

Authorizing Charter Schools



By Yilan Shen

May 2011

After two decades of experience with charter schools, state legislators want to ensure these schools are effective. Recent legislation deals more with expansion and quality than early charter school legislation did.¹ The process of authorizing charter schools addresses both the number of schools to be allowed and the quality of the schools. Thus, the topic of authorizing is relevant and important to current debates. Authorizing is the process of approving an application for a charter, negotiating a contract, overseeing a school and deciding whether to close a school at the end of its charter or renew its contract. State laws dictate which entities have authorizing powers and the roles they play in holding charter schools accountable for effectiveness.

Rigorous authorizing is critical to ensuring high-quality charter schools. State legislators pass laws about charter school operations and are publicly accountable for ensuring quality. The authorizers, however, directly hold charters accountable for results. Authorizers not only allow promising applicants to open schools, but also close ineffective schools.

When charter laws were first enacted, school districts were the main authorizers. Later, states allowed other types of organizations to become authorizers in order to allow growth of charter schools, create competition and ensure quality authorizing. Quantity alone, however, did not have the intended effect on quality. Now, stakeholders are focusing on quality in legislation and practices. This brief covers what authorizers do, identifies who authorizers are, discusses state authorizing policies and offers policy questions for consideration.

What Do Authorizers Do?

The four primary responsibilities of authorizers are to review applications for charters, establish “charters” or contracts, ensure compliance and renew contracts (or not).

Applications

The first step in charter school authorizing is typically a call for applications. Some authorizers post periodic formal requests for proposals, and others reply to applications as they are submitted.² At a minimum, applications usually include the following components, although many state laws include more:

- the mission of the proposed charter;
- financial plans for budgets and facilities;
- specific educational goals, such as graduation rates and test score benchmarks;
- involvement of for-profit or nonprofit management organizations; and
- other information relevant to the capacity of the charter school to succeed.

Charter Schools in the States

Charter schools are publicly funded, privately managed and semi-autonomous schools of choice. They do not charge tuition. They must hold to the same academic accountability measures as traditional schools. They receive public funding similarly to traditional schools. However, they have more freedom over their budgets, staffing, curricula and other operations. In exchange for this freedom, they must deliver academic results and there must be enough community demand for them to remain open.

The number of charter schools has continued to grow since the first charter law was passed in Minnesota in 1991. Some have delivered great academic results, but others have closed because they did not deliver on promised results.

Because state laws enable and govern charter schools, state legislatures are important to ensuring their quality.

This series provides information about charter schools and state policy topics, including finance, authorization, limits to expansion, teaching, facilities and student achievement.

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Some authorizers use outside experts to review applications, while others rely only on internal staff to review. Personal interviews with applicants commonly are held. Using both internal and external evaluators and personal interviews are recommended by the National Association of Charter School Authorizers (NACSA) as part of their “Principles and Standards for Quality Charter School Authorizing.” The overall rate of charter approvals has decreased in recent years. The decline could be because authorizers have more experience and are using more rigorous criteria. Since some states have limited the number of charters that can be approved, the decline also could be due to the fact that some have reached or are nearing their limits.³

Contracts

Once applications are approved, the authorizer drafts a contract with operators of the proposed school. The contract or “charter” outlines the timeline of the agreement, requirements for a governing board and bylaws, exemptions to traditional school legal obligations, performance goals, the number of schools allowed under the charter, fiscal goals and reporting requirements among other terms.⁴ Most authorizers enter into formal contracts with charter schools, unless state law does not require it.⁵ When there is no formal contract, the authorizer and school rely on the charter application and legal precedent to bind the relationship. For example, the authorizer would use the specific educational goals outlined in the application—such as student test scores—to assess how well the school is meeting its obligations. The span of a contract can be between one and 15 years.⁶ Alaska, Arizona, Georgia, Illinois, Michigan, Missouri, Nevada, New Mexico and the District of Columbia allow charter contracts to be longer than five years.⁷

Oversight

During the contract period, the authorizers continue to monitor the school’s progress and compliance. They oversee specific items such as enrollment, academic achievement, student admissions, finances and compliance with regulations. Authorizers carry out oversight through financial audits, academic reports, site visits to schools, monitoring through electronic data systems and reviews by government agencies. Once the oversight tasks are completed, specific

actions are taken to address any problems. Authorizer involvement varies when a school is not meeting its goals. The school is typically informed about failures in writing and required to develop specific plans for improvement. Some authorizers dictate how the failures should be addressed and the specific changes that are to be made.⁸ Flexibility is an important aspect of charter schools’ autonomy and definition. At this stage, authorizers must be specific about necessary improvements without prescribing specific solutions. These reviews can occur prior to or at the end of the charter term (period of operation written into the charter), typically five years.⁹ While some authorizers have the discretion to determine term length, others are bound by state laws.

Renewal

The last step in the authorizing process is a renewal decision. When a charter school does not meet the goals in its contract, it typically would close when its charter term ends.¹⁰ A charter school can be closed before the end of the charter term, however, if the authorizer revokes the charter or the school operators withdraw the charter. Most closures occur when the charter term ends. Common reasons for charter school closures include financial problems, low academic performance and lack of regulatory compliance. The rate of closures has increased as the number of charter schools has expanded. Most closures are concentrated in a few states—California, Florida, Ohio, Arizona and Wisconsin—but, with the exception of Arizona, they also have the most new school openings. Closure rates in other states vary; some states have never closed a charter school.¹¹

Who Are Authorizers?

States allow various entities to authorize charter schools. The most common are local school districts, which account for about 90 percent of all authorizers. Other types of authorizers, in order of prevalence across the country, are higher education institutions, state boards of education, nonprofit organizations, independent charter boards and municipal governments. As of late 2010, a total of 955 authorizers were responsible for 5,268 charter schools and 1.6 million students in the nation.¹² As the number of charter schools increases, so do the number of authorizers.

Survey results paint a general picture of who authorizers are. Most are small; they oversee fewer than five schools. Large authorizers, which oversee more than 10 schools at once, tend to be less prescriptive and allow charter schools more autonomy in addressing problems.¹³ Perhaps reflecting other organization characteristics, the resources and functions dedicated to the authorizing process vary among authorizers. Some authorizers specifically exist as such, while others—including local districts and higher education institutions—have many other responsibilities. Funding for authorizer responsibilities comes from charter school revenues, existing organization operating budgets, state and federal grants and state and/or municipal appropriations.¹⁴

Since most authorizers have other responsibilities, not all have budgets allocated only for authorizing activities. A little more than half of authorizers surveyed by NACSA report budgets specifically for authorizing activities. The number of staff designated for authorizing duties averages about five full-time equivalents. In reality, however, some authorizers have no full-time staff for authorizing activities and, even among larger authorizers, one full-time staff person may oversee an average of six schools. Half the authorizers in the survey report a lack of specified resources set aside for authorizing within their organization.¹⁵

The various types of authorizers bring different qualities to the job of overseeing charter schools. State laws specifically outline how these entities hold charter schools accountable. In some jurisdictions, only one authorizer may decide the fate of charter schools. In others, several authorizers can approve applications, and some can repeal others' decisions. When charter schools were new and untested, the ability to appeal charter denials was established so an applicant could seek other options if the application was denied. Most state charter laws offer an alternative for the applicant to pursue if a charter is rejected.¹⁶ The main types of authorizers states allow are described below:

- **Local school district** authorizers bring assets and challenges to the authorizing process because of their unique relationships with charter schools. For example, there may be competition for students and per-pupil funding between a local district and the charter school within a district. However, the authorizing district also

can be a useful partner to the charter school since it can provide technical assistance and help secure facilities.¹⁷ Some local school districts may treat their charter schools as traditional schools, and the relationship typically results in less charter school autonomy. Local districts are more likely to be directly involved in decision-making, especially when a school is underperforming, by prescribing specific solutions and such. Local school boards historically have authorized more charter schools that were converted from traditional schools than other authorizers.¹⁸

- **Institutions of higher education** are natural choices as authorizers because they receive students from the K-12 systems. They have a stake in ensuring quality education for college and career readiness at the K-12 level. When surveyed, most authorizing higher education institutions reported that authorizing was part of their overall mission to improve education and viewed it as an opportunity to use their expert knowledge.¹⁹ Although they often are involved in K-12 teacher preparation and other areas, they do not have the existing infrastructure and specific knowledge about K-12 day-to-day operations that school district authorizers do.²⁰ In addition, they usually have limited resources and capacity for authorizing responsibilities.

- **State boards of education** have advantages as authorizers. They can be effective because of their statewide outlook, institutional knowledge and expertise.²¹ However, according to NACSA's analysis, since state education agencies have the most limited staff and resources among authorizers of the same size, authorizing can be low on the list of priorities.²² At the same time, many state boards have unique powers in the authorizing process. More than half of the states with charter laws allow the state boards of education to repeal or override denials from other authorizers.²³

- **Nonprofit organizations** can serve as authorizers because they often have knowledge about specific needs of a population, neighborhood or community, so they have incentives to hold charter schools accountable for educational achievement. They also bring experience in fundraising, organizational operations and manage-

ment. However, they often have limited resources and do not have experience in school operations. They have the least rigorous application process and the highest approval rates among large authorizers.²⁴ Only Minnesota and Ohio currently allow nonprofit organizations to authorize.

- **Specialized independent charter boards** are authorizers in eight jurisdictions. These organizations are created for the sole purpose of overseeing charter schools. They have the advantage of focusing on charter school quality and innovation, but also face the challenges that come with starting a new institution. Members usually are appointed by state officials or nominated by education agencies. They can be representatives of the business community or traditional public schools, charter school operators, teachers or others with valuable skills and backgrounds that represent state residents.
- **Municipal governments** are allowed to authorize in two states. Indiana empowered the mayor of Indianapolis to authorize within the city, and Wisconsin allows the Milwaukee city council, among other entities, to authorize for city schools.²⁵ Although these city-wide officials have broad knowledge about education needs and can be powerful leaders, they often do not have education expertise and in-depth knowledge about education reform. In addition, turnover among municipal leaders occurs regularly, and they already have many other responsibilities.

Components of Effective Authorizing Policies

Stakeholders and researchers have accumulated general lessons learned about rigorous authorizing. The lessons center around setting goals, determining authorizing powers, ensuring accountability and providing funding.

Goals

Clear goals stated in law are first steps to ensuring quality in charter school authorizing. The authorizer not only should see charter school success as part of its own mission, but also should keep school flexibility and innovation in mind

during oversight of school operations. Authorizers can be involved in tasks such as engaging the community and parents who support the charter school without treading on the school's autonomy. Authorizers can have specific missions, such as replicating promising practices among the schools they oversee. One such example is the Colorado Charter School Institute. Among its goals—set in law—are to open charter schools to meet the needs of at-risk youth and to set an example for high-quality authorizing.

Authorizing Powers

Authorizing powers are important components in charter laws. Competition among several authorizers can lead to more rigorous oversight, but more authorizers may not always be better. The availability of different types of authorizers in addition to local school districts may allow charter school growth within a state, but the quality of authorizing depends on various other factors, such as resources, capacity and an organization's mission that includes charter quality. If authorizers are lax, less promising applicants can seek them out. This not only negates the rigorous work of other authorizers, but also may discourage competition. Quality depends more on a uniform standard among all authorizers in a jurisdiction than sheer numbers of them to drive quality. Research shows that authorizers with a higher volume of charter schools under their jurisdiction actually perform better.²⁶ Arizona and California allow local district authorizers to oversee schools only within district geographic boundaries. This can provide district incentives to help the charters meet their goals and ensure that oversight is practical.

Accountability

Just as accountability for charter schools is important to their success, so is accountability for authorizers to ensure quality in their work. Clear expectations and standards are key components of an accountability system for both charter schools and authorizers. Results should be measurable, and the means of assessing quality should be reasonable. Along the same lines, reporting requirements that detail measurable results without unnecessary, onerous paperwork for schools and authorizers can be useful accountability tools. Authorizers can be required to apply to become authorizers. Just as underperforming charter schools would be closed

by authorizers, revoking authorizing powers is warranted if the goals clearly stated in law are not met. Minnesota laws passed in 2009 hold the authorizer directly accountable for performance of the charter schools it oversees and requires the state education department to approve authorizers every five years.²⁷

Funding

Adequate resources and capacity can ensure that authorizing duties are not overshadowed by other core responsibilities. What is adequate? According to NACSA, funding levels for

authorizing need not match funding for traditional school operations. Approval and oversight can be carried out efficiently by a small staff with experience in charter school quality. NACSA recommends a novel approach to authorizer funding: it combines a set amount of money from the state with a percentage of charter school revenues. If authorizers depended on revenues from schools as their only source of funding, it might offer an incentive to keep more schools open. This approach, they argue, lessens the incentive for authorizers to keep poorly performing schools in operation, since funding for authorizing would not be solely tied to the number of schools they oversee.²⁸

Policy Questions to Consider

- Who are authorizers in the state? How many schools do they oversee? How many authorizers are large and how many are small? What is the extent of their authorizing powers?
- How do organizations become authorizers? Do they apply, or are some organizations automatically identified as appropriate authorizers?
- What accountability measures are in place to evaluate authorizers? Who oversees this process? Are the measures specific and objective?
- How much and through what means do authorizers receive state funding?
- How often do authorizers review charter schools? For charter schools with terms of 10 years or more, are authorizers conducting regular performance reviews?
- How many schools have authorizers closed? Are the closure and charter approval decisions driven by concrete data such as test scores, financial reports, independent audits, etc.?
- Do authorizers allow enough autonomy within their contracts with charter schools for innovation and risk?
- Are methods in place for effective authorizing practices to be shared among authorizers and charter schools?
- Do authorizers in the state have uniform standards of approval and renewal?

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By Julie Davis Bell

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Charter school caps limit the number of charter schools that can be opened or the number of students that can be enrolled in charter schools in a state.¹ Whether to cap is a fundamental decision facing all states that have considered or are considering charter school legislation. Since the first charter school laws were passed in 1991, whether to have caps and what those caps should be have been important policy questions. This brief discusses the history, issues and policy questions about charter school caps.

Caps in the States

Nearly 5,000 public charter schools—approximately 5 percent of all public schools—currently serve about 3 percent of all public school students. Arizona, California, Florida, Ohio and Texas have the most charter schools. Nearly half the states have some kind of a cap on charter schools (as of this writing, several states were considering whether to remove caps). Most caps limit the number of schools allowed, while others limit the number of students per school. Some states limit the number of new schools that will be allowed versus the number of conversion schools—existing public schools that convert to charter schools. In some states, caps also restrict the number of schools under some authorizers, but not others.

Caps can be straightforward or complicated. Hawaii caps the number of charter schools at 48, while New Mexico allows no more than 15 schools per year with a five-year cap of 75. California limits charter school growth to 100 per year with unused charters rolling over to the next year. Illinois limits charter schools to 120; 75 located in Chicago and 45 in the rest of the state. Arkansas has a limit of 24 start-up charters in the state, but has no cap on conversion schools.

During the 20 years of charter school experience, states have imposed caps, loosened restrictions and eliminated them all together. Caps can be tied to measures of quality, school diversity and local needs, although periodic reviews of cap policies can be set as more information about charter schools becomes available and conditions in states change.²

Charter Schools in the States

Charter schools are publicly funded, privately managed and semi-autonomous schools of choice. They do not charge tuition. They must hold to the same academic accountability measures as traditional schools. They receive public funding similarly to traditional schools. However, they have more freedom over their budgets, staffing, curricula and other operations. In exchange for this freedom, they must deliver academic results and there must be enough community demand for them to remain open.

The number of charter schools has continued to grow since the first charter law was passed in Minnesota in 1991. Some have delivered great academic results, but others have closed because they did not deliver on promised results.

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The caps in state policies limit charter school expansion in the following ways:

- The number of schools in the state;
- New schools within a designated amount of time;
- The number of schools overseen by each authorizer;
- The number of students in schools; or
- Other restrictions by geography (i.e. district), performance level or funding level.

History

The first states to allow charters—including Colorado and Minnesota—included caps in their charter laws. These states wanted some experience with charter schools before they considered whether to lift the caps. The laws initially allowed only a few charter schools; as charter schools became more common, however, caps were eliminated in both states. As the charter movement grew throughout the late 1990s and early 2000s, more state legislatures lifted caps,³ but debates about them continued. The 1998 New York charter law included a cap, but in the same year, Colorado lifted its cap.⁴

More recently, the federal government sparked a wave of debate about charter caps by creating Race to the Top grants. The grants, funded through the American Recovery and Reinvestment Act of 2009, encouraged states to remove limits on charters and the number of students they could serve. Among the criteria for states to win the grants was “ensuring successful conditions for high-performing charter schools and other innovative schools.” This criterion accounted for 40 of the possible 500 points in selecting winners. During a time when states were experiencing dire budget conditions, many states competed for the \$4.35 billion in Race to the Top awards, and significant attention focused on those that lifted their charter caps to gain points in the competition. Fifteen states took legislative action to remove caps in the year of the Race to the Top competition; six of these states won grants.⁵

Issues

The decisions states make about caps (whether to cap and at what number) is one of the most fundamental questions in state charter school policy. It reflects the general approach each state has to charter schools—whether to limit them or allow for expansion. Much of the debate about caps centers around quality. Charter school advocates support removal of caps, claiming that they arbitrarily limit charter schools without regard to quality. This limits options that parents and students want for high-quality education, as demonstrated by the thousands of student names on charter school waiting lists (The NGA Center for Best Practices estimates nearly 350,000 students are on waiting lists). Further, some charter school advocates suggest that caps are arbitrary and

States With Charter School Caps			
State/Jurisdiction	Caps Number of Schools	Caps Number of Students	Other Caps*
Alaska	x		
Arkansas	x		
California	x		
Connecticut		x	
Hawaii	x		
Idaho	x		x - Only one per district
Illinois	x		
Indiana		x - Virtual charter only	
Maine	x - State-authorized charters only	x	
Massachusetts	x	x	
Michigan	x		
Missouri			x - Only in Kansas City and St. Louis
New Hampshire	x		
New Mexico	x	x	
New York	x		
Ohio	x		
Oklahoma	x		x - Limited to specific districts
Rhode Island	x	x	
Texas	x		
Wisconsin		x - Virtual charter only	
District of Columbia	x		

prevent free-market competition from naturally determining the appropriate number of schools. Caps not only may deter potentially high-performing operators from applying in those states, but also can stifle innovation and discourage risk-taking by encouraging a more familiar model of charters to be approved, since only a certain number can be opened.

Proponents contend that caps do control the overall quality of charter schools. Caps encourage authorizers to be more rigorous in closure and approval decisions, since caps allow only a limited number of schools. Caps can manage both charter school growth and expenditures on charter schools.

Research indicates that caps alone do not determine charter school quality. The Center for Research on Education Outcomes concluded in a 2009 study that states with a statutory cap saw fewer academic gains than those without one. They also noted that these effects were even more apparent in the 15 states and District of Columbia studied when a state was near its limit.⁶ At the same time, data from the

same study showed charter schools from some states with caps—Arkansas, Illinois and Missouri—had higher reading and math test scores than traditional state schools. Charter schools in some states that have no caps—Arizona, Florida and Minnesota—scored lower than traditional schools.⁷

Policy Questions

A range of policy options exists between imposing a limit and allowing unbridled growth. According to Andrew Rotherham of the Education Sector, one option is “smart charter school caps.” These smart caps not only allow controlled growth based on authorizer capacity, but also loosen growth limits on charter schools and authorizers that have proven records of success. Rotherham echoes others in calling for caps to be a more focused instrument of quality control that is used in conjunction with other quality charter policy such as authorizing and accountability.⁸

Policy Questions to Consider

- Does your state have caps on charter schools or charter school students? What were the reasons for including them in the legislation? Are those reasons still relevant? When were your state’s cap policies last reviewed?
- How many charter schools are there in your state? How close are these charter schools to reaching the state cap, if there is one? Are a high number of students on waiting lists who might benefit from expanding capacity? Can charter school accountability be maintained if caps are relaxed?
- Is expanding capacity the best policy option or is there a way to satisfy demand without building new schools (i.e., supporting expansion of current charter school facilities, replicating successful charter school reforms in low-performing charter and traditional public schools, closing ineffective charter schools that have low demand, or promoting successful charter schools that have room for more students)?
- Are waiting lists substantially higher at few charter schools and/or in certain regions? If so, why are these high-demand charter schools so popular and how can they be replicated to reduce the waiting lists? Should charter school expansion be focused on specific regions with the highest demand?
- How many students are served by charter schools? Is there demand for more charter schools? If not, should the state focus on ways to promote them?
- Can current authorizers effectively manage additional charter schools? Are additional authorizers needed to ensure charter schools are held accountable for their performance?
- What measures of quality are used to determine charter school effectiveness and closure decisions? Are poorly performing schools closed to allow more promising schools to open under a cap? How many charters have been denied by authorizers to comply with caps?

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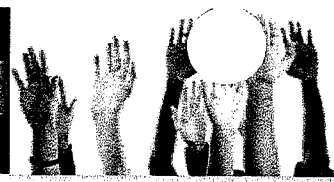
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By Josh Cunningham

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One of the most common questions state legislators ask about charter schools is whether students who attend them perform better than their peers at traditional public schools. Since the introduction of charter schools in the 1990s, policymakers, parents and researchers have wanted to know whether student success or failure in charters differs from traditional schools. The question is fundamental to evaluating the charter school experiment. Early charter school theory suggested that the flexibility and autonomy given to these schools would result in improved student performance. Twenty years after the charter school movement began, the answer to this question remains unclear. This brief explores what has been learned from recent research on student achievement in charter schools, how that achievement compares to traditional public schools, and what policies states are considering to evaluate student achievement in charter schools.

Defining and Evaluating Student Achievement

It is not easy to define, quantify and measure student achievement. The most common indicator of achievement generally refers to a student's performance in academic areas such as reading, language arts, math, science and history as measured by achievement tests. These include statewide exams, SAT/ACT scores, or National Assessment of Educational Progress (NAEP) scores. Policymakers know, however, that academic achievement also depends on a child's circumstances and situations, the quality of schools and teachers, and many other factors. Researchers thus have also studied academic proficiency, achievement gaps, graduation and dropout rates, student and school improvement over time, and students' success after high school. All these factors are indicators of effective schools and teachers. Further complicating the matter is the fact that many public schools serve different student populations in different ways. Furthermore, vigorous debates have occurred among researchers over the methods used in some studies. All these considerations have made it difficult for researchers to provide compelling information about how schools compare to each other and how charter schools compare to traditional public schools.

Comparing Charters to Traditional Schools

Comparing student achievement at charter schools to that at traditional public schools is important to policymakers who must make decisions about school accountability, administration and funding. Research on this issue has produced mixed results. When only test scores are considered, traditional public schools consistently outperform charter schools nationwide not only in reading and math proficiency of fourth and eighth graders, but also in mean SAT and ACT scores.¹

Charter Schools in the States

Charter schools are publicly funded, privately managed and semi-autonomous schools of choice. They do not charge tuition. They must hold to the same academic accountability measures as traditional schools. They receive public funding similarly to traditional schools. However, they have more freedom over their budgets, staffing, curricula and other operations. In exchange for this freedom, they must deliver academic results and there must be enough community demand for them to remain open.

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Because state laws enable and govern charter schools, state legislatures are important to ensuring their quality.

This series provides information about charter schools and state policy topics, including finance, authorization, limits to expansion, teaching, facilities and student achievement.



Nationwide test scores often fail to capture the complexity of student achievement. A more detailed look at student assessments reveals certain trends in charter school performance. In a 2011 meta-analysis, the National Charter School Research Project found that charter school students perform differently based on factors such as grade level and subject. Researchers found that charter middle school students tend to perform better in math and reading compared to similar students in traditional public schools.² A 2010 study from the Institute of Education Sciences (IES) found evidence that low-income and low-achieving charter middle school students perform better in mathematics than similar students in traditional public schools. On the other hand, high-income/prior high-achieving charter middle school students showed significantly lower scores on state math tests.³ The study hypothesizes that low-income students in charter schools tend to show high gains in reading and math because they are entering a new school environment that is more likely to focus on student achievement. Researchers found no evidence, however, that the schools students previously attended had any influence on their performance in a charter school. They note that the study was not designed to directly measure this relationship, and further research may, in fact, show a correlation.⁴

A 2009 report from the Center for Research on Education Outcomes (CREDO) suggests a possible explanation of low-income student success could be that charter schools structured specifically to serve disadvantaged students tend to produce better results among such students.⁵ In general, existing research has been unable to conclusively explain why low-income and low-achieving students tend to perform better in charter schools.⁶

A 2009 report from RAND Corporation finds that students in charter schools generally have lower test scores than their traditional public school colleagues. Researchers suggest it is reasonable to assume that a charter school (or any school) operating in its first year will have low test scores. Second, virtual charter schools, which comprised 4.5 percent of all charter schools in the 2009-10 school year,⁷ historically have shown lower levels of achievement. The report also finds that, despite evidence of lower test scores, charter school students are more likely to graduate from high school and enroll in college than are their traditional school counterparts.⁸

In a 2009 study that comes closest to a randomized experimental design, researchers with the New York City Charter Schools Evaluation Project compared New York City charter school students who were selected in charter school lotteries with those who participated in the lottery but were not selected. The review found that those students who attended charter schools substantially closed the achievement gap and were more likely to graduate with a high school diploma.⁹ An overall important finding, however, is that the schools vary greatly, a finding that could be expected when charters and traditional schools are compared.

A 2011 study by the Washington Policy Center suggests that some charters have closed the achievement gap between minority and white students and that "well run charters perform better than traditional public schools."¹⁰ Finally, as part of a larger study of 40 Charter Management Organizations (CMOs) representing 292 public charter schools in 14 states, charter school students in three of the six CMOs with available graduation data were more likely to graduate high school on time than similar students in traditional public schools, while students in two other CMOs showed no significant difference and students in one were less likely to graduate on time.¹¹

The 2009 CREDO study found that the state in which a charter school is located also affects student performance. Certain state policies appear to be correlated to charter school student achievement. Those states examined in the study that placed a cap on the number of charter schools permitted were found to have significantly lower-achieving charter school students compared to those from states with no such cap. The study also determined that states with multiple authorizers witnessed lower charter school student achievement, potentially suggesting some charter school sponsors may be strategically selective about the authorizer to which they apply looking for what the researchers referred to as "the option that is "easiest" on charters."¹² In other words, they may choose the authorizer with the most relaxed accountability standards.

Despite a national trend showing that charter school students perform below traditional schools on standardized testing, a closer look reveals that factors such as state policies, student demographics, grade level, subject and teaching methods play a role in determining specific charter school

performance. As with many education issues, comparing student achievement in charter schools to that in other public schools is difficult and complex.

The State Role in Student Achievement

The state's most significant role in improving charter school student achievement is to create strong mechanisms that both promote replication of high-performing charter schools and ensure that low-performing charter schools are identified and held accountable. Charter school accountability typically is the responsibility of the agency or organization (the "authorizer") that approved and authorized the charter school. Although this usually is a school district, in many states the authorizer also can be a state agency, nonprofit organization, business or university. State policymakers can create an accountability framework—including standards for measuring and evaluating charter school performance, incentives for high-performing charter schools, repercussions for low-performing charter schools, and methods for ensuring quality authorizing—that authorizers must follow.

Many states—including Hawaii, Minnesota and New York—require charter schools to sign performance-based contracts with their authorizers, either as a component of the original charter or as a separate document. Performance-based contracts are agreements that set specific benchmarks the charter school must meet within a specified period of time. Among other accountability factors such as financial stability and attendance, performance-based contracts typically identify expectations for academic achievement and student performance growth.¹³ If a charter school fails to meet the terms of the contract, the authorizer can impose sanctions on the charter school, up to and including revoking its charter.

A key component of student performance accountability is accurately measuring student progress. Comprehensive assessments and data systems allow states and charter school authorizers to identify both low- and high-performing schools. Schools that perform poorly can be held accountable, and those that show high marks can be studied and replicated. Individual charter schools can use the collected data to identify and help struggling students.¹⁴

Holding charter schools accountable also can include raising parental awareness about the performance of their child's school. In New Mexico and Utah, for example, schools are assigned a letter grade based on their students' performance on statewide assessments. Schools in Ohio, including charter schools, are assigned one of six performance designations each year by the state Department of Education. Parents can easily look up the test results for their child's school, including whether student achievement has improved. New York requires charter schools that have been audited by the state to publish the audit in their annual report, which also must be accessible to the public.

Another strategy to hold charter schools accountable for their student performance involves punitive actions. These include placing a charter school on probation and revoking its charter, forcing the school to close. New Jersey allows the state's education commissioner to place a charter school on probation for 90 days if it is failing to meet its stated goals, including student academic performance. If, within the 90 days, the charter school cannot implement a remedial plan, the state can revoke the charter. In Rhode Island, a school's charter can be revoked for a list of reasons, including failure within three years of start-up to reach the classification of a "high-performing charter school" as defined by state law.

While attention often focuses on low-performing charter schools, some states have enacted incentives and rewards for high-achieving charter schools. In Florida, charter schools rated as "high performing" are rewarded with longer charter contracts and a reduced administrative payment to authorizers.¹⁵ States that received waivers from the federal No Child Left Behind law now are recognizing the top-performing and progressing schools, including charter schools, as Reward Schools. Under Oklahoma's waiver application, the state gives the top 10 percent of schools, as measured by the state's A-F school grading system, more autonomy to spend state and federal funds, the ability to serve as advisors to the state education department and, if available, additional funds from both the state and from private sources.¹⁶

States not only can put in place policies directed at school accountability, but also can hold authorizers accountable for low-performing charter schools under their supervision. Minnesota requires the state's education commissioner to review each authorizer in the state every five years. The

commissioner has authority to take corrective actions—including revoking the charters of schools operating under the authorizer or suspending an authorizer's ability to sponsor new charter schools—against low-performing authorizers.

Other states such as Nevada and Ohio require prospective authorizers to apply to the state in order to sponsor charter schools.

Summary of Research

This is a summary of the major findings from the research studies cited in this brief.

- Nationwide data show traditional public schools have consistently outperformed charter schools in reading and math proficiency of fourth and eighth graders.¹
- Charter middle school students tend to perform better in math and reading when compared to similar students attending traditional public schools.²
- Low-income and low-achieving charter school students perform better in mathematics than students in traditional public schools.³
- High-income/prior high-achieving charter middle school students showed significantly lower scores on state math tests than similar traditional school students.³
- A charter school operating in its first year likely will have low test scores.⁸
- Virtual charter schools, which comprised 4.5 percent of all charter schools in the 2009-10 school year,⁷ historically have shown lower levels of achievement.⁸
- Charter school students are more likely to graduate from high school and enroll in college than their traditional school counterparts.⁸
- In New York City, students who attended charter schools substantially closed the achievement gap and were more likely to graduate with a high school diploma.⁹
- States with caps on the number of charter schools tend to have lower-performing charter schools.¹²
- States with multiple authorizers tend to have lower-performing charter schools.¹²

Policy Questions to Consider

- Does your state collect data that allows you to evaluate student performance in public schools, including charter schools? If so, legislators should be familiar with this information.
- Does your state have mechanisms that hold charter schools accountable for student achievement? If so, are those mechanisms being enforced?
- Can your state take corrective actions to enforce authorizer accountability?
- Does your state hold charter school authorizers accountable for low-performing charter schools?
- Does your state recognize and reward charter schools that are consistent high performers?
- Are expectations for student achievement defined and communicated clearly to charter schools? Are specific time limits set for meeting those expectations?
- Do parents have easy access to the test results of their child's school? If so, are these results presented clearly?

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Josh Cunningham wrote this brief. Josh, a research analyst in the NCSL Education Program, focuses on charter schools.

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10-16

Teaching in Charter Schools

By Michelle Exstrom

July 2012



With passage of LD 1553 in Maine in 2011, 41 states and the District of Columbia now have adopted legislation that allows charter school creation and oversight. While authorization, funding and facilities are significant to charter school success, so, too, is staffing; effective teaching is the key to successful student achievement. State legislators who hope to boost student success by providing more school choice through creation of charter schools also will want to consider whether state charter school policies ensure effective teaching in those schools.

The Current State of Teaching in Charter Schools

Demographics. Charter schools tend to attract a different kind of teacher. According to the latest data on teacher characteristics from the National Center for Education Statistics,¹ charter school teachers are more diverse; there are almost twice as many black and Hispanic teachers in these schools. They also are less experienced. Thirty percent were in their first three years of teaching, and 75 percent had taught for less than 10 years.² In traditional public schools, only 15 percent of teachers are in their first three years of teaching, and 43 percent have less than 10 years of experience.³ Some data indicate charter school teachers are more likely to have graduated from a competitive or selective college, as defined by Barron's Profiles of American Colleges.⁴

Licensure. Requirements for licensure or certification are quite different for charter school teachers. Teachers in traditional public schools must be licensed or certified to teach through traditional or alternative programs recognized by the state or district. This varies by state for charter schools, however. According to the National Center for Education Statistics,⁵ only 23 states require that all charter school teachers be licensed through traditional or alternative means. Fourteen states require only a certain percentage of charter teachers in each school to be licensed, varying between 30 percent and 90 percent. Four states and the District of Columbia have no requirement for licensure or leave this determination to the approving entity for each charter school.

Charter Schools in the States

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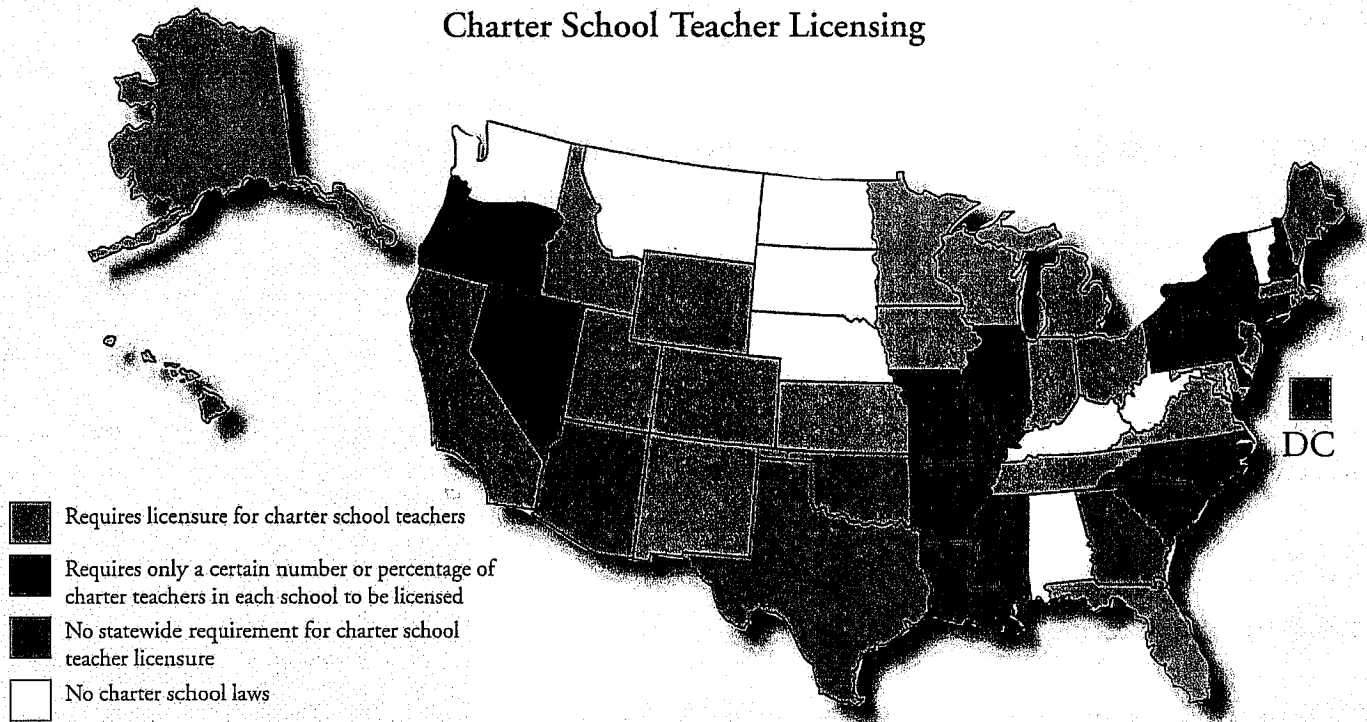
The number of charter schools has continued to grow since the first charter law was passed in Minnesota in 1991. Some have delivered great academic results, but others have closed because they did not deliver on promised results.

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Charter School Teacher Licensing



Source: National Conference of State Legislatures, 2012.

Turnover. Charter schools are more challenged by turnover than traditional public schools. High teacher attrition is detrimental in any school setting. It can result in instability within a school and high costs to the district and state. Recent research by the National Center on School Choice found that the rate at which teachers leave the profession and move between schools is significantly higher in charter schools than in traditional public schools, likely due to the differences in teacher characteristics.⁶ The National Center points out that charter schools tend to hire teachers who are at greater risk of leaving the profession and switching schools because they are younger, less likely to have an education degree or state licensure, and more often work part-time. Dissatisfaction with working conditions also contributed to turnover, since the unique environment often may not meet teacher expectations. Involuntary attrition is significantly higher in charter schools due to the lack of barriers to teacher dismissal and to a school's possible instability. The National Center also found that new charter school

start-ups experience significantly more teacher attrition and mobility than those that are converted from traditional public schools. Charter school teachers also may be more vulnerable to leadership changes. According to the National Charter School Research Project, a school's identity often is tied to its founder or leader. If the leader leaves, this may create uncertainty and uneasiness among school staff.⁷

Compensation. Teacher compensation does not vary widely between charter and public schools, and charter schools often do not base compensation on performance. Because charter schools were designed to allow for more innovation, many education experts had hoped that such schools would develop more creative approaches to teacher compensation. Some assert that, if fewer laws, regulations and union contracts bound charter school management, schools could more easily create systems where teachers are rewarded for their skills and demonstrated effectiveness. According to a 2006 analysis of the Schools and Staffing

Survey, charter schools are significantly more likely to pay higher salaries for a particular skill or qualification, including teaching in hard-to-staff schools and subjects and holding National Board for Professional Teaching Standards certification.⁸ Two-thirds still report teacher pay is similar to that of traditional public schools, where salaries are based on a system that rewards only for years of service and level of education. The National Charter School Research Project argues that charter schools can and should develop a more creative approach to compensation.⁹

Collective Bargaining. Collective bargaining rights differ for charter school teachers. Such rights for teachers can be a determining factor in support for or opposition to charter schools. These schools often are not unionized, and teachers do not collectively bargain for their salary and benefits. On one hand, this frees charter school management to make decisions about compensation and staffing that benefit the individual school and unique students. This can, however, leave charter school teachers vulnerable to unfair employment practices and without a collective teaching voice. According to the National Alliance for Public Charter Schools, 20 states and the District of Columbia exempt charter schools from collective bargaining agreements, and only Iowa holds all charter schools to all existing school district collective bargaining agreements. The remaining 20 states with charter schools fall somewhere between the two extremes.¹⁰

Hawaii, for example, holds charters to existing agreements, but allows modification if the exclusive union representatives and the local charter school board enter into supplemental agreements that contain cost and non-cost items to facilitate decentralized decision making. Some states hold new charter schools that are sponsored by the school district or converted from existing schools to the district's collective

bargaining agreements and exempt new start-ups or those sponsored by another management organization. Other states—including Alaska, Connecticut and Maryland—hold charter schools to existing agreements, but allow additional school-specific negotiation.

The ability of teachers in a particular school to organize and collectively bargain also may depend on whether the teachers technically are employees of the school or of the charter management organization. In a 2005 decision regarding labor relations in California charter schools, for example, a regional director of the Public Employment Relations Board ruled that the appropriate unit of teachers, for purposes of an election to organize under the Educational Employment Relations Act, includes all the teachers employed by the charter management organization across all its school sites.

State Policies that Support Effective Charter School Teaching

Preparation, Recruitment and Professional Development. Charter schools are, by definition, unique and may look very different from traditional public schools. They may use different curriculum, incorporate the latest digital technology, and even structure their staffing and daily schedules to meet their unique needs. Teachers who come from traditional preparation programs often are not prepared to teach in this environment and often do not envision this career path. A 2010 study by the National Center on School Choice found that few teacher applicants equally considered teaching in a charter school and a traditional public school. In fact, most completely avoided applying to charter schools or did so only as a last resort because they were unfamiliar with or unclear or confused about charter school structure and atmosphere.¹¹ One pol-

icy approach is to create an on-site, recruiting, training and professional development program so charter schools can educate and support teachers to meet their unique needs. This allows schools to develop aspiring teachers for a range of career options, including teaching, leadership and administrative positions.

The National Resource Center on Charter School Finance and Governance recently profiled the Teacher Intern Program and the Graduate School of Education of High Tech High, a charter school management organization in San Diego, Calif. This promising program allows teachers to earn their credentials while they also earn a salary and are trained in High Tech High's core design principles and educational vision. This program is proving successful. In its first graduating class in 2007, 60 percent of graduates were credentialed in math and science, which typically see severe shortages of qualified teachers. For the 2007-2008 school year, more than 2,000 applicants applied for only 51 positions, and its teacher workforce is more diverse than that of surrounding schools.¹²

Collective Bargaining and Compensation.

Some states allow charter school teachers to unionize so they can bargain for salary, benefits and working conditions; however, they are not held to the same agreement as all schools within the district. This approach allows both teachers and management to arrive at agreements that honor and recognize the individuality and unique attributes of the school, yet still provide teachers with a collective voice and representation.

A successful model is Green Dot Public Schools in Los Angeles, Calif. Green Dot is one of a few nondistrict public school operators in the United States that has allowed

teachers to unionize, and is the only one in California to do so. Green Dot boasts lower than average turnover rates, and teachers report high levels of job satisfaction and good working conditions. All Green Dot teachers pay union dues to the California Teachers Association and the National Education Association. The collective bargaining agreement contains only a few centralized policies—salary, health care, class size and number of work days. The following are key aspects of the contract.

- Teachers are given explicit decision-making authority in setting school policy, including the school's budget, calendar and curriculum.
- There is no tenure, seniority preference or probationary period for new teachers, and all teachers work under the protection of "just cause discipline and dismissal."
- Teachers work "a professional work day" rather than defined minutes.
- Flexibility is afforded to adjust the contract in critical areas over time; the contract is renegotiated every three years by Green Dot management and the local union and ratified annually by the teachers' union.¹³

States also can remove barriers, including collective bargaining requirements tied to the district, so charter schools can better design compensation structures to recruit and retain the teachers that fit their school vision. The schools can more creatively provide incentives and reward teachers who meet the school's student achievement goals and their individual improvement plans, instead of being tied to a model that links compensation to years of service and educational attainment.

Policy Questions to Consider

- Do traditional and alternative preparation programs and professional development providers in your state prepare and support teachers to teach in alternative settings, including charter schools?
- Do charter school teachers in your state report in surveys or research that they feel adequately prepared for and supported in their positions?
- Does your state require licensure or certification for charter school teachers? If not, how do you ensure that charter school teachers are adequately prepared and monitored for performance and discipline?
- Does your state require charter schools to abide by existing collective bargaining agreements? Does your state allow charter schools to individually bargain collectively with its teachers?
- Do your state policies allow charter schools to create alternative compensation and benefit models to use compensation as a tool to recruit, retain and reward effective teaching?
- Do your state policies allow charter school teachers to acquire tenure or a long-term employment agreement? In your state, has this helped or hindered a charter school's ability to make hiring decisions that are in the best interests of students?

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Michelle Exstrom wrote this brief. Completion of this brief was made possible with the guidance of NCSL's Education Program director, Julie Davis Bell, and input from NCSL's charter school expert, Josh Cunningham. Leann Stelzer edited and designed the brief.

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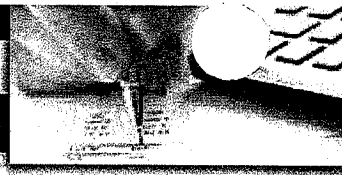
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Charter School Finance



By Yilan Shen and Alexander Berger

February 2011

Charter schools are growing rapidly nationwide. Since the first charter school law passed in Minnesota in 1991, forty states and the District of Columbia have passed laws allowing the publicly funded, privately managed and semi-autonomous schools of choice. Charter schools now educate more than 3 percent of all public school students, and the proportion of students enrolled continues to increase at more than 10 percent a year.¹

As with traditional public schools, funding for charter schools varies significantly across states and districts.² The central question in most debates about charter school funding is the level of funding. Some claim it is unfair that charters receive less funding per pupil than traditional public schools, while others argue that the different nature of charter schools justify lower funding. (Funding for charter school facilities is addressed in a separate NCSL brief.)

How Are Charter Schools Funded?

Charter schools are funded primarily by public money, similarly to the ways traditional public schools are funded. Public schools are funded by a combination of local and state funding; most local funds are raised through property taxes. This strategy historically has produced significant inequalities in the amount of funds available for school districts. Districts that contained less valuable real estate could not collect as much money through property taxes, even though their tax rates are sometimes significantly higher than wealthier districts. During the past 40 years, school finance reforms have shifted more of the funding burden onto states, which has resulted in funds being more equally distributed among districts.³ Almost every state, however, continues to allow some variation in district revenue based on local property taxes, while allocating state funds to districts based on the number and characteristics of students enrolled.⁴ The complex mix of state and local funding upon which traditional public schools rely explains some of the complexities in charters school funding.

As publicly funded schools, charter schools receive money for the students they enroll. When a student enrolls in a charter school, the money follows him or her from the resident school district. A main difference between char-

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ter schools and traditional schools is that charters are granted budgetary autonomy in exchange for educational results. Defenders of traditional public schools are concerned that charter schools are taking money away from those schools. Simply having one less student does not proportionally decrease the burden on a district. It likely still needs the same number of teachers, other staff, the same facilities and the same instructional materials. However, losing students to a charter school or another traditional school have the same effects and traditional schools have always had to adjust to enrollment changes.

If a student transfers from a traditional public school to a charter school, advocates argue the full amount of money that would have been spent for that student at the traditional public school should move to the charter school. Charter advocates hold that districts receive funds to educate a certain number of students. When that number declines, it makes sense that their funding also should decline.

To give districts time to adjust to decreasing funding, some states have adopted "hold harmless" provisions. Allocating additional funds to districts that lose students to charter schools helps them adjust to lower funding levels. Massachusetts, for instance, provides extra funds to a district that loses a student to a charter school for six years, gradually decreasing the funding during that time. Over the six year period after a student moves to a charter school, the district will have received a total of more than twice the state's annual per-pupil contribution.⁵ These types of provisions soften the effects of losing per-pupil revenue on traditional school districts. However, charter schools were originally envisioned to be drivers of competition. If the goal is to follow the original charter concept, some argue these provisions may dampen true competition.

Types of Charter Funding

Although charter schools in every state are funded based on the number of pupils they enroll, the amount of per-pupil funding for charter schools can vary significantly within and across states. States have shaped three different types of funding formulas for charter schools—based on the student's resident district, the authorizer or the statewide formula.⁶

One strategy funds charter schools based on the per-pupil revenue of districts in which their students reside. It is used in eight states. These states require districts to pass along a portion of both state and local funds.⁷ Because each student brings a portion of home district spending, a charter school could receive different amounts of money for different students. Conversely, the same amount of public funding will follow a student wherever he or she decides to enroll in a charter school. Thus, a student whose parents and neighbors are taxed at high local rates can carry a larger amount of funds anywhere in the state.

The second type of formula is based on the per-pupil revenue of the authorizer. It is the most common formula as it is used in 29 states. In most cases, because authorizers are traditional school districts, this strategy is similar to the first. It diverges, however, when students attend charter schools outside their home district or when charter schools are authorized by non-district entities. For example, the authorizer can be an institution of higher education. Under this formula, charter schools receive money based on the authorizing district's revenue. Colorado uses a variant of this approach to fund its charter schools. It requires school district authorizers to pass on to charter schools 100 percent of their per-pupil revenues, except for up to 5 percent that is spent on administrative costs associated with authorizing the charter school. If the authorizer is the Colorado Charter Institute, a non-district authorizer, the charter school receives the same amount of funding as the district where it is located. Colorado al

lows districts to raise more money by overriding certain local property tax limits, but does not require the resulting funds to be distributed to charter schools within a district. Thus, charter schools, on average, have 15 percent less revenue per-pupil than traditional public schools.⁸

The third formula uses a statewide per-pupil allocation. Used in five states and the District of Columbia, it provides charter schools the same funding wherever they are located within the state and wherever their students reside. Minnesota uses this formula and funds charter schools at almost exactly the district level when statewide averages are compared. However, when individual charter schools are compared with their district counterparts, it is estimated a Minnesota charter school receives about 13 percent less revenue per-pupil than the district in which it is located.⁹ One reason for this disparity is charter schools in Minnesota are disproportionately located in urban districts that have large property tax bases and, therefore, high local revenues. Some advocates are concerned that the average charter school is still at a disadvantage in these cases, despite efforts written in law to fund charter schools more equitably.

Tradeoffs

Each of the charter school funding strategies comes with tradeoffs. By funding a student's charter school based on his or her home district's revenue, a state creates an incentive for charter schools to draw students from a high-revenue district. Similarly, by funding a student's charter school based on the district that authorizes the charter, a state creates an incentive for charter schools to be authorized by a high-revenue district. However, such funding mechanisms also ensure that the amount of money available to educate a student is comparable, whether at a traditional or charter school. By using a statewide per-pupil allocation, a state decreases incentives for charter schools to serve students in high revenue and high need urban districts. The charter schools in those districts would be receiving the average per-pupil funding in the state. That average is still less than the funding received by traditional counterparts with higher than average funding. Also, it might be less than what is needed to educate disadvantaged students. This type of funding mechanism results in different amounts of money available for a student's education based on whether he or she chooses a charter or traditional public school.

What Is the Basis for Charter School Funding?

Students' Resident District	Authorizer*	Single Statewide Formula
Delaware Massachusetts New Hampshire** New York North Carolina*** Ohio Pennsylvania Rhode Island	California Indiana Missouri Nevada North Carolina*** Utah	Arizona Hawaii Idaho Minnesota New Hampshire** Washington, D.C.

States without a charter school law (10) and states in which funding is both based on and distributed by authorizers (23) are excluded.

* Includes states where funding for a charter school is part of the contract with an authorizer, rather than set forth explicitly in state law.

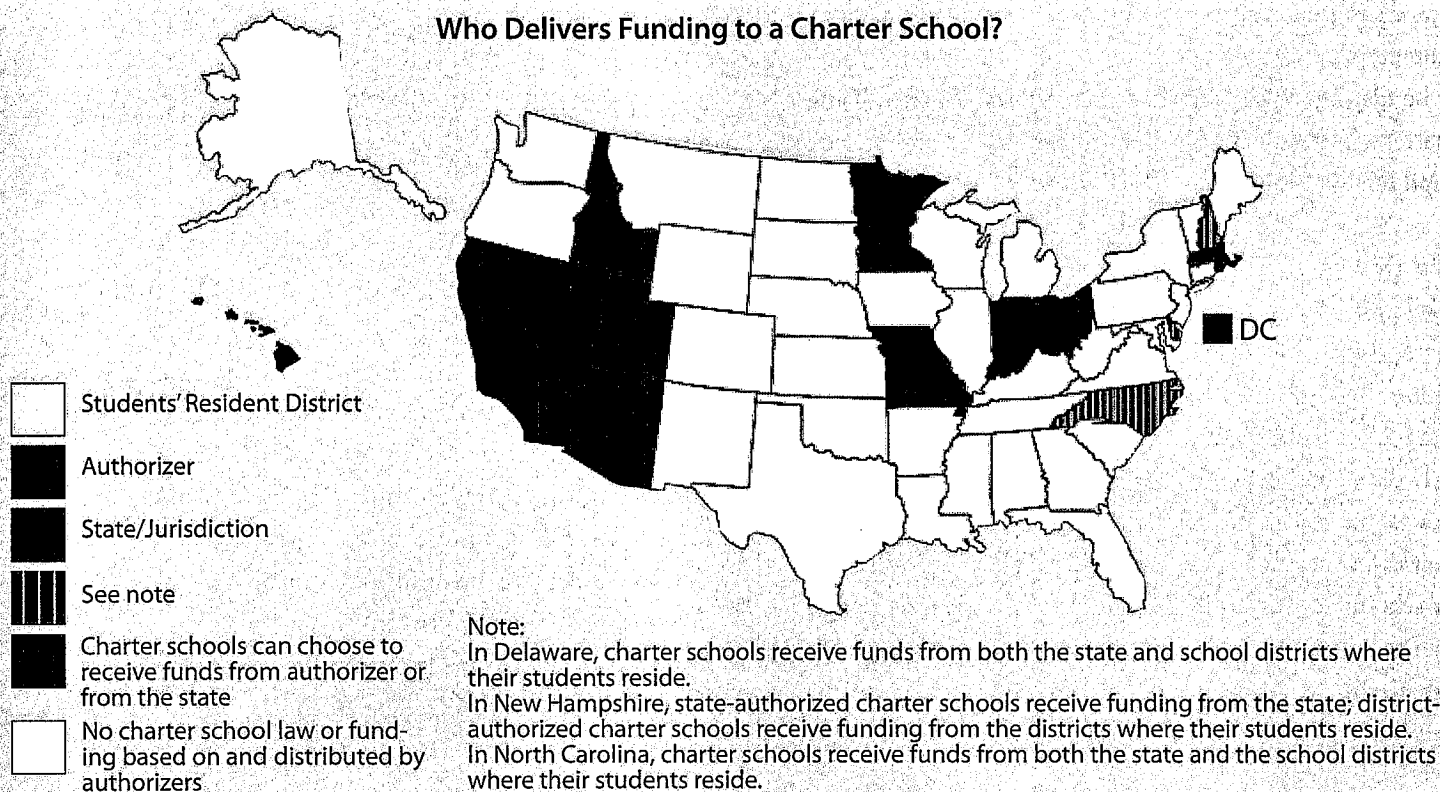
** In New Hampshire, district-authorized charter schools receive funds based on their students' district of residence, while state-authorized charters receive funds based on a single statewide formula.

*** In North Carolina, charter schools receive state funding based on their authorizer, along with local funding based on the districts where their students live.

Source: NCSL analysis based on Batdorff, Maloney and May, 2010, and state charter school laws.

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Who Delivers Funding to a Charter School?



Source: NCSL analysis based on Batdorff, Maloney and May, 2010, and state charter school laws.

Research on the responsiveness of charter schools to fiscal incentives has primarily focused on those managed by for-profit education management organizations, so it is difficult to judge the extent to which these incentives should be cause for concern. There is some indication that for-profit managed charter schools react to incentives to serve cheaper-to-educate student populations, while other types of charter schools tend to be motivated by other concerns, such as student need.¹⁰ So long as states continue to permit some districts to spend more per-pupil than others, they have no choice but to allow either different funding for some students based on whether they attend charter schools or different funding for charter schools based on the areas from which they draw their students.

Charter School and Traditional Public School Funding

A basic question about charter school funding is how funding levels for charter schools compare with traditional public schools. While accurate comparisons are difficult because of insufficient data and complexities of school finance, there is a growing body of knowledge about the topic. Research generally indicates that charter schools receive less public money than traditional schools. A recent Ball State University study analyzed funding of charter schools in 24 states and found an average difference of 19 percent, which amounts to about \$2,247 per pupil.¹¹ Existing research points to some possible reasons for this disparity.

1. Fixed per-pupil costs—such as facilities and instructional materials—are not as easily transferred with the student when the per-pupil funding follows the student to the charter school. For example, the cost to maintain a building would be relatively the same, regardless of the number of students who leave.
2. Schools have different funding needs, depending on student population. Student characteristics such as economic disadvantage and disabilities require more funding to meet educational needs. Some charter schools serve more students with high-need characteristics than their traditional counterparts; others serve less. Ball State University researchers concluded the number of poor students served could not account for all the existing disparity in funding, nor can other possible differences in population such as special education students served or how charter schools configured grade levels.¹² In other words, the average lower per-pupil funding of charter schools was not due to the fact that they served students with fewer needs.
3. Most charter schools do not have legal obligations to provide some costly services such as lunch and transportation. Researchers at Western Michigan University studied spending differences between charter and traditional schools across the country and found the cost of services such as lunch and transportation resulted in lower costs at charter schools.¹³
4. Some charter schools simply operate more efficiently than traditional schools.¹⁴ After all, the original vision of charter schools included more autonomy and efficient operations.

Charter schools generally receive less public funding under state laws. Education stakeholders differ on whether charter schools should receive less public funding than traditional schools. Some argue charter schools should receive funding

equal to that of their traditional counterparts because the disparity is keeping charter schools from achieving their full potential. Others argue charter schools take unfair shares of existing resources from traditional schools. Those who want to see more charter school expansion believe the disparity in funding is an outdated practice, since charter schools have shown some promise and are expanding rapidly. Others believe charter schools need less money because they have more autonomy over how to spend it and more private fundraising opportunities.¹⁵ Charter schools do have funding opportunities from grants, fundraising and activities that generate income. At the same time, traditional schools have additional opportunities to raise money through local school foundations, grants and other income-generating activities as well.

Conclusion

As they review charter school funding policies, state legislatures face a series of difficult choices. Each of the funding formulas used so far comes with distinct tradeoffs. Considering these choices, legislators may want to seek answers to the following questions.

- What type of funding formula is used for charter schools? How do they receive funding?
- How does the charter funding formula compare to the traditional public school formula?
- How large is the gap in per-pupil revenue between charter and traditional public schools? Is the gap in state, local or other stream of funding? Does it vary in size around the state?
- What type of students do charter schools serve? In which areas of the state are they located?
- Do charter schools provide full special education, transportation and food services?
- How do charter schools in the state perform relative to traditional public schools?

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How States Fund Charter School Facilities^{6,7}

State/Jurisdiction	State Dedicated Facilities Funding	State Grant Programs	Tax-Exempt Bond Programs	State Credit Enhancement
Alaska			X	
Arizona	X		X	
Arkansas				
California	X	X	X	
Colorado	X	X	X	X
Connecticut		X	X	
Delaware			X	
Florida	X		X	
Georgia		X	X	
Hawaii		X		
Idaho			X	
Illinois			X	
Indiana		X	X	X
Iowa				
Kansas				
Louisiana			X	
Maine				
Maryland			X	
Massachusetts	X		X	X
Michigan			X	X
Minnesota	X		X	
Mississippi				
Missouri			X	
Nevada				
New Hampshire			X	
New Jersey			X	
New Mexico	X	X	X	
New York		X	X	
North Carolina			X	
Ohio				
Oklahoma		X	X	
Oregon			X	
Pennsylvania	X		X	
Rhode Island		X	X	
South Carolina			X	
Tennessee	X		X	
Texas		X	X	X
Utah	X	X	X	
Virginia			X	
Wisconsin			X	
Wyoming				
District of Columbia	X	X	X	X

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Research shows a significant relationship between the condition of school facilities and student performance.¹ Public schools of all kinds find it difficult to provide adequate learning facilities with their limited budgets. Charter schools in particular, however, struggle to provide school facilities that match the quality of traditional public schools.

As charter schools take their place as an established component of public education systems state legislatures will face questions about the kind of facilities to which charter schools have access. Included in this discussion are policy options for states to consider to ensure adequate funding for charter school facilities, and the inequities that exist between traditional and charter school facilities due to charter schools' inability to secure such funding.

Differences Between Charters and Traditional School Facilities

Challenges in securing facilities funding has led to lower quality charter school buildings.² Traditional public schools benefit from local tax and bond revenues that pay for building construction and maintenance. As a result, these schools occupy facilities specifically designed for educating students. Generally, traditional school facilities also are more accessible for those with disabilities, have room for computer labs and libraries, and commonly have physical education facilities. Charter schools, on the other hand, may not be able to secure dedicated facility funding so often occupy facilities that lack many standard amenities such as gymnasiums, libraries, or kitchens that can serve free or reduced-price school lunches.³ Many charter school facilities also fail to provide adequate accessibility for students with disabilities in areas such as restrooms, ramps, drinking fountains and lockers.⁴

Charter school advocates argue that improved access to facility funding would allow charter schools to build facilities that are equal in quality to those occupied by traditional public schools. Access to funding also may help charter schools build larger facilities that can hold more students. One study found the average U.S. charter school in 2009 enrolled 372 students and had a waiting list of 239 students.⁵

Charter Schools in the States

Charter schools are publicly funded, privately managed and semi-autonomous schools of choice. They do not charge tuition. They must hold to the same academic accountability measures as traditional schools. They receive public funding similarly to traditional schools. However, they have more freedom over their budgets, staffing, curricula and other operations. In exchange for this freedom, they must deliver academic results and there must be enough community demand for them to remain open.

The number of charter schools has continued to grow since the first charter law was passed in Minnesota in 1991. Some have delivered great academic results, but others have closed because they did not deliver on promised results.

Because state laws enable and govern charter schools, state legislatures are important to ensuring their quality.

This series provides information about charter schools and state policy topics, including finance, authorization, limits to expansion, teaching, facilities and student achievement.

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How Charter Schools Pay for Their Facilities

Charter schools typically have limited access to local school district tax and bond revenues used for school facilities. Instead, they must rely on alternative sources of public and private funds to pay for their facilities. State legislatures play an important role in determining the options available to pay for charter schools' facilities. State policy options include providing direct funding for facilities, making state bonds and grants available, aligning with federal programs, allowing private loans, sharing local school district bond revenue, encouraging traditional public schools to share facilities with charter schools, and/or using a portion of a charter school's overall per-pupil allocation for facilities needs.

Direct State Assistance for Charter School Facilities

Some states offer direct cash assistance to charter schools for facilities in two ways—appropriating per-pupil funds specifically intended for school facilities, and providing grant programs where schools compete with each other for funds.

Charter schools in 11 states and the District of Columbia currently have access to state tax dollars specifically intended for school facilities.⁸ The amount of funding given to charter schools varies, however, in some states such as Massachusetts and Arizona, state aid for facilities is allocated on a per-pupil basis. Other states such as New Mexico and Minnesota help charter schools make their building lease payments. Some concerns have been raised about offering dedicated funding to all charter school facilities equally because established facilities often have less need for facility improvements.⁹ Others argue that any additional revenue not spent on facility costs can be used for other non-instructional costs such as debt payments.

Twelve states and the District of Columbia award grants to qualifying charter schools for facilities. These grant programs usually are competitive because a limited amount of funds are available. Awards can be based on the size, demographics, or facility needs of a school.¹⁰

Georgia's Charter School Facilities Grant Program is an example of how a state can use limited state funds to support charter school facility needs. This competitive grant program offers funding to established charter schools for the purchase, lease, renovation, and/or construction of school facilities. The Georgia Department of Education approves grant applications based on a school's facility needs, financial management and accountability processes, long-term plan for completing facility projects, and the purchase/lease agreement of the facility. Grants under the program are capped at \$100,000 per project.¹¹

Tax-Exempt Bonds

As of 2011, 32 states and the District of Columbia have implemented programs where charter schools can apply for tax-exempt bonds to pay for facility costs, although the amount and frequency of issued bonds varies widely. This funding source places a charter school in debt. Unlike traditional school districts, however, charter schools cannot levy taxes as collateral for incurred debt. As a result, many charter schools that seek tax-exempt bonds and other forms of debt face high interest rates.

A few state programs back bonds with state funds to enhance the credit-worthiness of charter schools. If a charter school fails to make a payment on its bond debt, the state can make the payment for the charter school or withhold a portion of the school's per-pupil funding to cover the missed payment. These policies reduce the interest rate charter schools incur on their bonds.¹²

Bonds typically are approved by an agency or conduit associated with the state that is responsible for approving or denying a bond application. In Colorado, for example, the Colorado Educational and Cultural Facilities Authority (CECFA), an appointed board, approves tax-exempt state municipal bonds to educational and cultural facilities. Traditionally, most of the bonds went to higher education institutions, but in 1998 charter schools were added to the list of allowable bond recipients.¹³

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Federal Programs

Numerous federal programs exist that provide assistance to public schools and districts for facility improvements. Two, specifically, target charter school facilities.

The State Charter School Facilities Incentive Grant Program offers qualifying states a grant distributed over five years, with the federal share of facilities funds decreasing each year. To qualify, a state must have an existing policy granting per-pupil facilities aid for charter schools. Four states—California, Indiana, Minnesota, and Utah—and the District of Columbia have received grants from the program.¹⁴

The federal Credit Enhancement for Charter School Facilities Program is designed to improve a charter school's credit standing, making it easier to obtain private loans and bonds for facilities. It accomplishes this through grants that reduce the financial risk to public and nonprofit creditors of charter school facilities.¹⁵

Local District Bond Revenue

School districts can use their ability to collect taxes as a way to secure low-interest debt through issuing voter-approved bonds. These bonds are then repaid by increasing taxes. School bonds typically are used to build or maintain school facilities. Colorado, Florida and New Mexico provide certain charter schools with access to bond revenue. Accessing district bond revenue allows a charter school to rely on the school district to repay the debt rather than repaying the debt with its existing funding.

Some school districts have resisted allowing charter schools to tap into district facility funds because they argue a high number of charter school students live outside the district, so do not pay the local school taxes that will repay the bond.¹⁶ Many charter schools are authorized by entities other than a school district such as a state or university. Because districts

have no authority over these schools, they might oppose sharing local tax and bond revenues with them. Charter school advocates contend that districts simply do not want to share their funding.

Sharing School District Facilities

An emerging trend in charter school policy is to improve charter school access to school district buildings that are either abandoned or have unused space. Using existing district buildings often provides a charter school with a facility designed for educational purposes at a much lower cost than privately leasing or purchasing a facility.

One policy some states have adopted is called "right of first refusal." Under this policy, charter schools have a right to request to use vacant or underused public buildings before the buildings can be used for any other purpose. Unless school districts have a valid reason for rejecting a charter school's request to use a district building, the charter school is allowed to occupy it. Other state policy options include limiting the amount of rent a school district can charge a charter school for a district building and requiring districts to offer long-term leases to charter schools.¹⁷

Using Operating Funds for Facilities

When charter schools fail to acquire adequate facility funding, they are forced to redirect some of their general per-pupil allocation to pay for facility maintenance and construction. This results in less funding for instruction and support services for students compared to traditional public schools that have more access to local facility funds. The amount of operating revenue spent on facilities decreases when charter schools are located in district-owned buildings, but is highest when a charter school has purchased its own facility.¹⁸ In Texas, the average charter school spends an estimated \$849 per student from operating funds on facility needs; this amount is enough to hire four additional teachers.¹⁹

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Policy Questions to Consider

- What kind of debt are charter schools leveraging for facilities? Are they relying on high-interest borrowing to keep their doors open? Have any charter schools in your state defaulted on a facility loan?
- What options does the state offer to reduce the financial risk of purchasing/leasing a charter school facility?
- Are charter schools using operating funds to pay for their facilities?
- Do state laws meet federal facility grant program requirements?
- What state supports exist for charter school facilities? Are they meeting the facility needs of charter schools?
- Do charter school facilities provide adequate accessibility for students with disabilities?
- Can traditional public schools share their gymnasiums, fields and other facility amenities with nearby charter schools?
- Are school districts at or near full student capacity? If not, can district charter schools utilize unused space?

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