



# District Sponsored Charter School to District School Conversion Guidance

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## Guidance Overview

This document is intended to provide guidance for districts that are converting to a district school one or more charter schools that they sponsor or operate. The guidance will vary depending on the charter school's initial operation date.

### 1) Initial Operation is on or after July 1, 2013 (Category 'A')

A.R.S. §15-183 was amended to prohibit school district governing boards from sponsoring or operating charter schools which began initial operation after June 30, 2013. District sponsored or district operated charter schools (new or converted schools) which began operation after June 30, 2013, but before July 1, 2014 are allowed to continue operation through FY 2014-2015, but must cease operation as a charter school prior to July 1, 2015. ([Laws 2014, 2nd Regular Session, Chapter 16, Section 1](#))

Law specifies:

- a. Operation as a charter school must cease prior to July 1, 2015
- b. Sponsorship may not be transferred to another sponsor
  - i. School Governing Board **may not** sponsor one of these DSCSs ([A.R.S. §15-183\(C\)\(1\)\(f\)](#))
  - ii. Arizona State Board for Charter Schools and the Arizona State Board of Education **may not** sponsor one of these DSCSs ([A.R.S. §15-183\(2\)](#))
  - iii. Universities and community colleges **may not** sponsor one of these DSCSs ([A.R.S. §15-183\(3\)](#))

### 2) Initial Operation is prior to July 1, 2013 (Category 'B')

District sponsored or district operated charter schools in operation prior to July 1, 2013 may continue to operate, but with this constraint:

- a. Beginning in FY 2014-2015, the average daily membership (ADM) is limited to 120% of the charter school's FY 2012-2013 ADM. ([Laws 2014, 2nd Regular Session, Chapter 16, Section 6](#)) )
- b. Continued operation of DSCS is subject to legislative amendment. Recent legislation ([SB1476: Laws 2015, 1<sup>st</sup> Regular Session, Chapter 15, Section 17](#)) states:

"Sec. 17. **District-sponsored charter schools; intent; phaseout**  
A. It is the intent of the legislature that district-sponsored charter schools be phased out by fiscal year 2016-2017."

## Conversion Requirements

Requirements for the conversion of district sponsored or district operated charter schools (DSCS) to district schools can be found in the following pages. Details provided include what is expected of the district by ADE as well as financial implications of the conversion or closure of the DSCS. Requirements vary depending on when the school first began operation as a DSCS and are detailed out under the Category A and Category B options. Category A schools began operation on or after July 1, 2013. Category B schools began operation prior to July 1, 2013.

# A

## Category 'A' Conversion Requirements

- **APPLICABLE SCHOOLS:** District Sponsored or District Operated Charter Schools
- **INITIAL OPERATION BEGAN:** On or after July 1, 2013

- 1) See [Guidance Overview, item 1](#) (page 3)
  - a) Prior to July 1, 2015, the school governing board should acknowledge the conversion or closure of the charter school(s)

*Approvals and plans must be documented within the board minutes.*
- 2) Submit to your ADE School Finance account analyst the following, in order to convert the DSCS to a district school or close the school within our system:
  - a) [Entity Profile Form](#) requesting the conversion or closure (separate forms are required for the charter district and for each charter school)
  - b) Charter Sponsorship Termination Resolution signed by the governing board president indicating closure or conversion of the school
  - c) Governing board minutes supporting the resolution
- 3) Financial implications of the conversion or closure of the charter school(s):
  - a) Soft Capital does not need to be paid back ([Laws 2014, 2nd Regular Session, Chapter 17, Section 15](#)). The lump sum charter additional assistance payment specified in [A.R.S. §15-185\(A\)\(7\)](#) does not apply, therefore, the charter additional assistance received while the school was a charter school does not need to be repaid
  - b) State Aid Payments will be calculated based on the following student count for the respective fiscal years:
    - i) FY 2014-2015 Student Count: includes DSCS FY 2014-2015 100th Day ADM and the district FY 2013-2014 100th Day ADM
    - ii) FY 2015-2016 Student Count: includes the DSCS FY 2014-2015 100th Day ADM and the district FY 2014-2015 100th Day ADM. Guidance will be provided in Budget Worksheets, Worksheet C for FY 2015-2016

# B

## Category 'B' Conversion Requirements

- **APPLICABLE SCHOOLS:** District Sponsored or District Operated Charter Schools
- **INITIAL OPERATION BEGAN:** Prior to July 1, 2013

- 1) Charter schools which began operations prior to July 1, 2013 may be converted by the school district to a district school or closed at any time. It is **not** mandated that the school convert or close by July 1, 2015. Guidance for the conversion or closure of DSCS as of July 1, 2016 will be provided at the end of the 2016 legislative session. Guidance below is for the conversion or closure of a DSCS during FY 2015 – 2016.
- 2) To assist in the determination\* of whether or not it is fiscally wise to convert the charter school, financial implications are provided below for the conversion of a district sponsored or district operated charter school to a district school when the charter school meets **all** of the following criteria within the appropriate depiction of the history of the school:

### Initiated as Charter School

1. Opened as a charter school,
2. Was never a district school, **and**
3. Began operations as a charter school prior to July 1, 2013

### Initiated as District School

1. Opened as a district school,
2. Converted to a district sponsored or district operated charter school, **and**
3. Began operations as a charter school prior to July 1, 2013

- 3) Financial implications of the conversion of the charter school(s) for FY 2015-2016:
  - a) For DSCS originally initiated as a charter school, the lump sum charter additional assistance payment specified in [A.R.S. §15-185\(A\)\(7\)](#) does not apply, therefore, the charter additional assistance received while the school was a charter school is not required to be repaid
  - b) For DSCS originally initiated as a district school, the lump sum charter additional assistance payment specified in [A.R.S. §15-185\(A\)\(7\)](#) does apply, therefore, the charter additional assistance received while the school was a charter school must be repaid
  - c) All eligible students attending the converted school during FY 2015-2016 should be reported as fundable by the district school for FY 2015-2016
  - d) State aid funding is impacted in the following ways:
    - i) Base Support Level and District Additional Assistance will not be generated for the students who attended the charter school in FY 2014 - 2015 as funding is based on the prior year's district ADM (excludes FY 2014-2015 DSCS ADM)
    - ii) Sudden Growth may be generated
      - (1) School District Sudden Growth will be based on the increase in 100<sup>th</sup> day ADM for the FY 2015-2016 (which will include the ADM for converted school(s)) over the 100<sup>th</sup> day district ADM (which excludes DSCS ADM) for FY 2014-2015
      - (2) An advance of state aid based on 40<sup>th</sup> day growth may be requested after the 40<sup>th</sup> day. Sudden growth must be budgeted for after the 100<sup>th</sup> day, but on or before May 15<sup>th</sup>, 2016.

*\* This guidance is provided for informational purposes only. Please consult legal/financial counsel to determine if this is a decision that is right for your district.*

## Conversion Guidelines and FAQs

The guidelines and FAQs on the following pages apply to all converted schools falling under both categories 'A' and 'B' in the first year of conversion.

**Guideline 1:****Modifying Schools with ADE****General Guidelines**

1. The schools must be updated within ADE’s directory to reflect their “district school” status.
2. See [Conversion Guidance, section A. 3](#) for specific instructions on how to request this update.

**FAQs**

1. **When can School Finance officially convert the district sponsored or district operated charter school to a district school within ADE’s directory?**

**Answer:** The school(s) may be converted to a district school upon completion of the statewide recalculation at the end of the fiscal year, which typically begins in July and completes in August. Your account analyst will notify you of the completion of the conversion to a DSCS. You are welcome to submit [your request](#) at any time.



**Guideline 2:****LEA Calendar Submission**

### General Guidelines

1. As a district school, this reverted or converted school will default to the district calendar unless a school calendar is input and activated.
2. If the school has a separate calendar from the district, then the creation and submission of one or more tracks for the school is necessary. Otherwise, as mentioned in item 1 above, if the school operates on the same calendar as the district, a school calendar does not need to be submitted and the ADE system will use the district calendar.  
If a calendar must be submitted and activated for the school, it must be completed within the LEA Calendar application found within [Common Logon](#).

### FAQs

1. **Will the converted school automatically use the submitted district's calendar?**  
**Answer:** Yes, unless the converted school operates on different calendar(s) than the district. If the school operates on different calendar(s) than the district, then separate calendars must be submitted. Please see the general guidelines above for instruction on what must occur.
2. **Will I need to create a calendar for the school?**  
**Answer:** The only time a school calendar must be submitted is if the school's calendar is different than the district's calendar.

**Guideline 3:****Estimated Counts Submission****General Guidelines**

1. Estimated counts will not be submitted beginning in FY 2015-2016 for the converted school as it will no longer be classified as a charter school and will instead be classified as a district school.

**FAQs****1. What is charter estimated counts?**

**Answer:** “Estimated counts” is an estimate of the ADM the charter school students will generate for the school year (per [ARSS15-185](#)). These counts are used by ADE to determine the expenditure capacity and state aid disbursement occurring prior to the LEA’s 40<sup>th</sup> day, at which time, the ADM is calculated based on actual SAIS data.

**Guideline 4:**
**Student Data Reporting**
**General Guidelines**

1. All students attending the converted school must be reported in ADE’s student data collection system. All are to be reported as fundable, unless there is a reason unrelated to the school conversion that requires the student to be reported as non-fundable.
  - a) Fundable students: The students who were enrolled in the DSCS the prior year or were not previously enrolled in the district the prior year are considered fundable and should be reported to ADE with a Tuition Payer Code of ‘1’.
  - b) Non-fundable students: The students who are deemed non-fundable due to privately paid tuition or another reason not related to the school conversion. These students should be reported to ADE with a Tuition Payer Code of ‘2’, or a more applicable code. The available codes are:

Tuition Payer Code	Description	Note
1	The “normal” setting for Arizona school children who generate state funding.	This includes students attending school in their own district of residence, as well as Tuition-in students (students attending school outside their district of residence as defined in Arizona statute, but whose tuition is paid by the district or ADE), and students with a special enrollment situation
2	Privately paid tuition, no tuition charged, or not eligible for state funding.	This includes students <ol style="list-style-type: none"> <li>1. Not eligible for state funding as defined in Arizona statute, e.g., students age 22 and older, students less than 3-years-old, and preschool children without disabilities, and early kindergarten students who reenroll in kindergarten for a second year.</li> <li>2. With private-paid tuition, e.g., tuition is paid by parents</li> <li>3. Special education students who are receiving services from a state institution or an approved residential facility and are funded through the voucher system.</li> </ol>
3	Foreign exchange student	Student is a foreign exchange student. These students are not eligible for state funding.
4	Non-SPED (NSE) students in residential treatment centers	Non-SPED (NSE) students placed in approved private residential facilities; funding is paid through the voucher system, not ADM.
5	N/A (Not Used)	This tuition payer code was added as a placeholder for a situation that was not

Tuition Payer Code	Description	Note
		implemented. This code has never been used.
6	ISEP student	This tuition payer code is reported for an ISEP (Indian School Equalization Program) membership. This occurs when a student is enrolled in an AZ public school, yet does not generate state funding due to the student qualifying for their education to be paid for through the Bureau of Indian Affairs.

## FAQs

- 1. Will the students generate fundable ADM in the first year of the conversion of the charter school to a district school?**

**Answer:** Yes, as long as the student is submitted with a Tuition Payer Code of '1', is enrolled within the first 100 days of school, and passes ADM integrity. These students will appear on the SAIS ADMS/SPED/ELL 75 reports (or their equivalents in AzEDS) for the school and will be included in the district's ADM for the first year of conversion.

For DSCS schools converting to district schools in FY 2015-2016, ADM for these students will be included in the district's FY 2015-2016 student count for district additional assistance.

Guideline 5:

Transportation Route Reporting

### General Guidelines

- 1) Students attending the converted school are now considered district students, so they may be included in Transportation reporting, beginning the first year of conversion to a district school, as “eligible” students, and therefore will contribute to Transportation funding.