SB 1882 FUNDING GUIDEBOOK

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Venn Education is a consulting firm advancing quality public education for all students. Venn forges and maintains collaborative relationships with state agencies, school districts, authorizers, and networks across the country to help them pause, analyze, plan, and make change.

***SYNOPSIS*:**
This Guidebook aims to help Districts and partners understand how they can use an analysis of school District finances to gain better transparency on partner financing and ensure better partner-school autonomy. It is designed to serve as a comprehensive resource for Districts either currently engaged in, or considering, partnerships under SB 1882. Its primary focus is to help Districts navigate and foster transparent and equitable financial relationships with their Operating Partners. Recognizing that financial transparency and clarity are critical components of successful partnerships, practices and strategies are outlined to support Districts and Operating Partners to mutually understand revenue streams, resource allocation, and financial responsibilities.

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History/Background

SB 1882 Establishing Texas Partner-Run Schools: Enacted in 2017, Senate Bill 1882 (SB 1882) encourages school Districts to form in-district charter partnerships[1] aimed at increasing innovation and improving student outcomes. This law provides two key benefits: additional state funding for partner-run schools and a two-year exemption from certain accountability interventions for schools rated with an overall F under the state accountability system. To access these benefits, Districts must meet minimum eligibility requirements and submit a Texas Partnerships Benefits Application, which is reviewed by a panel selected by the state agency.

Extent of LEA Responsibilities/Liability: State and Federal laws place legal responsibility on Local Education Agencies (LEA) / school districts (and charters authorized by TEA in TX). Districts in a traditional setting (without in-district partnerships) are in control, and legally liable, for everything the District does (e.g., schooling, buildings, special education, curriculum, teacher licensure). While LEA status remains with the District when an in-district partnership is added, some legal responsibilities/liabilities are allocated to the partner as part of the relationship (e.g., Campus Principal, Personnel Assignment, Curriculum and Instructional Materials, Educational Programs for Identified Student Groups, Calendar and Schedule, Assessments, and Budget)[2]. Operating Partners present opportunity and an added layer of complexity to the District; while the District controls and directs the programming in their District-run schools, Operating Partners (and their boards) have control of and direct the programming of the partner-run schools they operate. To help manage this effectively, it is beneficial for districts to clarify their differentiated relationship with Operating Partner and partner-run schools. Districts play a dual role in their relationships with partner-run schools. As the Local Education Agency (LEA), the district

While the District controls and directs the programming in their District-run schools, Operating Partners (and their boards) have control of and direct the programming of the partner-run schools they operate.

[1] SB 1882 offers Districts opportunities to engage with two categories of potential partners. The first category—existing Texas partners—includes state-authorized (Subchapter D) Texas charter operators and District-authorized (Subchapter C) charter operators in good standing. To qualify as "in good standing," partners must have at least three years of experience operating a Texas charter school and have received acceptable academic and financial accountability ratings for the previous three school years. Additionally, they must not be associated with any charter that has been revoked. The second category—new Texas partners—includes eligible entities such as state- or District-authorized charter operators with fewer than three years of experience in Texas, non-profits, higher education institutions, governmental entities, and out-of-state school operators.

[2] Texas Administrative Code 97.1075 and 97.1079

manages the services it provides to the partner-run school. Meanwhile, as the authorizer, the district monitors the outcomes related to the school's granted autonomies.

Partnership Agreement and Performance Framework: District and partner relationships vary from partner to partner and District to District; because of this, Districts use each partnership agreement with its performance framework as the legal foundation to define the relationship between the District and the partner. In accordance with local authorizing policies, the agreement formalizes the partnership, clarifies roles and responsibilities, and sets expectations. The agreement grants the operating partner autonomy over things such as staffing, budget, and calendar while outlining the academic model the partner will implement at the managed campus(es). The agreement also defines the funding structure and outlines the financial relationship for the two organizations, and sets the academic and financial goals the partner must meet.

The performance framework section of the partnership agreement defines the District's expectations (as the authorizer) of the partner-run school's academic, financial, and operational performance and the monitoring responsibilities the District will use to collect evidence of their performance. For some Districts, many of these details are defined and evaluated in the application process and the agreement codifies them. TEA has many online resources to support the work of Districts with 1882 partnerships; they include policies, procedures, and tools. In addition to the online resources, TEA's Texas Authorizer Leadership Academy is a cohort-based training aimed to help staff from Districts with 1882 partnerships strengthen their ability to serve in the role as authorizer. Finally, Districts participating in TEA's System of Great Schools (SGS) often have access to valuable resources[3][4] that can be leveraged to support responsibilities associated with 1882 partnerships.

Use of transparent funding allocations: Once the District selects a partner/s and an agreement is signed, Districts should create and use clear tools and procedures directly aligned with the agreement language to transparently allocate funds to the partner. The funds allocated to each partner accurately reflect the programming over which 1882 partners have autonomy. As noted above, the District (as LEA) provides and manages required services and District-services selected by the partner, and the District (as authorizer) monitors the outcomes associated with the partner-run school's autonomies. The 1882 partner and the district now have a clear method for understanding the programming for which the partner holds legal responsibility.

[3] TEA's Charter School Program Grant (CSP) offers a start-up and replication grants to support Districts and Partners to implement and expand partner-run schools.
[4] TEA offers District support through the System of Great Schools (SGS). The SGS strategy is a district-level problem solving approach that district leaders use to understand school performance and community demand and deliver the schools families want, need, and deserve.

Purpose of the Guidebook

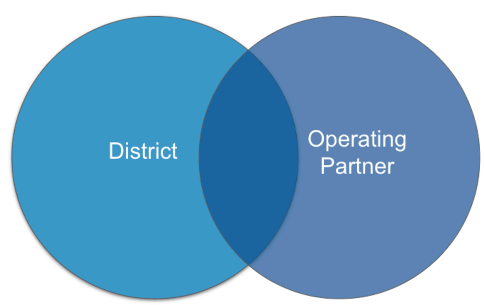
Established Knowledge:
1) District-authorized partner-run schools offer the promise of innovative options and better student outcomes, but finances flowing through the District can hinder authorizing practices and school autonomy.
2) Understanding complex financial structures can be challenging and requires both expertise and patience.

The Challenge: The relationship between Districts and their Operating Partners within District-charter partnerships can be characterized by tensions related to resource allocation and operational autonomy. Tensions can arise from differing perceptions and expectations regarding financial contributions and governance. When it comes to funding, it is not uncommon for Districts and partners to hold different perspectives on SB 1882 funding.

District Perspective:
Sometimes Districts may perceive themselves as bearing a disproportionate share of the financial burden in these partnerships. They may feel that they are providing more resources—such as staffing, facilities, and support services—than the partner-run schools generate in revenue. This perceived imbalance can create financial strain, as Districts may believe they are subsidizing the partnership without receiving adequate returns in terms of student performance or fiscal outcomes. Additionally, Districts may feel that they are assuming a greater level of operational and financial risk, while the Operating Partners benefit from supplemental state funding and regulatory exemptions.

Operating Partner Perspective:
Operating Partners sometimes express that they are not receiving the full amount of revenue to which they are entitled. Partners may perceive a lack of transparency in how funds are allocated, particularly if District charges for services or operational costs reduce the revenue available to the partner-run schools. Furthermore, partners frequently express concerns about limitations on their autonomy. Although Operating Partners are typically granted authority over key operational decisions—including staffing, budgeting, and academic programming—they may feel constrained by District policies or oversight that restrict their ability to fully exercise these autonomies. In some cases, partners may also question the value of services provided by the District, perceiving that they are required to pay for services that do not meet their needs or align with the objectives of the partnership.

When these differences exist, trust between Districts and Operating Partners can be challenged; each party may feel that their contributions and needs are not adequately recognized or addressed. To mitigate these challenges, it is helpful for both parties to proactively commit to transparency with: communication, agreements, performance expectations, and an



agreement on a mutually beneficial division of responsibilities, resources, and decision-making authority. A successful partnership depends on both Districts and partners feeling that their contributions are valued and that the terms of the partnership are fair and conducive to improving student outcomes. Additionally, some Districts struggle to effectively differentiate the unique roles and responsibilities they possess with Operating Partners.

Solutions:
This Guidebook aims to help Districts and partners understand how Districts can gain transparency on their financing of partners and ensure better partner-school autonomy through an analysis of school District finances. It is designed to serve as a comprehensive resource for Districts either currently engaged in, or considering, partnerships under SB 1882. Its primary focus is to help Districts navigate and foster transparent and equitable financial relationships with their Operating Partners. Recognizing that financial transparency and clarity are critical components of successful partnerships, practices and strategies are outlined to support Districts and operating partners to mutually understand revenue streams, resource allocation, and financial responsibilities.

Key Concepts:

- Establishing Clear Funding and Allocation Models: This includes detailing how funding from the state and other sources is allocated, explaining any deductions for District-provided services, and ensuring that Operating Partners understand the funding they are entitled to receive.
- Defining Services and Associated Costs: One of the core elements of financial transparency is clearly outlining the services the District will provide to the Operating Partners, as well as the costs associated with those services.
- Promoting Collaborative Budgeting Processes: Best practices suggest a collaborative budgeting process with input from both the District and the Operating Partners; this includes developing shared goals, discussing anticipated revenues and expenses, and ensuring that the budget supports the academic and operational priorities of the partnership.
- Ensuring Flexibility in Autonomy and Financial Decision-Making: While it is crucial for Districts to maintain oversight over the use of public funds, it is helpful for districts to establish clear boundaries for decision-making authority without infringing on the operating partner's ability to manage their allocated resources.

Overall, this guidebook serves as a roadmap for Districts to ensure that their financial relationships with Operating Partners are characterized by transparency, fairness, and mutual understanding. The recommended practices are aimed to help Districts increase transparency, strengthen trust with their partners, differentiate roles and responsibilities, and help Districts and partners to focus on their shared priority of providing a high quality education and improving outcomes for students.

Environmental Scan for SB 1882 Success

Districts can improve the likelihood of their success by engaging in an environmental scan to determine whether the conditions for effective financial practices and resource allocation are present for their relationship with Operating Partners. An environmental scan may consider:

- Do the Superintendent and Board understand in-district partnerships and have a willingness to support the District's success with partner-run schools?
- Do the District's finance and operations teams have the support and resources they need to manage the complex relationships with Operating Partners?
- Do the District and Operating Partner have open lines of communication and trust?
- Are TEA SB 1882 recommended policies in place?
- Are District expectations and processes clearly articulated in partnership agreements, including District monitoring/oversight tools?

Five Actions Districts Can Take to Improve Funding Transparency, Clarify Partner Autonomies, and Improve Ongoing Management of the District-Partner Relationship.

#1 ALIGN ON THE VISION AND STRATEGIC INTENT OF BOTH THE DISTRICT AND PARTNERS FOR IN-DISTRICT PARTNERSHIPS TO BE INCLUDED AS PART OF THE DISTRICT'S OVERALL VISION AND THEORY OF ACTION.

To ensure the success of in-district partnerships, alignment on the vision and strategic intent between the District and partners is essential. The vision for these partnerships should be integrated into the District's overall vision and theory of action, guiding how partner-run schools operate and contribute to the District's broader goals.

Districts benefit from establishing a clear, shared understanding or definition of how partner-run schools fit within the context of the District's strategic vision. This definition will shape key aspects of the partnership, including decision-making, funding, and oversight. In

The entity that ends up with the money for specific programming is ultimately accountable for the outcomes associated with the programming.

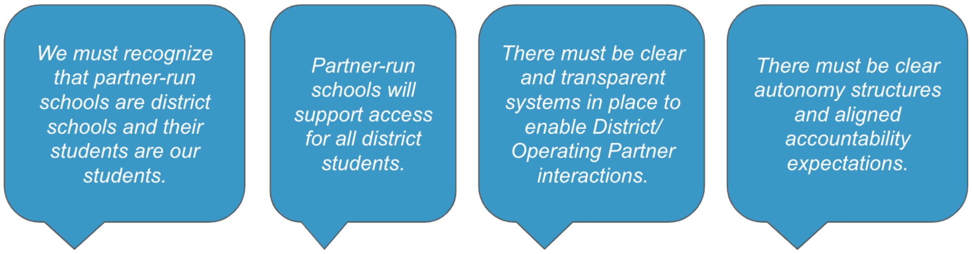
pursuing a clearer understanding of partner-run schools, Districts can move toward more transparency for funding allocations and through clearer oversight structures. Responsibilities typically rest with the organization that controls the funding, making it essential to ensure that the entity receiving funds for specific programming is ultimately accountable for the associated outcomes.This provides a framework for determining how funds are managed and directed within the partnership.

By following the flow of money, Districts can clearly identify the autonomies of partner-run schools. Decision-making authority can be mapped based on who controls the resources, ensuring that partner-run schools have the appropriate level of autonomy over areas where they hold financial responsibility. This ensures alignment between the District's strategic goals and the operational flexibility of partner-run schools.

Incorporating these partnerships into the District’s broader vision creates a cohesive strategy that strengthens both District and partner-run schools, ensuring their efforts are aligned for the benefit of student outcomes. This can begin with a step-by-step approach to determine decision rights and resource control for partner-run schools, asking questions to ensure alignment with the District’s vision and strategic goals.

What is your vision and strategic intent for in-district partnerships?	**What are the non-negotiables or expectations to meet that vision?**	**What decisions should be made where (i.e., what autonomies do partners have)?**	**What resources should Operating Partners control (to align with their decision-making authority)?**
• Define what success looks like for partner-run schools. • Clarify how partner-run schools are defined within your district's vision. • Ensure district departments understand partnerships.	• Identify the critical goals and expectations required to achieve the vision. • Determine the standards and outcomes that must be upheld by all partner-run schools.	• Define the scope of decision-making authority for the district and the partner-run schools. • Specify which areas (e.g., academic programming, staffing, budgeting) Operating Partners will have control over.	• Allocate resources (e.g., funding, personnel, materials) that correspond to the decision-making authority granted. • Ensure that Operating Partners have control over the resources necessary to fulfill their responsibilities effectively.

Once the strategic intent is established, it is beneficial to define the non-negotiables for partner roles in achieving the District’s vision.. Examples may include but not be limited to:



Once this is completed, District leadership can more clearly communicate the District's vision and expectations for partner-run schools and partnership commitments. This vision can be shared with TEA, Operating Partners, and partner-run schools to ensure effective implementation. Ongoing, fluid communication about this vision and mutual expectations (District and Operating Partner) can support the vision and incorporate ongoing needs and functions of all stakeholders.

#2 ENGAGE IN A FUNDING TRANSPARENCY ANALYSIS TO PRIORITIZE CLARITY IN FUTURE SB 1882 FUNDING AND BUDGETING PROCESSES.

Ensuring budget transparency is in the best interest of all stakeholders, including the taxpayers to whom the Districts are ultimately accountable. Districts must have a clear understanding of resources needed for their responsibilities. Similarly, in order for Operating Partners to meet their responsibilities, they must be provided with transparency into the resources available to do their work.

It can be challenging for a District to manage its fiscal resources without a clear understanding of what resources will be needed to support the school. The process can cause time-consuming ad hoc modeling and workarounds to be able to answer even the most basic of questions: "What is my budget?". Budget transparency is in the best interest of the District and partners. To address these potential challenges, Districts can complete these initial steps for financial transparency:

- *Engage in a full accounting of revenues and resource allocation for partner-run schools*, so that Districts and partners can understand flow of funds and align on resourcing.
- *Conduct a cost analysis* to understand the cost of services that Districts provide to partners. A cost analysis will inform specific cost categories for the services the District provides, including:
    - Non-negotiable District costs for services associated with LEA responsibilities;
    - Non-negotiable District costs for services associated with authorizer oversight responsibilities;
    - Non-negotiable District costs for services associated with the partnership and type (e.g., payroll because the staff are employees of the District);

- Optional District costs for services that partner-run schools may opt into (e.g., administrative, operational, and instructional services).

District Service Provided	Operating Partner Payment Mechanisms	Applicability Across Operating Partners	Examples of Potential Services
LEA responsibilities	District Administrative Fee	Consistent across Operating Partners	Superintendent and school board, legal, federal compliance
Authorizer responsibilities	District Administrative Fee	Consistent across Operating Partners	Office of Innovation
Non-negotiable services	Fee for Service	Different by Operating Partnership type	Facilities, utilities, payroll services
District services	Fee for Service	Unique to each Operating Partner's choices	Academic supports, communications, transportation

District Administrative Fee - A cost analysis will inform the appropriate level of the District Administrative Fee, which is the fee each partner should pay to the District (regardless of partnership type), and which should cover the cost of services associated with the District's non-negotiable role as LEA and as authorizer. This fee can be in the form of the District retaining or "holding back" a percentage of revenue generated by the partner-run schools. The Administrator Fee should be determined or updated in a transparent manner through a cost analysis.

- LEA responsibilities: Costs associated with the role of the LEA are costs associated with anything that is *required to be done because the District is the local education agency*. These may include but are not limited to costs associated with: federal compliance, special education compliance and monitoring (not services), legal services, financial reporting and audit, School Board operations, Office of Superintendent operations, and some items associated with basic operations including IT systems for student information.
- Authorizer responsibilities: Costs related to the role of the authorizer are costs associated with anything that is *required to be done because the District acts as the authorizer, responsible for mandated accountability and monitoring processes*. These may include costs associated with the Office of Innovation and other staff with monitoring responsibilities reflective of the District's role as authorizer, such as: finance staff monitoring partner-run school financial performance, and Office of Innovation staff monitoring outcomes associated with partner-run school academic performance.

Non-negotiable services and services for partners to buy back - A transparency study can also provide a cost of non-negotiable and optional District services for partners. Costs for these categories combined are costs associated with *any services the District provides to partner-run schools that are not included in the services covered by the District Administrative Fee*. The extent to which costs are non-negotiable versus optional to partners may depend on the in-district charter partnership type, and the District and partners should work together to determine which district services fall in each category. An example of how one district considered cost determination can be found in the Case Study.

- Non-negotiable services: Non-negotiable services are services that partner-run schools must buy from the District. Costs associated with the District's non-negotiable services for the partner-run schools will vary by in-district charter partnership type.
- Optional services: Optional services are services that partners may opt to "buy back" from the District or receive funding in lieu of services in order to procure or produce on their own. Services not purchased become the responsibility of the partner and include the legal requirements associated with the service.

Deciding which services should be optional versus which should be non-negotiable (and therefore would be withheld from funding or charged to the partner through a District invoice) should be made with partner support. A transparency analysis can start with identifying which District services are non-negotiable versus optional. Some District services to be considered include:

- <u>District Administrative Services</u>: Human Resources; Parent and Community Engagement; Health Services; and costs associated with running payroll for District employees working in partner-run schools
- <u>District Academic and Student Support Services</u>: Bilingual/ESL Curriculum and Instruction; Special Education Curriculum and Instruction; General Ed Curriculum and Instruction; Substitutes; Professional Development; Summer School; Student and Family Support Services
- <u>District Operational Services</u>: Safety and Security; Technology Services; Transportation; Maintenance; Custodial Supplies and Services; Food Service; and Other Facilities Costs associated with the District being the property owner

Once services are identified as optional and non-negotiable, the District can develop a Menu of District Services that outlines: per-unit costs associated with the service, roles and responsibilities of both the District and the Partner for each service, and withholding or payment/invoicing details. *(This is further discussed in a later step.)*

These analyses can ultimately lead to a comprehensive financial view and budget document for each partner-run school. In some districts, a clear accounting of (or budget process for) revenue generation by school may exist for general revenue or special revenue funds, beyond SB 1882 revenues. In absence of existing school-level revenue budgeting practices, the District may look to TEA's Foundation School Program (FSP) and the Summary of Finances (SOF) report for a place to start. Additionally, to estimate the revenue generated by each school and partner organization, the District can reach out to other Districts to learn about templates used for this same processes. Templates should include inputs around projected enrollment, the Americans with Disabilities Act (ADA), and staffing. Once the information is added, it calculates total revenues, by fund source, generated by the school[5].

With these analyses, the District can have a means to estimate both revenues and expenditures associated with the cost of District services for each partner-run school. Once this is determined, a District can produce and share a comprehensive budget document for each partner-run school annually showing total revenues by source, District Administrative Fees, fees for service, staffing expenditures, other known expenditures, and remaining resources. Districts may consider using this template to update for actual enrollment, revenue, and expenditure experience over the course of the year. With this funding transparency infrastructure in place, the District and its partners can discuss policies related to potential carryover of specific funds the partners control.

#3 DEFINE PARTNER-RUN SCHOOL AUTONOMY AND ACCOUNTABILITY MODELS THAT AFFORD PARTNERS CLEAR CHOICES FOR THE LEVEL OF AUTONOMY AND RESPONSIBILITY PARTNERS RETAIN AND EXPECT FROM THE DISTRICT.

It is highly beneficial for districts to catalog the decision-making authority that partners possess, along with the associated roles and responsibilities. At minimum, partners are guaranteed autonomy over the Campus Principal, Personnel Assignment, Curriculum and Instructional Materials, Educational Programs for Identified Student Groups, Calendar and Schedule, Assessments, and Budget.[6] This is viewed as a simple rule: autonomy and accountability reflect funding. In other words, when you consider the funds that a District receives for a partner-run school, the District controls and is accountable for all the programming associated with the funds they retain and conversely the partner controls and is accountable for all the programming and funds they are allocated.

[5] TEA State Aide Template can be used to calculate some revenue by school. Districts may need to run additional analysis for the estimation of special revenue or federal funds.
[6] Texas Administrative Code 97.1075 and 97.1079

Given the wide variety in partner size, interest, and ability to take on various aspects of school operations, Districts can establish clear autonomy and accountability models that allow partners to make informed choices on the level of autonomy and responsibility they wish to have.

It may be helpful to think of partner-run schools as two possible types with different autonomy and accountability frameworks. Both Turnaround Partnerships and Innovation Partnerships generate incremental SB 1882 funding for partner-run schools, and while there are benefits to both of these types of in-district charter partnerships, the financial and operational structure is quite different. Type one is the Operating Partner Staff Model where partner-run school's autonomies are as high as are the District's oversight responsibilities. Type two is the District Staff Model where partner-run school's autonomies are fewer, so too are the District's oversight responsibilities. Once a partner-run school's type is clear and autonomies are identified, funding, management structures, and accountability requirements are more easily aligned.

- The District Staff Model utilizes resource allocation similar to traditional District schools where resources are allocated primarily through staffing allocations rather than per pupil funding allocations, and school staff are directly employed by the District. The District retains funds such as: Administrative Fee & Mandatory Services, staffing, and materials based on District formula; the District offers optional services that Operating Partners can "opt out" of; funds that flow to them reflect revenue for opted out services and the partner management fee.
- The Operating Partner Staff Model utilizes per pupil funding allocations as opposed to staffing allocations, and school staff are directly employed by Operating Partner – the District provides funds to partner for all revenue generated by the partner-run school minus the Administrative Fee.

#4 ALIGN FUNDING STRUCTURES AND BUDGET ALLOCATION WITH DECISION-MAKING RESPONSIBILITIES EMBEDDED IN AUTONOMY MODELS.

Flow of Funds: Funding structures must flow from autonomy structures. Once the partner autonomy model (per above) is determined, Districts can determine which funds should be fully or partially controlled by partner-run schools, and which funds should remain centrally at the District for services provided. In addition, Districts will need to determine how much each school should receive for that model. After these questions are answered, Districts can determine which mechanism resources should be allocated through, including dollar allocations, staffing allocations, or in-kind services. Specific considerations may include, but not be limited to the following:

Which funds:?
Are there any funds that should be held centrally because partner-run schools do not have ownership or responsibility over these funds (e.g. Capital)? What budget lines from general or special revenue funds should be held back fully or partially for non-negotiable or optional central services (e.g. the admin fee, opt in services)?

How much?
How should each budget line be allocated to each school, and by what factor (e.g. total student count, specific student population counts, special programs, teacher or staff count, per square foot, etc.)?

Through what mechanism?
Based on the autonomy model (above) a partner school is following, how much will be allocated through staffing or in-kind services, and how much should go to schools as direct dollar allocations?

The amount of funding that flows to each partner-run school will be different based on their student population. The amount of funding that goes to each school *via allocations* will be different based on their autonomies. As noted previously, as the partner's level of autonomy in each area described above increases, the level of District services decreases, and the level of funding allocated to the partner increases. After the District determines the revenues generated by each school, the District must calculate and withhold the District Administrative Fee, the cost of non-negotiable and opt-in District services, and the cost of District staffing for each partner-run school (if applicable). The District should allocate what remains to partner-run schools as funding or in-kind services. For example, a given partner-run school's *budget surplus/shortfall = (school generated revenues) - (district administrative fee) - (cost of non-negotiable services) - (cost of optional services) - (applicable school-level staffing and non-personnel costs)*.

Creating a new funding process such as the one recommended here is a notable endeavor and Districts need to ensure adequate support to their finance office – through prioritized staff or funding for external support – to support such a transformation. However, this work can lead to a system of timely transparency and ensuring resources align with autonomies. These are essential attributes for a funding system that supports transparency and serves autonomous partners.

#5 CREATE EFFECTIVE MANAGEMENT AND MONITORING STRUCTURES THAT RESPECT AUTONOMIES, ENFORCE DISTRICT GUARDRAILS, AND PROVIDE NECESSARY SUPPORT.

As noted previously, Districts with in-district partnerships wear two primary "hats" in their relationships with partner-run schools – that of authorizer and that of LEA.

As an LEA, a District's responsibility is to provide services defined in the partner agreement and differentiated from partner responsibilities consistent with the partner-run school type's autonomies noted above. In accordance with their responsibilities, Districts must support these schools through effective management structures that respect autonomies while also acknowledging that partner-run schools are part of the District's LEA. To support these LEA responsibilities, Districts can develop and rely on the following tools:

Menu of District Services: As an outcome of their transparency analysis, a District can determine a list of LEA services that are offered to partners and/or based on partner interest/demand. Variables to consider include commonality, impact, interest, and complexity. Districts can also conduct a landscape analysis across other Districts to identify a full list of such services. This list will ultimately need to be pared down, as regular conversations between the District and its stakeholders (namely partners) support a modified list of essential services to be included in a Operating Partner Budgeting Tool (OP Budgeting Tool).

Operating Partner Budgeting Tool: District's can develop an OP Budgeting Tool to reflect a comprehensive list of all resources - optional services and associated costs - for partners to determine which services will be received from the District. Such a tool can identify school-generated revenues; site-level staffing and non-personnel budget; administrative fee, mandatory services; optional services; and any projected surplus or shortfall to transparently inform partner budget decision-making and determine the flow of funding from the District.

As authorizer, a District has monitoring responsibility for partner-run schools and fulfills this responsibility in two ways. First, the District authorizes the partner to operate a school and codifies their legal and material expectations in the agreement and articulates their expectations for academic, financial, and operational outcomes in the performance framework. Second, many Districts create a guide or handbook for district and partner staff regarding expectations, processes and timelines and deadlines for all their oversight practices. An Authorizing Guide or Handbook can identify the oversight and support activities from the District in one document that combines: annual call for quality partner-run schools; annual performance review protocol; partner-run school renewal guide; and partner-run school performance reports. TEA maintains many of these resources for districts.

Conclusion: SB 1882 has paved the way for innovative in-district partnerships that provide both opportunities and challenges for Texas school districts. By offering additional funding and accountability exemptions, the law incentivizes districts to collaborate with partners to improve student outcomes. However, these relationships also introduce new layers of complexity, particularly in terms of governance, financial transparency, and the delineation of responsibilities. Districts must navigate the dual roles of Local Education Agency (LEA) and authorizer, balancing their traditional oversight with the autonomy granted to partner-run schools. Clear agreements, funding models, and performance frameworks are essential for managing these relationships effectively.

Successful SB 1882 in-district partnerships depend on transparency in financial management, well-defined roles and responsibilities, and alignment with the district's overall strategic vision. Districts that proactively engage in transparent budgeting processes, establish clear lines of autonomy and accountability, and provide ongoing support and monitoring will be better positioned to foster strong relationships with their Operating Partners. Ultimately, these efforts will contribute to the shared goal of improving educational outcomes for all students, while ensuring that both districts and partners can operate in a fair and sustainable manner.

Case Study: *Opportunities for Increased District Transparency and Partner Autonomy*

The San Antonio Independent School District (SAISD) serves about 47,000 students across approximately 90 schools, approximately one third of which are Texas in-district charter partner-run schools. SAISD has the largest portfolio of Texas district-charter partner-run schools within TEA. Since the launch of SB 1882-related programming in the District, SAISD has actively pursued strategic planning efforts as both a Local Education Agency (LEA) and an authorizer. Both roles require an understanding of the alignment between partner and school autonomies and accountability to the district.

In Winter 2022, SAISD faced shrinking enrollment (and revenues), a superintendent transition, a busy partner renewal cycle, and partners were asking for more funding transparency and consistent treatment. To address these challenges, the district engaged Afton Partners (Afton), a national impact-driven consultancy and Venn Education (Venn), an education consulting group to review and analyze the financial structure of SAISD's SB 1882 in-district charter partnerships. To accomplish this, SAISD formed a Project Team comprised of staff from the Offices of Innovation and Finance, Afton, Venn, and the district's System of Great Schools Executive Advisor, Civic Solutions Group (CSG).

Financial Analyses and Recommendations:
A Three-Phased Approach to Greater Transparency

Afton/Venn's independent third-party study included two primary goals: (1) assessing the status of the District's financial obligations in relation to the agreements with Operating Partners; and, (2) providing recommendations toward improving the District's fiscal practices with Operating Partners. In order to achieve these goals, Afton and Venn completed the following:

- A review of existing agreements that incorporated alignment of current budgeting practices to those agreements. This included a specific focus on the process by which SB 1882 schools receive funds, the year-end process for remaining funds, and how that does or does not align with agreements;
- A review of decision rights and autonomy over budgets in agreement and in practice;
- Research of other Texas districts' SB 1882 in-district charter partnerships and/or other relevant examples for improved related funding and oversight practices;

- The identification of potential structures to better align resource allocation with the goal of partner autonomy; and,
- The development of recommendations for ongoing implementation, agreement changes, and Operating Partner oversight and support.

PHASE I: (March 2022-June 2022)

Agreement and Practice Reviews

The goal of Phase I was to understand the current reality regarding finances with partner-run schools, how financial processes aligned with agreements, and how agreement language and practice upheld the goals of in-district partnerships. The SAISD Office of Innovation was the point of contact for this study, which involved engaging multiple stakeholders including the SAISD Office Finance & Budget, SAISD Operating Partners, TEA staff (SB 1882 policy and practice), and peer districts (Texas and non-Texas). Afton and Venn documented variation between individual partner agreements with a lens toward finance and budgeting practices, reviewed specific finance artifacts including staffing allocation and SB 1882 budget files, and held discussions with SAISD departments and partners to understand current budgeting and funding allocation expectations, practices, and overall alignment to agreements.

It became clear through these analyses that financial arrangements in agreements had differences and consistent implementation was a challenge. The differences did not appear to be driven by poor practice or malintent, but rather that agreements were written from a template that was structured for "per pupil" funding allocations, whereas in practice, 29 of 30 partner-run schools were receiving most of their resources through staffing allocations[7]. Therefore, some specific finance and budgeting sections of the agreements were inherently disconnected with practice.

Although there was a desire for Operating Partner autonomy, both SAISD and its Operating Partners identified transparency as the primary focus for the next steps.. Accordingly, it was determined that given the need for substantial changes necessary to match agreement language to any funding structure other than per pupil allocations, a comprehensive rewrite of the agreements was the best strategy. This made added sense, as the upcoming renewal cycle provided a fluid opportunity to redesign partnership agreements and practices to work toward

[7] The *District Staff Model utilizes* resource allocation similar to traditional District schools where resources are allocated primarily through staffing allocations rather than per pupil funding allocations, and school staff are directly employed by the District. The *Operating Partner Staff Model* utilizes per pupil funding allocations as opposed to staffing allocations, and school staff are directly employed by partner-run schools – the District provides funds to partner for all revenue generated by the school minus the Administrative Fee. In this model, the partner-run school's autonomies are as high as are the District's oversight responsibilities.

common goals and realign with the intent of SB 1882. CSG began redrafting SAISD partnership agreements in batches to reflect the staffing model aligned to the majority of partner-run schools, thereby potentially decreasing funding inequities based on existing and conflicting language, including payments for District services. All of these actions supported SAISD's primary intention to increase partner budget autonomies by more accurately aligning partnership agreement parameters with its partner portfolio.

Strategic Recommendations

SAISD sought to reimagine how partnerships could best be supported from a funding and budgeting perspective, the Project Team considered the goals of in-district partnerships, findings from earlier reviews, the experience of the District and its partners, and lessons learned from other districts. Operating Partners were invited to participate in the study with introductory meetings, followed by partner interviews and eight peer district interviews[8].

One of the preliminary findings in Phase I revealed a lack of transparency regarding expenditures associated with services provided by the District. Both SAISD and partners agreed that the best strategy was to conduct a transparency study and cost analysis to delineate administrative fees and costs associated with services. The following recommendations were born from these findings:

- Ia. *Align on vision and strategic intent of both the District and partners for in-district partnerships in SAISD.*
- Ib. *Complete a funding transparency study and prioritize transparency in future funding and budgeting processes.*
- Ic. *Define partnership autonomy and accountability models that allow partners to make clear choices for the level of autonomy (and responsibility) partners retain and expect from SAISD.*
- Id. *Align funding structures and budget allocation with decision-making responsibilities embedded in autonomy models.*
- Ie. *Create effective management and monitoring structures that respect autonomies, enforce District guardrails, and provide necessary supports.*

[8] Peer districts included four districts within Texas that have agreements with Operating Partners, and four non-Texas districts that authorize in-district charters - where the district is the LEA and authorizer, very similar to SAISD's organizational relationship.

PHASE II *(March 2023 - September 2023)*

Funding and Budget Analysis

The goal of this Phase was to engage in recommendations *Ia* and *Id* (above) and provide an opportunity for the District to begin to operationalize findings from initial reviews and analyses. The Project Team began with a Transparency Study *to illuminate the District's perspective on how partner funding should be allocated; how to approach school-level profit or deficit; and determine which district services should be offered as optional*. The Project Team addressed these questions with SAISD through deep data analyses and modeling using historical FY 2022 data and input from interviews with partner organizations and District leadership and staff. Study parameters included a full accounting of revenues (inclusive of both general fund and special revenues[9]) and expenditures by school for all schools and by department for the District's central office. Ultimately, this Study helped the District to understand, assess, and communicate sustainability risks and solutions of the various partner-run schools.

The Project Team engaged next in a Cost Analysis to identify top-priority central office buy-back services and associated cost estimates. This study helped to determine the costs for district services as an LEA and as an authorizer. Part of this work was aimed at determining an appropriate District Administration Fee, which is the fee each partner should pay to the District (regardless of partnership type), and which should cover the cost of services associated with the District's non-negotiable role as LEA and as authorizer.

While the Studies were conducted, CSG supported the rewrite of the partner agreements to ensure transparency and alignment with SAISD financial protocols.

Phase II findings eventually led to the development of a Draft Menu of District Services with actual costs attached to each, and a Draft Partner Budgeting Tool for partners to use to guide their decision-making. This Phase also shed light on the need to delineate and share LEA and authorizer fees with partners in order to promote transparency and further recognize relative partner autonomies.

Menu of District Services

The Transparency Study in Phase II helped to determine definitions for SAISD services and the associated costs.. Partners and district staff helped to inform three categories of district

[9] Special revenues, as opposed to general fund revenues, are funds received by the District that are designated for specific programs, purposes, or student populations and typically come with restrictions on how they can be used. These include federal Title funds, IDEA, and other federal and state categorical grants.

services for: 1) LEA Services; 2) Mandatory Services; and 3) Optional Services. A matrix for services was established to identify the SAISD department responsible for each service. This process was coupled with the landscape analysis of representative services and associated fees offered by other Texas districts and used to create a list of key district services provided to partners. The list was initially based on variables such as commonality, impact, interest, and complexity, then was pared down to a distinct array of essential services to be included in a Draft OP Budgeting Tool[10].

Draft Operating Partner Budgeting Tool

With the Transparency Study, Menu of District Services, and FY25 District enrollment and budget data, the Project Team worked closely with SAISD's CFO to develop a Microsoft Excel-based OP Budgeting Tool. This dynamic tool presents the upcoming fiscal year's budgeted general fund revenues generated by partner-run schools[11] at an individual partner-run school level and at a portfolio level for each Operating Partner. The OP Budgeting Tool presents the cost of district resources (with detail for the Administrative Fee, school-level staffing and non-personnel items, central Mandatory Services, and Optional Services); and the projected budget surplus or shortfall. The OP Budgeting Tool allows Partners to understand the budgetary implications of school-level staffing decisions as well as opting into or out of various district optional services. The OP Budgeting Tool empowers partners by allowing full transparency into the revenues they will generate and the District's services and associated fees, helping them to make educated decisions that consider cost-benefits, while enhancing their entitled autonomies through informed choice. The OP Budgeting Tool and Menu of District Services will be updated annually to reflect the optional services available to partners.

PHASE III *(December 2023 - August 2024)*

Operating Partner Budgeting Pilot:

Phase III of the initiative provided the district and partners an opportunity to pilot the OP Budgeting Tool and Menu of District Services prior to a full roll out planned for the FY2026 budgeting process. Early in 2024, the district briefed partners on the progress of the emerging OP Budgeting Tool to gather initial feedback on its first iterations, then used the feedback to troubleshoot and update the OP Budgeting Tool and the partner budgeting process. In the summer of 2024, the Project Team convened partners for an orientation to the OP Budgeting

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[10] Services included Communications/External Relations; Curriculum, Instruction and Assessment; Dual-language, ESL & Migrant Student Services; Ed Tech & Extended Learning Services; Fine Arts; … Organizational Learning Services; Printing; Social, Emotional, and Academic Development (SEAD) and Restorative Practices; Student and Academic Support; and Transportation.

[11] SAISD's Operating Partner Budget Tool included general fund revenue categories and calculations aligned to TEA's Summary of Finances report inclusive of total FSP revenues and 1882 revenues.

Tool, Menu of District Services, and the new budgeting process. Once oriented, the Project Team met with each partner to share their OP Budgeting Tool populated with the partner's projected FY2025 student enrollments and the resulting revenue allocations. The Project Team and Partner walked through aspects of the allocations and practiced how to adjust enrollment increases/decreases and varied choices of optional services to see how it affected the Operating Partner's bottom line.

Throughout thisPhase, the Project Team worked closely with SAISD's CFO to apply what they learned and confirm the accuracy of various assumptions used to inform the OP Budgeting Tool updates. Using the pilot prior to implementation allowed SAISD to build on relationships with Partners through technical assistance and to work through challenges with the Draft OP Budgeting Tool in real time. The District will decide how optional services for FY2026 will be incorporated into the OP Budgeting Tool, how individual school views will be added to the platform, and finalize the list of optional services for the full rollout.. All of these steps will ultimately culminate in progress toward partner financial independence and sustainability, and customized operational autonomy.

NEXT STEPS

In order to honor the partner autonomies and District transparency that will result from the implementation of a full FY2026 roll out of the OP Budgeting Tool and Menu of District Services, the OP Budgeting Tool and Menu will be updated annually to reflect prioritized needs across SAISD's partnerships as well as accurate funding flow and allocations. SAISD can decide to re-engage its advisors as it identifies further need for both internal technical assistance as well as relative supports for its partners and schools.

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