



Charter Schools Program

Title V, Part B

Non-Regulatory Guidance



July, 2004

Non-Regulatory Guidance

Title V, Part B

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The Charter Schools Program (CSP) was authorized in October 1994, under Title X, Part C of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, 20 U.S.C. 8061-8067. The program was amended in October 1998 by the Charter School Expansion Act of 1998 and in January 2001 by the No Child Left Behind Act of 2001. The program, which provides support for the planning, program design, and initial implementation of charter schools, is intended to enhance parent and student choices among public schools and give more students the opportunity to learn to challenging standards. Enhancement of parent and student choices will result in higher student achievement, however, only if sufficiently diverse and high-quality choices, and genuine opportunities to take advantage of those choices, are available to all students. Every student should have an equal opportunity to attend a charter school.

The non-regulatory guidance addresses questions the Department has received regarding various provisions of the CSP statute, including those related to student admissions to charter schools, the use of lotteries, private school conversions, and the involvement of for-profit organizations in charter schools. The non-regulatory guidance also addresses how businesses, faith-based communities and other community-based organizations and individuals associated with them can be involved in the development and operation of charter schools. These guidelines do not contain all of the information you will need to comply with CSP requirements, but are intended to provide guidance on the CSP and examples of ways to implement it. For additional information about the CSP, please contact the Charter Schools Program office, U.S. Department of Education, 400 Maryland Avenue, S.W., Room 3E116, Washington, D.C. 20202-5961. Telephone: (202) 260-1882.

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Summary of Major Changes

This updated version of the Charter School Program draft non-regulatory guidance responds to additional issues that the Department has resolved, regarding charter school lotteries, since releasing the previous version of the CSP guidance on August 31, 2003. More specifically, the new guidance addresses the issues of whether:

- A charter school that receives funds under the CSP program may weight its lottery in favor of students seeking to change schools under the Title I public school choice provisions. Item C-3 clarifies that this is permitted.
- A charter school may create separate lottery pools for girls and boys, in order to ensure that it has a reasonably equal gender balance. Item C-5 clarifies that such an action is not permitted. A school seeking to achieve greater gender balance should do so by targeting additional recruitment efforts toward male or female students.
- A tuition-based private preschool that becomes a public charter school at the kindergarten level may permit children enrolled in the preschool program to continue in the elementary school program without going through a lottery process. Item I-6 clarifies that this action is not permitted. However, a school in this situation might hold its lottery a few years early, giving students who will enroll in the preschool program and those who will not an equal chance of receiving the opportunity to enroll in the charter school (elementary) program.
- A charter school receiving its final year of CSP funds may select students for the next school year (when the school will not be receiving program funds) without using a lottery. Item C-7 describes the circumstances in which this action is permitted.

The new version includes no other significant changes.

Charter Schools Program Guidance

A. General Provisions of the Charter Schools Program (CSP)

A-1. What is the purpose of the CSP?

The primary purpose of the CSP (Title V, Part B, Subpart 1 of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001 (NCLB)), is to expand the number of high-quality charter schools available to students across the Nation by providing Federal financial assistance for charter school program design, initial implementation, and planning; and to evaluate the effects of charter schools, including their effects on students (in particular, on student academic achievement), staff, and parents. The program also encourages, through the use of funding priorities, the creation of strong charter school laws, in the States, that are designed to provide for the establishment of high-quality charter schools. An additional purpose (embodied in the “Per-Pupil Facilities Aid” portion of the program, which has not yet received funding) is to encourage States to provide support to charter schools for facilities financing in amounts commensurate with the amounts they have typically provided for traditional public schools.

A-2. How does the statute define a charter school?

Charter schools are established according to individual State charter school laws. The enactment of State charter school laws is solely a State prerogative, and the definition of a “charter school” under State law is a matter of State policy. However, in order to receive CSP funds, a charter school must meet the definition in Section 5210(1) of ESEA, which is as follows:

“The term ‘charter school’ means a public school that:

1. In accordance with a specific State statute authorizing the granting of charters to schools, is exempt from significant State or local rules that inhibit the flexible operation and management of public schools, but not from any rules relating to the other requirements of this paragraph [the paragraph that sets forth the Federal definition];
2. Is created by a developer as a public school, or is adapted by a developer from an existing public school, and is operated under public supervision and direction;
3. Operates in pursuit of a specific set of educational objectives determined by the school's developer and agreed to by the authorized public chartering agency;
4. Provides a program of elementary or secondary education, or both;

5. Is nonsectarian in its programs, admissions policies, employment practices, and all other operations, and is not affiliated with a sectarian school or religious institution;
6. Does not charge tuition;
7. Complies with the Age Discrimination Act of 1975, Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act of 1990, and Part B of the Individuals with Disabilities Education Act;
8. Is a school to which parents choose to send their children, and that admits students on the basis of a lottery, if more students apply for admission than can be accommodated;
9. Agrees to comply with the same Federal and State audit requirements as do other elementary schools and secondary schools in the State, unless such requirements are specifically waived for the purpose of this program [the PSCP];
10. Meets all applicable Federal, State, and local health and safety requirements;
11. Operates in accordance with State law; and
12. Has a written performance contract with the authorized public chartering agency in the State that includes a description of how student performance will be measured in charter schools pursuant to State assessments that are required of other schools and pursuant to any other assessments mutually agreeable to the authorized public chartering agency and the charter school.”

A-3. What new provisions enacted by NCLB affect the operation of the CSP?

NCLB amended the CSP in two key ways:

- NCLB amended the definition of “eligible applicant” under the CSP to eliminate the requirement that a charter school developer enter into a partnership with an authorized public chartering agency in order to qualify for a CSP start-up grant. Under the new legislation, an eligible applicant that is not a State Educational Agency (SEA) must (a) apply to an authorized public chartering agency for a charter; and (b) notify that agency of its application for CSP funds. The Secretary or the SEA may waive these requirements in cases where the eligible applicant is applying for a pre-charter planning grant or subgrant (ESEA § 5210(3); 20 U.S.C. 7221i(3)).

- NCLB amended the CSP by adding a specific provision prohibiting local educational agencies (LEAs) from deducting funds for administrative fees or expenses from a subgrant awarded to an eligible applicant, unless the eligible applicant voluntarily enters into a mutually agreed upon arrangement for administrative services with the LEA (ESEA § 5204(f)(4)(B); 20 U.S.C. 7221c(f)(4)(B)). This provision puts into law, the Department's interpretation of the Office of Management and Budget's cost principles.

A-4. In addition to the provisions of Title V, Part B, Subpart 1 of ESEA, what other significant Federal statutory and regulatory authorities apply to the CSP?

Recipients of funds under this program should be aware of the following significant statutory requirements in addition to those in Title V, Part B, Subpart 1 (formerly Title X, Part C) of the ESEA: (a) the definitions set out in Title IX of ESEA, which establishes general provisions for all programs authorized under ESEA; (b) Title VI of the Civil Rights Act of 1964, which prohibits discrimination on the basis of race, color, and national origin; (c) Title IX of the Education Amendments of 1972, which prohibits discrimination on the basis of sex; (d) Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of disability; (e) the Age Discrimination Act of 1975, which prohibits discrimination on the basis of age; (f) Title II of the Americans with Disabilities Act of 1990, which prohibits discrimination on the basis of disability by public entities, including public charter schools and public school districts, regardless of whether they receive Federal financial assistance; and (g) Part B of the Individuals with Disabilities Education Act, which requires States to make available a free appropriate public education to children with disabilities. The Education Department General Administrative Regulations (EDGAR), Parts 75, 76, 77, 79, 80, 81, 82, 85, and 86 also apply to this program.

B. Eligibility and Use of Funds

B-1. Which SEAs are eligible to apply for a CSP grant?

SEAs in States with a specific State statute authorizing the establishment of charter schools are eligible to apply for CSP grants. An "eligible applicant" (defined as a charter school developer that has applied for a charter and notified the charter granting entity of its application for CSP funds) in such States may apply to the SEA for a subgrant.

B-2. What if a State elects not to participate or does not have an application approved?

If a State elects not to participate in the CSP or is denied funding, an eligible applicant may apply directly to the Department for a grant. Charter schools located in States that have not enacted charter school legislation do not qualify as eligible applicants (ESEA § 5210(1)(A), 5202(a) and (b); 20 U.S.C. 7221i(1)(A)).

B-3. May the Secretary or the SEA waive any eligibility or application requirements?

Although the statute permits a charter school to apply for and receive (from the Secretary or the SEA, as the case may be) waivers of statutory and regulatory requirements, it prohibits waivers of any requirement relating to the elements of a “charter school,” as defined in section 5210(1) of ESEA. As stated in A-3 above, however, in the case of an application for a pre-charter planning grant, the Secretary or the SEA may waive the requirements that an eligible applicant (a) apply for a charter; and (b) notify the charter granting entity of its CSP application. In accordance with section 5204(e), the eligible applicant must request the waiver in its CSP application.

B-4. How may CSP grant funds be used?

SEAs may use CSP funds to award subgrants to charter schools in the State, and charter schools may use the funds only for post-award planning and design of the educational program, and for initial implementation of a charter school. Planning and implementation grants may be awarded for a period of up to three years, with no more than 18 months used for planning and program design, and no more than two years used for initial implementation of the charter school. SEAs may also reserve up to 5 percent of CSP grant funds for administrative expenses related to operating the charter school grant program, and up to 10 percent of their CSP grant funds to support dissemination activities. These dissemination activities are carried out through separate dissemination grants to charter schools and may be awarded for a period of up to two years.

B-5. What are dissemination grants?

Dissemination grants are awarded to charter schools to support activities that help open new public schools (including public charter schools) or share the lessons learned by charter schools with other public schools. The following activities may qualify as dissemination activities: (a) assisting other individuals with the planning and start-up of one or more new public schools, including charter schools, that are independent of the assisting

charter school and its developers and that agree to be held to at least as high a level of accountability as the assisting charter school; (b) developing partnerships with other public schools designed to improve student performance; (c) developing curriculum materials, assessments, and other materials that promote increased student achievement and are based on successful practices within the assisting charter school; and (d) conducting evaluations and developing materials that document the successful practices of the assisting charter school and that are designed to improve student performance in other schools.

B-6. Who is eligible to apply for a dissemination grant?

A charter school may apply for a dissemination grant, regardless of whether it has applied for or received a planning or implementation grant under the CSP, if the charter school has been in operation for at least three (3) consecutive years and has demonstrated overall success, including the following: (a) substantial progress in improving student achievement; (b) high levels of parent satisfaction; and (c) the management and leadership necessary to overcome initial start-up problems and establish a thriving, financially viable charter school. For more information about dissemination grants, see section 5204(f)(6) of ESEA, 20 U.S.C. 7221c(f)(6).

B-7. What are some limitations on the use of dissemination funds?

Like all Federal grants, CSP dissemination grants must be used in accordance with statutory and regulatory requirements. A charter school may not use dissemination grant funds, either directly or through a contractor, for marketing or recruitment activities designed to promote itself or the programs offered by it or by a contractor to parents or the community. In particular, grant funds may be used to develop materials documenting successful practices of the charter school for the educational purpose of assisting other public schools in improving student achievement, but not for the purpose of recruiting students or promoting the program of the school or its contractor. Any charter school receiving a dissemination grant should provide thorough and high-quality information that meets the needs of other schools trying to learn from the charter school's experience.

B-8. Is a private school eligible to receive CSP funds?

No, only charter schools that meet the definition of a "charter school" under ESEA are eligible to receive CSP funds. Section 5210(1) defines a charter school as, among other things, a "public school" that is created by a developer as a public school, or adapted by a developer from an existing public school, and operated under public supervision and direction (§ 5210(1)(B) of ESEA).

B-9. Is a private school that converts to charter status eligible to receive CSP funds?

As stated in B-8 above, the statute defines a charter school as a newly created public school or one adapted from an existing public school. There is no provision or mechanism in the law that recognizes conversions of private schools into public charter schools. On the other hand, the statute does not prevent a newly created public school from using resources previously used by a closed private school or from involving the parents and teachers who may have been involved in the closed private school.

It should be noted, however, that any newly created public school must be just that; it cannot be a continuation of a private school under a different guise. The public charter school must be separate and apart from any private school. It must be established as a public school, and comply with applicable State and Federal laws regarding public schools. In its creation, development, and operation, the charter school must not have any affiliation “with a sectarian school or religious institution” (§ 5210(1)(E) of ESEA). Because a newly created public school would not have any “previously enrolled” students, *all* students would need to apply for admission and would have to be selected by lottery if there are more applicants than spaces available. Similarly, the charter school must inform the community of its public school status and have a fair and *open* admissions process.

B-10. Is a for-profit entity that holds a legal charter eligible to apply for a grant or subgrant?

A for-profit entity does not qualify as an eligible applicant for purposes of the CSP. A charter school receiving CSP funds may, however, enter into a contract with a for-profit entity to have the for-profit entity manage the charter school on a day-to-day basis. The charter school also must supervise the administration of the CSP grant and is directly responsible for ensuring that grant funds are used in accordance with statutory and regulatory requirements. (See EDGAR, Part 75, Subpart F.)

C. Lottery, Recruitment, and Admissions

C-1. What is a lottery for purposes of the CSP?

A lottery is a random selection process by which applicants are admitted to the charter school.

C-2. Under what circumstances must a charter school use a lottery?

A charter school receiving CSP funds must use a lottery if more students apply for admission to the charter school than can be admitted. A charter school with fewer applicants than spaces available does not need to conduct a lottery.

C-3. Are weighted lotteries permissible?

Weighted lotteries (lotteries that give preference to one set of students over another) are permitted only when they are necessary to comply with Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, the Equal Protection Clause of the Constitution, or applicable State law.

In addition, a charter school may weight its lottery in favor of students seeking to change schools under the public school choice provisions of ESEA Title I, for the limited purpose of providing greater choice to students covered by those provisions. For example, a charter school could provide each student seeking a transfer under Title I with two or more chances to win the lottery, while all other students would have only one chance to win.

C-4. May a charter school exempt certain categories of applicants from the lottery and admit them automatically?

A charter school that is oversubscribed and, consequently, must use a lottery, generally must include in that lottery all eligible applicants for admission. A charter school may exempt from the lottery only those students who are deemed to have been admitted to the charter school already and, therefore, do not need to reapply.

Specifically, the following categories of applicants may be exempted from the lottery on this basis: (a) students who are enrolled in a public school at the time it is converted into a public charter school; (b) siblings of students already admitted to or attending the same charter school; (c) children of a charter school's founders (so long as the total number of students allowed under this exemption constitutes only a small percentage of the school's total enrollment); and (d) children of employees in a work-site charter school (so long as the total number of students allowed under this exemption constitutes only a small percentage of the school's total enrollment). When recruiting students, charter schools should target all segments of the parent community. The charter school must recruit in a manner that does not discriminate against students of a particular race, color, national origin, religion, or sex, or against students with disabilities; but the charter school may target additional recruitment efforts toward groups that might otherwise have limited opportunities to participate in the charter school's programs. Once a student has been admitted to the charter

school through an appropriate process, he or she may remain in attendance through subsequent grades. A new applicant for admission to the charter school, however, would be subject to the lottery if, as of the application closing date, the total number of applicants exceeds the number of spaces available at the charter school.

C-5. May a charter school create separate lottery pools for girls and boys, in order to ensure that it has a reasonably equal gender balance?

No, the legislation requires a charter school receiving CSP funds to hold one lottery that provides qualified students with an equal opportunity to attend the school. Therefore, a charter school receiving funds under the program is precluded from holding separate lotteries for boys and girls. Nor may a school weight its lottery in favor of one gender over another. A school seeking to avoid gender imbalance should do so by targeting additional recruitment efforts toward male or female students.

C-6. May a tuition-based private preschool program that becomes a public charter school at the kindergarten level permit children enrolled in the preschool program to continue in the elementary program without going through a lottery process?

No, because the preschool program is private, charges tuition, and most likely does not admit all students, allowing its students to gain admission to the elementary program without going through a lottery process would violate the statute. Therefore, all applicants to the charter school (the elementary program) would have to be selected by lottery if there are more applicants than there are spaces available.

However, the statute does not preclude an elementary charter school in this type of situation from holding its lottery a few years early – e.g., when students are ready to enroll in the preschool. Under this approach, the charter school would have an affirmative responsibility to inform prospective applicants that winning the lottery would not require them to enroll in the private preschool. Thus, any child selected through the lottery would be guaranteed a slot in kindergarten, a few years later, whether or not she or she enrolls in the preschool program.

Additionally, given the high mobility of children and families, schools that choose to exercise this option should ensure that families new to the area or who were not aware of the previous lottery are given the opportunity to apply for admission. Such actions must meet the admissions requirements of the CSP and might include holding a second lottery to fill vacancies created by normal attrition or failure of early lottery winners to enroll in the charter school.

C-7. May a charter school receiving its final year of CSP funds select students for the next school year (when the school will not be receiving program funds) without using a lottery?

A charter school receiving its final year of CSP funds may select students for the upcoming school year without using a lottery, provided that the school obligates all funds under its CSP grant before those students actually enroll in the school. If the school has carry-over funds or extends its grant period, then it must continue to meet all program requirements, including the requirement to hold a lottery if it receives more applications for enrollment than it can accommodate for the upcoming school year.

C-8 In addition to Title V, Part B, Subpart 1 of the ESEA, what other statutory or regulatory authorities should a charter school consider when developing its admissions policies?

To be eligible for Federal start-up grants, a charter school's admissions practices must comply with State law and applicable Federal laws. Exemptions from enrollment lotteries are permissible only to the extent that they are consistent with the State's charter school law, other applicable State law, the school's charter, and any applicable Title VI desegregation plans or court orders requiring desegregation. A charter school's admissions practices must also comply with Part B of the Individuals with Disabilities Education Act and Federal civil rights laws, including, but not limited to, Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; and Title II of the Americans with Disabilities Act of 1990, as applicable.

C-9. What are a charter school's responsibilities with regard to outreach and recruitment?

Section 5203(b)(3)(I) of ESEA requires CSP applicants to inform students in the community about the charter school and to give each student "an equal opportunity to attend the charter school" (20 U.S.C. 7221b(b)(3)(I)). Further, section 5203(b)(3)(E) requires charter schools receiving CSP grants or subgrants to involve parents and other members of the community in the planning, program design, and implementation of the charter school. 20 U.S.C. 7221b(b)(3)(E).

C-10. May a charter school receiving CSP funds set minimum eligibility criteria for admission to the charter school?

The ESEA does not specifically prohibit charter schools from setting minimum qualifications for determining who is eligible to enroll in a charter school and, thus, to be included in the lottery. As stated above, however, charter schools receiving CSP funds must inform students in the community

about the charter school and give them an “equal opportunity to attend the charter school.”

Thus, a charter school funded under the CSP may set minimum qualifications for admission only to the extent that such qualifications are: (a) consistent with the statutory purposes of the CSP; (b) reasonably necessary to achieve the educational mission of the charter school; and (c) consistent with civil rights laws and Part B of the Individuals with Disabilities Education Act. CSP grantees should consider using program funds to assist “educationally disadvantaged” and other students to achieve to challenging State content and performance standards.

D. Involvement of Religious and Community-Based Organizations With Charter Schools

D-1. May a charter school be religious in nature?

No. As public schools, charter schools must be non-religious in their programs, admissions policies, governance, employment practices and all other operations, and the charter school’s curriculum must be completely secular. As with other public schools, charter schools may not provide religious instruction, but they may teach about religion from a secular perspective. And though charter schools must be neutral with respect to religion, they may play an active role in teaching civic values. The fact that some of these values are also held by religions does not make it unlawful to teach them in a charter school. Furthermore, as discussed below, faith-based and religious organizations can be involved with charter schools in many ways, and religious expression by students is allowed in charter schools to the same extent as in other public schools. See also the Department’s guidance on Constitutionally protected prayer in public elementary and secondary schools of ESEA, available at: <http://www.ed.gov/policy/gen/guid/religionandschools/index.html> .

D-2. May charter schools use public funds to support religious programs or activities?

No. All activities of a charter school must be non-religious, as is the case for all public schools. Public funds may not be used for religious purposes or to encourage religious activity. In addition, even if funded by non-public sources, religious activity may not be conducted, promoted, or encouraged during charter school activities by charter school employees or by other persons working with charter schools. However, to the extent that their involvement promotes academic learning and the mission of the charter school, religious organizations and their members may partner with and be involved with charter schools so long as the charter school’s decision to partner with the religious organization is made without regard to the

religious character or affiliation of the organization and is not otherwise reasonably perceived as an endorsement of religion.

D-3. May charter schools enter into partnerships with religious organizations to provide secular services?

Yes. Like other public schools, charter schools may enter into partnerships with community groups for secular purposes, such as tutoring or recreational activities. Religious groups may be partners for these types of activities so long as charter schools select partners without regard to their religious affiliation, ensure that no public funds are used for religious purposes, and do not engage in or encourage religious activity. Charter schools may not limit participation in the partnership to religious groups or certain religious groups, and they may not select students or encourage or discourage student participation with particular partners based on the religious or secular nature of the organization.

D-4. May charter schools use the facilities of a religious organization?

Yes. A charter school may use the facilities of a religious organization to the same extent that other public schools may use these facilities. Generally, this means that a charter school may lease space from a religious organization so long as the charter school remains non-religious in all its programs and operations. Most importantly, a landlord affiliated with a religion may not exercise any control over what is taught in the charter school.

D-5. May charter schools conduct outreach activities in churches or through religious organizations?

Yes. A charter school's outreach and recruitment activities should be designed to reach all segments of the parent community. Thus, a charter school may conduct outreach or recruitment activities in churches or through religious organizations as part of a broad-based and balanced effort to inform parents in the community about the charter school and to recruit a diverse student body.

D-6. Can community-based organizations and business entities play a role in charter schools?

Yes. Community-based organizations and businesses can play a positive role in creating and supporting charter schools. Examples of ways in which non-religious organizations can get involved in charter schools include helping to plan or design a new school, developing curriculum and assessment strategies, serving on governing boards, participating in the day-to-day management of charter schools, establishing partnerships with

charter schools, and even creating work-site charter schools. A broad range of community-based organizations and businesses are currently involved with charter schools, including plastics and automobile manufacturers; hospitals, museums, and homeless shelters; and courts and social service agencies. Like all charter schools, charter schools operated by or affiliated with community-based organizations or business entities must be public schools of choice, must be non-religious, and must operate in a nondiscriminatory manner.

E. Administrative and Fiscal Responsibilities

E-1. What are the administrative and fiscal responsibilities of a charter school grantee under the CSP?

Charter schools receiving CSP grants must comply with applicable statutes, regulations, and approved applications; and must use Federal funds in accordance with those statutes, regulations, and applications. Grantees must directly administer or supervise the administration of the project, and must use fiscal control and fund accounting procedures that ensure proper disbursement of, and accounting for, Federal funds. 34 CFR 75.700-75.702.

E-2. What are the rules governing “conflicts of interest” in the administration of CSP grants?

CSP grantees must avoid apparent and actual conflicts of interest when administering grants. Department regulations at 34 CFR 75.525(a) prohibit a person from participating in an administrative decision regarding a project if (a) the decision is likely to benefit that person or his or her immediate family member; and (b) the person is a public official or has a family or business relationship with the grantee. Section 75.525(b) provides further that a person may not participate in a project to use his or her position for a purpose that is – or gives the appearance of being – motivated by a desire for a private or financial gain for that person or for others. 34 CFR 75.525.

E-3. What procedures must a CSP grantee follow in order to avoid a “conflict of interest” when purchasing equipment or services?

When using Federal funds to enter into a contract for equipment or services, a charter school must comply with the procurement standards set forth in the Department’s regulations at 34 CFR 74.40-74.48. Those standards require Federal grant recipients to develop written procurement procedures and to conduct all procurement transactions in a manner to provide, to the maximum extent possible, open and free competition. No employee, officer, or agent of the charter school may participate in the selection,

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award, or administration of any contract supported by Federal funds if a real or apparent conflict of interest exists. 34 CFR 74.42-74.44.