



Charter School Financial Impact Model

Final Report
September 11, 2014

MGT of America, Inc.



MGT of America (MGT) was hired in May 2014 by the Board to conduct a review regarding the cost and fiscal impact of charter schools. MGT staff visited the district, gathered data, and interviewed staff to identify the work being done by district staff in support of students in charter schools and the impact of charter schools on the operation of the district. At the onset of this project, the 2014-15 budget had not yet been approved. Therefore, most of the budget costs and projections shown in this report are based on the 2013-14 budget. MGT conducted follow-up telephone and on-site visits to verify and further document identified costs.

As requested by the Board, this report has been developed to define “fiscal impact” and to create a model for reviewing the cost of the charter school applications relative to the school system's “maximum annual fiscal capacity for absorbing new charter schools at a rate that is not, in accordance with Tennessee Code Annotated 49-13-108(b), “contrary to the best interest of the pupils, school district or community.” The research, analysis, and recommendations are the work of MGT staff, and do not necessarily represent those of MNPS Board or administration.

This report is divided into four sections. **Section 1.0** provides background regarding charter school law in Tennessee and charter schools as they exist in Nashville. **Sections 2.0** and **3.0** review the two major cost areas identified for review, operations and capital/facilities. Each section includes findings and recommendations. **Section 4.0** presents a model for making decisions regarding approval of new charter schools based on the fiscal impact.

- 1.0 Background**
- 2.0 Operational Costs and Issues**
- 3.0 Capital Costs and Issues**
- 4.0 Financial Impact Model for Decision-Making**

SECTION 1.0 BACKGROUND

This study of the cost impact of charter schools in Metropolitan Nashville Public Schools (MNPS) was authorized by the Board in May 2014. The goal of the study is to identify costs and develop a model for reviewing the costs to be used by the Board in consideration of future applications for new or expanded charter schools.

Although Metropolitan Nashville Public Schools (MNPS) is considered to be a single district, T.C.A 49-13-102(b) allows “*charter schools to operate within a school district structure but are allowed maximum flexibility to achieve their goals.*” Therefore, the charter schools have been established to operate with the general oversight, but beyond the overall control of MNPS. Tennessee’s charter school law states that public charter schools are part of the state public education system and receive public funding through the Basic Education Program. Charter schools are opened after reaching an agreement with the local school district. Test scores and performance results from charter school students count toward the results of the school district they are a part of. (See: The Tennessee Public Charter Schools Act, contained in Tennessee Code Annotated 49-13-101 through 137, and in 8-35-242.

<http://www.lexisnexis.com/hottopics/tncode/>)

In Tennessee, each charter school is functioning much like an individual school district because charter schools operate independently. Each charter school has a separate Board of Directors and establishes separate student expectations, curriculum, and administrative support capability.

Metropolitan Nashville Public Schools (MNPS) approved the first charter school, Smithson Craighead Academy, in 2003. For the 2014-15 school year, there are 19 district-approved charter schools and one charter school operating under the state achievement school district. Additional charter schools were approved by the MNPS Board of Education in the spring of 2014, but these schools will not begin operations until the 2015-2016 school year.

The district charter application currently divides charter schools into three types: new charters, replications, and conversions. The application process is similar, but not identical, for all three types. The **new charter** schools are proposed by a non-profit agency that is not currently operating a school in MNPS. The **replication schools** are proposed by an agency that currently has a school(s) and is adding another level or another school of the same level based on the same approach as that used in their currently operating schools. The **conversion schools** are proposed by an agency to “take control” of a current MNPS school that is not successful, described as a “target” school.

Currently, there are two charter school organizations managing multiple charter schools in MNPS (KIPP – three schools with a fourth to go on line in 2015-2016, and LEAD – five schools). All five of the charter schools approved by the Board of Education to begin operations in 2015-2016 are identified as “replications,” with each applicant already managing existing charter schools in MNPS. One newly-approved charter school, the K-4 KIPP Academy Nashville, is planned as a conversion charter school; however, the specific school/site will not be identified until October 2014.

In November 2013, the MNPS Board passed a resolution establishing priorities for deploying charter schools beginning in 2014. (See: <http://www.mnps.org/AssetFactory.aspx?did=89587>) That resolution identified two priorities: “charter school applications that propose conversions of traditional schools designated as in ‘target’ status as of fall 2014 based on the three-year composite measure on the MNPS

Academic Performance Framework; and “under the second priority, the Board will consider applications for new charter schools locating in cluster tiers in which capacity is projected to exceed 120% as of fall 2017 based on the MNPS School Enrollment and Capacity report. The resolution further directed that MNPS shall “consider fiscal impact in recommending new charter schools for approval by the Board.”

Exhibit 1 provides a list of all the charter schools approved by the MNPS Board of Education and includes estimated grade levels and enrollments for 2014-2015. **Exhibit 1** shows that there has been an increasing number of charter school applications approved in recent years.

EXHIBIT 1
METROPOLITAN NASHVILLE PUBLIC SCHOOLS
CHARTER SCHOOLS
BY YEAR APPROVED, GRADE LEVELS
ESTIMATED 2014-15 ENROLLMENT

Charter School	Year Approved	Grade Levels	Estimated 2014-2015 Projected Enrollment
Smithson Craighead Academy	2003	K - 4	230
KIPP Academy Nashville	2005	5 - 8	350
LEAD Academy	2007	5 - 12	600
Cameron College Prep	2007	5 - 8	592
New Vision Academy	2010	5 - 8	195
STEM Prep	2011	5 - 8	400
East End Prep	2011	K - 5	400
Liberty Collegiate	2011	5 - 8	410
Nashville Prep	2011	5 - 8	410
Knowledge Academy	2012	5 - 8	280
Nashville Classical	2013	K - 8	182
Purpose Prep	2013	K - 4	170
Intrepid Prep	2013	5 - 12	180
LEAD Prep Southeast	2013	5 - 12	150
KIPP College Prep	2013	5 - 8	188
Rocketship Tennessee	2013	K - 5	358
KIPP High School	2011	9 - 12	105
Valor Collegiate	2013	5 - 12	140
Nashville Academy of Computer Science	2013	5 - 8	110
To Open 2015-2016			
KIPP Elementary Conversion	2014	K - 4	0
Rocketship Nashville	2014	K - 4	0
Valor Collegiate Academy	2014	K - 8	0
Knowledge Academy High School	2014	9 - 12	0
STEM Prep High School	2014	9 - 12	0
Explore	2014	K - 8	0
STRIVE	2014	5 - 8	0
Total* Estimated Enrollment 2014-2015			5,450
* Does not include Brick Church College Prep			215
TOTAL all charters			5,665

SOURCE: OFFICE OF INNOVATION AND STUDENT ASSIGNMENT SERVICES.

Many of the charter schools start with only one or two grades, and “grow-themselves up” to full capacity, adding one grade each year. Their charter application identifies the eventual grade span and planned enrollment. **Exhibit 2** provides a summary of how this incremental approach generates increased enrollment numbers for the charter schools for several years after they have been originally approved by the Board of Education. The enrollments shown for 2014-15 and beyond are **estimates**.

EXHIBIT 2
METROPOLITAN NASHVILLE PUBLIC SCHOOLS
CHARTER SCHOOL ACTUAL AND PROJECTED ENROLLMENT
2010-2011 THROUGH 2019-2020

Charter School	Grade Levels	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Smithson Craighead Academy	K - 4	247	250	261	251	230	230	230	230	230	230
KIPP Academy Nashville	5 - 8	302	314	332	346	350	498	575	647	647	647
LEAD Academy	5 - 12	373	503	561	568	600	600	600	600	600	600
New Vision Academy	5 - 8	92	137	166	182	195	200	200	200	200	200
Cameron College Prep	5 - 8		153	294	442	592	592	592	592	592	592
STEM Prep	5 - 8		108	222	295	400	398	398	398	398	398
East End Prep	K - 4		82	194	268	400	474	549	549	549	549
Liberty Collegiate	5 - 8		97	202	320	410	500	590	680	770	770
Nashville Prep	5 - 8		95	199	316	410	485	575	665	755	755
Drexel	K - 8		240	279	243	closed					
Boys' Prep	7 - 12			95	119	closed					
Knowledge Academy	5 - 8			142	215	280	280	280	280	280	280
Nashville Classical	K - 4				97	182	240	290	330	365	395
Purpose Prep	K - 4				83	170	240	310	385	370	350
Intrepid Prep	5 - 8				76	180	245	325	405	485	565
LEAD Prep Southeast	5 - 8				51	150	220	310	405	505	605
KIPP Nashville College Prep	5 - 8				96	188	274	357	355	355	355
Rocketship Tennessee	K - 5					358	570	600	600	600	600
KIPP High School	9 - 12					105	90	185	275	370	470
Valor Collegiate	5 - 8					140	280	415	550	680	805
Nashville Academy of Computer Science	5 - 8					110	205	305	400	415	425
Explore K-8	K - 8						100	200	299	401	493

EXHIBIT 2 (CONTINUED)
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 CHARTER SCHOOL ACTUAL AND PROJECTED ENROLLMENT
 2010-2011 THROUGH 2019-2020

Charter School	Grade Levels	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
KIPP Elementary Conversion	K - 4						200	300	400	500	500
Rocketship Nashville	K - 4						475	525	575	575	575
Valor Collegiate Academy SE	K - 8						265	615	835	935	1135
Knowledge Academy High School	9 - 12						110	220	330	440	440
STEM Prep High School	9 - 12						130	250	368	483	483
STRIVE Collegiate Academy	5 - 8						120	240	360	480	480
Total* Actual and Projected Enrollment		1,014	1,979	2,947	3,968	5,450	8,021	10,036	11,713	12,980	13,697
*Does not include Brick Church College Prep						215					
Annual % Increase in Charter School Enrollment			95.17%	48.91%	34.65%	37.35%	47.17%	25.12%	16.71%	10.82%	5.52%
% Increase for Charter Enrollment 2010-2011 to 2019-2020										1250.79%	

SOURCE: MNPS STUDENT ASSIGNMENT SERVICES AND 2014 CHARTER SCHOOL APPLICATIONS.

Exhibit 2 identifies the projected enrollment increases for all of the charter schools that have been approved by the Board of Education for the period 2010-2011 through 2019-2020. As shown, based only on the enrollment estimates of currently-approved charter schools, the charter school enrollment will increase annually with a total increase of 1250 percent over a ten-year period with charter enrollment starting at about 1,000 students and projected to be at more than 13,000 by 2020. The enrollment figures shaded for 2014-2015 and beyond represent enrollment estimates for the additional classes until the maximum enrollment is achieved. The information from this exhibit is significant, as it is the basis for calculations of the financial impact.

SECTION 2.0 OPERATIONAL COSTS AND ISSUES

This section of the review relates only to operating costs, mainly those costs included in the General Purpose Fund. All of the financial information presented in this report is based on materials contained in the **MNPS 2013-2014 Adopted Budget**. (See **Appendix A** for the MNPS budgeted expenditures.) Any projections of future year financial information also uses the 2013-2014 budget, thus, estimated inflationary increases are not included. Other documents, including enrollment projections, staffing needs, etc., have been obtained from various departments in MNPS and from charter school applications. All sources are cited.

There are three components of operating costs for MNPS associated with the overall management and support for the charter schools in the district. These components are described in the sections that follow. This section ends with recommendations to address the cost issues.

2.1 Costs and Availability of Resources

2.2 Direct Operating Costs

2.3 Indirect Operating Costs

2.4 Recommendations to Address Direct and Indirect Cost Issues

2.1 COSTS AND AVAILABILITY OF RESOURCES

Much of the cost to MNPS associated with the establishment of charter schools is related to the state and local tax revenues provided to MNPS based on the Average Daily Membership (ADM) amount that is then transferred to the charter schools based on their enrollment. In addition, there are also clear operational costs incurred by the district because of the charter schools that will be explored in **Sections 2.2 and 2.3**.

The state and local tax revenue per pupil amount used throughout this review is \$9,070 per pupil. This is the funding amount contained on a worksheet entitled, *“Per Pupil Funding for Achievement School District and Charter Schools using local and state revenues from General Purpose Fund”* which accompanied an invoice dated 6/10/2014 for East End Prep provided by the MNPS accounting office. The per pupil amount for funding charter schools providing transportation on this document is \$9,070. The Office of Innovation has indicated to MGT that all of the charter schools provide transportation, thus, this is the dollar amount used throughout this review. Tennessee law requires that districts transfer this total per pupil amount (\$9,070 for 2013-14) to each charter school.

The use of per pupil counts to allocate resources can have a positive or negative impact on a school district, depending on the enrollment trend. When a district is experiencing a growth in the number of students, there is typically a financial benefit, as the incremental cost associated with each additional student will normally be somewhat less than the per pupil amount of revenue received, e.g., adding one student does not typically necessitate adding a teacher or a classroom or a school bus. This occurs because the student will probably attend a school where he or she might be absorbed within the current enrollment with minimal need for additional resources. The only increased costs would be any fixed allocations, such as the \$50 per student allocation for supplies and materials provided to the schools by MNPS or the cost of textbooks for that student.

There are, of course, possible scenarios where even adding one student could over-fill a classroom or a bus, requiring additional district resources. If exceptional growth is occurring in a single school, it may be necessary to provide additional teaching staff, but even in this situation, the district will receive a positive financial benefit for operations as the overall increase in revenues from multiple students will typically be greater than the incremental cost for increased teaching staff or operational costs (heating,

lighting, custodial supplies, etc.). This factor applies to operating revenues and costs. However, increases in student enrollment may require the need for capital improvements, such as portable spaces, building additions, or new facilities. It may also require the increased use of portable buildings. These last two issues are discussed further in **Section 3.0, Facility Costs and Issues**.

In districts with declining enrollment, the net effect is reversed. The loss of even a single student will reduce the revenue received; however, the reduction of a single student in a classroom will not alleviate the need to have a teacher in that classroom. In this case, there would be a reduction in cost for per student allocations to the schools such as the \$50 per student for supplies or any other per student allocation provided to the schools, but **all other district expenditures** would remain in place. In fact, the per pupil cost for that classroom or school would increase because the fixed expenses would remain, but the revenue to support them would be decreased. If a single school experiences a large decline in enrollment, there may be a savings involving the reduction of teaching staff, yet this reduction will likely not offset the total loss of revenue based on the number of pupils. This scenario seems unlikely in MNPS based on historic data.

When the enrollment in the charter schools of MNPS increases, this potentially has the same effect as a reduction in the regular enrollment for the district-managed schools. MNPS would have fewer resources, but may not be in a position to reduce the operating costs. This may not have been perceived as a problem in recent years, as MNPS has also experienced enrollment increases beyond the growth of charter schools, thus, even with the transfer of students from MNPS-managed schools to charter schools, the General Purpose Fund was still receiving additional resources. The projected enrollments, however, suggest a change coming.

Exhibit 3 provides a summary of enrollment increases from 2010-2011 through 2014-2015 as well as **projected enrollments** for both MNPS-managed schools and for charter schools for 2015-16 and 2016-17. As shown, the rate of increase for MNPS is slowing and the rate of increase for charter enrollment is growing, faster than the total increase in enrollment.

EXHIBIT 3
METROPOLITAN NASHVILLE PUBLIC SCHOOLS
COMPARISON OF ENROLLMENT - MNPS AND CHARTER SCHOOLS
2012-13 PROJECTED THROUGH 2016-17

Year	MNPS Enrollment	Charter Enrollment	Total Enrollment	% of Total Increase	MNPS % of Increase	Charter % of Increase	Charters as % of Total Enrollment
2012-2013	77,511	3,559	81,070	N/A	N/A	N/A	4.39%
2013-2014	78,723	4,140	82,863	2.21%	1.56%	16.32%	5.00%
2014-2015	78,654	5,919	84,573	2.06%	-0.09%	42.97%	7.00%
2015-2016	77,636	7,192	84,828	0.30%	-1.29%	21.51%	8.48%
2016-2017	77,347	8,497	85,844	1.20%	-0.37%	18.15%	9.90%

*CHARTER INCLUDES THE APPROPRIATE GRADE LEVELS FOR CCP AND BCCP SCHOOLS

SOURCE: STUDENT ASSIGNMENT SERVICES. PRELIMINARY FALL PROJECTIONS. COMPILED BY MGT, 2014.

Exhibit 3 indicates that the share of the enrollment for MNPS-managed schools is expected to decline beginning in 2014-2015, while the share of the enrollment in charter schools is increasing. If this trend continues, MNPS will begin to receive a lower amount of state and local tax revenue for MNPS-

managed schools and will be required to address budget allocation issues related to declining resources in future years.

Exhibit 4 provides a summary of the 2013-2014 MNPS adopted budget identifying the general budgetary categories of General Administration, School Support, School Instruction, and Support Services.

EXHIBIT 4
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 ANALYSIS OF MNPS BUDGETED EXPENSES
 GENERAL PURPOSE FUND
 ADOPTED BUDGET FOR 2013-2014

	General Administration	School Support	School Instruction	Support Services	Total Expenditures
Expenditures	\$ 73,183,500	\$83,022,000	\$ 509,949,100	\$ 80,265,700	\$746,420,370
Percent of Expenditures	9.8%	11.2%	68.2%	10.8%	100.0%

SOURCE: MNPS 2013-14 ADOPTED BUDGET FOR GENERAL PURPOSE FUNDS. COMPILED BY MGT, 2014.

Beyond the inability to recover classroom costs with reductions of resources tied to the student enrollment, MNPS has an infrastructure that is required to be funded, regardless of the reduced enrollment. Portions of the General Administration and School Support infrastructure categories involve services to charter schools. The areas providing specific, additional support to charter schools are identified in **Sections 2.2** and **2.3** of this report.

To fully understand the financial impact of charter schools, it is important to understand the impact of the state and local revenue that is transferred to the charter schools and that therefore is not available to MNPS. **Exhibit 5** provides a summary of the financial impact the currently-approved charter schools will have on the General Purpose Fund of MNPS for the period 2015-2016 through 2019-2020. This exhibit uses the enrollment projections identified in **Exhibit 2** and includes estimated and **potential** savings that could perhaps be achieved by MNPS with the transfer of students to charter schools. The amounts identified as savings from a reduction in the estimated teaching staff are based on an analysis of the staffing impact charter schools had on high schools. Of the 16 high schools, 12 had students who have enrolled in charter schools. The total number of high school charter school students was 159 with only three schools identified as being impacted by a reduction of teaching staff because of the students enrolled in charter schools. Using the baseline of 30 students per teacher, there would have been an additional five teachers assigned to the high schools if these students had remained in their home high schools. When these five teaching positions were related to the total number of high school charter students, the relationship between the five positions and the 159 students was an average of 31.5 students per teacher. Using this relationship of 1.5 students above the desired 30 students per teacher for high schools, this basic relationship has been applied to the elementary and middle schools as well. The calculation for the savings to be achieved by MNPS when students enroll in charter schools is 31.5 for high schools, 26.2 for middle schools and 22.5 for the elementary schools.

The assumption that the reduction in the number of students will have a direct relationship to a reduction in the number of MNPS teachers and therefore a reduction in MNPS costs is **potential only**. The estimated savings shown in **Exhibit 5** are likely higher than that which would actually occur, as the expectation is that charter school students will come from a number of different schools and therefore they may not cause ANY reduction in teaching staff. Therefore, the actual reduction in staff and the potential staff cost savings are likely less than shown and cannot be precisely identified.

EXHIBIT 5
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 ESTIMATED FINANCIAL IMPACT ON OPERATING RESOURCES
 ALL ACTIVE AND APPROVED CHARTER SCHOOLS
 FIVE-YEAR PERIOD 2015-2016 THROUGH 2019-2020

Estimated Enrollment Revenue	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Five Year Total
Enrollment	7,192	8,497	9,657	10,328	10,828	46,502
Estimated Per Pupil Amount (1)	9,070	9,070	9,070	9,070	9,070	9,070
Total	\$ 65,231,440	\$ 77,067,790	\$ 87,588,990	\$ 93,674,960	\$ 98,209,960	\$ 421,773,140
Estimated District Savings						
Teaching Staff (2)	288	340	386	413	433	1,860
Estimated Teacher Salaries (3)	(17,712,000)	(20,910,000)	(23,739,000)	(25,399,500)	(26,629,500)	(114,390,000)
Supplies and Materials (4)	(359,600)	(424,850)	(482,850)	(516,400)	(541,400)	(2,325,100)
Estimated Total District Savings	(18,071,600)	(21,334,850)	(24,221,850)	(25,915,900)	(27,170,900)	(116,715,100)
Net Negative Fiscal Impact on MNPS	\$ 47,159,840	\$ 55,732,940	\$ 63,367,140	\$ 67,759,060	\$ 71,039,060	\$ 305,058,040
General Purpose Fund Expenditure Budget (5)	\$ 746,420,300	\$ 780,009,214	\$ 815,109,628	\$ 851,789,561	\$ 890,120,092	\$ 4,083,448,795
Percentage of General Purpose Fund for Charter Schools	6.32%	7.15%	7.77%	7.95%	7.98%	7.47%

SOURCE: MNPS 2013-2014 ADOPTED BUDGET, CHARTER SCHOOL AND STUDENT ASSIGNMENT ENROLLMENT ESTIMATES AND THE MNPS PER PUPIL CALCULATION FOR CHARTER SCHOOLS PROVIDING TRANSPORTATION.

(1) INCLUDES THE PER PUPIL AMOUNT FOR CHARTER SCHOOLS THAT PROVIDE TRANSPORTATION

(2) ASSUMES 25 STUDENTS PER TEACHER

(3) ANNUAL POSITION COST OF \$61,500 PER 2013-2014 BUDGET PAGES 132-145

(4) ALLOCATION OF \$50 PER STUDENT FOR SUPPLIES AND MATERIALS

(5) ASSUMES AN AVERAGE INCREASE OF 4.5% IN GENERAL PURPOSE FUND EXPENDITURES BEGINNING IN 2016-2017

Appendix B, containing **Exhibits B-1** through **B-5** provides information on the impact on operating resources for the five recently-approved charter schools. One unique item in these reviews can be found in **Exhibit B-1**, regarding KIPP Elementary Conversion Charter School. Because conversion charter schools start with one grade and add an additional grade each year, the MNPS administrative cost component for the existing school remains in place throughout the transition period; thus, the administrative costs to MNPS remain for up to three years for the management of the non-charter portion of the conversion charter school during the transition period. This additional administrative cost would be borne by the district for any future conversion schools.

2.2 DIRECT OPERATING COSTS

Total Estimated Direct Operating Costs - \$514,363

There are three offices that directly support charter schools with General Purpose Fund resources involving the salaries and benefits for MNPS staff assigned to support the charter schools. These offices include the Office of Innovation, the Office of Information and Support, and the Office of Exceptional Student Services.

Office of Innovation - \$236,200

The direct General Purpose Fund costs for this office are shown on page 94 of the *2013-2014 MNPS Adopted Budget*. The responsibilities for this office include management of the charter school program, the Magnet School Assistance Program (MSAP) which is funded by a \$3.5 million grant for 2013-2014 and the Innovation Cluster. Because the one full time position in the budget, that of Coordinator of Charter Schools, along with one half of the salary for the Executive Director and 20 percent of a clerical position are the only General Purpose Fund compensation expenditures, it appears this budget of \$236,200 represents the total General Purpose Fund resources provided to support the charter school program. This is a fixed cost that will always be present in the General Purpose Fund for MNPS as long as there are any charter schools. As more charter schools are added, it appears it will be necessary to provide additional resources for this program to continue to be effectively managed.

Office of Information Management and Support - \$196,663

The Technology and Information Services Department is responsible for maintaining the student information system. Charter schools are required to use the MNPS *Power School* student information system, as MNPS is the entity authorized to provide the student information to the Tennessee Department of Education. The Information Management function has two data specialists assigned to work full time with the charter schools. These staff members enforce the data entry and monitoring of data as well as support training and reporting responsibilities for the charter schools. One manger is also assigned half time to support the charter schools.

Office of Information Management and Support - \$3,000 one-time cost Per New Charter School

The Office of Information Management and Support provides each charter school with two computers and a printer during the first year of operation so the charter school can participate in the MNPS *Power School* student information system. Each time a new charter school is approved, a total of \$3,000 is expended in the General Purpose Fund by this office (\$1,250 for each computer and \$500 for the printer) to provide the equipment to support the student data services requirement. Because this is a one-time expenditure that is necessary only when new charter schools are authorized, there is no ongoing estimated cost for this activity.

Office of Exceptional Student Services - \$81,500

The Office of Exceptional Student Services (OESS) provides services for all eligible students between the ages of three and 21. Services are provided based upon an Individualized Education Program (IEP). These services are provided to all students enrolled in MNPS-managed schools, as well as charter schools. This office is responsible for compliance with all federal requirements relating to the Individuals with Disabilities Education Act (IDEA). IDEA governs how states and public agencies provide early intervention, special education, and related services to children with disabilities. In December 2013, the charter schools in MNPS were serving 447 students via the IDEA program. One itinerant teacher is assigned to support the special education needs of the charter school students.

2.3 INDIRECT COSTS AND ISSUES

Indirect costs represent the cost of doing business for general administrative functions that cannot be easily separately identified and allocated to user schools/departments. These costs are typically associated with general overhead activities of an organization, such as finance and human resources, which benefit the entire organization. In many governmental entities, certain indirect costs are included in internal service funds which are established as an internal business within the entity and accounted for by identifying all of the related costs and charging the users for the services provided. These types of funds are often used to allocate the costs for services such as technology, copying/printing, and fleet maintenance. Other indirect costs, such those associated with finance, human resources, and student services, are not easily identified and thus, are usually managed as central functions of the governmental entities.

Rule 0520-140-0-03 of the Tennessee State Board of Education includes the following regarding the allocation of indirect costs to charter schools:

Allocations to the charter school may not be reduced by the LEA for administrative, indirect, or any other category of cost or charge except as specifically provided in a charter agreement. Any educational or operational services the authorizer provides for a fee may also exist in a separate contractual agreement between the charter school and the authorizer. However, approval of a separate services contract may not be a condition of approval of the charter agreement.

Unlike federal grant programs, MNPS does not recover any indirect costs related to the provision of services to charter schools.

MNPS has developed and installed a number of procedures to facilitate the processing of information to support the various functions of the district. These types of activities include personnel/payroll, employee benefits, student assignment services, information technology, transportation, federal programs, special education and English language services. Some of these services are provided to charter schools. With the exception of certain services provided on a fee basis by the Department for English Language Learners, MNPS receives no reimbursement for the cost of services provided to the charter schools.

Charter schools all have their own administrative systems and processes which will vary among the charter schools and are not easily integrated into the systems and processes used by MNPS. These variances in procedures often require MNPS staff to establish separate procedures to accommodate the charter schools.

Since charter schools are not an integral part of the administrative functions of MNPS, each school often requires special treatment including additional responsibilities for MNPS staff supporting charter schools that often lead to a reduction in attention to other responsibilities in the MNPS offices. The increasing number of charter schools has resulted in a situation where the MNPS staff is required to absorb the additional workload associated with these organizations. This has occurred incrementally as additional charter schools have been added and the charter school enrollment has increased annually. The incremental nature of the increase in the need for services to support charter schools has led to a situation where both charter schools and MNPS staff have expressed frustration with the added burden or added requirements.

The costs associated with these activities are not visible, as they often represent an increasing workload in the various support entities within MNPS, and are not reflected on any financial documents or management reports. When responding to the increasing needs of the charter schools, there may be less attention given to the basic functions required for all of the other schools and students in MNPS. In

some cases, specific employees, as noted in the Direct Cost Section, have been given the responsibility to handle charter school activities; in others, the charter school activities have added an additional level of responsibilities for existing staff. With the addition of each new charter school and the related enrollment increases from existing charters that are “growing” another grade, there is a multiplier effect that occurs annually.

The increasing indirect costs within MNPS have escalated on an annual basis because of the cumulative demand of the need for services from various MNPS central departments/offices. The first hint of these impacts can be seen in the increase in the number of charter schools and the related student enrollments summarized in **Exhibit 2**. There has been an incremental operating impact on MNPS that is reaching, or has already reached, a tipping point where it is becoming difficult for MNPS staff to effectively fulfil their responsibilities to both MNPS-managed schools and charter schools. MNPS staff has absorbed the additional responsibilities to support the charter schools as the schools became active within the district and this has only recently become a significant issue because of the expansion of charter schools and the additional grade levels offered each year by the charter schools.

Although charter schools are deemed to be independent entities, there are numerous areas where MNPS staff members are required to take on added responsibilities because of the existence of the charter schools. Some examples are as follows:

Human Capital Department

The Human Capital Department (HC) is responsible for gathering the appropriate forms and materials to ensure that all MNPS and charter school employees are entered into the MNPS human resources management system. This is necessary because of requirements to document that all teachers meet the qualifications to be “highly qualified,” per the No Child Left Behind (NCLB) Act of 2000 and the need to comply with Tennessee statutes requiring charter school employee participation in the local educational authority retirement and group insurance plans. The Human Capital Department is responsible to insure that all employees, including both MNPS and charter schools, are fingerprinted, entered into the MNPS personnel system, have verified documents to confirm the teachers are highly qualified, and to see that the necessary forms supporting employee benefits are provided.

An underlying issue in all personnel and benefits activities is the fact that charter schools have their own payroll/personnel systems, resulting in the need for MNPS staff to convert charter school information into a format that can be incorporated into the MNPS system.

Issues that interfere with the regular (MNPS) processing activities include items such as:

- ◆ Use of old forms;
- ◆ Confusion regarding the definitions of an employee as certified or support;
- ◆ Use of the hire date instead of the start date as it is the start date that is the basis for coverage of health insurance; and
- ◆ Termination dates that are not always sent to HC or to the Benefits Department.

These and other issues result in the need for follow-up by HC staff. Efforts have been made to minimize the above circumstances with employee orientations and formal communication to the charter school support staff; however, difficulties remain. The difficulties in processing information pertaining to charter school staff members is magnified with the continuing increase in the number of charter school staff members.

Office of Employee Benefits

TCA Title 8, Chapters 34-37 require that all teachers, be they in MNPS or in a charter school, be considered employees of the local board of education and the local board of education is responsible for all reporting and submission of funds to the Tennessee Consolidated Retirement system (TCRS).

In addition, as per Tennessee Code Annotated (TCA) 49-13-119. Group Insurance:

“Teachers, as defined in T.C.A. 8-34-101 and other full time and permanent employees of a public charter school, shall participate in the group insurance plans authorized in Title 8, Chapter 27, Part 3, in the same manner as teachers and other full-time permanent employees of the LEA.”

The requirement for charter school teachers to participate in TCRS and the MNPS group insurance program requires the MNPS Office of Employee Benefits to assure that charter school employees qualify for these programs and, in the case of teachers, assure that all reported time is time that can accurately be identified as pension earnings, as there are certain payments that appear on the time sheet of charter employees that cannot be treated as “pension earnings.” These items include lump sum payments for sick and annual leave, taxable payments that are not salary that may be subject to FICA withholding but do not qualify for TCRS retirement credit, retirement incentives, and a bonus for recruiting students. The support staff in the Office of Employee Benefits reviews each certified charter school payroll by employee and when the pay amounts vary from one period to the next, the charter school is contacted to determine if the payment should be reported as “pension earnings.”

MNPS makes the disbursements for both the TCRS and group health premium payments for all MNPS employees as well as for charter school employees. Charter schools are billed monthly to reimburse MNPS for these payments. In the case of a charter school that recently ceased operations, the charter was unable to pay its bills and MNPS did not receive over \$30,000 of the amounts due for the employee benefits. It was necessary for MNPS to absorb this cost within the General Purpose Fund.

Issues that have occurred with charter schools involving the Employee Benefits Office include:

- ◆ Dates of employee termination (this has an impact on the availability of coverage);
- ◆ Issues involving retiree coverage;
- ◆ Disputes regarding eligibility issues (what employees have to be covered);
- ◆ Attorney inquiries regarding who is the employer; MNPS or the charter school; and
- ◆ Different starting and termination dates for benefits, due to different school calendars.

Operational issues include:

- ◆ Fewer audits of all other benefit enrollments and premiums for accuracy;
- ◆ Delayed premium billings for employees on leave; and
- ◆ Delay in the handling of garnishments.

The District is attempting to address many of the above issues, along with concerns from the charter school point of view, by establishing orientations directed specifically to charter school staff.

Exceptional Education

Beyond the itinerant teacher assigned to work directly with the charter schools, a combination of two coordinators in the department collectively spend approximately 30 percent of their time on charter school issues. One coordinator supervises the itinerant teacher, coordinating activities as necessary, and the other handles the billing for the Individuals with Educational Disabilities Act (IDEA) for the charter schools. This function includes:

- ◆ Emailing each charter at the beginning of the school year explaining the IDEA program and the reimbursement process;
- ◆ After the two disability count dates, the charter schools are notified of their individual counts and funding;
- ◆ Purchase orders are completed to support charter school invoices for payment; and
- ◆ When invoices are submitted by the charter schools, a record is kept to track the available balance on the purchase order.

Office of English Learners

Federal law and the Office for Civil Rights guidelines require that school districts identify all students who have “*limited English proficiency*.” Those students are entitled to special language academic and cultural support services to overcome language barriers and to help them succeed in school. These requirements include all students, whether in MNPS-managed schools or in charter schools. Services to these students in MNPS are coordinated by the Office of English Learners (OEL). All of the services provided by OEL to MNPS schools are also provided to the charter schools. Charter school staff members are invited to OEL workshops and orientations and OEL spends a great deal of time responding to issues raised by the charter schools. There are often circumstances where English language learners who have enrolled in charter schools return to MNPS. These situations have been identified by OEL to be particularly time consuming.

Office of Federal Programs and Grants Management

The Office of Federal Programs and Grant Management (FPGM) is responsible for the centralized oversight and administration of the No Child Left Behind (NCLB) Act and other categorical grants. These responsibilities include the internal monitoring of all entitlements to MNPS students for both MNPS-managed schools and charter schools.

A majority of the issues involving charter schools for this office are related to the fact that charter schools have different financial systems, requiring separate accounting for charter schools, causing the need to reconcile financial information for federal programs. Although the charter schools are deemed to be independent entities, FPGM is responsible to assure that both MNPS and the charter schools are in compliance with all state and federal requirements.

Nutritional Services

The activities of the Nutritional Services Department (NSD) are accounted for in the Nutritional Services Special Revenue Fund. This fund is designed to break-even with revenues equaling expenditures. MNPS will be moving to a Community Eligibility Program (CEP) in 2014-2015 where all students will be eligible to receive school meals at no cost. It is anticipated that, based on the assumption that participation will increase, it may be possible for this program to continue on a break-even basis. However, there are challenges for providing the new CEP program in charter schools, especially the small ones and the ones that are still “growing” one grade at a time.

The NSD provides services to the seven charter schools currently located in MNPS facilities and will begin providing services to the new location of the KIPP Academy. The KIPP Academy will be moving grades 5 through 9 to the former Highland Heights school building that has been recently renovated by the Nashville Metropolitan Government. The NSD has four utility employees with the main responsibility for maintaining kitchen equipment. These staff members also provide internal deliveries as necessary. A current issue involves the opening of the newly renovated KIPP Academy which currently lacks adequate storage space to support the food services program. This will require up to three separate deliveries per week which will be provided by the in-house utility staff. All other school programs receive food deliveries direct from third party providers.

2.4 RECOMMENDATIONS FOR ADDRESSING INDIRECT COST ISSUES

RECOMMENDATION I

Develop a Process to Identify and Quantify Indirect Costs

A difficulty in identifying and understanding the level of indirect costs incurred by MNPS associated with the support of the charter schools is the lack of information to document the demand for services or identify the workload associated with these demands. It is one thing to try and estimate the time employees spend addressing charter school-related activities, but with the lack of a structured approach for gathering management information pertaining to the services provided by MNPS staff, it is difficult to provide any well-documented management information to support procedural or budgetary efforts to effectively manage the administrative responsibilities necessary to support the charter schools.

The current incremental approach which has had MNPS staff absorbing additional responsibilities associated with the support of the increasing number of charter schools has occurred in the absence of any process to define the collective impact of the expansion of the charter school program. **Exhibit 1** reflected the slow beginning of the charter school program at MNPS, with only three currently active charter schools being approved between 2003 and 2009 and two additional schools being approved in 2010. In 2010-2011, these charter schools served only 1,014 students. Since 2009, the number of charter schools has tripled with the addition of 14 new charter schools between 2011 and 2013. The number of active charter schools will increase by four for 2014-2015 and, by 2015-2016, there could be an even larger number of charter schools. **Exhibit 2** identified the actual and projected increases in enrollment for charter schools, showing an average increase of 35 percent for the period 2010-2011 through 2019-2020.

Exhibit 6 provides information from the MNPS budget documents which identifies the increasing resources being allocated to charter schools, but reflects no commensurate increases in the central Departments/Offices that are required to support the charter schools. In fact, staffing in most of the related central areas were decreased during this period. There is a section in each budget entitled, "Budget Concerns/Issues." The financial issues associated with the growing number of charter schools is not mentioned in these sections. There is no discussion of the potential of a current and expanding need for additional General Purpose Fund resources associated with this growing activity or a reallocation of staff from one area to another. There appears to be an assumption that the central organizations supporting the charter schools can continue to do so within existing resources.

EXHIBIT 6
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 REVIEW OF SELECTED BUDGET CHANGES
 2009-2010 THROUGH 2013-2014

Budget Changes	Positions Increased (Decreased)	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Budget Increases						
Charter Schools	-	\$ 5,654,000	\$ 291,600	\$ 5,961,600	\$ 7,525,600	\$ 14,262,900
English Learners - Outreach Translators	2.50	\$ -	\$ -	\$ -	\$ -	\$ 106,800
Budget Decreases						
Technology Personnel	(7.50)	\$ (366,000)	\$ -	\$ -	\$ -	\$ -
Special Ed Teachers	(8.00)	\$ (430,400)	\$ -	\$ -	\$ -	\$ -
Central Office Personnel	0.00	\$ -	\$ (1,540,500)	\$ -	\$ -	\$ -
Reductions Various Departments	(8.00)	\$ -	\$ (889,900)	\$ -	\$ -	\$ -
Adjustments to Various Departments	(34.70)	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: SUMMARY OF CHANGES TO OPERATING BUDGET FOR THE YEARS 2009-2010 THROUGH 2013-2014.

To effectively understand the fiscal impact of charter school activities on the overall operations of MNPS, there should be a consistent, credible method for gathering management information that will provide a basis for not only understanding the financial impact of charter schools, but also providing management with clear information pertaining to the activities of MNPS. It appears that MNPS would benefit from establishing a process of gathering the appropriate management information to help identify the financial impact of these programs, as well as to provide a basis for any future budgetary adjustments.

Management information for these activities includes more than estimating the time spent by staff members on certain functions or selectively identifying factors that are problematic. One way to effectively collect and accumulate useful management information is through a structured process that can be applied consistently across the MNPS organization.

One method of approaching this dilemma would be to identify specific indicators that can be used to recognize the functions performed by the various administrative entities within MNPS. This could be accomplished by developing performance indicators that will clearly communicate what is taking place within the various central offices of MNPS and provide a basis to better understand the impact charter schools have on these activities. Performance indicators could include the following categories:

- ◆ Demand – Indicators that identify the need for a program or service;
- ◆ Workload – The activities required to meet the demand;
- ◆ Productivity – A ratio of the amount of output to the amount of input related to the services provided; and
- ◆ Effectiveness – Indicators that identify how well the service is being performed.

To use this information effectively, data should be gathered on a yearly basis and the impact of each group of indicators should be evaluated in its entirety.

The following is an example how this information could be used for the MNPS Office of Employee Benefits.

DEMAND

The most significant issue facing the MNPS offices responsible for supporting the charter schools is the increase in the demand for services resulting from the expansion of the number of charter schools and the commensurate increase in enrollment. The measurement level for all central services begins with factors that create the need for the service.

As an example, the demand indicators for employee benefits services could include the following:

- ▶ Number of schools
 - Number of MNPS-managed schools
 - Number of charter schools
- ▶ Number of teachers:
 - Number of MNPS teachers
 - Number of charter school teachers
- ▶ Number of retirement programs
- ▶ Number of employees participating in retirement programs
 - MNPS employees
 - Charter school employees
- ▶ Number of health care programs
- ▶ Number of employees participating in health care programs
 - MNPS employees
 - Charter school employees

WORKLOAD

Workload is a function of the demand for the service. With an increasing number of charter schools and employees, the number of items to be processed will increase. In the case of the Office of Employee Benefits, the workload indicators could include the following:

- ▶ Number of benefit orientation meetings
 - MNPS staff
 - Charter school staff
- ▶ Number of employee retirements processed
 - MNPS staff
 - Charter school staff
- ▶ Number of employee benefit changes processed
 - MNPS staff
 - Charter school staff
- ▶ Number of charter school payrolls reviewed
 - Number of payroll exceptions identified for follow-up
- ▶ Number of charter school benefit questions
- ▶ Number of employee benefit changes
 - MNPS staff
 - Charter school staff

PRODUCTIVITY

Productivity is often viewed as a cost per unit. This is not appropriate in most cases involving central services because, as the number of units increase (i.e. number of charter school employees) the unit cost will automatically decrease, implying improved productivity. Therefore, this will not be an effective measure of the productivity of a unit. A more useful approach could be to look at the number of units processed as the workload indicators. Some productivity indicators for the Office of Employee Benefits could include the following:

- ▶ Number of employees per office of employee benefits staff member
 - Total
 - MNPS share
 - Charter schools' share
- ▶ Number of benefit changes processed per employee
 - Total number processed
 - MNPS
 - Charter schools
- ▶ Office of Employee Benefits cost per full-time employee
 - MNPS share
 - Charter schools' share
- ▶ Total Employee Benefits Office costs
 - MNPS share
 - Charter schools' share
- ▶ Benefits management as a percent of total expenditures

EFFECTIVENESS

Many of the effectiveness indicators could measure how effective the Office of Employee Benefits has been in communicating information to all users, MNPS and charter schools. The thought is to make the service providers responsible for effective communications with all users of the service.

- ▶ Effectiveness of orientation meetings and on-going training and communication
 - Number of exceptions to procedures
 - MNPS
 - Charter schools
- ▶ Number of times clarification of payroll items involving retirement pay is required
- ▶ Number of calls requiring clarification of policies/procedures
 - MNPS schools/departments
 - Charter schools
- ▶ Number of follow-up sessions with users to clarify procedures
 - MNPS
 - Charter schools
- ▶ Percentage of benefits forms processing completed on schedule
- ▶ Charter billings processed on schedule

This concept is just one of many possible approaches that may be used by MNPS to identify the impact of charter schools on the various central office functions. The key is for MNPS to recognize that the demands of the charter schools will increase as the program expands. Something will likely need to be done to accommodate these demands, either by revising/modifying procedures or increasing resources in certain central offices. This can only

be accomplished with a credible process for identifying both the fiscal and management impacts that charter schools have on the district and its ability to deliver services to the other schools and students in MNPS.

RECOMMENDATION 2

Separate Fund Accounting

The direct and indirect costs being incurred by MNPS result in the overstatement of certain MNPS operating costs in the General Purpose Fund, as these expenditures are not expended to support MNPS activities, but are a cost of supporting the charter schools. As MNPS becomes aware of the actual direct and indirect costs incurred to support charter schools, it may be appropriate to establish a separate fund to account for all of the costs related to this support. This would include using the appropriate accounting codes for the various offices, but accounting for them in a separate fund.

In the current environment where MNPS is not recovering any direct or indirect costs, these costs could be accounted for in the General Purpose Fund via a transfer to the Charter School Fund. In this way, the direct and indirect operating costs required to support the charter schools will be identified, and if at some point in the future the district and the charter schools agree to recover some or all of these costs, a system will be in place to accommodate this need. Although these costs are not currently charged to the charter schools, it is still important for MNPS to have a clear understanding of the direct and indirect operating costs being incurred by MNPS in support of the charter schools.

SECTION 3.0 CAPITAL COSTS AND ISSUES

This section of the review relates to capital costs, including the cost of leasing space to charter schools and other facility issues. There are two components of capital facility costs associated with the charter schools in MNPS. These components are described in the sections that follow. The section includes capital and facility recommendations.

- 3.1 Facility Capacity Analysis**
- 3.2 Facility Leasing Analysis**
- 3.3 Capital and Facility Recommendations**

3.1 FACILITY CAPACITY ANALYSIS

It is difficult to define the exact cost impact on MNPS related to facilities as future charter schools are approved. In theory, as the number of students in a public school is reduced (in this case because they are attending a charter instead of a district-managed school), the need for public school space would be equally reduced, thereby saving the district some portion of the cost of facility operations. In reality, however, this may occur and only in the **long term** when or if the number of students enrolled in charter schools from a particular attendance area reaches the point that the district is able to reduce the inventory and/or reduce the amount of planned new construction or the need for portable classrooms. In the current situation, the **short term** facility costs – identified as dollars per square foot per student (\$/SF/S) – actually increase because the amount of space remains a constant while the number of students, and corresponding per pupil funding, is reduced. For example, if a school of 90,000 SF can accommodate 500 students and the annual operating cost for that school is \$5.00/SF then the cost to operate that school is \$900 per student per year ($\$5 \times 90,000 \div 500 = \900). Clearly, if 25 students choose to attend a charter school, the school will still need to operate all 90,000 SF, even if one classroom is empty, and the cost of operations per student has increased from \$900 to \$947 per year. In addition, as described in **Section 2**, MNPS would be operating that school with reduced revenue to the general fund of \$227,150 (based on 25 students x \$9,070).

This section explores the issue of whether the opening of a charter school has the effect of offsetting this loss of revenue by reducing MNPS capital requirements. With this in mind, MGT conducted an examination of school capacity and where there would be a reasonable expectation that adding charter school space **could** reduce the need for new capital spending and the related facility operational costs. The total district enrollment is projected to increase by 13.8 percent over the next four years. However this projection varies widely among clusters and school levels, resulting in a different effect on capacity, depending on where the charter school students reside and their grade levels.

Exhibits 7 through **9** provide the current (2013-14) enrollment, the projected (2017-18) enrollment, capacity, and corresponding utilization rates for elementary, middle, and high school clusters. As shown in **Exhibit 7**, only three of the twelve elementary clusters have a projected average utilization rate of less than 90 percent. Five clusters are projected to exceed 100% utilization, with the Overton cluster at 124.5 percent. Since these are average utilization rates, it is likely that some individual schools within a cluster have lower utilization rates and therefore could accommodate growth, but others could be much higher. Many school districts have utilization targets for elementary schools in the 85-95 percent range in order to allow for growth or program adjustments, but most elementary school clusters in MNPS are at or near that target utilization. These data suggest that MNPS may need to add elementary school capacity in the future – or that new charter schools could reduce that need.

EXHIBIT 7
METROPOLITAN NASHVILLE PUBLIC SCHOOLS
ELEMENTARY SCHOOL ENROLLMENT / UTILIZATION

Cluster	Enrollment 2013-14	Projected 2017-18	Capacity	Utilization	
				Current	Projected
Antioch	4,097	4,400	4,506	90.9%	97.6%
Cane Ridge	3,025	3,550	3,157	95.8%	112.4%
Glenciff	3,597	4,005	3,312	108.6%	120.9%
Hillsboro	2,577	3,020	3,130	82.3%	96.5%
Hillwood	2,439	2,650	2,873	84.9%	92.2%
Hunters Lane	3,337	3,370	3,196	104.4%	105.4%
Maplewood	2,161	2,195	2,554	84.6%	85.9%
McGavock	4,729	5,105	4,970	95.2%	102.7%
Overton	3,888	4,765	3,826	101.6%	124.5%
Pearl-Cohn	1,903	2,140	2,233	85.2%	95.8%
Stratford	2,126	2,115	2,627	80.9%	80.5%
Whites Creek	1,794	1,830	2,213	81.1%	82.7%

SOURCE: MNPS DATA COMPILED BY MGT, 2014.

Exhibit 8 shows that utilization rates at the middle school level are different from elementary schools. Only five of the twelve middle school clusters have utilization rates above 100 percent and three are projected to be less than 75 percent by 2017-18. These data suggest that there is space at the middle school for enrollment growth, MNPS would not likely be building new or adding additional classrooms, and therefore there is less facility cost benefit from new charter schools serving this grade span.

EXHIBIT 8
METROPOLITAN NASHVILLE PUBLIC SCHOOLS
MIDDLE SCHOOL ENROLLMENT / UTILIZATION

Cluster	Enrollment 2013-14	Projected 2017-18	Capacity	Utilization	
				Current	Projected
Antioch	2,125	2,245	2,312	91.9%	97.1%
Cane Ridge	1,503	1,850	1,670	90.0%	110.8%
Glenciff	976	950	1,766	83.9%	98.7%
Hillsboro	1,118	1,220	1,166	95.9%	104.6%
Hillwood	1,354	1,465	1,234	109.7%	118.7%
Hunters Lane	1,835	2,005	2,443	75.1%	82.1%
Maplewood	864	870	1,614	53.5%	53.9%
McGavock	2,567	2,900	2,715	94.5%	106.8%
Overton	2,252	2,580	2,449	92.0%	105.3%
Pearl-Cohn	893	1,130	1,254	71.2%	90.1%
Stratford	778	830	1,292	60.2%	64.2%
Whites Creek	450	360	1,323*	49.4%	72.0%

*REDUCTION IN CAPACITY PLANNED

SOURCE: MNPS DATA COMPILED BY MGT, 2014.

Exhibit 9 provides information regarding utilization rates in the high school clusters. As shown, only two of twelve clusters have more than 100 percent utilization and three have less than 75 percent. Many districts recognize that high schools have more specialized classroom space types (e.g., CTE, music, art, special science labs, etc.) that are less flexibly used than general classrooms and therefore may not be easily used all periods of the school day. Thus, a typical utilization rate for high school is 75-85 percent. These data make clear that there is capacity for enrollment increases in ten of the twelve clusters and therefore less facility cost benefit from new charter schools serving this grade span.

EXHIBIT 9
METROPOLITAN NASHVILLE PUBLIC SCHOOLS
HIGH SCHOOL ENROLLMENT / UTILIZATION

Cluster	Enrollment 2013-14	Projected 2017-18	Capacity	Utilization	
				Current	Projected
Antioch	1,971	2,050	1,982	99.4%	103.4%
Cane Ridge	1,669	1,800	1,669	100.0%	107.8%
Glenciff	1,414	1,300	1,550	91.2%	83.9%
Hillsboro	1,209	1,275	1,359	89.0%	93.8%
Hillwood	1,200	1,350	1,727	69.5%	78.2%
Hunters Lane	1,610	1,600	2,056	78.3%	77.8%
Maplewood	973	900	1,449	67.1%	62.1%
McGavock	2,299	2,250	2,531	90.8%	88.9%
Overton	1,795	1,700	1,703	105.4%	99.8%
Pearl-Cohn	858	900	1,006	85.3%	89.5%
Stratford	717	750	1,200	59.8%	62.5%
Whites Creek	826	890	1,337	61.8%	66.6%

SOURCE: MNPS DATA COMPILED BY MGT, 2014.

As shown, there is a strong likelihood that charter schools located in clusters / school levels where enrollment is near or above capacity combined with projected growth (i.e., Cane Ridge, Glenciff, and Overton elementary clusters) will allow the District to realize reduced future capital costs. Conversely, charter schools located in clusters / school levels that have projected excess capacity (i.e., Maplewood and Stratford Middle and High Schools) will result in at least short- and perhaps long-term expense to the District due to less per pupil state and local funding and minimal reduction in operating costs. Actual savings or expenses will depend on the cost of capital construction for the type of facility and the annual operating cost per square foot of the particular facility. Therefore, based on the MNPS Charter School Resolution approved in November 2013 to prioritize new charters in “cluster tiers in which capacity is projected to exceed 120 percent...”¹, the fiscal capacity model should define where low, medium, and high priority clusters exist and utilize this strategy as a part of the process for determining charter approval.

¹ (See: <http://www.mnps.org/AssetFactory.aspx?did=89587>)

3.2 FACILITY LEASING ANALYSIS

Tennessee school districts are required to provide information regarding vacant and under-utilized buildings that are available for charter school use. Per TCA § 49-13-136 (c) (1), MNPS must annually provide the property list to the Department of Education and Comptroller of the Treasury who then make the list available to any charter that is operating or any sponsor seeking to establish a public charter school. MGT reviewed documents from MNPS that describe the under-utilized and vacant buildings as well as those currently under lease.

Under-utilized / Vacant Spaces. MNPS has identified 20 spaces as under-utilized or vacant. Some of the spaces are entire sites, others are only a portion of the space. **Exhibit 10** documents the sites identified as either under-utilized or vacant. As shown, there are several buildings in the Whites Creek and Stratford clusters and few in other areas. The blue highlights in the last column indicate sites that are currently leased to charter schools.

EXHIBIT 10
METROPOLITAN NASHVILLE PUBLIC SCHOOLS
UNDER-UTILIZED / VACANT SPACES

Region/Cluster	Building Name/Tier	# Classrooms vacant or Under-Utilized	Support Space Available	Whole / Portion	Lease Possibility	Comment
Whites Creek	Whites Cr. HS	8-10	Y	Portion	Y	A tour could be helpful
Whites Creek	Haynes MS	TBD	Y	Portion	N	Colocation with another school
Whites Creek	Ewing Park	N/A	Y	Whole	N	Leased to KIPP
Whites Creek	Robt. E. Lillard ES	TBD	Y	Portion	N	MNPS enrollment will increase with rezoning for Bordeaux ES
Stratford	Rosebank ES	6-8	Y	Portion	Y	A tour could be helpful
Stratford	Bailey MS	2-4	Y	Portion	N	Limited space may be needed
Stratford	Old Jere Baxter	N/A	Y	Whole	N	Leased by Liberty Coll. Aca. CS and entering agreement to sell
Stratford	Glenn EOS	TBD	Y	Portion	N	MNPS enrollment will increase with rezoning for Ross ES
Stratford	Litton MS	4-6	Y	Portion	Y	A tour could be helpful
Stratford	Inglewood ES	5-7	Y	Portion	Y	A tour could be helpful
Stratford	Stratford HS	TBD	Y	Portion	N	Unsafe during renovation
Stratford	Dalewood	NA	Y	Portion	N	Leased by East End Prep Charter
Pearl-Cohn	McKissack MS	4-6	Y	Portion	N	MNPS working to turnaround school

EXHIBIT 10 (CONTINUED)
METROPOLITAN NASHVILLE PUBLIC SCHOOLS
UNDER-UTILIZED / VACANT SPACES

Region/Cluster	Building Name/Tier	# Classrooms Vacant or Under-Utilized	Support Space Available	Whole / Portion	Lease Possibility	Comment
Pearl-Cohn	McCann	NA	Y	Whole	N	Partially leased by Nashville Prep Charter / partial occupied by Pencil Box Supply
McGavock	Ironwood	NA	Y	Whole	N	Partially leased by Spectrum of TN/ occupied by MNPS Music
Maplewood	Jere Baxter MS	2-3	Y	Portion	Y	A tour could be helpful
Maplewood	Gra-Mar MS	10-12	Y	Portion	Y	A tour could be helpful
Maplewood	Maplewood HS	3-4	Y	Portion	Y	A tour could be helpful
Hillsboro	Stokes	NA	Y	Whole	N	Portion leased to Lipscomb Univ. / occupied by MNPS
Hillwood	Brookmeade	NA	Y	Whole	N	Leased by LEAD Charter

SOURCE: MNPS DATA, COMPILED BY MGT, 2014.

MNPS leases space to various entities, as described above, at a cost intended to cover the utilities and other costs that the district would otherwise have to pay to maintain the integrity of the facility. In 2014, that long-term contracted cost/square foot is \$5.10 with a built-in annual increase of 2.0 percent. Schools that are state conversion charters pay a reduced cost of \$3/square foot and they pay no fee at all until fully converted to a charter. Charter schools that have a long-term lease on a facility can also accrue “rent credit” if they gain MNPS approval for capital cost improvements on the leased facilities, e.g., replacing a roof, upgrading windows or doors, etc.

MGT has worked with other school districts to “repurpose” un-needed or vacant school buildings. In some geographic areas, there is such availability of commercial space that schools are of little or no interest for leasing. In others, there is a need for such space for various purposes. MNPS does not have an excess of un-needed or vacant space and does not report requests from multiple outside agencies to lease such spaces. Therefore, it seems appropriate to maintain a low cost to charter schools who are serving MNPS students and to charge only that which covers the district’s costs including utilities, despite the fact that this cost/square foot price is low compared to typical commercial spaces. However, the lease fee does not address the district’s long-term depreciation and deferred maintenance costs for those facilities that MNPS will be incurring at some point. For example, when the McCann School, currently under partial lease to Nashville Prep Charter and also used as the LP Pencil Box Supply Center, needs a new roof or an electrical or plumbing upgrade, new flooring, window coverings, or

windows, there will have been no funds “gathered up” from Nashville Prep through the lease agreement to support those long-term costs.

3.3 CAPITAL AND FACILITY RECOMMENDATIONS

RECOMMENDATION 3

Add a depreciation cost to the amount charged to any agency leasing a MNPS facility.

MNPS should include a depreciation fee in any lease agreements, such that the lessee is supporting the long-term maintenance of the facility. Regardless of whether the lease is with a charter school or another entity, including depreciation is an appropriate cost of occupancy. Otherwise, MNPS is essentially subsidizing the lessee and reducing operating funds that could be used in other areas of the district’s budget. The district will need to carefully review and develop the depreciation fee structure so that lessees are not charged for depreciation that occurred prior to their occupancy. However, given that most facility components have a “life expectancy clock” that starts when the building is commissioned or system renovated, determining the rate and structure would not be difficult. In addition, the district may want to review whether **not charging** depreciation when leasing facilities to non-public agencies could be considered “a gift of public funds.”

RECOMMENDATION 4

Identify area(s) of the district where charter school growth would help offset the need for MNPS capital growth and expenditure.

In **Exhibit 10**, we described the vacant or available spaces. In **Exhibit 11**, we provide recommended utilization levels to be used as part of a financial impact model for reviewing future charter school applications. The goal of this chart is to identify areas within MNPS that are growing and where there is a need for student seat capacity beyond that available from MNPS. Theoretically, a new charter school approved in an area where there is a need for new capacity would reduce the capital costs for MNPS, while providing a positive learning experience for children.

It is important to note that the Board’s resolution dealt with applications to be reviewed in 2014 and it specified that the district would use enrollment projections based on 2017-18. Should the district determine that the growth of charter schools into cluster areas where capacity already exists is therefore “... contrary to the best interest of the pupils, district or community” (as described in Tennessee code), the resolution would need to be extended beyond 2014 applications and the 2017-18 data. MGT recommends that the annual *MNPS School Enrollment and Capacity Report* be used to identify possible enrollment clusters whose projected utilization rate falls into one of the categories shown below in **Exhibit 11**. As shown, proposed schools in areas where the projected utilization rate is already less than 75 percent would be identified as Low Priority and “red.” Those schools proposed in areas where the projected utilization rate is already greater than 100 percent would be identified as High Priority and “green lighted.”

EXHIBIT 11
MGT RECOMMENDED UTILIZATION CATEGORIES

Priority	Projected Utilization
Low	Less than 75%
Medium	76 – 100%
High	Greater than 100%

SOURCE: MGT OF AMERICA, INC., 2014.

In **Exhibit 12**, we have applied the utilization categories described above to the regions/clusters previously shown in **Exhibit 8**, and have used the color coding scheme identified in **Exhibit 11** to highlight the region/cluster based on whether the schools in that region need additional capacity from new charter schools (shown in green), have some need (shown in yellow), or have little/no need (shown in red). Note that the spaces in the Hillsboro and Hillwood Clusters are shown with both yellow and green to indicate that there is a possible need in the future for new or expanded charter schools to provide additional space opportunities at some, but not all levels. Given capacity and enrollment data available in 2014 and projected to 2017-18, in both the Hillsboro and Hillwood Clusters, there is a potential need at middle level, but less so for either elementary or high school. This activity might be more appropriately applied to all clusters in the district, using the data shown in **Exhibits 7 – 9** to identify area(s) where new charters would be helpful to ease over-crowding and other area(s) where new charters might better be conversions of existing schools since there are already too many vacant seats.

EXHIBIT 12
VACANT OR UNDERUTILIZED SPACE
BY UTILIZATION CATEGORY

Region/Cluster	Building Name/Tier	# Classrooms Vacant or Under-Utilized	Support Space Available	Whole / Portion	Lease Possibility	Comment
Whites Creek	Whites Cr. HS	8-10	Y	Portion	Y	A tour could be helpful
Whites Creek	Haynes MS	TBD	Y	Portion	N	Colocation with another school
Whites Creek	Ewing Park	N/A	Y	Whole	N	Leased to KIPP
Whites Creek	Robt. E. Lillard ES	TBD	Y	Portion	N	MNPS enrollment will increase with rezoning for Bordeaux ES
Stratford	Rosebank ES	6-8	Y	Portion	Y	A tour could be helpful
Stratford	Bailey MS	2-4	Y	Portion	N	Limited space may be needed
Stratford	Old Jere Baxter	N/A	Y	Whole	N	Leased by Liberty Coll. Aca. CS and entering agreement to sell
Stratford	Glenn EOS	TBD	Y	Portion	N	MNPS enrollment will increase with rezoning for Ross ES
Stratford	Litton MS	4-6	Y	Portion	Y	A tour could be helpful
Stratford	Inglewood ES	5-7	Y	Portion	Y	A tour could be helpful
Stratford	Stratford HS	TBD	Y	Portion	N	Unsafe during renovation
Stratford	Dalewood	NA	Y	Portion	N	Leased by East End Prep Charter
Pearl-Cohn	McKissack MS	4-6	Y	Portion	N	MNPS working to turnaround school

EXHIBIT 12 (CONTINUED)
VACANT OR UNDERUTILIZED SPACE
BY UTILIZATION CATEGORY

Region/Cluster	Building Name/Tier	# Classrooms Vacant or Under-Utilized	Support Space Available	Whole / Portion	Lease Possibility	Comment
Pearl-Cohn	McCann	NA	Y	Whole	N	Partially leased by Nashville Prep Charter / partial occupied by Pencil Box Supply
McGavock	Ironwood	NA	Y	Whole	N	Partially leased by Spectrum of TN/ occupied by MNPS Music
Maplewood	Jere Baxter MS	2-3	Y	Portion	Y	A tour could be helpful
Maplewood	Gra-Mar MS	10-12	Y	Portion	Y	A tour could be helpful
Maplewood	Maplewood HS	3-4	Y	Portion	Y	A tour could be helpful
Hillsboro	Stokes	NA	Y	Whole	N	Portion leased to Lipscomb Univ. / occupied by MNPS
MS only						
Hillwood	Brookmeade	NA	Y	Whole	N	Leased by LEAD Charter
MS only						

SOURCE: MNPS DATA, COMPILED BY MGT, 2014.

SECTION 4.0 FINANCIAL IMPACT MODEL FOR DECISION-MAKING

This section provides a model intended to be used for reviewing the financial impact of new charter schools when they apply for approval in MNPS. As described in **Section 1.0**, MNPS must transfer the full amount of the state and local tax dollars (for 2013-14 this was \$9,070) and, based on Rule 0520-140-0-03 of the Tennessee State Board of Education, this amount:

...may not be reduced by the LEA for administrative, indirect, or any other category of cost or charge except as specifically provided in a charter agreement.

From the analyses conducted and presented in **Sections 1.0**, it is clear that charter schools impose a cost on MNPS – both directly and indirectly. It is also clear from **Section 2.0** that the loss of operating funds caused by the transfer of revenue cannot likely be made up through a reduction in capital or facility costs. Therefore, approving future charter schools does potentially meet the “bar” described in Tennessee Code Annotated 49-13-108(b) which encourages local boards of education to consider fiscal impact in determining whether new charter schools may be “contrary to the best interest of the pupils, school district or community.” From this analysis, new charter schools will, with nearly 100 percent certainty, have a negative fiscal impact on MNPS:

- ◆ They will continue to cause the transfer of state and local per student funds without reducing operational costs.
- ◆ They will continue to increase direct and indirect costs.
- ◆ They will continue to negatively impact deferred maintenance at leased buildings.
- ◆ They may have an offsetting impact on capital costs, if they open in areas of need for increased capacity.

However, that likely negative fiscal impact should not arbitrarily lead to the Board denying future charter school applications. Based on student achievement data and information gained during on-site interviews with MNPS staff, nearly all of the charter schools currently operating in MNPS appear to be providing quality education for MNPS students. MNPS has regularly supported family choice and has identified charter schools as one of the choices that parents can make.

From our interviews and experience in MNPS, it is clear that student learning is the highest goal. Nothing in this review should be interpreted as suggesting that the education provided to students in approved charter schools is any less important nor any less appropriate or supportive of student learning than that provided in district-managed schools. In fact, MGT was impressed by the level of oversight and monitoring that currently exists relative to charter school operations and performance. The district is commended for developing its **Academic Performance Framework** (APF) and applying those same criteria when reviewing charter school performance. There were suggestions from some during our visit that MGT’s model for charter school approval should be based solely on student performance. However, since the model is intended to be used proactively, before a charter school is approved, it is difficult to judge charter schools on student performance, unless their application is for a replication school.

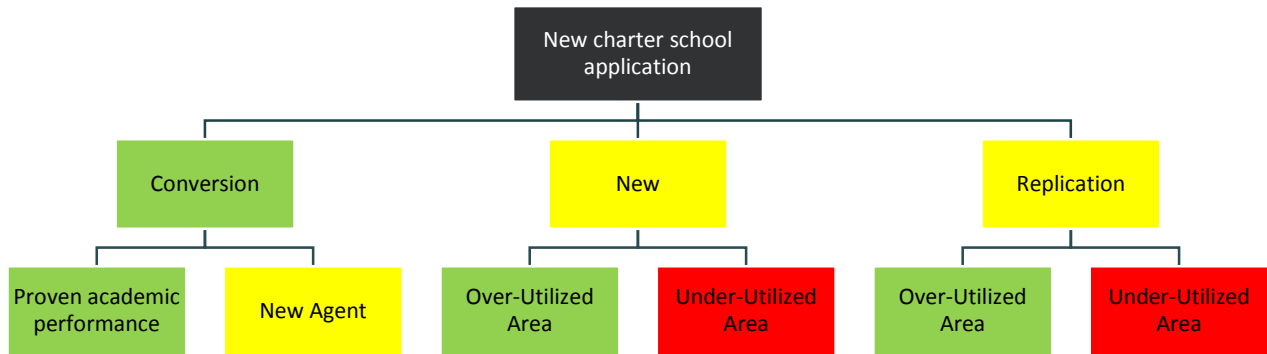
The model shown below in **Exhibit 13** includes several components for future decision-making regarding the approval of charter school applications:

- ◆ Whether the application represents a conversion school, a new agent, or a replication school.
- ◆ Where the school is planned to be located

- ♦ If the agent for the replication school has evidence of improved student learning in their other schools and/or a proven track record for turning around “target” schools.

For this decision-making model, we have utilized the same color scheme described earlier in **Exhibit 11**. If a school application falls in a box shown in GREEN, it should be considered as a school that may be needed to address either over-crowding within the region/cluster or to address student achievement. If a school application falls into a box shown in RED, it is not needed to address over-crowding. If a school application falls into a box shown in YELLOW, it needs further review, based on its location and whether it could become a Conversion School that could address high priority student learning needs.

EXHIBIT 13
PROPOSED MODEL FOR CHARTER SCHOOL DECISIONS



MGT recommends that MNPS consider adopting this model for the review of future charter school applications. The model can provide guidance regarding the location and the student learning needs for new charter schools aimed at supporting MNPS students. In addition, MGT encourages MNPS to review and implement the recommendations regarding direct and indirect costs and lease fees.

Without changes regarding MNPS charges for indirect or direct costs, the continued approval of new charter schools will have a negative impact on the operating budget for MNPS. Use of this model for review and decision-making may provide the structure to make those decisions based on student learning needs and capital facility cost reductions that will benefit the district as a whole.

APPENDIX A

APPENDIX A-1
MNPS BUDGETED EXPENDITURES
GENERAL PURPOSE FUND
ADOPTED BUDGET FOR 2013-2014

District Function	General Administration	School Support	School Instruction	Support Services	Total Expenditures
Director of Schools	\$ 723,300	\$ -	\$ -	\$ -	\$ 723,300
Board of Education	\$ 404,500	\$ -	\$ -	\$ -	\$ 404,500
Chief Financial Officer	\$ 460,300	\$ -	\$ -	\$ -	\$ 460,300
Alignment Nashville	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Human Capital	\$ 4,653,100	\$ -	\$ -	\$ -	\$ 4,653,100
Employee Relations	\$ 615,000	\$ -	\$ -	\$ -	\$ 615,000
Employee Benefits	\$ 764,200	\$ -	\$ -	\$ -	\$ 764,200
Chief Operating Officer	\$ 194,400	\$ -	\$ -	\$ -	\$ 194,400
Purchasing	\$ 747,600	\$ -	\$ -	\$ -	\$ 747,600
Fiscal Services	\$ 1,250,800	\$ -	\$ -	\$ -	\$ 1,250,800
School Audit	\$ 666,700	\$ -	\$ -	\$ -	\$ 666,700
Postage	\$ 225,000	\$ -	\$ -	\$ -	\$ 225,000
Student Assignment Services	\$ -	\$ 922,300	\$ -	\$ -	\$ 922,300
Customer Services Center	\$ -	\$ 697,600	\$ -	\$ -	\$ 697,600
Public Information	\$ 969,300	\$ -	\$ -	\$ -	\$ 969,300
Leadership and Learning	\$ -	\$ 3,821,000	\$ -	\$ -	\$ 3,821,000
Office of Innovation	\$ -	\$ 236,200	\$ -	\$ -	\$ 236,200
Student Support Services	\$ -	\$ 1,182,000	\$ -	\$ -	\$ 1,182,000
Federal Programs and Grants	\$ -	\$ 349,900	\$ -	\$ -	\$ 349,900
School Counseling Services	\$ -	\$ 289,000	\$ -	\$ -	\$ 289,000
In School Suspension	\$ -	\$ -	\$ 2,016,000	\$ -	\$ 2,016,000
Homebound Program	\$ -	\$ -	\$ 132,800	\$ -	\$ 132,800
Drug and Alcohol Education	\$ -	\$ 16,000	\$ -	\$ -	\$ 16,000
Gifted and Talented Program	\$ -	\$ 2,472,000	\$ -	\$ -	\$ 2,472,000
Advanced Academics	\$ -	\$ 1,282,300	\$ -	\$ -	\$ 1,282,300
Psychological Services	\$ -	\$ 4,198,500	\$ -	\$ -	\$ 4,198,500
Research, Assessment and Evaluation	\$ -	\$ 1,905,300	\$ -	\$ -	\$ 1,905,300
Library Information Services	\$ -	\$ 621,800	\$ -	\$ -	\$ 621,800
Information Management	\$ 1,905,200	\$ -	\$ -	\$ -	\$ 1,905,200
Information Technology	\$ 12,074,200	\$ -	\$ -	\$ -	\$ 12,074,200
Textbooks	\$ -	\$ 5,758,100	\$ -	\$ -	\$ 5,758,100
District Staff Development	\$ -	\$ 1,988,700	\$ -	\$ -	\$ 1,988,700
Learning Technology	\$ -	\$ 1,391,400	\$ -	\$ -	\$ 1,391,400
Principal Leadership	\$ -	\$ 140,000	\$ -	\$ -	\$ 140,000

District Function	General Administration	School Support	School Instruction	Support Services	Total Expenditures
Supplementary Teacher Pay	\$ -	\$ -	\$ 3,755,200	\$ -	\$ 3,755,200
STEM Program	\$ -	\$ -	\$ 252,423,500	\$ -	\$ 252,423,500
ROTC Teaching	\$ -	\$ -	\$ 5,731,400	\$ -	\$ 5,731,400
Principals	\$ -	\$ -	\$ 665,200	\$ -	\$ 665,200
Counseling Services	\$ -	\$ 1,149,900	\$ -	\$ -	\$ 1,149,900
Library Services	\$ -	\$ -	\$ 27,969,400	\$ -	\$ 27,969,400
Substitutes	\$ -	\$ 490,900	\$ -	\$ -	\$ 490,900
Health Services	\$ -	\$ -	\$ 691,200	\$ -	\$ 691,200
Substitutes Special Education	\$ -	\$ 723,400	\$ -	\$ -	\$ 723,400
School Funding Allocation	\$ -	\$ -	\$ 3,663,100	\$ -	\$ 3,663,100
Regular Teaching	\$ -	\$ -	\$ 300,000	\$ -	\$ 300,000
Pre-K Instruction	\$ -	\$ 80,000	\$ -	\$ -	\$ 80,000
Classroom Preparation Pay	\$ -	\$ 278,800	\$ -	\$ -	\$ 278,800
English Language Learners Supervision	\$ -	\$ -	\$ 7,443,500	\$ -	\$ 7,443,500
English Language Learners	\$ 1,923,300	\$ -	\$ -	\$ -	\$ 1,923,300
Smaller Learning Communities	\$ -	\$ -	\$ 2,702,600	\$ -	\$ 2,702,600
Vanderbilt Math and Science	\$ -	\$ -	\$ 7,250,700	\$ -	\$ 7,250,700
Music Makes Us	\$ -	\$ 5,948,900	\$ -	\$ -	\$ 5,948,900
Campus Supervisors	\$ -	\$ 222,800	\$ -	\$ -	\$ 222,800
Fee Waivers	\$ -	\$ 1,120,200	\$ -	\$ -	\$ 1,120,200
Homework Hotline	\$ -	\$ -	\$ 845,900	\$ -	\$ 845,900
Career/Tech Ed supervision	\$ -	\$ -	\$ 65,415,400	\$ -	\$ 65,415,400
Career/Tech Education	\$ -	\$ -	\$ 567,400	\$ -	\$ 567,400
Metro Government Charges	\$ -	\$ -	\$ 2,200,000	\$ -	\$ 2,200,000
Alternative Learning Centers	\$ -	\$ 342,700	\$ -	\$ -	\$ 342,700
Non-Traditional Schools	\$ -	\$ 4,835,000	\$ -	\$ -	\$ 4,835,000
Student Assignment Plan	\$ -	\$ 1,681,300	\$ -	\$ -	\$ 1,681,300
Special Education Counseling	\$ -	\$ 3,101,600	\$ -	\$ -	\$ 3,101,600
Special Education Supervision	\$ 130,200	\$ -	\$ -	\$ -	\$ 130,200
Special Education Principals	\$ -	\$ 14,386,100	\$ -	\$ -	\$ 14,386,100
Special Education Teaching	\$ -	\$ 7,413,200	\$ -	\$ -	\$ 7,413,200
Extended Contract	\$ -	\$ -	\$ 3,755,200	\$ -	\$ 3,755,200
Career Ladder	\$ -	\$ -	\$ 252,423,500	\$ -	\$ 252,423,500
Attendance Services	\$ -	\$ -	\$ 5,731,400	\$ -	\$ 5,731,400
Cluster Based Student Support	\$ -	\$ -	\$ 665,200	\$ -	\$ 665,200
Family and Community Services	\$ -	\$ 1,149,900	\$ -	\$ -	\$ 1,149,900
Transportation Supervision	\$ -	\$ -	\$ 27,969,400	\$ -	\$ 27,969,400
Stockroom	\$ -	\$ 490,900	\$ -	\$ -	\$ 490,900
Operation of School Buses	\$ -	\$ -	\$ 691,200	\$ -	\$ 691,200
Operation of Special Education Busses	\$ -	\$ 723,400	\$ -	\$ -	\$ 723,400

District Function	General Administration	School Support	School Instruction	Support Services	Total Expenditures
Support Bus Drivers	\$ -	\$ 600,300	\$ -	\$ -	\$ 600,300
Bus Monitors	\$ -	\$ 5,382,400	\$ -	\$ -	\$ 5,382,400
Maintenance of Vehicles	\$ -	\$ -	\$ -	\$ 4,219,200	\$ 4,219,200
MTA Bus Pass	\$ -	\$ 700,000	\$ -	\$ -	\$ 700,000
Portable Moving	\$ -	\$ -	\$ -	\$ 455,000	\$ 455,000
Custodial and Grounds Services	\$ -	\$ -	\$ -	\$ 23,259,700	\$ 23,259,700
Utilities-Natural Gas	\$ -	\$ -	\$ -	\$ 3,834,400	\$ 3,834,400
Utilities-Water & Sewer	\$ -	\$ -	\$ -	\$ 3,586,600	\$ 3,586,600
Utilities-Electricity	\$ -	\$ -	\$ -	\$ 23,296,500	\$ 23,296,500
Utilities-Telephones	\$ -	\$ -	\$ -	\$ 1,342,000	\$ 1,342,000
Utilities-Waste Disposal	\$ -	\$ -	\$ -	\$ 839,100	\$ 839,100
Radio Transmission	\$ -	\$ -	\$ -	\$ 251,100	\$ 251,100
Fixed Asset and Inventory Control	\$ 3,022,300	\$ -	\$ -	\$ -	\$ 3,022,300
Delivery and Mail Services	\$ 478,500	\$ -	\$ -	\$ -	\$ 478,500
Safety and Security	\$ 2,402,500	\$ -	\$ -	\$ -	\$ 2,402,500
Athletic Event Security	\$ -	\$ 346,700	\$ -	\$ -	\$ 346,700
Maintenance Supervision	\$ -	\$ -	\$ -	\$ 606,400	\$ 606,400
Construction Supervisor	\$ -	\$ -	\$ -	\$ 535,400	\$ 535,400
Maintenance of Facilities	\$ -	\$ -	\$ -	\$ 17,494,200	\$ 17,494,200
Unemployment Compensation	\$ 750,000	\$ -	\$ -	\$ -	\$ 750,000
Rental of Land and Buildings	\$ -	\$ -	\$ -	\$ 466,100	\$ 466,100
Retiree Group Insurance Certified	\$ 20,975,000	\$ -	\$ -	\$ -	\$ 20,975,000
Employee Death Benefits	\$ 74,000	\$ -	\$ -	\$ -	\$ 74,000
Employee Injuries	\$ 3,845,300	\$ -	\$ -	\$ -	\$ 3,845,300
Retirement Sick Leave Pay Certified	\$ 1,830,100	\$ -	\$ -	\$ -	\$ 1,830,100
Retirement Sick Leave Pay Support	\$ 208,100	\$ -	\$ -	\$ -	\$ 208,100
Buildings and Contents Insurance	\$ 876,200	\$ -	\$ -	\$ -	\$ 876,200
Boiler and Elevator Inspections	\$ -	\$ -	\$ -	\$ 80,000	\$ 80,000
Insurance Reserve	\$ 14,700	\$ -	\$ -	\$ -	\$ 14,700
Liability Insurance	\$ 1,290,600	\$ -	\$ -	\$ -	\$ 1,290,600
Guaranteed Pension Payment	\$ 4,285,000	\$ -	\$ -	\$ -	\$ 4,285,000
Other Expense	\$ 5,010,000	\$ -	\$ -	\$ -	\$ 5,010,000
Legal Services	\$ 192,000	\$ -	\$ -	\$ -	\$ 192,000
District Dues	\$ 72,100	\$ -	\$ -	\$ -	\$ 72,100
Adult Education Program	\$ -	\$ -	\$ 378,500	\$ -	\$ 378,500
Transfer to Charter Schools	\$ -	\$ -	\$ 39,454,500	\$ -	\$ 39,454,500
Reimbursable Projects	\$ -	\$ 1,599,800	\$ -	\$ -	\$ 1,599,800
Total Expenditures	\$ 73,183,500	\$ 83,022,000	\$ 509,949,100	\$ 80,265,700	\$ 746,420,300
Percentage of Total Expenditures	9.80%	11.12%	68.32%	10.75%	100.00%

SOURCE: ADOPTED BUDGET 2013-2014.

APPENDIX B

ESTIMATED IMPACT ON OPERATING RESOURCES FOR CHARTER SCHOOLS APPROVED IN JUNE 2014

SUMMARY OF 2014 APPROVED CHARTER SCHOOL APPLICATIONS

As identified in **Exhibit 5**, MNPS is required to transfer funds when a new charter school is approved and MNPS may have no net reduction in operating expenses to offset this transfer. The following tables provide information regarding the revenue and operating resource impact for each of the five charter schools approved by the Board in July 2014.

As shown in Attachment B-1 for the new KIPP Conversion School, the estimated 2015-16 net negative impact on MNPS is \$1,597,396 and ends with a five-year total estimated to be \$12,631,948. The KIPP School is a planned conversion and is expected to identify one of the district's "target" schools, defined as persistently low achieving. Based on the MGT model, a conversion school - if it is one that is located in an over-utilized region or cluster - carries less of a financial impact than a new charter school proposed for other regions. However, the financial impact of this conversion is clear: with the approval of this school, MNPS will have \$12,631,948 less to support on-going operations at the end of 2019-20.

- B-1 KIPP Elementary Conversion Charter School**
- B-2 Rocketship Nashville Charter School**
- B-3 Valor Collegiate Academy**
- B-4 Knowledge Academy High School Charter School**
- B-5 STEM Preparatory Academy Charter School**

APPENDIX B-1
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 ESTIMATED FINANCIAL IMPACT ON OPERATING RESOURCES
 KIPP ELEMENTARY CONVERSION CHARTER SCHOOL
 FIVE YEAR PERIOD 2015-2016 THROUGH 2019-2020

Estimated Enrollment	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Five Year Total
Grade K	96	96	96	96	96	480
Grade 1	96	96	96	96	96	480
Grade 2		96	96	96	96	384
Grade 3			96	96	96	288
Grade 4				96	96	192
Total Estimated Enrollment	192	288	384	480	480	1,824
Estimated Per Pupil Amount (1)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)
Estimated ADM Revenue	(1,741,440)	(2,612,160)	(3,482,880)	(4,353,600)	(4,353,600)	(16,543,680)
Technology Costs to Support Student Data System	\$ (3,000)	\$ -	\$ -	\$ -	\$ -	\$ (3,000)
Administrative Staffing						
Principal	\$ (118,000)	\$ (118,000)	\$ (118,000)	\$ -	\$ -	\$ (354,000)
Assistant Principal	\$ (91,700)	\$ (91,700)	\$ (91,700)	\$ -	\$ -	\$ (275,100)
Bookkeeper	\$ (46,300)	\$ (46,300)	\$ (46,300)	\$ -	\$ -	\$ (138,900)
Secretary/Clerk	\$ (36,300)	\$ (36,300)	\$ (36,300)	\$ -	\$ -	\$ (108,900)
Employee Benefits	\$ (95,056)	\$ (95,056)	\$ (95,056)	\$ -	\$ -	\$ (285,168)
Total Administrative Costs	\$ (387,356)	\$ (387,356)	\$ (387,356)	\$ -	\$ -	\$ (1,162,068)
Total Costs/Lost Revenues	\$(2,131,796)	\$(2,999,516)	\$(3,870,236)	\$(4,353,600)	\$(4,353,600)	\$ (17,708,748)
Estimated MNPS Savings						
Teaching Staff (2)	9	13	17	21	21	81
Estimated Teacher Salaries and Benefits (3)	\$ 524,800	\$ 787,200	\$ 1,049,600	\$ 1,312,000	\$ 1,312,000	\$ 4,985,600
Supplies and Materials (4)	\$ 9,600	\$ 14,400	\$ 19,200	\$ 24,000	\$ 24,000	\$ 91,200
Total District Savings	\$ 534,400	\$ 801,600	\$ 1,068,800	\$ 1,336,000	\$ 1,336,000	\$ 5,076,800
Net Negative Fiscal Impact on MNPS	\$(1,597,396)	\$(2,197,916)	\$(2,801,436)	\$(3,017,600)	\$(3,017,600)	\$ (12,631,948)

SOURCE: KIPP ACADEMY NASHVILLE CONVERSION CHARTER APPLICATION, 2013-2014 ADOPTED BUDGET, AND 2013-2014 PER PUPIL FUNDING CALCULATION.

(1) INCLUDES TRANSPORTATION

(2) ASSUMES 22.5 STUDENTS PER TEACHER AS THIS SCHOOL WILL BE A CONVERSION CHARTER SCHOOL AND ABSORB THE EQUIVALENT OF ALL OF THE EXISTING STAFF IN A SINGLE SCHOOL.

(3) ANNUAL POSITION COST OF \$61,500 PER 2013-2014 BUDGET PAGES 132-145

(4) ALLOCATION OF \$50 PER STUDENT FOR SUPPLIES AND MATERIALS

APPENDIX B-2
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 ESTIMATED FINANCIAL IMPACT ON OPERATING RESOURCES
 ROCKETSHIP NASHVILLE CHARTER SCHOOL
 FIVE YEAR PERIOD 2015-2016 THROUGH 2019-2020

Estimated Enrollment	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Five Year Total
Grade K	112	112	112	112	112	560
Grade 1	112	112	112	112	112	560
Grade 2	112	112	112	112	112	560
Grade 3	56	112	112	112	112	504
Grade 4	56	56	112	112	112	448
Total Estimated Enrollment	448	504	560	560	560	2,632
Estimated Per Pupil Amount (1)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)
Estimated ADM Revenue	\$(4,063,360)	\$(4,571,280)	\$(5,079,200)	\$(5,079,200)	\$(5,079,200)	\$(23,872,240)
Technology Costs to Support Student Data System	\$ (3,000)	\$ -	\$ -	\$ -	\$ -	\$ (3,000)
Net Cost/Loss of Revenue for NNPS General Purpose Fund	\$(4,066,360)	\$(4,571,280)	\$(5,079,200)	\$(5,079,200)	\$(5,079,200)	\$(23,875,240)
Estimated District Savings						
Teaching Staff (2)	20	22	25	25	25	117
Estimated Teacher Salaries and Benefits (3)	\$ 1,224,533	\$ 1,377,600	\$ 1,530,667	\$ 1,530,667	\$ 1,530,667	\$ 7,194,133
Supplies and Materials (5)	\$ 22,400	\$ 25,200	\$ 28,000	\$ 28,000	\$ 28,000	\$ 131,600
Total District Savings	\$ 1,246,933	\$ 1,402,800	\$ 1,558,667	\$ 1,558,667	\$ 1,558,667	\$ 7,325,733
Net Negative Fiscal Impact on MNPS	\$(2,819,427)	\$(3,168,480)	\$(3,520,533)	\$(3,520,533)	\$(3,520,533)	\$(16,549,507)

SOURCE: ROCKETSHIP NASHVILLE CHARTER APPLICATION, 2013-2014 ADOPTED BUDGET, AND 2013-2014 PER PUPIL FUNDING CALCULATION

- (1) INCLUDES TRANSPORTATION
- (2) ASSUMES 22.5 STUDENTS PER TEACHER
- (3) ANNUAL POSITION COST OF \$61,500 PER 2013-2014 BUDGET PAGES 132-145
- (4) ALLOCATION OF \$50 PER STUDENT FOR SUPPLIES AND MATERIALS

APPENDIX B-3
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 ESTIMATED FINANCIAL IMPACT ON OPERATING RESOURCES
 VALOR COLLEGIATE ACADEMY CHARTER SCHOOL
 FIVE YEAR PERIOD 2015-2016 THROUGH 2019-2020

Estimated Enrollment	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Five Year Total
Grade K	120	120	120	120	120	600
Grade 1	115	115	115	115	115	575
Grade 2		110	110	110	110	440
Grade 3			105	105	105	315
Grade 4				100	100	200
Total Estimated Enrollment	235	345	450	550	550	2,130
Estimated Per Pupil Amount (1)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)
Estimated ADM Revenue	\$ (2,131,450)	\$ (3,129,150)	\$ (4,081,500)	\$ (4,988,500)	\$ (4,988,500)	\$ (19,319,100)
Technology Costs to Support Student Data System	\$ (3,000)	\$ -	\$ -	\$ -	\$ -	\$ (3,000)
Net Cost/Loss of Revenue for NNPS General Purpose Fund	\$ (2,134,450)	\$ (3,129,150)	\$ (4,081,500)	\$ (4,988,500)	\$ (4,988,500)	\$ (19,322,100)
Estimated District Savings						
Teaching Staff (2)	10	15	20	24	24	95
Estimated Teacher Salaries and Benefits (3)	\$ 642,333	\$ 943,000	\$ 1,230,000	\$ 1,503,333	\$ 1,503,333	\$ 5,822,000
Supplies and Materials (5)	\$ 11,750	\$ 17,250	\$ 22,500	\$ 27,500	\$ 27,500	\$ 106,500
Total District Savings	\$ 654,083	\$ 960,250	\$ 1,252,500	\$ 1,530,833	\$ 1,530,833	\$ 5,928,500
Net Negative Fiscal Impact on MNPS	\$ (1,480,367)	\$ (2,168,900)	\$ (2,829,000)	\$ (3,457,667)	\$ (3,457,667)	\$ (13,393,600)

SOURCE: VALOR ACADEMY CHARTER APPLICATION, 2013-2014 ADOPTED BUDGET, AND 2013-2014 PER PUPIL FUNDING CALCULATION

- (1) INCLUDES TRANSPORTATION
- (2) ASSUMES 22.5 STUDENTS PER TEACHER
- (3) ANNUAL POSITION COST OF \$61,500 PER 2013-2014 BUDGET PAGES 132-145
- (4) ALLOCATION OF \$50 PER STUDENT FOR SUPPLIES AND MATERIALS

APPENDIX B-4
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 ESTIMATED FINANCIAL IMPACT ON OPERATING RESOURCES
 KNOWLEDGE ACADEMY HIGH SCHOOL CHARTER SCHOOL
 FIVE YEAR PERIOD 2015-2016 THROUGH 2019-2020

Estimated Enrollment	2015-2016	2016-2017	201720-18	2018-2019	2019-2020	Five Year Total
Grade 9	110	110	110	110	110	550
Grade 10		105	105	105	105	420
Grade 11			99	99	99	297
Grade 12				94	94	188
Total Estimated Enrollment	110	215	314	408	408	1,455
Estimated Per Pupil Amount (1)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)
Estimated ADM Revenue	\$ (997,700)	\$(1,950,050)	\$(2,847,980)	\$(3,700,560)	\$(3,700,560)	\$(13,196,850)
Technology Costs to Support Student Data System	\$ (3,000)	\$ -	\$ -	\$ -	\$ -	\$ (3,000)
Net Cost/Loss of Revenue for NNPS General Purpose Fund	\$(1,000,700)	\$(1,950,050)	\$(2,847,980)	\$(3,700,560)	\$(3,700,560)	\$(13,199,850)
Estimated District Savings						
Teaching Staff (3)	3	7	10	13	13	49
Estimated Teacher Salaries and Benefits (4)	\$ 214,762	\$ 419,762	\$ 613,048	\$ 796,571	\$ 796,571	\$ 2,840,714
Supplies and Materials (6)	\$ 5,500	\$ 10,750	\$ 15,700	\$ 20,400	\$ 20,400	\$ 72,750
Total District Savings	\$ 220,262	\$ 430,512	\$ 628,748	\$ 816,971	\$ 816,971	\$ 2,913,464
Net Negative Fiscal Impact on MNPS	\$ (780,438)	\$(1,519,538)	\$(2,219,232)	\$(2,883,589)	\$(2,883,589)	\$(10,286,386)

SOURCE: KNOWLEDGE ACADEMY HIGH SCHOOL CHARTER APPLICATION, 2013-2014 ADOPTED BUDGET, AND 2013-2014 PER PUPIL FUNDING CALCULATION

- (1) INCLUDES TRANSPORTATION
- (2) NOT INCLUDED IN PROPOSAL, ASSUME TOTAL SIMILAR TO 2018-2019
- (3) ASSUMES 31.5 STUDENTS PER TEACHER
- (4) ANNUAL POSITION COST OF \$61,500 PER 2013-2014 BUDGET PAGES 132-145
- (5) ALLOCATION OF \$50 PER STUDENT FOR SUPPLIES AND MATERIALS

APPENDIX B-5
 METROPOLITAN NASHVILLE PUBLIC SCHOOLS
 ESTIMATED FINANCIAL IMPACT ON OPERATING RESOURCES
 STEM PREPARATORY ACADEMY CHARTER SCHOOL
 FIVE YEAR PERIOD 2015-2016 THROUGH 2019-2020

Estimated Enrollment	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Five Year Total
Grade 9	130	130	130	130	130	650
Grade 10		120	120	120	120	480
Grade 11			118	118	118	354
Grade 12				115	115	230
Total Estimated Enrollment	130	250	368	483	483	1,714
Estimated Per Pupil Amount (1)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)	\$ (9,070)
Estimated ADM Revenue	\$(1,179,100)	\$(2,267,500)	\$(3,337,760)	\$(4,380,810)	\$(4,380,810)	\$(15,545,980)
Technology Costs to Support Student Data System	\$ (3,000)	\$ -	\$ -	\$ -	\$ -	\$ (3,000)
Net Cost/Loss of Revenue for MNPS General Purpose Fund	\$(1,184,180)	\$(2,271,500)	\$(3,343,648)	\$(4,388,538)	\$(4,388,538)	\$(15,576,404)
Estimated District Savings						
Teaching Staff (2)	4	8	12	15	15	54
Estimated Teacher Salaries and Benefits (3)	\$ 253,810	\$ 488,095	\$ 718,476	\$ 943,000	\$ 943,000	\$ 3,346,381
Supplies and Materials @ \$50 per student (5)	\$ 6,500	\$ 12,500	\$ 18,400	\$ 24,150	\$ 24,150	\$ 85,700
Total District Savings	\$ 260,310	\$ 500,595	\$ 736,876	\$ 967,150	\$ 967,150	\$ 3,432,081
Net Lost Revenue	\$ (921,790)	\$(1,766,905)	\$(2,600,884)	\$(3,413,660)	\$(3,413,660)	\$(12,116,899)

SOURCE: STEM PREPARATORY ACADEMY CHARTER APPLICATION, 2013-2014 ADOPTED BUDGET, AND 2013-2014 PER PUPIL FUNDING CALCULATION.

(1) INCLUDES TRANSPORTATION.

(2) ASSUMES 31.5 STUDENTS PER TEACHER.

(3) ANNUAL POSITION COST OF \$61,500 PER 2013-2014 BUDGET PAGES 132-145

(4) ALLOCATION OF \$50 PER STUDENT FOR SUPPLIES AND MATERIALS.