a variety of tactics. Shortly after the charter law was enacted, an MEA regional director told the President of Saginaw Valley State University that, if the university went ahead with chartering schools, the MEA would urge local schools to stop hiring SVSU graduates or taking student teachers from the university, and that MEA members would cease taking graduate and professional development courses from the university.⁶⁸ Other authorizers faced similar threats. In 2003, then-State Superintendent of Public Instruction Tom Watkins refused to issue schools chartered by Bay Mills the paperwork they needed to receive state-aid payments because he opposed Bay Mills' chartering activities.⁶⁹

Initially, charter opponents, particularly the MEA, used legal challenges to the charter law. Although the Courts ultimately upheld the state's original charter school law, the legal challenge did have negative practical consequences on the growing charter sector. In the spring of 1997, the Michigan Municipal Bond Authority, citing the ongoing case, refused to provide charter schools with short-term loans that many—particularly start-up charter schools—relied on to operate over the summer and early fall between regular state-aid payments. More recently, a judge dismissed MEA's challenge to Bay Mills' chartering authority. And charter community leaders expect a challenge to the Urban High School Academies legislation once a school appears ready to open. Even though these challenges are unlikely to succeed, they sap energy, time and resources.

Most significantly, charter opponents use their political clout to prevent legislation favorable to charter schools. The political battles over attempts to raise the cap on university-sponsored charter schools in 1999, 2001 and especially 2003 illustrate this. Michigan's main teachers union, the NEA-affiliated MEA, is one of the most powerful state teachers union affiliates in the country. The smaller AFT-affiliated Michigan Federation of Teachers, whose largest membership block is the Detroit Federation of Teachers, can use its AFL-CIO affiliation to muster the political support of Michigan's strong industrial unions on critical issues. The more Republican-leaning Michigan Association of School Boards and Michigan Association of School Administrators also oppose charter school expansion, giving charter opponents bi-partisan clout. Although charter schools are too established in the state to face a significant existential threat from these groups, charter opponents and their legislative allies are a powerful obstacle.

Diversity and Innovation

The dominance of EMOs in Michigan's charter sector limits diversity and community responsiveness because schools are designed around a corporate model rather than a community's and parents' needs and desires. Not all EMOs produce cookie cutter schools, and there is clearly demand for the educational models used by Michigan's biggest EMOs. But Michigan's charter school movement is less diverse and less reflective of the communities it serves than it might be if there was a more balanced mix of stand-alone, non-profit, community-based and EMO-run charter schools. Rather than working to support community-based charter schools, the state's charter school movement seems to be drifting towards increasing EMO dominance.

Conclusion

Michigan's charter schools have grown dramatically in the past 13 years, increasing competition and creating new educational opportunities for Michigan's students. But these new educational options have been politically controversial, and some have fallen short of acceptable standards for quality and performance. The charter school movement has clearly made a mark on Michigan's education scene, but it falls short of its original goals of expanding parent choice, fostering innovation, and improving student achievement. Whether or not it succeeds in meeting those goals depends on the choices that political and charter school leaders make in the coming years.

RECOMMENDATIONS

Improve Quality

Improve quality in mediocre charter schools, and learn from high performers: Improving charter school quality is not simply the job of policymakers and authorizers. The groups that advocate for and support charter schools also have an obligation to ensure that the schools they support are high-quality schools. Rather than defending low-performing schools, charter school supporters must be forthright about quality problems. Charter school associations in many states offer technical assistance and resources to help schools improve their performance, but MAPSA has focused more on advocacy. The Michigan Council of Charter School Authorizers is launching a quality initiative, however, and MAPSA is also increasing its quality-related activities. These groups can also support quality by providing political cover for authorizers when they close low-performing schools. And high-performing charter schools can help other schools—both charter and district—learn from their successful practices.

Identify and close low-performing schools: Authorizers must be fearless about closing charter schools that do not meet performance and other expectations, because every low-performing school that remains open blocks a potentially better school from opening. There is a long list of applicants waiting to receive the limited number of university-authorized charters that have resulted from school closures.⁷⁰

The Michigan Legislature should enact legislation to address the issues raised in the dissolution of charter schools, including the disposition of charter school assets, maintenance of student records, and the responsibilities of charter school authorizers and charter school board members upon closure. The Michigan Department of Education recommended that the legislature enact such statutory changes in its 2003–04 report to the legislature, but no action has been taken on that recommendation.⁷¹

Collect and Report Better Data

Measure quality better: The Michigan Department of Education is working on a growth measure based on MEAP data. Michigan’s charter school authorizers should work with MDE to support the development of a high-quality growth model that can be used to compare student gains across public education sectors. Long-

term, Michigan legislators and charter school supporters should work towards a longitudinal student data system that would allow calculations of student growth over time, regardless of what school a student attended.

Charter school authorizers are at the forefront of looking at school accountability in a way that is more holistic than just looking at test scores and should make more of the information they collect available to the public. Authorizers collect extensive non-test data about charter school quality, from financial performance to more subjective information about school climate and culture, but much of it is not available to parents and the public in a transparent, accessible way. Some of this information could be very helpful to policymakers trying to judge charter school performance and parents trying to choose a school for their child.

Improve state-level data collection and oversight: The legislature needs to more clearly define the expectations and responsibilities of the MDE with regard to charter schools and ensure they have the legal authority and resources to fulfill those roles. MDE should also continue to beef up its collection of data on charter schools and more aggressively make those data publicly available, not waiting to publish them in the annual report to the legislature.⁷²

The Michigan Department of Education collects substantial data about Michigan charter schools, and it is doing a better job of fulfilling its charter school responsibilities than it did in the late 1990s, but it is hampered because of a lack of staff and legal authority to hold authorizers accountable. While the Michigan Department of Education can bar an authorizer that has problems from authorizing additional schools, the cap on university authorizers makes this largely an empty threat.

Foster Growth Within the Cap

Consider ways to exempt high-performing schools from the cap: Efforts to raise the cap on university-authorized charters are unlikely to be successful in the near term. Because parent demand continues to exceed supply, Michigan’s charter sector must also find ways to foster growth within the context of the cap. Michigan’s charter sector could benefit in both growth and quality from statutory changes that would allow high-performing

charter schools to replicate and create additional campuses that serve more students under the same board and charter. Such legislation could also help create a more balanced mix of EMO and locally-generated charter schools by encouraging non-profit and self-managed schools to replicate.

Amend the “single-site” rule to allow high-quality charter schools to replicate: Michigan’s charter school law prohibits charter schools from running more than one campus serving students in the same grade. There are good reasons for the single-site rule: It prevents creation of online charter schools, which have caused significant quality and political problems in Ohio, and it prevents unchecked EMO growth.

But it also has significant drawbacks. It prevents replication of high-performing charter schools and contributes to the lack of high-quality charter high school options. There are a substantial number of K–12 charter schools in Michigan, but many of them have trouble maintaining high school students, because their small size means they cannot offer the curricular options and extracurricular activities available in larger district and private schools. Allowing a K–12 charter school network to operate multiple K–8 feeder schools leading into a single high school would make non-alternative charter high schools more economically viable.

Legislators can amend the charter school law to allow replication of high-quality schools and the creation of multiple feeder schools in a single K–12 charter school system without undermining the protections the single site rule was designed to provide. For example, they could allow schools that meet certain performance requirements, have evidence of unmet parent demand, and are not already part of an existing charter school network or EMO operating more than a certain number of schools to replicate in a limited number of additional sites under the same board and charter. They could also amend the law to allow a charter school that serves students in at least grades 9–12 to operate multiple “feeder” elementary and/or middle schools, so long as the total number of students served in each grade did not exceed a particular number. Both of these options could be exercised in a way that allowed charter schools to expand in the state while maintaining strict quality requirements.

Allow Wayne County Community College to authorize charter schools: The charter school law should be

amended to allow Wayne County Community College to authorize charter schools in Detroit. The law currently prevents community colleges from authorizing charter schools “in a school district of the first class,” which means Detroit, effectively prohibiting Wayne County Community College, the community college serving Detroit, from authorizing charter schools.

Create partnerships between “professional” authorizers and smaller authorizers: Charter school supporters and policymakers should encourage school districts and community colleges to become authorizers but contract with university authorizers who have greater expertise and capacity for key authorizing functions and services. Michigan’s university authorizers have competencies and economies of scale that smaller authorizers, such as local and intermediate school districts or most community colleges, do not. And while the number of schools that may be authorized by universities is capped, the number that can be authorized by these other entities is not.

So far, Michigan’s school districts and community colleges have authorized relatively few schools, but this may change as the No Child Left Behind Act’s accountability provisions mean more Michigan schools have been in restructuring for multiple years.

Allow limited cap waivers for high-quality authorizers: Allow the Michigan Department of Education to issue a limited number of single-year “cap waivers” to allow university authorizers that can demonstrate high quality in their authorizing practices, processes and systems and show that their schools are performing at satisfactory levels. This would create an incentive for authorizers to focus on improving the performance of their schools, and it would also strengthen the ability of MDE to hold authorizers accountable for their performance.

Long-term, Michigan’s charter school community should keep their sights on raising the cap on university-authorized charter schools, but must first improve school quality and performance.

Address Funding Issues

Require school districts to provide transportation to charter school pupils—and pay them for it: The political climate in the state is probably not amenable to correcting funding inequities, but Michigan legislators could make

charter schools more accessible to disadvantaged parents, mitigate inequities in charter school funding, and provide additional funding to school districts by requiring the districts to provide transportation for students who live within their boundaries and reimbursing them for doing so on a per-pupil basis.

The vast majority of Michigan's charter schools do not offer transportation to their students, but rely on parents to transport children to and from school.⁷³ This can make it difficult for parents—particularly disadvantaged parents, who may work irregular hours or do not have cars—to send their children to charter schools. Michigan school districts must provide transportation to private and parochial students who live in the district, but not to charter school students. Districts say that charter schools receive money for transportation, but charter schools receive less funding per pupil than school districts, and districts also have economies of scale in providing transportation that many charter schools don't.

Identify charter efficiencies to help school districts cope with budget cuts: Many Michigan charter schools have developed innovative ways to provide a high-quality education at lower cost than traditional schools. While some of these innovations don't translate easily between sectors, others could be used by traditional school districts to lower costs. Such strategies could be particularly helpful to school districts that have faced consecutive years of state budget cuts and are struggling to find ways to serve their students well with fewer resources. Helping district administrators learn about ways that charter schools save money and from which they could also benefit could also help dispel the common perception within the district public school sector that charter schools have unfair advantages over traditional public schools.

Adjust the state funding formula to better reflect the costs of educating different types of students: Michigan policymakers should adjust the “foundation grant” system to reflect the costs of educating students of different ages. Michigan's public schools—district or charter—receive the same state “foundation grant” for every child they serve, regardless of grade, even though educators widely acknowledge that children in some grades are more costly to educate than in others. This is one reason that Michigan's charter schools disproportionately serve elementary school students and there are fewer high school charter options in the state.

Adjusting the foundation grant system to reflect the costs of educating students of different ages would encourage the creation of more high school charters.

Michigan would also benefit from shifting toward a “weighted pupil formula” funding system that includes adjustments for students who are more costly to educate, such as those who are economically disadvantaged or are still learning English. Michigan does provide school districts and charter schools with additional funds to educate students with special educational needs, but it does so through categorical funds rather than the foundation grant amount that accompanies each child.

Address teacher pensions: Policymakers should consider ways to modernize the retirement scheme for public employees, including teachers. Michigan's auto industry has offered a case study in the problems that can emerge when defined-benefit pensions are combined with an aging population. The issue is also emerging as a challenge for public employee defined benefit retirement systems. The high cost of participating in Michigan's defined-benefit teacher retirement program is one reason for the dominance of EMOs in the state's charter sector. Because the defined benefit retirement system is not portable, it locks teachers in and makes recruitment difficult for charter schools that do not participate in the state retirement system. Long-time charter or private school teachers may also be reluctant to move to positions in traditional public schools because they will be compelled to make contributions to a retirement system in which they may not be able to be vested. As the public education sector in states like Michigan becomes more diverse, it is inefficient to maintain retirement policies that trap teachers in the charter or district sector. The current system also assumes that teachers will remain in teaching throughout their professional lives, something that is increasingly unrealistic in today's more transient economy. This doesn't mean legislators should abandon the benefits of the state's defined benefit system, but they should consider introducing defined contribution elements that make benefits more portable and appealing to younger professionals.

Ensure authorizer fees are used to support authorizer operations or are passed on to schools: State policymakers should mandate that authorizers use authorizing revenue to support school oversight, rebate it to schools they serve, or transfer it to other organizations

to support charter school quality. Michigan's charter school law allows charter school authorizers to withhold 3 percent of state funding for the schools they charter to support oversight operations. Some authorizers use all of these funds for authorizing activities, and some return a portion of them to schools (Grand Valley, for example, pays schools it charters a per-pupil performance bonus if they meet all their compliance requirements on time). But some authorizing entities transfer some of their authorizing proceeds to other parts of the organization to cover unrelated expenses or compensate for state higher education budget cuts. The increased revenues authorizers could receive if the cap on university authorizers were raised could exceed the costs they incurred and authorizing could potentially become a cash cow for universities because of economies of scale.

Hold EMOs Publicly Accountable

Ensure EMOs are transparent: Michigan's charter schools are public entities that must file extensive financial documentation making their expenditures transparent to the public. But EMOs, which often receive the bulk of a charter school's funding, are private companies that need not disclose that same information. This is particularly troubling when a full-service EMO has a contract to provide facilities, staff, materials and other services to a school that is the vast majority of a school's budget because the public has no information on how most of a public school's funds are really being spent. The legislature should amend the school code to require full-service EMOs to disclose more information about how they spend funds received from a contract with a charter school board.

Ensure charter school board independence and community representation: Under Michigan law, authorizers appoint the members of a charter school's board. It is the authorizer's job to ensure the school board's independence. But when an EMO originates the charter application, it usually nominates the board members who the authorizer appoints. Charter school authorizers vet school board members for conflicts of interest, but the 2002 Auditor General's report suggests they do not catch all conflicts. Michigan's charter school authorizers must embrace high and uniform standards for board independence. They should also ensure that every charter school board includes representatives of the local community, including parents, and that individuals do not serve on the boards of multiple schools operated by the same EMO.

Use authorizer knowledge to weed out corrupt

EMOs: Michigan's authorizers do not contract with EMOs directly, but they know a great deal about the quality of different management companies through their work with schools. Authorizers should share that information with one another. The Michigan Council of Charter School Authorizers should create a formalized system for collecting and sharing information about EMO performance and problems, and disseminate this information to all authorizers. This information should also be available to policymakers and charter school boards considering hiring a new EMO. Authorizers should also refuse to authorize schools run by EMOs with checkered histories. The Michigan Legislature should ensure that authorizers do not need to fear lawsuits when they hold EMOs accountable in these ways.

Foster Diversity and Innovation

Provide charter school start-up funding: Providing more state start-up funds for charter schools would help create a more level playing field for community-based schools, spur innovation and diversity, and would be relatively inexpensive to the state right now because of caps that limit charter school growth. Michigan provides no start-up funding for new charter schools, and although Michigan charter schools are eligible to receive federal start-up funds through the federal charter school grant program, the amount is not always enough to cover costs. Nawal Hamadeh, who founded Star International Academy and two other Michigan charter schools, estimates it costs at least \$300,000 to start a charter school.⁷⁴ EMOs, which are able to provide start-up capital, have a clear advantage over stand-alone or community-based schools, particularly in low-income communities where there is little access to capital from the community.

Expand technical assistance and support: In many states there are technical assistance or resource centers that offer charter school founders help with issues from writing the application, to curriculum, to legal issues and compliance. But Michigan has no such entity, largely because the EMOs who have driven much of the state's charter school growth don't need that type of assistance. The National Charter Schools Institute, located at Central Michigan University, and MAPSA provide some assistance, but not enough to support and develop stand-alone or community-based charter applicants. In addition, stand-alone charter schools could benefit from more access to education service providers

that provide payroll, benefits, IT, and other “back office” services. Although some of Michigan’s EMOs do offer such services, the trend has been for them to move in the direction of becoming full-service EMOs. Maintaining a *la carte* education service providers would benefit stand alone charter schools.

Michigan’s university authorizers are more favorable to EMOs at least in part because they know these companies bring to the table competencies and resources needed to open and run a school, and that EMO charters won’t need a lot of start-up support and technical assistance from the authorizer. Expanding alternative sources of technical assistance could make university authorizers more willing to take a chance with stand-alone schools.

Recruit outstanding national networks: The national charter school movement is increasingly looking to nonprofit charter school networks, or CMOs, such as Achievement First or KIPP, to drive high-quality growth. CMOs combine the benefits of EMOs—access to capital, economies of scale, and the ability to create systems that serve significant numbers of students—with the capacity for diversity and innovation found in stand-alone charter schools. Michigan’s policymakers, charter school leaders

and philanthropic organizations should work to recruit nationally successful CMOs to Michigan, particularly Detroit and other high need urban areas.

CMOs tend to be based on proven models that often started out as stand-alone or community-based charter schools, are able to tap into philanthropic resources, and are less politically contentious than EMOs. Yet while the national charter movement is increasingly placing its hope in these models, they are virtually absent in Michigan.

Work with traditional public schools to reduce paperwork and bureaucratic requirements: Charter schools should work with school districts to identify particularly burdensome requirements or regulations that block innovation and work together to create greater flexibility and room for innovation in the state’s school code. Unlike many states in which charter schools automatically receive a waiver from large portions of the state school code, Michigan’s charters are subject to it in entirety unless they apply for and receive specific waivers. The state’s charter schools would certainly benefit from broader regulatory waivers. But the regulations and paperwork requirements that hinder innovation and burden administrators in charter schools have some similar effects on school districts.

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Appendix 1. Key Features of Michigan's Charter School Law

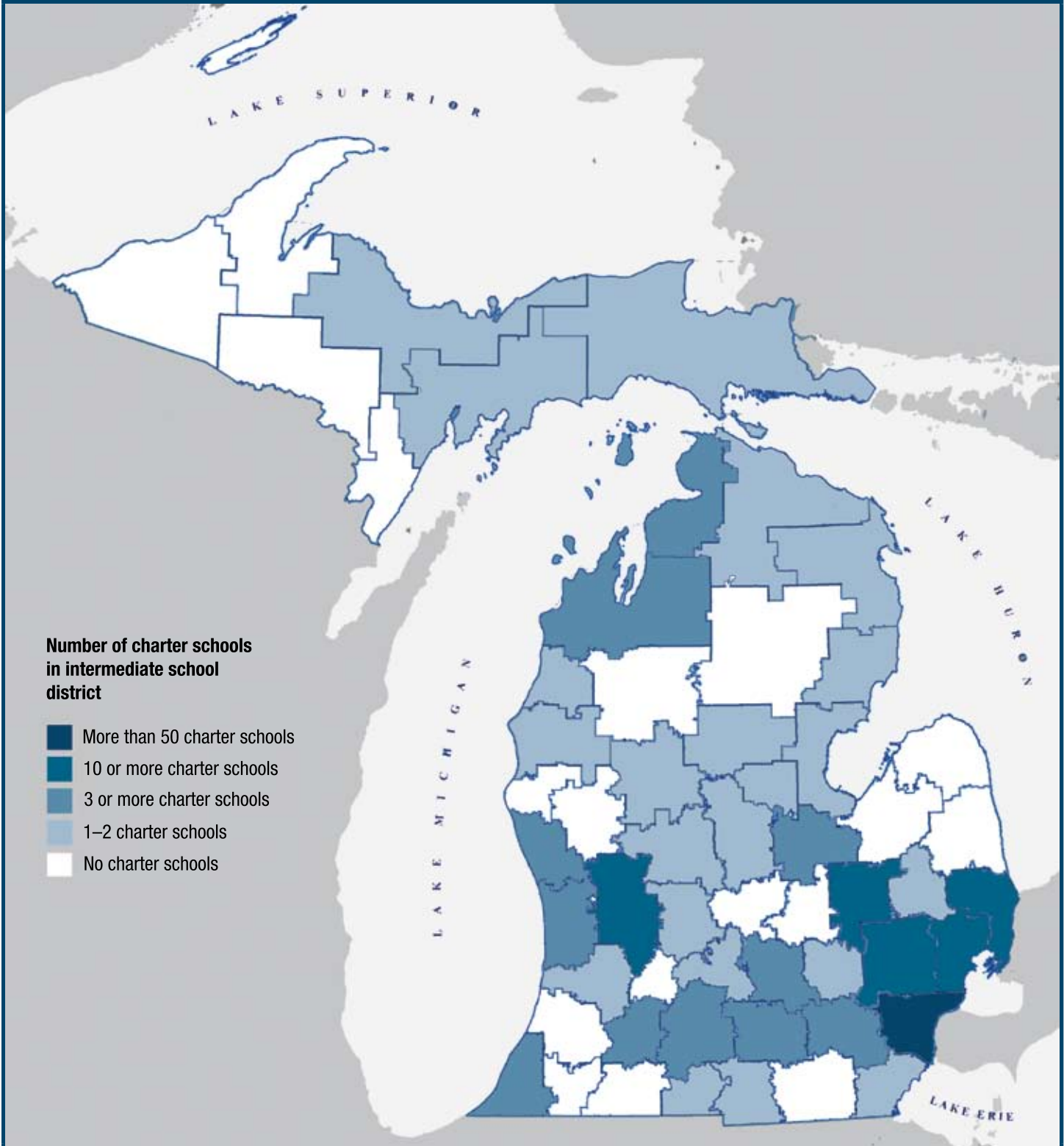
Year Passed	1993, last amended in 2003
Number of Schools Allowed	Unlimited, but state universities may only authorize a total of 150 charter schools between them and no single university may authorize more than 50 percent of university total. Legislation passed in 2003 allows universities to authorize up to 15 additional charter high schools in Detroit.
Number of Charters Operating	230
Authorizing, Charter Approval and Contracts	
Eligible Chartering Authorities	Local school boards, intermediate school district boards, community college boards, the governing boards of state public universities. State public universities may authorize charter schools anywhere in the state, but other authorizers may do so only in their service areas.
Types of Charter Schools	Converted public, converted private, new starts (but not home-based or virtual schools).
Appeals Process	If a local school district rejects a charter application, the applicant may petition to have it placed on the local ballot. An applicant denied by any chartering authority may petition a different chartering authority.
Formal Evidence of Local Support Required	No, but a charter application that is rejected by a local school board can be placed on the local ballot if a sufficient number of local voters sign a petition to do so. If a majority of voters in the district vote to issue the contract, the local school board must do so. (This has never happened to date.)
Recipient of Charter	Charter school governing body.
Term of Initial Charter	Up to 10 years, with mandatory review at least every seven years. However, most charters awarded thus far have been for five years with a five-year renewal.
Regulations and Requirements	
Location	Charter schools may have multiple sites to serve students in different grades, but they may not serve students in the same grade at more than one site. Charter schools authorized by a local or intermediate school board or community college must operate in the service area of their authorizer.
Automatic Waiver from Most State and District Education Laws, Regulations, and Policies	No automatic waivers. Charter schools are subject to all the same requirements of the school code that traditional public schools are, but, like regular public schools, may seek waivers on a case-by-case basis from state board of education.
Legal Autonomy	Limited
Governance	Board of directors, which must not include charter school employees
Charter School Governing Body Subject to Open Meeting Laws	Yes
Charter School May be Managed or Operated by a For-Profit Organization	Charters may not be granted directly to for-profit organizations, but the schools may be managed by them. The vast majority of Michigan charter schools are managed by for-profit organizations.
Transportation for Students	Charter schools are not required to provide transportation for their students.
Facilities Assistance	Charters sponsored by school districts can access district bond levies for facilities.
Technical Assistance	Provided by intermediate school districts, as well as non-governmental entities
Accountability	Charter school students must take the same Michigan Education Assessment Program (MEAP) tests and Michigan Merit Exam (for high school students) as students in traditional public schools. Charter schools are subject to accountability ratings under the state's school accountability system, EducationYES!, as well as AYP under the federal No Child Left Behind Act, in the same way as all public schools in the state.
Reporting Requirements	Charter schools are subject to all the same reporting requirements as public school districts, as well as any additional requirements imposed by their authorizers. The State Board of Education is required to submit a comprehensive report to the legislature on charter schools, including an evaluation of whether charter schools are meeting the purposes set forth in legislation, findings and recommendations.

Appendix 1. Key Features of Michigan’s Charter School Law (continued)

Teachers	
Collective Bargaining / District Work Rules	Teachers in schools authorized by local districts must be covered by district collective bargaining agreement; teachers in all other charter schools may negotiate as a separate unit with the governing body or work independently. A small handful of individual Michigan charter schools have voted to unionize.
Certification	Charter school teachers must be certified, with the exception of university or community college faculty who are teaching in a charter school sponsored by their institution.
Retirement Benefits	Employees hired by charter school board are eligible for state retirement benefits, and charter schools without a management company must participate in the state retirement system. Charter school employees hired by a for-profit corporation contracting with a charter school are not eligible for state retirement benefits.
Funding	
Amount	Charters receive per-pupil funding through the state funding formula in the same way as other public schools in the state.
Path	Funds pass from the state, to the authorizer to the charter school. In Michigan, charter school authorizers act as the fiscal agent for the school.
Fiscal Autonomy	Yes
Start-up Funds	Federal funds available; no state funding.
Students	
Eligible Students	Charter schools authorized by universities or Bay Mills Community College may serve all students in the state; schools authorized by local or intermediate school boards or other community colleges may serve only students who live in the area served by the authorizer.
Enrollment Requirements	Not permitted
Selection Method (in case of over-enrollment)	Lottery/random process. Urban High School Academies may provide preference for siblings of current pupils and children of employees and board members.

Source: Michigan Compiled Laws. Michigan School Code Part 6A, available at www.legislature.mi.gov; Michigan Department of Education, “Report to the Legislature on Public School Academies 2003-04,” June 2005; Center for Education Reform; Author.

Appendix 2. Geographic Distribution of Michigan Charter Schools



Source: Michigan Department of Education, Directory of Public School Academies; Michigan Department of Information Technology, Center for Geographic Information; School Districts and Intermediate School Districts Boundary map www.michigan.gov/documents/CGI-state_sch_district_67407_7.pdf.