

# CRB

# California Charter Oversight

## Key Elements and Actual Costs

*By Rebecca E. Blanton*  
*Senior Policy Analyst*

*As mandated by Ch. 650,  
Statutes of 2007-2008*

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## Abbreviations

<b>ADA</b>	Average Daily Attendance
<b>API</b>	Academic Performance Index
<b>ASAM</b>	Alternative School Accountability Model
<b>AYP</b>	Adequate Yearly Progress
<b>CAHSEE</b>	California High School Exit Exam
<b>CALPADS</b>	California Longitudinal Pupil Achievement Data System
<b>CALTIDES</b>	California Longitudinal Teacher Integrative Data Education System
<b>CBEDS</b>	California Basic Education Data System
<b>CCSA</b>	California Charter Schools Association
<b>CDE</b>	California Department of Education
<b>CMO</b>	Charter Management Organization
<b>COE</b>	County Office of Education
<b>COO</b>	Chief Operating Officer
<b>CRB</b>	California Research Bureau
<b>CRPE</b>	Center for Reinventing Public Education
<b>EBPs</b>	Evidence Based Practices
<b>ED</b>	United States Department of Education
<b>EMO</b>	Educational Management Organization
<b>EQI</b>	Education Quality Index
<b>ESEA</b>	Elementary and Secondary Education Act
<b>FTE</b>	Full Time Equivalent (employee)
<b>LEA</b>	Local Education Agency
<b>LAO</b>	Legislative Analysts' Office

<b>NACSA</b>	National Association of Charter School Authorizers
<b>NCLB</b>	No Child Left Behind
<b>RCTs</b>	Randomized Clinical Trials
<b>SBE</b>	State Board of Education
<b>SPI</b>	Superintendent of Public Education
<b>STAR</b>	Standardized Testing and Reporting
<b>SUNY</b>	State University of New York
<b>TFI</b>	Thomas Fordham Institute
<b>TJC</b>	The Joint Commission
<b>U.S. ED</b>	United States Department of Education
<b>WASC</b>	Western Association of Schools and Colleges

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## Executive Summary

This study was mandated by SB537 (Simitian, Chapter 650, Stats. of 2007, codified at Ed. Code §47613), which requires the California Research Bureau (CRB) to prepare and submit to the Legislature a report on the key elements and actual costs of charter school oversight.

Charter schools are public schools that are operated by entities other than the traditional school district. They are publicly funded, mandated to accept any student who applies,<sup>\*</sup> and cannot discriminate based on race, religion, sex, or geographic location. Charter schools are exempted from significant portions of the California Education Code, but are overseen by charter school authorizers. An authorizer is an entity – most often a school district – that approves the formation of a charter school and regularly reviews its academic and financial performance. Authorizers have the power to close underperforming charter schools.

Both authorizers and charter schools receive state funds for their operations. Charter schools educate approximately six percent of all California students. Charter authorizers oversee the performance of these schools and are responsible for ensuring that low-performing schools are either improved or closed.

Under the direction of the Legislature, CRB examined the relationship between charter authorizers and charter schools, with a special emphasis on financial arrangements that would increase the opportunity for oversight beyond the legislatively mandated oversight activities. Additionally, the Legislature requested that CRB determine if the current funding formula for charter oversight provides sufficient reimbursement for authorizer activities. Finally, CRB addressed the Legislature's request to review best practices for charter school oversight and make recommendations on improving oversight in California.

### KEY FINDINGS

This report presents four key findings. First, we found that during our study period, authorizers varied widely in both the services they performed and the amounts they charged charter schools for oversight. While some authorizers reported that petition review accounted for less than \$1,000 in costs, other authorizers reported petition reviews costing upwards of \$112,500.

Second, we uncovered no correlation between activities performed for oversight and cost of oversight among study participants. A majority of the respondents had not adopted guidelines to determine what activities or services should be paid for with money received for charter school oversight.

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\* If there are more applicants than available seats, the school must hold a lottery.

Third, few respondents to our survey reported formally accounting for staff time and costs expended conducting charter school oversight. Hence we are unable to provide the Legislature with a meaningful estimate of the true costs of or sufficiency of funding for authorizers' charter school oversight. We found that authorizers ranged from zero to 17 full-time employees dedicated to oversight. While 61 of the 72 respondents were able to provide an estimate on expenditures to revenue ratios, only 16 authorizers reported accounting for their actual oversight costs.

Fourth, we found that, while professionally-accepted standards for charter school oversight have begun to emerge, California charter authorizers vary in their adherence to these standards. Several staff at authorizing agencies CRB staff spoke with stated their agency had to “reinvent the wheel” when it came to establishing oversight practices and standards. While some authorizers utilize established professional standards, others create their own unique forms of oversight.

## **RECOMMENDATIONS**

SB537 requires CRB to make policy recommendations about the structure and function of charter school oversight. The lack of good information about the costs and revenues including the use of California Education Code section 47613 funding has limited our ability to provide concrete guidance to the Legislature in some areas. Our recommendations are based on current, professionally-accepted standards in charter school authorization and the results of our survey findings.

### **Recommendation One: Make charters or charter petitions available to the public.**

Our first recommendation is to increase the transparency of charter school authorization and charter school operation. Charter schools promise that they can be held accountable for their performance by parents and the community. Charter schools set out their agreed upon performance standards in their charter or petition document. When CRB attempted to collect charters and petitions, we encountered a number of problems. If parents and community members are going to hold charter schools accountable for performance, they need access to the charter. We would encourage the Legislature to mandate that charter schools make their petition or charter readily available to the general public.

### **Recommendation Two: Improve oversight accounting for authorizer reimbursement funds.**

One consistent finding between CRB, the State Auditor, and RAND was that charter authorizers have not been held to a uniform standard for reporting on their oversight activities and expenditures. This lack of accounting appears to have resulted in authorizers charging charter schools and the state for the maximum allowable amount of reimbursement without supplying documentation that these funds are being spent on relevant activities. The State Auditor's review of four authorizers found significant overcharges to the state.<sup>22</sup> The number of authorizers has nearly quadrupled since the time of that audit. The Legislature may wish to consider requiring charter authorizers to adopt consistent reporting guidelines for their expenditure of oversight funds.

Such a system need not involve extensive state regulation and state agency oversight of charter schools authorizers. Other states have transparency laws that could serve as a model for California.

The lack of accounting for oversight expenses makes it impossible for CRB to draw a conclusion about the sufficiency of funding for oversight. Charter authorizers perform a wide range of activities they may attribute to “oversight” under current law. Without transparent accounting, valid comparisons of oversight expenditures across authorizers are very difficult to draw.

**Recommendation Three: Define reimbursable oversight activities under California Education Code section 47613.** The Legislature has allowed authorizers considerable freedom to decide which activities fall under “oversight,” which the authorizer determines are necessary to fulfill their authorizer responsibilities, and what to charge for those activities. This flexibility has allowed individual authorizers to develop unique relationships with their charter schools. The consequences of this are inconsistency in accounting and costs for charter oversight. The Legislature may wish to consider more narrowly determining the boundaries of authorization activities for Education Code section 47613 funds.

While the Legislature may wish to continue to provide authorizers with a free reign for oversight activities, such flexibility need not extend to services that schools otherwise could contract for. Oversight cost recovery is designed to allow authorizers to perform the functions required to verify whether charter schools are meeting their statutory mandates and fulfilling the stated goals of their respective charters. Schools and authorizers should negotiate payment for other administrative services not clearly related to authorizers’ oversight responsibilities.

**Recommendation Four: Use multiple metrics to evaluate charter school performance.** Our fourth recommendation is to encourage authorizers to use multiple metrics to evaluate charter school performance. Current professionally accepted standards advocate for multiple methods of measurement of charter school success. These measures include both the use of standardized tests along with more non-traditional measures such as teacher evaluations and student portfolio evaluations. Additionally, professionally accepted standards encourage longitudinal measures as well as snapshot measures of student performance.

California is in the process of developing two databases, CALPADS (California Longitudinal Pupil Achievement Data System) and CALTIDES (California Longitudinal Teacher Integrative Data Education System).<sup>\*</sup> Both of these databases could be utilized to help evaluate charter school performance. CRB encourages the state to continue to develop these databases as they can provide useful measurements on school performance. Additionally, charter authorizers should be encouraged to use other non-standardized test based measures for school performance.

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<sup>\*</sup> Development of the CALTIDES database was suspended in June 2011.

## CONCLUSIONS

Currently, the Legislature imposes only minimal requirements on charter authorizers. Authorizers must visit a school annually, report changes in charter status to the California Department of Education and perform basic financial oversight of a charter school. Beyond these requirements, charter authorizers are allowed to determine the extent and form of oversight relations with their charter school.

This freedom has been purposefully established by the Legislature in order to allow charter authorizers and schools to establish unique relationships that work for the individual charter schools. However, the consequence of this freedom has been the development of a variety of different types and different qualities in charter school oversight. This means that some schools may be over-regulated while others may be under-regulated.

CRB encourages the Legislature to think creatively about solutions to charter school oversight. We have included examples from other states along with reviews of other states' funding mechanisms and transparency laws as potential models for California legislation. The full report seeks to cover both the specific request of SB537 and provide additional material to help the Legislature create solutions for current issues in charter school authorization.



## Introduction

A charter school is a publicly-funded elementary or secondary school that operates “independently from the existing school district structure.”\* The rationales for creating charter schools include providing families with a wider range of educational choices, reducing constraints on educators and administrators, and creating competitive pressure to stimulate improvement in conventional public schools. Forty-one states plus the District of Columbia have adopted laws that allow for the creation of charter schools. As of October 2010, more than 5,400 charter schools serving 1.7 million children were operating across the United States.†

Charter schools operate with the understanding that they will be held accountable for academic and fiscal performance in exchange for freedom from most state educational regulations. Traditionally, charter schools are held accountable for performance by two forces: the state and the market. Charter schools are held accountable by the state through authorizing agencies that are expected to ensure the school meets the provisions of its contract (the charter). Additionally, charter schools are held accountable through market forces by parents who have the ability to enroll or remove their child from a school. In theory, if either the state or the market is dissatisfied with the school’s performance, the school will be closed.

In California, these schools are established and operate under the California Charter Schools Act (Ed. Code § 47600-47664). Charter schools are authorized by and operate under the oversight of local school districts or, in certain circumstances, county offices of education or the State Board of Education. Authorizers are mandated to perform a set of oversight duties; in exchange, they are compensated with a percentage of the funding from the schools they oversee.

Authorizers perform a wide variety of oversight functions. These activities range from fiscal audits, to school visits, to assuring average daily attendance levels are met for state funding. Authorizers are mandated to perform several basic duties by the state, but allowed to enhance the oversight for charter schools in their purview. Authorizers are also allowed leeway in structuring oversight activities so that both the school and the authorizers benefit from the oversight relationship. Authorizers claim their practices ensure adequate oversight to hold charter schools responsible for meeting their performance measures. Further, some claim they are underpaid for these services. Currently, it is unknown if a given authorization practice improves the performance outcomes of a charter school.

The Legislature mandated a study by the California Research Bureau to examine questions related to both oversight practices and funding of oversight activities by charter

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\* California Education Code § 47601.

† The Center for Education Reform. October 2010. *Center for Education Reform: Quick Facts: All About Charter Schools*. [http://www.edreform.com/Issues/Charter\\_Connection/?All\\_About\\_Charter\\_Schools](http://www.edreform.com/Issues/Charter_Connection/?All_About_Charter_Schools). Accessed May 19, 2011.

authorizers. This study was mandated by SB537 (Chapter 650, Stats. of 2007, codified at Ed. Code §47613), which requires the California Research Bureau (CRB) to prepare and submit to the Legislature a report on the key elements and actual costs of charter school oversight. The statute specified that the study:

*shall define fiscal and academic oversight and shall include any financial relationship between a charter school and its chartering authority that has the effect of furthering the operations of the charter school and that may provide opportunities to oversee the charter school.*

The study is to address the following issues:

- Best practices for charter school oversight
- The range of annual activities charter school authorizers are expected to perform
- Comparison of costs and revenues attributable to charter school oversight
- Staff time spent reviewing charter petitions
- Staff time spent on oversight responsibilities
- Administrative services provided to a charter school by a chartering authority
- Length of time required to review a single charter petition
- Recommendations for structuring charter school oversight and accountability in California, including an assessment of whether current fees charged for oversight are adequate. (Ed. Code §47613(g)(1))

CRB utilized both theoretical and practical literature and a survey of California authorizers to explore the questions mandated by the study. We found that authorizers in California have been legislatively mandated to carry out a minimum number of oversight activities. While some charter authorizers completed the mandated oversight tasks, others did not. We could not empirically connect the performance of a given oversight task to the performance outcome of a charter school.

CRB explored the time and costs associated with oversight tasks. We found charter authorizers varied widely in the amount time and expense associated with oversight duties. The lack of transparency for charter school oversight created difficulties in obtaining accurate information about which authorizers were performing what oversight activities. Authorizers also generally do not track specific costs associated with authorizing activities.

SB537 mandated that CRB provide the Legislature with a discussion of authorizer best practices. We found authorizers do not have a traditional set of best practices that they can follow. However, there are established professionally-accepted standards for charter school oversight. The California Legislature has attempted to legislate some of these practices. However, legislation has had mixed results in terms of changing authorizer behavior. These and other key findings are summarized below. Our findings echo findings by RAND, the Legislative Analyst’s Office, and the Little Hoover Commission.<sup>112, 64, 68, 69</sup>

## KEY FINDINGS

**Table 1. KEY FINDINGS: INTRODUCTION**

- Best practices have not been established in the field of charter school authorizing because research that links authorizing practices to school outcomes has not been completed. What currently exists is a set of recognized professional standards for charter school financial, academic and management oversight.
- Charter authorizers differ significantly on the oversight activities they perform. While some authorizers admit failing to perform legislatively-mandated activities, others provide oversight beyond what is specified in state regulations. In spite of the failure of some authorizers to perform all legislatively-mandated duties, charter school authorizers remain an important body for holding charter schools accountable for performance.
- Some charter authorizers report spending more on authorizing activities than they receive in reimbursement funds. Most charter authorizers charge charter schools the maximum allowable amount for oversight activities. However, few authorizers document the time or cost associated with oversight activities. The lack of documentation makes it impossible for CRB to provide the Legislature with an accurate assessment of the level of oversight funding available to authorizers.

## BEST PRACTICES

We reviewed the extant literature on best practices and professionally-accepted standards in charter school oversight to identify a set of best practices oversight principles. Key characteristics of a best practice is that it is repeatable, produces better outcomes than current practices, and is not tied to specific demographics or circumstances.<sup>57</sup> The theoretical and applied literature reveals that there are currently no best practices in place for charter school authorizing as defined.

However, there are accepted professional standards in place for authorizers. Most of the professional standards have been codified by the National Association of Charter School Authorizers (NACSA). These are standard practices that have been recognized by practitioners and researchers as practices associated with superior authorizing. While professionally-accepted standards have not necessarily been tested to see if they provide better outcomes and are repeatable in other circumstances, they are practices that have gained recognition for producing superior outcomes in at least one circumstance. The

NACSA standards are currently being examined to see if they meet best practice qualifications.

CRB drew on theoretical literature about best practices in other professional arenas to explore how such practices may be applied to charter school authorizing in California. We found that the “standards of care” model used in health care is the most applicable analogy to charter school authorizing.

Examining current professionally-accepted standards that have face validity\* may prove to be the most useful approach to establishing which standards authorizers should adopt. We note that NACSA has recently undertaken a project to empirically evaluate these professionally-accepted standards and we encourage the Legislature to review its work. NACSA anticipated releasing its first studies in late 2011.

## **AUTHORIZER ACTIVITIES**

Authorizers are state entities that are supposed to hold charter schools accountable for both academic and financial performance. If a charter school fails to meet the goals stated in their charter petition for either financial or academic performance, the authorizer may close the school.† Our research found that authorizers do not regularly evaluate school performance against charter goals. Additionally, there is little documented evidence that authorizers are performing all of the state-mandated oversight functions. While authorizers do report that they complete the mandated oversight activities, they do not have to prove that they used financial accounting or other measures. There is no oversight body that verifies charter authorizers are completing their state-mandated tasks.

The legislative requirements for charter authorizers’ performance are minimal. Authorizers must visit a charter school once a year, provide fiscal oversight, ensure the charter school complies with all reporting requirements, and report changes in charters to the California Department of Education (CDE).‡ Even with these minimal requirements, not all charter schools perform their required functions. The CRB survey revealed that between five and 20 percent of all authorizers fail to perform each of the duties above. This is consistent with the findings from the State Auditor’s 2002 report, which also found most authorizers fail to carry out the full slate of legislatively-mandated duties. 22

CRB also found that current state oversight requirements are disconnected from the Legislature’s stated intentions for charter schools. A majority of the reasons for creating charter schools listed in the Education Code involve holding schools accountable for academic performance and creating schools that are freed from the Education Code. The legislative requirements for authorizers focus on fiscal performance and overseeing reporting requirements. While there are minimal academic performance standards for charter renewals, current law allows discretion on applying these standards.

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\* Face validity occurs when a concept appears to be reasonable and valid. Something may have face validity without having been scientifically proved to be valid.

† Education Code Section 47607.

‡ Education Code Section 47604.32.

## **AUTHORIZER FUNDING**

CRB had a difficult time determining the full scope of activities charter authorizers perform and what authorizers spend on these activities. This was due largely to the inconsistencies in documentation and accounting on the authorizers' part. Authorizers are not required to document the time they spend on oversight, nor are they required to account for the dollar amount they spend on oversight activities. While some authorizers were able to provide CRB with relatively specific information on the amount of time spent on given activities and the costs and revenues associated with oversight, other authorizers provided only rough estimates or left many of the survey fields missing.

The lack of documentation and accounting for oversight activities has not interfered with charter authorizer reimbursement. Most charter school authorizers who responded to our survey reported that they spend more on oversight than they charge the charter schools. Under the current system, some charter authorizers charge charter schools the maximum allowable amount for charter authorizing without providing documentation of oversight activities. These findings are consistent with the findings from the State Auditor in 2002 and the Little Hoover Commission in 2010.<sup>22, 69</sup>

## **REPORT LAYOUT**

Chapter one, "Charter School Authorizer History and Development," provides an in-depth review of the development of charter schools and their authorizers. We examine the use of exit ("leaving") from an organization, voice (expressing one's opinion) within an organization and loyalty to an organization, in maintaining charter school standards. We then turn the discussion to legislative developments of charter schools.

In chapter two, "Charter School Structures," we discuss the development of various oversight structures, including the creation of dependent and independent charter schools and the emergence of charter management organizations (CMOs) and education management organizations (EMOs). We divide the management of charter schools into *de jure* and *de facto* oversight. Finally, we look at non-state agencies that have a role in charter school oversight.

Chapter three, "Charter School Oversight Funding," examines the structure of funding for charter authorizers in California and compares California funding with other states. We discuss the differences in funding methods between states. Additionally, we compare California levels of funding in multiple ways to funding levels of authorizers in other states.

Chapter four, "Best Practices and Charter School Authorization," reviews the current theoretical and applied literature on best practices, both within and external to the education field. We discuss how the theoretical and applied concepts of best practices can be adapted to fit the field of charter school authorizing. We then discuss the current research on professionally-accepted standards for charter school authorizers. We use seven key studies to extrapolate current ideas on best practices for authorizers. Finally, we explore the five most agreed-upon practices for charter school authorizing.

Chapter five, “Charter Authorizers Practices, Expenditures, and Revenues: Survey Results,” is a summary of a practical investigation of charter authorizers. CRB conducted a survey of charter authorizers in California in 2008. Seventy-two authorizers completed the survey. The methodology and key findings from this survey are discussed. This section is augmented by Appendix B, “Survey Question Data Summary.” Appendix J contains a summary of the data from the survey.

“Conclusions,” discusses our key findings and presents our conclusions and suggestions to the Legislature. Overall, we conclude that (1) charter authorizers need to better account for their oversight expenses, (2) there is a great amount of variation between authorizers in terms of oversight practices, and (3) the current state of accounting and practice do not allow us to conclusively state whether or not reimbursement levels for oversight are sufficient.

This report is supplemented with several appendices. Beyond appendices B and J, mentioned above, we want to direct your attention to several other useful additions to this report. Appendix C, “Funding Allotments for Oversight Activities by State,” provides an overview of charter authorizer funding in other states. This appendix allows the reader to compare both the method of funding and the amount of funding for authorizers in California and other states. Appendix E, “Aligned General Oversight Standards,” provides a crosswalk of suggested best practices from four key research and support organizations. Appendix H, “State Laws Promoting Transparency in Charter Schools” provides an overview of laws in the 40\* states that promote either academic or fiscal transparency of charter schools.

While we were unable to fully address the legislative requirements of this study, we have provided the Legislature with ample discussion of best practices and an overview of the activities of California authorizers. CRB does not have the capacity to conduct a full inquiry into the connection between best practices in charter school oversight and charter school performance. However, NACSA has launched a study on this topic. That study was expected to be released at the end of 2011. We encourage the Legislature to obtain that study when available.

Our findings indicate that even with increased resources, CRB may not have been able to fully satisfy the legislative mandates of Education Code section 47613. Charter school authorizers lack a consistent accounting process for the costs and hours invested in oversight. Three other policy institutions (RAND, the California State Auditor, and the Little Hoover Commission) have each sought answers about the costs and time investment involved in charter school oversight. Like CRB, these agencies have concluded that lack of transparency limits the quality of analysis.

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\* Maine became the 41<sup>st</sup> state to authorize charter schools in August 2011. Maine was not included in the survey of charter school transparency laws.

# Chapter 1. Charter School Authorizer History and Development

Charter schools were developed based on market principles. They open in response to a demand for better schools, stay open as long as the “product” (school) is “purchased” (students enrolled) by the “consumer” (parents), and close if enough people become dissatisfied with the “product.” Parents are seen as the primary consumers that have the power to enroll or withdraw their children from the school based on their evaluation of the school’s performance. Oversight of charter schools it supposed to occur through the market, with parents controlling the entry and exit of schools in the educational marketplace by increasing or decreasing demand.

Early models of charter schools limited the state’s role in oversight. State entities approved the creation of charter schools, provided limited fiscal and academic oversight, and retained the power to close underperforming schools when the market failed to do so. However, the rhetoric around charter schools stressed the importance of limited state oversight as a way of freeing charter schools from the “cumbersome” and “stultifying” regulations that interfere with traditional public schools’ abilities to institute innovative and effective methods to improve student learning.<sup>6, 28, 31, 32, 109</sup> Early champions emphasized that it would be parents, not the state, that would ultimately hold charter schools responsible for producing a high level of student academic achievement.<sup>26, 100</sup>

Charter schools have had 20 years to develop under the market model and test the limits of these assumptions. For a market model to work, the market has to be free. Parents have to have (1) realistic alternatives to charter schools, (2) reasonable transaction costs, and (3) accessible information on school performance. These conditions certainly exist for a small number of charter schools, but for many others, one or more of the conditions are not met. Because in many cases only some conditions are met, parents are limited in their ability to hold charter schools responsible for academic and financial performance.<sup>46, 47</sup>

As a result of the limited success of parental oversight of charter schools, California’s Legislature has enacted a series of laws empowering government entities such as local education agencies (LEAs), county offices of education (COEs), the State Board of Education (SBE), and the Superintendent of Public Instruction (SPI) to oversee charter school performance.\* The primary responsibility for charter school oversight falls to LEAs, which are most often school districts.

Each government entity provides two types of oversight: police patrols and fire alarms. “Police patrol” oversight consists of routine, scheduled reviews. For charter schools this is the charter renewal requirement that occurs every five years. In “fire alarm” oversight, parents and community members alert oversight bodies to problems with the school at any point and trigger an investigation.

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\* See Appendix D for a fully annotated history of California charter school legislation.

Our study found both types of oversight necessary to maintain quality charter schools. However, fire alarm oversight appears to be more effective at drawing attention to underperforming charter schools.<sup>69, 112</sup>

Parents and oversight bodies need incentives to perform oversight duties. If either an authorizer or parent lacks an incentive to perform oversight, schools will be allowed to function without being held accountable. There are multiple ways to create incentives for oversight. Parents have built-in incentives in that most parents desire a good academic education in a safe environment for their children. When a school does not provide one of these factors, most parents will seek out an alternative. Oversight bodies, on the other hand, need to have incentives built into their operating structure. Most charter school authorizers are school districts. Legislation provides one or three percent of a charter school's general budget to the authorizer as incentive to perform oversight duties. This report finds that most authorizers do not find the structure of this incentive to be enough to prompt them to provide a full range of oversight duties.

Additional market mechanisms have developed that provide regulation to charter schools outside of the state apparatus. Parental oversight, the original market mechanism designed to regulate charter schools, has proven to be inefficient. Recent developments, such as charter management organizations (CMOs), educational management organizations (EMOs), and accrediting bodies not associated with the California Department of Education or State Board of Education have arisen. These organizations are proving to be important mechanisms in regulating the performance of charter schools. For example, research on these organizations demonstrates that charter schools run by CMOs and EMOs generally out-perform other charter schools on academic indicators.<sup>39</sup>

This chapter provides a history of the development of charter schools. We explore the development of oversight structures as a response to experiences with market forces. Because much of charter school oversight is based on the capacity of parents to exit the system or voice an opinion, we look at the role of exit, voice and loyalty. We discuss the utilization of parental oversight and the solutions the Legislature has proposed to improve charter school performance. We discuss the police patrol and the fire alarm methods of oversight. Finally, we look at the incentives to regulate charter schools. We chronicle legislative changes to charter school oversight in this chapter.

**Table 2. KEY FINDINGS: AUTHORIZER HISTORY AND DEVELOPMENT**

- Parents serve as an inefficient form of oversight for charter school performance.
- Alternative market structures, such as charter management organizations, have demonstrated somewhat better academic performance results than traditional public or charter schools in some cases.
- The Legislature has provided authorizers with increasing powers for charter school oversight. Authorizers are not incentivized to use the full extent of this oversight.
- Both state and market oversight mechanisms appear necessary to manage charter schools.



## THE LANDSCAPE

In California, charter schools may be authorized by three different entities: local school boards, county office’s of education, and the State Board of Education. The vast majority of charter schools are overseen by a local school board (see Table 3 for a breakdown of charter authorizers). The initial charter legislation in California empowered only local school boards to authorize charter schools.

County offices of education (COEs) and the State Board of Education (SBE) gained the right to authorize charter schools more recently. Both entities were primarily empowered with authorization capabilities to provide a check on local school boards. Charter schools who were rejected by local school boards could appeal to their COE or the SBE.

Applying for a charter at the COE or SBE level is a more difficult task. To gain a charter from a COE, the school must demonstrate that it provides a service not generally performed by the COE (Ed Code §47605.6 (a) (1)). To gain a charter that is not an appealed charter from the SBE, an operator must demonstrate prior success with another charter school. A charter operator may appeal a local school board of COE decision to the SBE as a last resort.

<b>TABLE 3. TYPES OF AUTHORIZERS AND NUMBER OF SCHOOLS EACH TYPE OVERSEES IN CA, FY2010-11</b>			
<b>TYPE OF AUTHORIZER</b>	<b>LOCAL SCHOOL BOARD</b>	<b>COUNTY OFFICE OF EDUCATION</b>	<b>STATE BOARD OF EDUCATION</b>
<b>TOTAL NUMBER OF POTENTIAL AUTHORIZERS, BY TYPE</b>	1,049	58	1
<b>NUMBER OF AUTHORIZERS, BY TYPE</b>	263	29	1
<b>NUMBER OF SCHOOLS OVERSEEN BY TYPE OF AUTHORIZER</b>	805	76	30

California developed the three-tier authorizer model based partially on the Minnesota model – the only one in existence prior to California’s legislation. After California passed legislation creating charter schools, other states developed alternative models for authorizing. Today, depending on the state, higher education institutions, nonprofit organizations, independent charter boards, and municipalities may authorize a charter school.

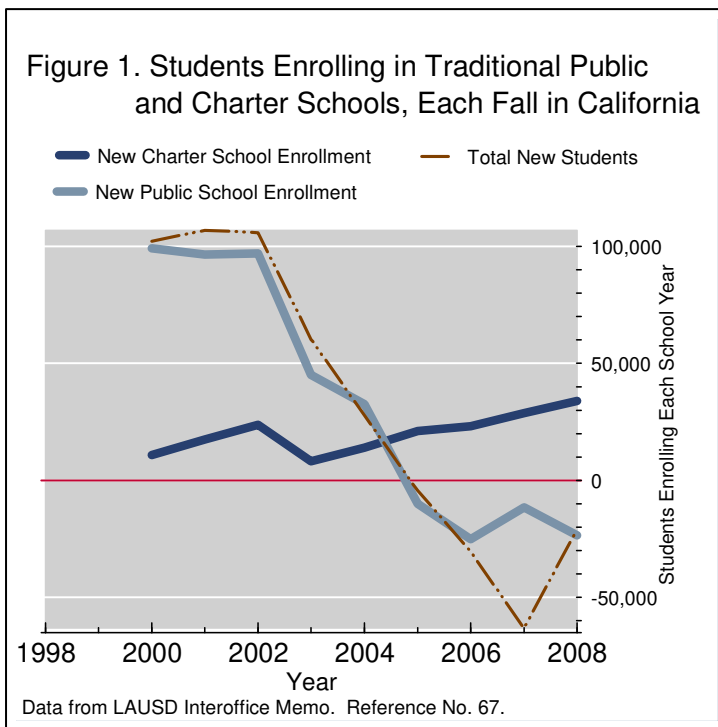
In addition to charter authorizers, market structures have arisen to provide additional oversight to charter schools. Charter management organizations (CMOs) and educational

management organizations (EMOs) impose a corporate oversight structure onto charter schools in addition to the school’s state authorizer. Accrediting bodies, such as the Western Association of Schools and Colleges (WASC), provide systematic oversight to some charter schools as well.

## CHARTER SCHOOLS AND THE MARKETPLACE

The early concept of a charter school was of a new school, opened by teachers with the approval of the local school board, and freed from most state education regulations. These schools would allow teachers to experiment with new education techniques.

In 1990, Minnesota more fully developed the idea of a charter school when its Legislature authorized the creation of alternative public schools that promoted parental choice and responsibility for student academic results. These schools could be opened by a community, an educational organization or other groups, with the goal of providing innovative teaching methods to improve student performance. Parents could choose to send their children to charter schools, and teachers could choose to teach for one. These were the first charter schools in the nation.



Charter schools proved to be a marketplace success. Today, 41 states plus the District of Columbia have adopted laws that allow for the creation of charter schools. As of January 2010, more than 4,900 charter schools serving 1.6 million children operate across the United States. These schools are overseen by 872 authorizers (one-third are in California).<sup>78</sup> In California, the number of students enrolling in charters has continually increased over the past 10 years, even when the total number of new students enrolling in public schools has declined (see Figure 1).

Californians continue to support the concept of charter schools. When adults in California were surveyed by the Center for Education Reform in 2008, 81 percent supported “allowing communities to create new schools- called charter schools- that would be held accountable for student results and would be required to meet the same academic standards/testing requirements as other public schools but not cost taxpayers additional money.”<sup>19</sup>

The Center for Education Reform also found that respondents were particularly drawn to the concepts of accountability and standards. These two concepts seem to be particularly attractive to parents looking for alternatives to local public schools, which are sometimes seen as being rule-bound and not accountable to parents.<sup>19</sup>

Accountability is the key concept for both the theoretical development of - and public support for - charter schools. Charter schools are built on the idea that they can be held directly accountable by parents for student academic performance. Traditional public schools are often portrayed as being mired in mountains of bureaucratic red tape that emphasize compliance with rules over true accountability for results. Charter school advocates claim that parents and the community have the capacity to hold the schools accountable for performance – demanding their closure if they do not meet expectations.

The way charter schools are held accountable for academic performance has evolved. While the 1990 legislation in Minnesota and the 1992 California Charter Schools Act each had a provision for state oversight of academic performance, these legal provisions were weak. The stated beliefs of politicians that enacted charter school legislation and early promoters of charter schools was that parents knew what was best for their children, and parents would use their ability to move their child from one school to another as a way of holding a charter school accountable for performance.<sup>28, 30, 31, 107</sup>

For this model to work, parents have to be part of a free educational marketplace. They must be able to exercise either their desire to exit or their need for voice. In the next section of this chapter, we explore how parents use exit and voice to control charter school performance. Additionally, we examine how loyalty to a school shapes parental decisions of exit and voice. Ultimately, we conclude that the charter school system does not function in a free market, and therefore, voice and exit have only a limited capacity for regulating charter schools.

## **EXIT, VOICE, AND LOYALTY**

Parents and teachers are the theoretical groups that hold a charter school accountable for its performance. Charter school literature claims that parents and teachers hold charter schools accountable by “voting with their feet.”<sup>97</sup> This assumes that parents and teachers (1) have a common definition of acceptable performance, (2) will monitor a school’s performance, and (3) will exit when the school begins to fall short of performance expectations. By exercising their “exit” option, teachers and parents can deprive the school of essential elements (students, teachers) and force the school to either reform itself or close.

Hirshman proposed a theory of exit, voice and loyalty that may be applied to charter schools. The basics of the theory state that people generally have two options when faced with an unsatisfactory condition, be it a bad product or an unsatisfactory group membership. A person can either exercise their *exit* option and no longer participate with the undesirable situation or product, or *voice* their dissatisfaction, hoping to improve the situation. Additionally, certain firms or products engender *loyalty*. When loyalty comes into play, the exercise of exit and voice options is altered.<sup>53</sup>

## Exit

Part of charter school accountability is based on teachers and students exercising their exit options. The theory suggests when school performance or environments become untenable, teachers and students will leave. Research demonstrates that, in some cases, student exit does contribute to a school's closing.<sup>46, 75</sup> Because charters are schools of choice, exit should be noticed and either cause the school to improve its services and atmosphere in order to draw additional students and teachers, or close if it cannot attract enough new students and teachers.

Parents have incentives to use their exit option. Parents want their child to receive a good education in a safe environment. However, parents incur transaction costs when exercising their exit option. The parent must invest time and energy to seek out an alternative school. They must remove their child from a familiar setting where the student has established relationships with friends and teachers. The child must adapt to new surroundings and new processes. These costs (known as "transaction costs") must be considered worth the potential benefits of transferring to a new school.

To exercise exit, parents need access to several things. First, there must be an equally or more desirable school available for their child to attend. In many markets, the traditional public school is not an equivalent to the charter school. Even if the charter school is not performing academically better than the traditional public school, if the charter school offers other benefits such as more discipline, greater safety, or teachers who make the student and parent feel more comfortable, parents may see the charter school as superior to the traditional public school.

Second, parents need information about school performance. California has attempted to make some performance data available to parents. However, there are limitations to the access to this data, as well as how the data may be used. While parents can access the data in English on a government website, non-English speaking parents and those without internet connectivity experience limited access. Additionally, various performance measures are spread over three different state websites, which prevents the data from being integrated. We will discuss the importance of transparency in chapter four "Best Practices in Charter School Authorizing."

According to Hirshman, for parents who put a high value on quality of education, exit from a school will happen quickly if there is a decline in quality. These are also the same parents who would be most effective voicing their dissatisfaction with the system. Their exit means that the remaining parents may be less effective at voicing their concerns with the school and less likely to exit before quality greatly declines.<sup>53</sup>

Early exit of a small group of parents concerned with high quality schools creates a problem for holding charter schools accountable. The market accountability of charter schools is based on parents exiting a school when the quality begins to decline. Exit needs to occur at such a rate that the school notices and either corrects the issues or closes. If a small group of parents exits in the early stages of decline and leaves behind a group of parents less concerned about academic quality, both exit and voice become less effective. Thus, the school continues to decline to a point where there is a mass exodus

that the school cannot reasonably recover from, and it is forced to close. The closure only comes after a long period of poor performance. This decreases the overall quality of the pool of charter schools.<sup>46, 53, 75</sup>

Some parents fail to withdraw their child from an underperforming school because they settle, accepting the school as “good-enough” to meet their standards for participation without demanding that it be the best in its class. A charter school performing to a parent’s minimum acceptable standard for their child may continue to enroll that child even when a better option is available. For parents settling, the quality of the school may become quite poor before they feel the transaction costs for transferring their child are acceptable.

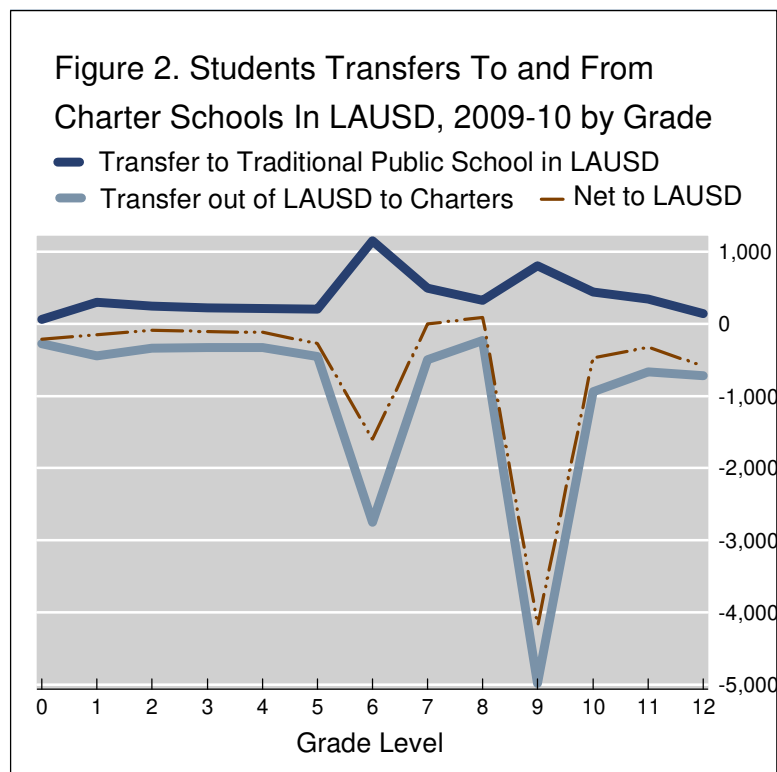
### Barriers to Exit

High transaction costs, then, are a barrier to exit. High transaction costs can limit the effectiveness of exit by preventing some consumers, who would otherwise choose an alternative product, from leaving. Parents who see it as too time-consuming or too risky to change schools may opt to stay with a failing charter school rather than incur the transaction costs to transfer their child to another school.

We have evidence that there are barriers to exit in California charter schools.

If there were low barriers to exit, we would expect approximately the same number of students to transfer out of one type of school and into another every year (from a charter to a traditional public or from a traditional public to a charter school). The higher the barriers to exit, the more likely parents are to limit their use of exit.

The Los Angeles Unified School District (LAUSD) tracks the number of students transferring to and from charter schools in its district. Examining the transfer patterns reveals that for most years, there are about 400-700 students transferring between charter and traditional public schools. However, between 6<sup>th</sup> and 7<sup>th</sup> grade and again between 8<sup>th</sup> and 9<sup>th</sup> grade the number of students transferring jumps by orders of magnitude. Transfer rates are particularly high for students who are entering and exiting junior high school. Twenty-one times as many 8<sup>th</sup> grade students transferred before 9<sup>th</sup> grade than 7<sup>th</sup> grade



students did before 8<sup>th</sup> grade. This seems to indicate that parents are waiting until the grades when students traditionally transition to new schools, when transaction costs are lessened, before engaging in exit.

There is evidence that some parents will continue to enroll their children in charter schools that are not performing well academically. In a study by Kowal and Hassel, the authors found that a few underperforming charters still remain open. Even when schools were ordered closed by state boards of education due to poor academic performance, some parents continue to try to enroll their children.<sup>58</sup> The authors suspect that qualities of the charter school other than academic performance have inspired parents to seek out the school for enrollment. They surmise that academic performance is of lesser concern to parents than safety and comfort with the school environment.<sup>46</sup>

These barriers to exit make it difficult to hold a charter school accountable through market forces. This increases the need for other forms of charter oversight. Charter authorizers and charter management organizations (CMOs) have the capacity and the legal obligation to gather information about the performance of a charter school on a regular basis. Effective oversight agencies can spot academic, fiscal, or management difficulties early, and the authorizer or CMO may intervene or close the school in order to maintain a pool of high-performing charters.

Exit does not have to lead to the eventual closure of a charter school. If a charter school recognizes that it is losing students to exit, the school can seek to improve its performance in order to regain students. To effect this type of change, exit has to be at such a rate that the charter school has time to make necessary changes and draw in new students or regain lost ones. If the exit is too fast or involves too many people, the school may close.

For a charter school to be aware of exits, however, there is a need to track the incoming and outgoing students to predict a churn rate. The “churn rate” is the rate at which students leave and enter a school during a specified time period. A high churn rate would alert a charter school of a potential problem even if it was not experiencing a declining enrollment. This type of data is currently not gathered on a broad scale in California. Some individual districts track this data, but there is no statewide database where churn rates for schools are calculated.

### **Teachers and Exit**

Like students, teachers may also “vote with their feet” and leave a charter school when it is in decline. This exit of faculty ideally should alert charter school staff to a decline in the school, and elicit a response that improves the identified problems. This assumes that teacher exit will be noticed and associated with a decline in school functioning. It also assumes that the supply of teachers is limited and the school may not be able to easily replace a teacher that has left. When there is an abundant supply of teachers, the exit may not be noticed or associated with school decline.

This model assumes that teachers have the freedom to leave a position easily. It assumes that a teacher who decides to utilize their exit option will either not have to find another

job or will find another job with ease. Since this is not always the case (there may be a glut of excess teachers, there may not be any jobs available), the barrier to teacher exit can be high.

Charter schools may not pay attention to teacher turnover. In a 2011 study completed by researchers at Stanford University, they found on average, half of all charter school teachers in Los Angeles left their position each year. The report attributed the high turnover in part to the age of charter school teachers. Charter school teachers were younger than traditional public school teachers. The researchers concluded that younger teachers had fewer familial obligations and were therefore freer to change positions. If these findings are true for other charter districts, it may diminish the ability of teachers leaving their positions to effect a change in a charter school. If consistently high turnover rates are seen as normal, then a large exodus of teachers from a school in any given year may be simply assumed to be “par for the course” rather than an indication that anything is wrong.

### **Voice**

Exit is not the only option. Voice is the alternative. “Voice” entails letting the powers that be know that the product or performance is not satisfactory. Because voice involves engaging another party, it is more costly to exercise than the exit option. Hirshman suggests that voice becomes an option when:

- (1) one wants to “do something” about the problem and believes that voicing concern will make a difference;
- (2) one expects their voice to be successful for fixing the problem;
- (3) one believes that the cost of switching from option A to option B may be too costly;
- (4) loyalty comes into play.<sup>53</sup>

While most charter schools have their own school advisory boards (or similarly named organizations that oversee the more day-to-day decisions for the school) and some boards allot seats for parent or teacher representatives, voice remains an infrequent topic in the charter school literature. Still, it may be a more efficient way to impact charter school functioning than exit. To improve functioning, exit depends on the school recognizing that students are leaving and connecting that movement to a decline in quality. Further, it assumes that the school can identify what factors at the school have declined enough to lead to student exit. If the population is highly mobile or if new students are replacing old students at about the same rate, or if there are many diffuse problems, exit may not alert the school officials to a specific, correctable problem. Voice, on the other hand, provides school officials with information on where parents see a problem.

Voice becomes effective when used in concert with “fire alarm” oversight. Fire alarm oversight is oversight that is activated when the oversight agency is notified by an outside source that an entity they have control over is having a problem. Charter school authorizers, county boards of education, the State Board of Education (SBE), the Superintendent of Public Instruction (SPI), and the California Department of Education

(CDE) all have some fire alarm mechanism for charter schools. In a 2004 RAND investigation of charter school oversight and a 2010 Little Hoover Commission report, both agencies found that the SBE, SPI and CDE were most likely to act upon a parental complaint about a charter school in comparison to other forms of oversight. In fact, while the SBE and CDE have components of police patrol oversight for charter schools, both agencies admit that they do not regularly exercise these powers. Instead, they wait for parental complaints to alert them to problems at schools.

The reliance of these oversight bodies on fire alarm oversight elevates the role of parental voice. While exit of a small group of parents may not be noticed at a charter school, a small group of complaints may be enough to “trip” the fire alarm and launch an investigation into a charter school’s practices. While effective, voice is still costly and barriers may prevent some parents from exercising this option.

### **Loyalty**

The primary issue to determine how voice and exit options are used, according to Hirshman, is loyalty. Loyal members are less likely to leave a group, even when it is in decline. Only when the organization becomes extremely dysfunctional or dissatisfactory will a loyal member leave. Loyalty also raises the profile of voice. When a member is loyal to a group, they are more likely to speak up when they recognize problems that could lead to exit. They believe they have the capacity to affect the outcome of the organization and are more likely to speak up than simply leave.

Charter schools, like many schools, engender a certain level of loyalty in their student and parent population. Parents actively choose to send their children to a charter school as students cannot be assigned to one. In certain cases, especially with high demand charters in inner city areas, parents enter and eagerly await lotteries to try and enroll their child in a specific charter school. The process of identifying a desirable charter and actively choosing to enroll one’s child creates a level of psychological investment in the school. If the school later does not perform up to the expected standard, the parent must overcome this attachment, admit the choice did not work, and choose an alternative school.

The loyalty created through the choice process alters the use of voice and exit in charter schools. Unlike the choice of toothpaste or other equally benign product, choosing a school involves a level of emotional investment. Exiting, or choosing another brand, is simple when there is no loyalty. However, when one is emotionally invested, or loyal, to a product or a school, exit is much less likely. In most cases, loyal parents will seek options other than exit when their child’s school begins to underperform.

Loyal parents in a charter school may wish to improve a faltering charter by voicing their opinion on what needs to change. Some charter schools integrate parental voice into their oversight system. A number of charter schools we spoke with had seats for parents on the school advisory boards. The principals and school administrators felt that this was the appropriate forum for parents to raise concerns about a school’s performance.



## **LEGISLATIVE HISTORY OF CHARTER SCHOOL AUTHORIZERS IN CALIFORNIA**

The history of charter school legislation in California is one of slowly increasing oversight by government bodies. The original charter school legislation incorporated very little government oversight and loosely structured the limited oversight it did include. The Legislature took this approach because charter schools were new and little information existed on how to “best” structure these entities.

Over time, the Legislature increased state oversight of charter schools. A number of different factors influenced this increase, including: (1) individual charter school scandals, (2) growing awareness that some authorizers were not using their full authority to enforce charter school performance standards, (3) recommendations by expert panels, and (4) attempts to encourage charter school growth in districts where the LEA was hostile to the concept of charter schools.

After 20 years of legislation for charter schools, the oversight structures are much more complex than the original charter school – charter authorizer structure. Charter schools now have many more reports to file and oversight checkpoints than were present in the initial legislation. Ultimately, more state agencies have the power to influence the development and continued existence of individual charter schools than initially was the case.

We argue later in the report that the state has other options for regulating charter schools. While the state has been busy creating new legislation authorizing state agencies to oversee charter school functions, the market has created alternative oversight bodies. Both the market and the state created additional oversight to correct the inefficiencies of parental choice as a regulatory mechanism for charter school oversight. CRB sees an opportunity for the state to learn new alternatives for incentivizing good charter school oversight from the market. However, before we get to the market story, it is important to understand the current regulatory state under which charter schools function.

## **INCENTIVIZING CHARTER SCHOOL ACCOUNTABILITY**

The state has multiple options to regulate charter schools. In California, most regulations fall either into a state “command-and-control” model or a free market style of regulation. Command-and-control regulations come in the form of statutes established by the Legislature and enforced by regulatory agencies. These are further divided into the police patrol and fire alarm oversight methods discussed earlier.

Free market oversight comes from consumers and organizations outside of the government structure. For charter schools, this includes parents, charter management organizations, donors, school advisory board members, accrediting agencies, and other such entities. Charter schools were designed to be responsive to the free market. Current research demonstrates that charter schools show some responsiveness to these oversight bodies.<sup>61</sup> However, much of the recent regulation has been designed as command-and-control.

Oversight activities cost the person or entity doing the oversight time, money and other resources. Oversight is not simply undertaken for the good of the school. For regulators in both systems of oversight, there needs to be properly aligned incentives for completing regulatory activities. If there are no incentives for carrying out an activity, a regulator is unlikely to complete the task. If the incentive is misaligned or insufficient, the task may only be partially carried out.

Regulation through state command-and-control models and free markets using incentives has been studied both theoretically and experimentally. Much of this work has been completed in the field of environmental policy. This field provides natural experiments for the impact of state regulations, taxes, and free market impacts on technology changes and adoption of new technology. Researchers have examined the way state regulations, taxes, incentive programs, and the economy have shaped the adoption and use of environmentally-friendly technologies.

Adopting environmentally-friendly technologies poses a dilemma for manufactures and construction companies. New energy efficient technology is a desirable commodity in a new building. However, it is often costly to install this technology. The manufacturer and builder must decide if the cost of installation will be recouped in the selling price of the building. Additionally, builders function in an arena where there are continually changing regulations. They must make a decision to use technology that may not yet be required but may become standard on buildings in the future.

These decisions are influenced by both market incentives and regulatory incentives. Builders are mandated by city, state, and federal building codes to choose certain types of materials (*e.g.*, builders in California have to comply with earthquake codes and use specific levels of rebar). If they do not meet certain building codes, their structures can not be certified as safe. However, compliance with other statutes is not such a necessity. In certain cases, builders have a choice about meeting an environmental regulation.

The market side of regulation involves the end consumer (the person who purchases the building), peers in the construction industry, and companies that sell the environmentally-friendly products. Depending on what consumers are buying and predicted to buy, what other contractors are building, and what types of deals can be negotiated with suppliers, builders make decisions about which materials to incorporate into their buildings.

The market does not operate free from government intervention. The use of tax incentives, technology subsidies, and other forms of government intervention, may shape the marketplace and alter the decision of builders.

The question for most researchers is, “does command-and-control regulation produce better results than free market incentives?” The theoretical literature generally points to the free market as a better short-term financial regulator of environmental technologies than governmental oversight. This is, in part, because market-based approaches provide mostly long-term incentives and therefore reduce the ultimate costs associated with adopting a new technology.<sup>56</sup> Because much of the theoretical analysis looks at the longitudinal costs and benefits of the market versus command-and-control regulations, it has favored the market as a solution for environmental regulation.

Increasingly, practical and experimental research is being conducted on the impact of command-and-control regulation versus the free market as an oversight body. In a paper on technology diffusion in environmental fields, Jaffe and Stavins use natural experiments to see if taxes, federal regulations, or the free market have any impact on the distribution and use of new environmental technologies.<sup>56</sup> Using economic modeling to examine the use of specific technologies in new housing construction, they conclude that both free market pressures and energy taxes impact the diffusion of new technologies. The impact of state and federal regulations was minimal.

Importantly, their findings show that energy taxes would have to increase in the realm of 10 to 25 percent before builders would change their selection of materials. However, smaller changes in the cost of the technology (decreases in the cost of materials) and predicted energy prices (increases predicted) were more likely to drive the manufactures choice of materials.

The key reason that taxes and market changes impact choices of building materials more than command-and-control regulations is the incentive: money. When a builder selects a material that is more expensive to use he incurs a cost. If, however, he believes buyers will pay a premium for energy efficient homes because energy prices are predicted to rise, then he stands to make money. Likewise, if there are taxes associated with using less energy-efficient technologies, and the taxes are high enough, the builder saves money by investing in new technology. With state and federal regulations, there may be permitting difficulties for being out of code with regulations, but that may not be enough incentive to incur additional costs of investing in new energy technology.

Charter school regulation addresses similar issues. Charter schools are regulated both through state statutes and through the market. The regulators in both cases have different incentives for carrying out their oversight. What CRB found with its study is that command-and-control regulation does not present sufficient incentives to regulators to carry out all legislatively mandated duties. Parents have multiple motivations for sending their children to charter schools and are therefore inefficient at academic oversight. However, new market structures have developed in California that are increasingly effective at overseeing charter school performance. Charter management organizations and educational management organizations are proving to be somewhat more effective at producing superior academic outcomes for charter school students and have incentives for conducting quality oversight.



## Chapter 2. Charter School Structures

Charter schools began with a simple oversight structure: they were monitored by an authorizer. Over time, as evidence emerged that some authorizers were hostile to charter schools and others were not performing the full range of oversight, the Legislature added various agencies as partial oversight bodies.

The simplified oversight structure of early charter schools was partially a reaction to the complex oversight structures of traditional public schools. In California, public schools are overseen by elected school boards, county offices of education (COEs), the State Board of Education (SBE), the California Department of Education (CDE), and the Superintendent of Public Instruction (SPI).

Schools are required to report on a variety of performance measures (*e.g.*, average daily attendance, graduation rates, standardized test performance) to these agencies. By 2000, the average school was filing 158 different reports with oversight agencies.<sup>45</sup> Each agency had different criteria for school performance measures. However, many simply sought school compliance in filing reports rather than meeting any performance measures. Through the early 1990s, most traditional public schools were allowed to continue to operate even if a majority of their students failed to make academic progress. As long as the school met mandatory reporting requirements, state agencies often did not interfere with school operations.

This led critics to characterize public schools as overly regulated yet under accountable for student performance. In this environment, charter schools were offered as an alternative. Charter schools had a simplified accountability structure that champions claimed would make these schools more accountable for student outcomes, and put parents in a prime position for holding schools accountable.

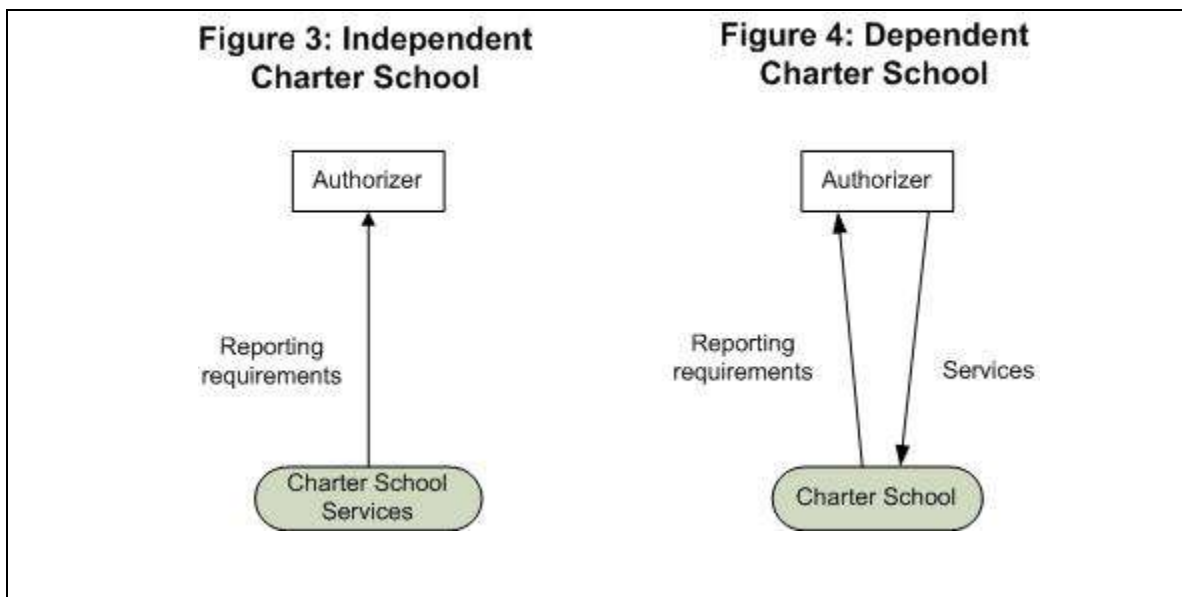
Over the past 20 years, both the Legislature and the market have developed oversight structures that complicate the originally proposed charter school-authorizer structure. As these new oversight bodies and market-based charter schools have developed, both the state and management organizations have increased opportunities for financial and academic oversight. CRB found certain oversight structures and the relationship these bodies had to their charter schools coincided with improved charter school performance.

This chapter examines the development of charter school oversight structures and the implications they have for performance. We begin by discussing the concept of “dependent” and “independent” charter schools. We then turn to the state educational institutions granted oversight powers by the Legislature. Next, we discuss the market-developed structures, specifically charter management organizations (CMOs) and educational management organizations (EMOs) and some of the findings on their performance. Finally, we discuss the oversight implications of these different structures if charter schools are taken to scale in California.

## DEPENDENT AND INDEPENDENT CHARTER SCHOOLS

In RAND's 2004 evaluation of charter schools in California, they found that schools and their authorizers were using the "dependent" and "independent" classifications for schools. While dependent and independent charter schools are not mentioned in the California Education Code and there are no legal definitions, RAND found that the terms were used consistently. This nomenclature developed in the field to differentiate charter schools that were dependent upon their authorizer for services and certain financial filings versus schools that provided all their own services and filed independently for financial assistance.

Dependent charter schools receive some operational support from their chartering agency and relied on school districts to secure funds. Generally, support is in the form of providing human resources, accounting and other operationally necessary departments or in submitting applications to a variety of funding sources. Independent charter schools run all their operational departments internally and secure their own funding. See Figures three and four for a visual overview of the two models.



RAND found that charter authorizers provided different levels of oversight to dependent and independent charters. Charter authorizers were more likely to perform site visits, both scheduled and unscheduled, to dependent charter schools than to independent schools.<sup>113</sup> The State Auditor reports that authorizers were more familiar with the fiscal and management operations of dependent charter schools than independent ones.<sup>22</sup>

The impact of the difference in oversight between dependent and independent schools is unclear. In the State Auditor's report, it included financial audits of 25 fiscally independent charter schools. While five of the schools reported a negative fund balance at the end of the year according to the authorizers, the State Auditor found eleven cases of negative fund balances. When they interviewed the authorizers of these schools, the auditors found that most districts did not sufficiently review fiscal audits to ensure that

negative findings were resolved.<sup>22</sup> Further, most authorizers did not have processes in place that could address negative findings in their schools' financial audits. Two of the jurisdictions had new or proposed regulations in place, but these regulations had not been fully implemented. While the financial operations of dependent schools are more fully known to auditors, it is unclear if dependent schools receive more intervention when they become fiscally unhealthy.

When the State Auditor issued its report about authorizers, it provided the audited entities an opportunity to respond. Each authorizer reported that they had engaged in all the oversight required by law and provided letters of protests to the auditors findings. One authorizer summarized the sentiments of all four when it pointed out that the authorizers perceived the oversight statutes as vague guidelines and that by providing some level of financial and academic oversight, charter authorizers were fulfilling their duties to independent charter schools.<sup>22</sup>

In 2010, the Little Hoover Commission found evidence that charter authorizers take a different approach to dependent charter schools. When charter schools are receiving services from their authorizer (*e.g.*, human resources, building management), the authorizer is more involved in financial and academic oversight than it is with an independent charter school. In the case of dependent charter schools, some authorizers report feeling a greater responsibility for knowing what is "going on" with the school than they do with independent charters.<sup>69</sup> This leads to more involvement and increased oversight for dependent charters and a greater chance an authorizer will be alerted to poor performance than with an independent charter.

Authorizers with dependent charter schools have entered a financial arrangement with the school that "has the effect of furthering the operations of the charter school and that may provide opportunities to oversee the charter school." (Ed. Code §47613(g)(1)) The only reason an authorizer enters a dependent relationship with a charter school is to further the school's operation. By providing services to the school, the authorizer allows the school to function in a more efficient or more cost effective manner. Of the authorizers responding to the CRB survey, nearly 60 percent had "fee-for-service" agreements with their charter schools.

These "fee-for-service" agreements increase the opportunity for oversight. Authorizers that provide services to their charter schools are more likely to request information on fiscal performance and are more likely to perform oversight in general.<sup>69</sup> Additionally, authorizers report that they believe they have greater responsibility to oversee schools they provide services to than to the independent schools they oversee.<sup>22</sup>

While authorizers distinguish between dependent and independent charter schools, the Legislature does not. Charter schools, regardless of their service agreements with their authorizers, have the same reporting and performance requirements. The State Auditor's report was clear that authorizers did not feel they had the same oversight responsibilities for independent charter schools as they did for the dependent charter schools under their auspices.

## LEGISLATIVE ADDITIONS TO CHARTER SCHOOL OVERSIGHT STRUCTURES

The original California Charter Schools Act created one oversight body for charter schools – the authorizer. School districts were tapped to be the authorizers and given the power to grant and revoke charters. The Legislature set no performance requirements on charter schools or charter school – authorizer relations. The lack of specificity in charter school and authorizer requirements was purposeful and meant to allow these bodies to structure their relationship according to what best suited the two entities.

<b>BILL</b>	<b>YEAR</b>	<b>DESCRIPTION</b>
SB1448 (Hart) <i>Ch. 781, Stats. of 1991-92.</i>	1992	Established all school districts as potential authorizers. Gave very limited appeals power to the State Board of Education.
AB3384 (Knox), <i>Ch. 786, Stats. of 1995-96.</i>	1996	Required charter schools participate in pupil assessment and meet statewide performance standards.
AB544 (Lempert), <i>Ch. 34, Stats. of 1997-98.</i>	1998	Authorized the State Board of Education to grant and revoke charters. Established an appellate process, allowing a charter school denied a charter by a school district to appeal to a county office of education or the State Board of Education.
SB434 (Johnston), <i>Ch. 162, Stats. of 1999-2000.</i>	1999	Required charter schools that offered independent study to comply with all laws and regulations regarding independent study. Required all schools to maintain written records of student attendance and release these records for audit and inspection. Required that charter schools certify their students participate in state testing.
SB675 (Poochigian), <i>Ch. 344, Stats. of 2001-02.</i>	2001	Required charter schools to submit their annual financial and compliance records to the California Department of Education in addition to their chartering agency.
AB1994 (Reyes), <i>Ch. 1058, Stats. of 2001-02.</i>	2002	Authorized the Superintendent of Public Instruction to conduct financial inquires and audits of charter schools. Allowed the SPI to order a charter school closed on the recommendation of the State Board of Education.
AB1137 (Reyes), <i>Ch. 892, Stats. of 2003-04.</i>	2003	Increased academic performance requirements for charter renewal. Required authorizers to visit the school annually. Increased charter school reporting requirements.

Over the next twenty years, the Legislature added to the Education Code, expanding the number of agencies with oversight authority over charter schools, increasing reporting



requirements, and expanding the performance requirements of schools. Today, not only do authorizers (mostly school districts) have oversight powers, so do the California Department of Education, the State Board of Education, and the Superintendent of Public Instruction. Charter schools must file financial, academic, and attendance documents with various oversight bodies, often multiple copies. Additionally, charter school students must participate in standardized testing and meet yearly progress measures.

In spite of the increase in legislatively authorized oversight, a number of audits and research inquiries have found that authorizers and other oversight bodies do not routinely complete oversight activities to the full extent they are permitted.<sup>22, 64, 68, 69</sup> What develops with the legislative history is a picture of growing statutorily authorized oversight that is not implemented in its full form.

### **Expanding Standards Applicability**

In March 1996, the Little Hoover Commission released its first investigation into California charter school performance. One of its key recommendations to the Legislature was to create statutes applying statewide performance assessment requirements to charter schools in order to compare charter school performance with traditional public schools. AB3348 (Knox, Ch. 786, Stats. of 1995-96) implemented this recommendation, along with several others from the report. After the passage of AB3348, charter schools had to participate in the same standardized testing regimen as other public schools. Because a substantial number of charter schools have small student populations or served non-standard student populations, they are allowed to participate in the Alternative School Accountability Model (ASAM) rather than test their students with the generic standardized exams.

Prior to 2001, charter school academic performance index (API) scores were collected by the California Department of Education and made available to parents. However, they were not used in calculations for charter renewals unless the school's charter specified the API would be used to evaluate the school's performance.

In 2001, the federal government passed the No Child Left Behind (NCLB) changes to the Elementary and Secondary Education Act (ESEA). NCLB required all public schools to meet adequate yearly performance (AYP) measures and have all students reading and performing mathematics at grade level by 2014. Charter schools were included in these requirements. California uses API as well as AYP scores to determine if a school is making adequate progress toward NCLB goals. If a charter school (or any public school) fails to make adequate progress toward these goals for a number of years, increasing state and federal sanctions can be imposed.

In 2003, California passed AB1137 which imposed academic performance requirements in addition to federally mandated AYP requirements. Under AB1137, charter schools up for charter renewal had to either (1) meet their target API growth goals for two of the last three years, (2) rank with an API score of 4 to 10 in the prior two of the past three years, or (3) have a cumulative API score rank of 4 to 10 for two of the past three years. The bill acknowledged that demographic and socioeconomic differences impacted API scores. AB1137 required:

The entity that granted the charter determines that the academic performance of the charter school is at least equal to the academic performance of the public schools that the charter school pupils would otherwise have been required to attend, as well as the academic performance of the schools in the school district in which the charter school is located, taking into account the composition of the pupil population that is served at the charter school.

Evidence that charter schools have reached these academic performance standards is supposed to be submitted to both the charter authorizer and the Superintendent of Public Instruction (SPI). The SPI has the authority to revoke a charter or instruct an authorizer to fail to renew a charter if the charter school has not met the above standards. To date, the SPI has never invoked this authority.

The key to oversight expansion with charter schools is the difference between fire alarm and police patrol oversight. “Fire alarm” oversight is oversight by a state agency that is triggered when a third party notifies the agency that there might be a problem. “Police patrol” oversight is routine or recurring oversight performed by state agencies without a needed trigger. The Legislature has granted the SPI and the authorizer police patrol oversight. Each entity receives reports from a charter school on a regular basis and has the opportunity to evaluate the performance of the charter school. Each agency has to make a decision to invest staff time and resources into charter oversight. While authorizers generally perform some police patrol oversight, the SPI has opted for fire alarm oversight instead. In response to a Little Hoover Commission hearing, the SPI reported that, while it routinely receives these documents from charter schools, it has no intentions of routinely reviewing them. Instead, reviews are triggered by complaints or other “alarms.”<sup>69</sup>

While charter authorizers attempt police patrol oversight of charter schools, RAND found that most are inconsistent with applying oversight authority. In the case of AB1137, charter authorizers have to employ staff with the skills to statistically compare a charter school to a public school pupils would otherwise attend, and to the other public schools in the charter’s district. Using and creating measures of socioeconomic and demographic equivalence for charter school academic comparison requires some understanding of statistics, demography, and sociology. School districts, the primary charter school authorizers in the state, were not given additional staff when they were legislated to authorize charter schools. Many districts, especially smaller districts, lack staff with these skill sets, making it difficult to fulfill this type of oversight.

Overall, the expansion of academic requirements for charter schools have increased the amount of testing charter school students are required to undergo to levels equivalent to traditional public schools. Additionally, testing has provided some rough measures for researchers to compare charter school performance with non-charter performance. While testing and reporting has increased, this has not increased the accountability of charter schools for academic performance at the state level.

### **Expanding the Number of Oversight Agencies**

From 1992 through 1998, the only agency a charter school had to report to was its authorizer. The only authorizers were school districts, also known as local education

agencies (LEAs). Charter schools and authorizers were allowed to construct a relationship that best suited both parties. When the 1992 Charter Schools Act was passed, legislators granted LEAs leeway in oversight relationship organization for several reasons. First, charter schools were new. They had been introduced in Minnesota less than 18 months before and the “best” model for charter-authorizer relations was unknown. Second, schools in were generally viewed as a local issue, with local agencies best understanding the needs of the schools and districts. Finally, charters were seen as experimental. Each school could be unique and would therefore need a unique relationship with its authorizer.

Since 1998, three major agencies have gained oversight power over charter schools: the State Board of Education, the California Department of Education, and the Superintendent of Public Instruction. Each agency is constructed differently. Each office oversees different aspects of the school system. Each office is funded differently. In spite of these differences, each of these agencies has adopted “fire alarm” style oversight for charter schools. The CDE and SPI have been granted police patrol-type oversight authority by the Legislature, however they do not utilize this function. What follows is a chronological history of the legislative authorization of agency oversight.

The 1996 Little Hoover Commission (LHC) report recommended clarifying the roles and functions of the State Board of Education. In its investigation, the LHC found that “the lines of authority between charter schools, sponsoring districts and the State Department of Education are not well defined, causing conflicts and confusion.”<sup>68</sup> The Legislature attempted to clarify some of these lines of authority with AB544 (Lempert, Ch. 34, Stats. of 1997-98). In this bill, the Legislature empowered the SBE to authorize charters. Further, charter schools that had been denied a petition at the school district level could now appeal the decision to the SBE. The SBE also could recommend to the Superintendent of Public Instruction the revocation of charters due to: (1) financial mismanagement, (2) improper use of funds, or (3) substantial departure from measurably successful practices.

While the SBE had some oversight of charter schools, schools did not have to directly report financial or academic information to the SBE. The SBE has “fire alarm”-type oversight. As of November 2010, the Little Hoover Commission found that the SBE had never recommended a charter be revoked based on the provisions in AB544.

In 2001, the Legislature again expanded the number of agencies that have financial oversight of charter schools. SB675 (Poochigian, Ch. 344, Stats. of 2001-02) required that all charter schools submit their financial data to the California Department of Education. SB675 did not grant the CDE specific powers to revoke a charter based on mismanagement of funds or other financial improprieties. This bill simply required the transmission of financial information from charter schools to the CDE *in addition* to their authorizer. The State Auditor’s investigation of charter school oversight found that the CDE did not have a policy for systematically reviewing this information. Instead, like the SBE, the CDE reviews charter school financial information only when it has been alerted to problems with a specific school.

The most recent organization to gain oversight power of charter schools is the Superintendent of Public Instruction. In 2002, AB1994 (Reyes, Ch. 1058, Stats. of 2003-

04) authorized the SPI to conduct financial inquiries about the performance of charter schools. Further, with the passage of AB1994, the SPI no longer had to wait for the SBE to recommend action on a charter school before the SPI could intervene. The SPI now had independent power to monitor and act on information about charter school financial performance. In the 2004 RAND report, the investigators found that the SPI had taken no steps after the passage of AB1994 to implement a systematic review of charter school financial information.

Agencies have rational reasons for limiting their use of police patrol oversight. In testimony to the Little Hoover Commission, representatives from the CDE presented information demonstrating disproportionate use of staff time monitoring and responding to charter school issues. The time invested in charter school regulation is before they conduct the additional police patrol oversight they have been granted by the Legislature in the past 15 years. Each agency has to determine what resources it wishes to apply to charter schools. Charter schools currently serve less than 15 percent of California students. State education agencies have opted to limit the resources used in oversight as a way to try and balance their obligations to the vast majority of students in this state.<sup>69</sup>

Additionally, CRB's review of the oversight legislation found that none of the legislation passed incentivizes oversight. While schools are mandated to report information to the agencies mentioned above, and each agency is given the power of oversight, there are no incentives for conducting this oversight. If the CDE, SBE or SPI conducts oversight, it invests staff and other resources. As a result, it may help resolve a financial misconduct or an academic performance issue with a school. The agency, however, does not get a financial bonus, more staff, or even legislative recognition that they have completed this oversight. There is no tangible benefit to the agency for investing resources.

If the agency fails to invest resources in oversight and misses a significant problem with a charter school and that school is later exposed for poor financial management or academic performance, the agency may be penalized for failing to conduct its statutorily mandated oversight. The juxtaposition between no incentives for conducting oversight and some incentives for not missing a problem rationally leads agencies to adopt a fire alarm model of oversight. If the agency reacts to information that there might be a problem with a school, they invest their resources more efficiently than they would through police patrol oversight. Concentrating resources on a few problems rather than spreading resources over many non-problematic schools allows for a more complete investigation of the schools that need it.

### **Expanding Reporting Requirements**

In efforts to increase transparency and oversight, the Legislature expanded both the number of reports charter schools are required to file and the number of agencies where they must file these reports. In addition to filing financial and academic performance reports with their authorizer, the CDE and SPI, charter schools must make some performance information available to the public.

In the section above we discussed the expansion of agencies with oversight authority for charter schools. With each expansion, except for the increase in SBE oversight of school finances, came a requirement that charter schools file financial documents with the

various agencies. Currently, a charter school must file quarterly financial performance documents with its authorizer and annual audit reports with the SBE, CDE and SPI.

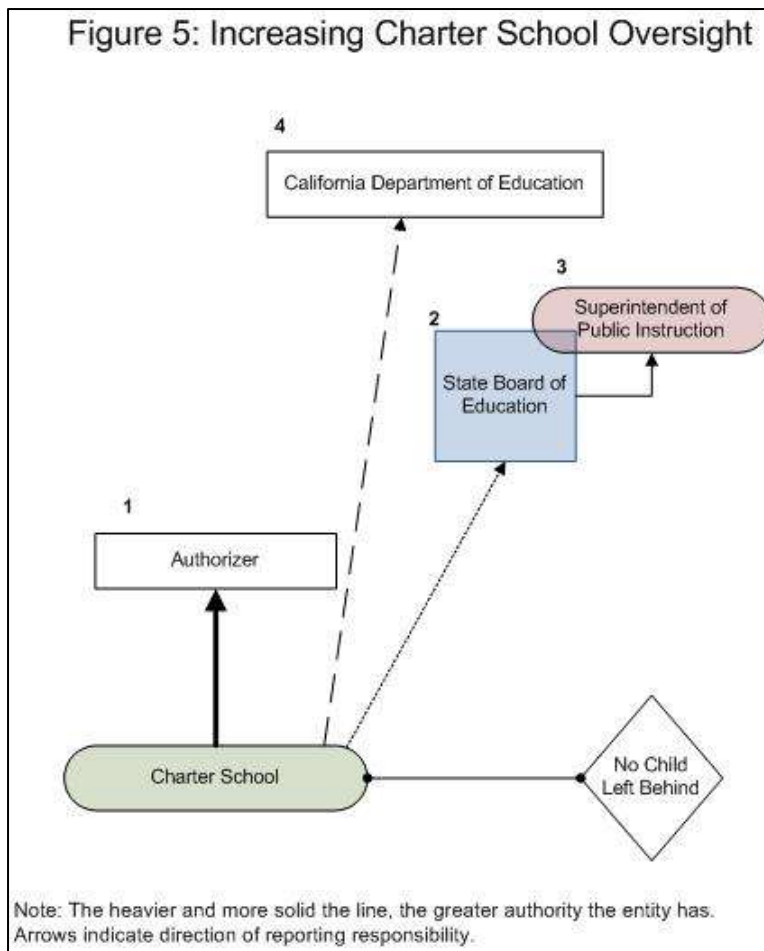
While four agencies have access to financial performance information and have the legislative authority to intervene with a charter school when it has financial difficulty or misappropriates fiscal resources, the State Auditor found that none of the agencies make it a habit to routinely screen financial documents for performance. The State Auditor’s 2002 investigation revealed that the four largest California authorizers failed to identify financially troubled schools about 60 percent of the time. The three other oversight agencies with financial oversight authority at that time all failed to routinely screen financial documents submitted to them.

Charter schools, like other public schools, receive state funds based on average daily attendance (ADA). Prior to 1999, charter schools could submit requests for ADA funds without maintaining written records for attendance. In 1997 a few charters were exposed in The Sacramento Bee for submitting fraudulent requests for ADA funds. This prompted the Legislature to draft statutes requiring proof of student attendance. SB434 (Johnston, Ch. 162, Stats. of 1999-2000) was passed, requiring both the maintenance of attendance records and the release of these records for audit purposes.

In an attempt to improve transparency and aid parents in school choice, the

California Department of Education began to publish public school API and AYP scores. Charter schools were included in the schools’ whose records appear online for public access through Data Quest and the EdData databases. Through these databases, the public can access information about current and past academic scores and through Data Quest, can compare scores with other schools.

While the various laws increasing reporting requirements have made information about academic and fiscal performance available to a larger number of people, there is little evidence that it has improved charter school oversight or performance. The State



Auditor's report concluded that failure on the part of oversight agencies to routinely and accurately screen financial data resulted in a number of fiscally unstable schools continuing to operate without appropriate intervention.<sup>22</sup> Increased academic reporting requirements have not been studied in relation to student progress and conclusions thusly cannot be drawn about the impact these regulations have had on student performance.

## **MARKET ADDITIONS TO CHARTER SCHOOL STRUCTURES**

After charter schools were authorized in a few states, market forces began to shape the development of different types of charter schools. While Albert Shanker and his followers had envisioned schools that were started by teachers in order to reduce limitations on teaching methods and improve student learning, other entrepreneurs saw an opportunity to make money. These developers created educational management organizations. On the spectrum between opening schools simply to improve education and opening them to make money, another group of entrepreneurs developed not-for-profits known as charter management organizations.

Educational management organizations (EMOs) are for-profit organizations that open charter schools. EMOs operate schools with the primary goal of returning profits to their investors (EMO 08-09 profile). EMOs are generally organized under a traditional business model, with a corporate board, a management team, and various management departments that operate the school. Generally, EMOs offer a branded education model and some consistency between schools in instructional approach, behavioral expectations, and type of instructors and administrators they hire.

California currently has 17 EMOs operating schools.<sup>38</sup> EMO charter schools are subject to the same oversight requirements as are other charter schools. However, most EMOs have additional oversight built into their corporate structure. Because EMOs have a profit motive, school operators are motivated to pay attention to fiscal performance. This leads to increased oversight of this area. Whether or not this improves financial or academic outcomes for the EMO school is unknown. CRB found no empirical studies comparing the fiscal or academic performance of EMOs with either other charter schools or with traditional public schools.

While EMOs have only managed to capture a small percentage of the educational market share, another market-conceived charter school model has managed much larger growth. Charter management organizations (CMOs) are nonprofit entities that manage groups of two or more public charter schools which offer similar instruction models or pursue similar approaches to teaching and learning.<sup>61</sup> CMOs developed to solve the problem of charter school underfunding. Charter schools generally receive fewer dollars per student than traditional public schools in the same district, yet charter schools are expected to pay rent, purchase business services and manage human resources – all services provided by the school district to traditional public schools without charge. CMOs allow charter schools to take advantage of economies of scale and unite schools with similar teaching approaches.<sup>61</sup>

Unlike EMOs, which have only limited market expansion, CMOs have increasing market share and have gathered a disproportionate amount of charter school philanthropic dollars over the decade. Between 1999 and 2009, CMOs collected over \$500 million from major philanthropic organizations.<sup>61</sup> By the early 2000s, many charities had come to believe



required more frequent reporting from schools, was more highly trained in fiscal and academic review techniques than authorizer staff, and was incentivized to provide better oversight than the average authorizer. As a result, CMO schools received more frequent academic and fiscal performance reviews than non-CMO charter schools.

Researchers have taken note of CMOs. In the past five years there has been a growing research interest in the performance differences between CMOs, typical charter schools, and traditional public schools. Several research organizations, including the Center on Reinventing Public Education (CRPE) and Mathematica Policy Research, Inc. have investigated the performance of CMOs. In May, 2008, researchers from these two organizations launched a national longitudinal study to examine the performance of CMOs.

Interim findings from the national study indicate that CMOs allow for changes in instruction that may improve the learning environment. Specifically, CMOs (1) had more time for instruction, (2) had an emphasis on teacher accountability, (3) were more likely to reward teachers and principals based on performance, and (4) were less disrupted due to politics.<sup>61</sup> These initial findings indicate that some CMOs may improve the overall learning and teaching environment. They do not provide information on student performance. However, the authors emphasize that there is no substitute for strong authorizers.<sup>37</sup>

EdSource provides data on the academic performance of students in CMOs versus other charters and traditional public schools in California. In their 2009 report with a spotlight on CMOs, EdSource had varying findings on CMOs depending on the definition they used.

EdSource conducted two comparisons, one using a broad definition of CMO and one using Mathematica's definition. Under the broad definition, EdSource included organizations that Mathematica classified as EMOs, portfolio managers, and franchises. EdSource statistically balanced the school comparisons based on some socio-economic indicators and used student performance on a number of different standardized tests as a basis of comparison. In general, for both narrow and broad definitions of CMOs, CMOs outperformed traditional public schools and non-CMO charters at the elementary level. However, when the narrow definition of CMO was used, the difference between CMO and non-CMO charters disappears after the elementary school level. When CMOs are compared with non-charters, CMOs generally outperform at all grade levels.<sup>39</sup> See Table 5 for a summary of the EdSource results.

There are several significant differences between most CMO-charter schools and non-CMO charter schools. Besides increased oversight, CMO charter schools have a more centralized management structure, are more prescriptive in instruction and hiring, and are more consistent in the types of teachers they hire than non-CMO charters.<sup>61</sup> The Mathematica study found schoolwide behavior policies and teacher coaching improved academic performance. However, a highly centralized oversight structure did not appear to influence academic outcomes.



<b>Table 5. COMPARISON OF CMO AND NON-CMO CHARTERS AND CHARTERS AND NON-CHARTERS ON STANDARDIZED TESTS IN CALIFORNIA</b>		
	Results with Broad Definition	Results with Narrow Definition
<b>Within Charter Comparisons – CMO Charters vs. Non-CMO Charters</b>		
<b>High School</b>	Primary Comparison: Mildly favorable for CMO charters. All inclusive comparison: Favorable for CMO charters.	No difference between CMO charters and non-CMO charters.
<b>Middle School</b>	No difference except that CMO-charters score higher in 7 <sup>th</sup> grade math.	No difference.
<b>Elementary School</b>	Moderately favorable for CMO charters.	Generally favorable for CMO charters.
<b>CMO Charters vs. Noncharters</b>		
<b>High School</b>	Favorable.	Favorable except math.
<b>Middle School</b>	Favorable.	Mildly favorable.
<b>Elementary School</b>	Little difference.	Mostly favorable.

EdSource. (2009). *California's Charter Schools: 2009 Update on Issues and Performance*. Mountain View, CA: EdSource.

## **ADDITIONAL NON-STATE OVERSIGHT BODIES**

Charter schools, like other public schools, avail themselves of non-state oversight accreditation bodies. These are entities that have developed outside of both the state structures and the charter school structures and exist to certify that schools follow certain procedures and meet certain standards. These agencies operate independently from other oversight bodies and participation with their oversight is voluntary.

The accrediting agencies have developed to oversee various regions of the United States. There are currently six accrediting agencies recognized by the U.S. Department of Education that accredit colleges and universities, ensuring students at these institutions are eligible for government aid. In California, the Western Association of Schools and Colleges (WASC) is the regional accrediting body. WASC also accredits elementary and secondary schools.

WASC accreditation is not based on a school's performance on standardized tests. Instead, the WASC accreditation process validates that schools have adequate resources and use those resources appropriately for student education; that schools have a clear curriculum which guides educational decisions; that school leaders act in the best interest of the students; and that schools are using appropriate evaluation tools to evaluate students and guide policy decisions. WASC accreditation is more about having the appropriate policies and practices in place, than about the outcome of those practices.

Charter schools seek accreditation from WASC so that student courses will transfer to other schools; charter school teachers will receive service-year credit for teaching at the

charter; and students can transfer to a junior college, state college or University of California institution and receive recognition for completing California's A-G college preparatory requirements. As of May 2011, 418 of California's 912 charter schools were accredited by WASC.\*

The WASC accreditation process does not verify that charter schools are meeting the requirements established in their charter contract. WASC does have two specific requirements that charter schools must meet separate from other types of schools. First, charters must be fiscally solvent. Secondly, charters must establish accounting procedures that are acceptable to state and local governments. Other than meeting those two standards, WASC accreditation of charters is based on the presence of specific policies and practices, not outcomes.

The WASC accreditation system is similar to hospital accreditation. WASC, like The Joint Commission (TJC) verifies that an organization is engaged in professionally accepted practices. Having accreditation does not verify outcomes for people in the system. Just as having Joint Commission accreditation does not guarantee a patient will have a successful surgery, WASC accreditation does not guarantee students will have the necessary skills and education to continue to post-secondary institutions.

WASC standards are written broadly and do not endorse a specific education model. For example, under "Curriculum" WASC requires: All students participate in a rigorous, relevant, and coherent standards-based curriculum that supports the achievement of the academic standards and the expected schoolwide learning results. Through standards-based learning (i.e., what is taught and how it is taught), the expected schoolwide learning results are accomplished.† Schools have a great amount of leeway in satisfying this standard. A charter school may meet these requirements without meeting the standards set forth in their charter. It is possible for a charter school to receive WASC accreditation and be in violation of their charter.

## CONCLUSION

While the number of entities that have the right to oversee charter schools in California has expanded over the past 20 years, quality and rigor in this oversight is lacking. Reports by both the State Auditor and RAND found that charter authorizers were not using the full arsenal of oversight tools the Legislature has provided. Additionally, while the CDE has expanded authority to oversee charter performance as a counterbalance to school district's underperformance of this activity, the CDE has not utilized this tool to its full advantage.

Charter authorizers lack incentives to improve their oversight. Few school districts or county offices of education are held responsible for the performance of their charter schools. If a charter school fails under their watch, currently there are no real consequences. Likewise, when a charter succeeds, this success is not reflected in

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\* <http://www.acswasc.org>

† [http://www.acswasc.org/about\\_criteria.htm](http://www.acswasc.org/about_criteria.htm)

evaluations of the school district or county office of education. Further, regardless of the costs incurred through oversight activities, authorizers continue to charge maximum fees. Without having to account for their expenses, the authorizer benefits by minimizing the work output for oversight activities.

In the past 20 years, the Legislature has amended the 1992 Charter School Act 20 times. Several of these amendments have been added to improve the quality of charter authorizing. These legal changes have not been fully implemented and do not have the full impact they were intended to have.

There is a need in California to improve charter school oversight. At a minimum, authorizers should be able to account for the fees they charge a charter school for oversight activities. To provide guidance as to what good oversight is, we have examined the best practices in charter school oversight. Chapter four details best practices, examines what they are in charter school authorizing, and provides some discussion on how these practices may be put to use to improve authorizing in California.



## Chapter 3. National Overview of Charter School Oversight Funding

Charter school authorization requires funding. At a minimum, people must be paid to conduct oversight and review charter applications. States have come up with a myriad of ways to pay for charter school oversight. Some allot specific dollar amounts for their departments of education (*e.g.*, MA and NC), others allow schools and authorizers to negotiate fee structures (VA), and some allow charter authorizers to charge a certain percentage of a school's budget for oversight costs (*e.g.*, NY). The last option is the way California funds its authorizers. This section looks at how this process works and whether or not it supplies sufficient funds to pay for oversight.

To pay for oversight, in California charter authorizers are allowed to charge schools a percentage of the school's budget. In instances where the authorizer provides "substantially rent free" facilities, they may charge up to three percent of the school's budget for authorizing activities. When "substantially rent free" facilities are not provided, the authorizer may only retain one percent. Additionally, charter schools are allowed to charge the state of California for oversight activities under the mandated-costs reimbursement statute to recover costs associated with oversight that are not covered by the one or three percent charge to schools.

In prior investigations of charter school authorizing, both the Legislative Analyst's Office (LAO) and the California State Auditor found that charter school authorizers do not track charter oversight expenses. Instead, the authorizers charge the schools the maximum allowable fee and assume that their oversight costs exceed this dollar amount. Additionally, the State Auditor found that authorizers were charging the state for oversight reimbursement under the state-mandated reimbursement clause. Both LAO and the State Auditor determined that authorizers were not sufficiently tracking oversight expenses. This raises the question of under- and over-payment for authorizing costs. Since authorizers cannot document the specific cost of oversight activities, they may be undercharging or overcharging schools and the state with their reimbursement claims.

How charter authorizers calculate the one or three percent fee (and thus determine what they charge a school for oversight) differs from authorizer to authorizer. There is a legal question about which school funds are to be used to calculate the one or three percent fee authorizers collect. In a report by the California State Auditor's office, they found that different authorizers had different definitions of the school's budget that they could draw their fees from. The relevant California Education Code states that:

a chartering authority may charge for actual costs of supervisory oversight of a charter school not to exceed one percent of the revenue of the charter school. (b) A chartering authority may charge for the actual costs of supervisory oversight of a charter school not to exceed 3 percent of the revenue of the charter school if the charter school is able to obtain substantially rent free facilities from the chartering authority...(f) For purposes of this section, "revenue of the charter school" means the general

purpose entitlement and categorical block grant, as defined in subdivisions (a) and (b) of Section 47632.

(Ed. Code §47613, subd. a, b, f)

The State Auditor found that amongst the authorizers it audited, each had a different set of assumptions as to which school funds should be included for their reimbursement calculations. The Auditor concludes this difference in calculations can lead to both over- and underfunding of authorizers. If the funds included are more circumscribed than the Legislature intended, the authorizer may be getting shortchanged. If, however, the authorizer is very broad in their definition of included funds, they may be overcharging the school for their work.

Authorizers in California have stated that the lack of oversight money prevents them from carrying out the array of oversight to ensure charter schools remain compliant to laws and meet the requirements of their charter.<sup>22</sup> To see if California was shortchanging authorizers with its funding formula, we compared funding in California with that of other states. We then examined alternative methods for funding authorizers.

### **CHARTER SCHOOL FUNDING – NATIONAL PICTURE**

In 2009, National Association of Charter School Authorizers (NACSA) conducted a survey of charter authorizing organizations. They oversampled large authorizers (those with 10 or more schools under their umbrella) and included about 25 percent of small authorizers in the United States. NACSA found a range of how authorizers funded oversight activity.

NASCA produced a policy guide that provides an overview of authorizer funding. They find states fund charter school authorizers in one of three ways: as a budget allocation from the authorizer's parent organization, as a state budget line item, and as a percentage of school funding. They find that the most stable and workable solution is to fund charter school authorizers by allocating a percentage of a school's revenue or per pupil fund. NASCA argues that this is both the most reliable line of funding and allows flexibility as per-pupil funds increase or decrease (rather than setting a specific dollar amount for authorizer funding). This is the California model.

Table 6 indicates that at least a quarter of each type of authorizer receives some funding from oversight fees charged to charter schools. Oversight fees as part of a school's budget are most commonly used for paying for oversight. Six out of seven types of authorizers report getting state appropriations (municipal authorizers surveyed did not receive funds from the state). Nearly half (3 of 7) authorizer types reported getting state or federal grants to pay for oversight.

<b>Table 6. PERCENTAGE OF AUTHORIZERS REPORTING RECEIVING FUNDS FOR OVERSIGHT FROM SPECIFIC SOURCES BY TYPE OF AUTHORIZER<sup>78</sup></b>							
	<b>HEI*</b>	<b>ICB</b>	<b>LEA</b>	<b>MUN</b>	<b>NFP</b>	<b>SEA</b>	<b>Overall</b>
<b>OVERSIGHT FEES</b>	80	67	58	50	67	23	58
<b>STATE APPROPRIATIONS</b>	20	67	11	0	8	38	18
<b>OPERATING BUDGET OF PARENT ORGANIZATION</b>	7	17	49	50	25	13	37
<b>STATE AND FEDERAL GRANTS</b>	0	33	8	0	0	69	14
* <b>HEI: Higher Education Institute</b> <b>ICB: Independent Charter Board</b> <b>LEA: Local Education Agency</b>				<b>MUN: Municipality</b> <b>NFP: Not for Profit Organization</b> <b>SEA: State Education Agency</b>			

Oversight fees are the most important funding source for most authorizers. Oversight fees in 16 of the 40 states with charter schools are calculated as a percentage of a school’s revenue. In the NACSA survey, large authorizers reported receiving as little as 0.1 percent of a school’s revenue for oversight fees and as high as 5.0 percent. The average fee for large authorizers was 2.8 percent of the schools revenue (the median was 2.7 percent).

CRB canvassed 22 states that operate charter schools to see how they funded charter school authorizer oversight activity. We selected the 16 states which fund charter authorizers with a percentage of their school’s general fund and added an additional six states with alternative models of funding. Most states set a percentage of a school’s revenue as the amount an authorizer may charge for oversight (16 of 22 follow this model). The average percentage most authorizers could claim was 2.26 (the median was 3 percent). Utah and Nevada both have one charter school authorizer. The Legislature allots a line item in the budget to fund oversight activities. This amount changes annually. Virginia allows the authorizing agency to negotiate with the charter school as to how much the school will pay for oversight. This becomes a part of the charter. A table of funding for authorizers is included in Appendix C.

By both the NACSA and CRB survey of states, California is low on the funding scale for oversight activities. Funding is based on a percentage of the per-pupil funding for a

school. Not only does California limit most of its authorizers to one percent of per-pupil funding, the per-pupil funding is slightly below average for the country.

By limiting the comparison of states to the percentage of per pupil funding allotted for authorization activities obscures some of the larger differences. States vary widely on the amount they spend on students. In 2007-2008, the per-pupil funding ranged from \$21,040 (DC) to \$7,540 (UT). While some of this difference can be attributed to cost of living differences, this does not account for all the difference. For example, DC, New York and New Jersey are the top three positions for funding students. However, Wyoming and Arkansas, states with lower cost of living, round out the top decile.\* California ranks 21 out of 51 states (DC is included) and provides \$379 less per-pupil than the United States does on average.†

To create a comparison of charter school oversight funding in the states, we created a formula that uses a state's per-pupil funding, the average state attendance at a charter school (calculated as the total number of charter school students in the state divided by the total number of charter schools in the state), and the percentage of per pupil funding allocated for oversight.

**Equation 1. AVERAGE OVERSIGHT FUNDING PER SCHOOL**

*Average oversight funding per school = State per-pupil funding x  
average charter school attendance in state x % allowed for oversight activities*

Using this formula as a basis of comparison creates an even bigger range of spending than per pupil spending. Depending if the one percent or three percent funding formula is used, California appears to underfund or overfund their authorizers, respectively. Using the one percent formula, California comes in twelfth out of 22 states. Using the three percent for comparison, California comes in fourth out of 22 states. On average, states provide their authorizers almost \$90,000 per school for oversight activities (range: \$32,401 to \$221,624). At one percent of the per pupil fund, California provides authorizers \$49,158 per school for oversight activities. This is significantly less than average.

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\* Using the rankings from the Missouri Economic Research Center's economic index for the 2010 fourth quarter, cost of living rank (1 is lowest, 51 is highest) for each state mentioned above is: DC (50), NY (45), NJ (46), WY (27), AR (4). Rankings available at: [http://www.missourieconomy.org/indicators/cost\\_of\\_living/index.stm](http://www.missourieconomy.org/indicators/cost_of_living/index.stm)

† United States Census Bureau. "Public Education Finances, 2009." G09-ASPEF. May 2011. <http://www2.census.gov/govs/school/09f33pub.pdf>



While there is no magic dollar amount for oversight, there are some basic guidelines. Professional consensus is that there should be at least one employee whose sole job is charter school oversight. For small authorizers, it may be difficult to justify a full-time position to oversee a single school and the annual charter school application process. However, the funding formula in California makes it difficult to hire even a part-time position with the sole responsibility of charter school oversight if the district is receiving less than \$50,000 a year for oversight activities.

Limited funding can create difficulties for authorizers. In a 2001 survey of authorizers, 56 percent cited inadequate financial resources as a challenge to holding schools accountable.<sup>3</sup> Similar to other education challenges, it is questionable if simply providing more money to authorizers will make a significant impact in the way authorizers do their work. Robin Lake of Center for Reinventing Public Education (CRPE) suggests that most authorizers would be able to funnel new funds into activities to improve authorizing. She qualified this with the caveat that poor authorizers would remain poor authorizers even if additional funding was funneled to them. Authorizers that are practicing established standards should be able to leverage new funds into better authorizing activities. If this is the case, simply increasing funding for charter school authorizers in California may not sufficiently address the short-comings in charter school authorization practices.



## Chapter 4. Best Practices in Charter School Authorizing

Businesses in the private sector are driven to improve their practices by competitive market pressures. When a business develops a practice that is better in some way than its competitors, it gains an edge in the marketplace. Over time, other businesses, both within the same field and outside the field but with similar functions, will try to emulate successful practices. Businesses that do not develop or adopt successful practices tend to fail. Business self-interest thus propels the development and adoption of best practices.

Public services do not have the same economic incentives as private industry to develop best practices. Public sector agencies can continue to exist even if they fail to adopt streamlined and effective processes for their practices. Increasingly, however, people have put pressure on public agencies to provide more efficient and better services. Adopting best practices and benchmarking models from the private sector are two ways public sector agencies can begin to improve their service models. This is, in fact, what public agencies have begun to do.<sup>91</sup>

Charter school authorizing is one public sector field where best practices and benchmarking could be used to improve performance of participants. Authorizers have been in existence for 20 years and have developed many different methods for charter school oversight. By examining authorizers with successful charter schools and comparing them with less successful ones, analysts may be able to discern which oversight practices lead to better school outcomes. Additionally, charter school oversight has similar processes to other types of agency management. Authorizers can avail themselves of best practices in other fields to help establish benchmarks and practices that might improve charter school oversight outcomes.

Under the direction of the Legislature, CRB sought out information on best practices for charter school authorization. To complete this study, CRB reviewed the extant literature on charter authorizing and best practices, interviewed experts in charter authorizing, and conducted a survey of California authorizers. Table 7 presents our key findings.

**Table 7. KEY FINDINGS: BEST PRACTICES**

- There are as yet no “best practices” in charter school oversight empirically linked to better charter school performance. Professional standards exist, but these lack evidence supporting their effectiveness.
- Best practices in other fields may be applied to charter school authorizing. Theory suggests best practices adapted from other management areas could improve charter school authorizer performance and may improve charter school performance.
- California charter school authorizers engage in a wide variety of activities they deem “oversight.” Only some of these activities are mandated by the Legislature. Neither the activities mandated by the Legislature nor other “oversight” activities performed in California have been studied for effectiveness.
- The federal government uses “best practices” mandates in statute to help regulate a variety of activities. The use of best practices mandates can result in greater standardization in a field and increased information exchange between agencies.

This chapter breaks the discussion of best practices into three major sections: theory, practice, and legislative involvement. Best practices in charter school authorizing are in the early phases of development and have yet to be adopted on a broad scale. We opted to discuss general best practices in theory to provide the Legislature with an understanding of what best practices look like in their developed form. We additionally discuss the concepts of professionally accepted standards and evidence-based practices as alternative to best practices. This discussion occurs in the first half of this chapter. We then turn our discussion to the practical side of best practices, examining the standards suggested by charter authorizing experts. Finally, we turn our focus to the role the legislature might play in encouraging both the development and adoption of best practices in charter school oversight in California.

### **BEST PRACTICES, PROFESSIONALLY ACCEPTED STANDARDS AND EVIDENCE-BASED PRACTICES**

Private industry is driven by economic motives to continually improve their processes and services. The organizations with the “best” practices gain an advantage in the marketplace and are rewarded financially. Organizations that fail to adopt superior practices tend to fail, and are therefore “weeded out” of the mix.

To help improve process and practice, and thus save costs, private businesses have developed the strategy of best practices. Best practices may be thought of as practices that are demonstrated to produce the best possible outcome with the current state of knowledge. While academics and legal experts argue that the outcome of implementing best practices is the institutionalization of marginally better practices, management literature considers best practices to be the optimal practices for a current process. Best practices, originally developed to reclaim market position for Xerox, are now applied in many areas of management.<sup>60</sup>

Best practices in some form have been around for many years. However, the term “best practices” and the current manifestation of the idea developed fully with Xerox in the 1960s. At that time Xerox was losing out to other copier manufacturers who were selling machines for the price Xerox could make them. Xerox management studied other companies to determine what processes and practices were in place that allowed for cheaper and more streamlined production. Xerox then implemented these practices as a “best practice” model.

The best practices model evolved out of the manufacturing industry and into management. Today, many best practices are management tools applied in a variety of industries. In one survey of best practices literature, the authors found studies of best practices in fields as wide-ranging as information technology, hospital management, and salesforce management.<sup>27</sup> Most best practices studies appear in applied management journals and are written for various practitioners.<sup>27</sup> The goal of many best practices studies is to provide a positive analysis of what “went right” for a company that improved in some process or improved a management outcome.<sup>92</sup>

Best practices need to be distinguished from management trends or fads. Periodically, a single successful business will “invent” a new way of management. Books are published and talks are given about the process and implementation of the practices that led to the success of this business. These talks and books are written without the benefit of any evaluation of the model.

Best practices purport to be supported by research. Best practices research offers some information on organizations that appear to have better practices than other entities in a field; however, the research generally does not conform to traditional social science standards. Unlike traditional social science research, best practices research “does not validate concepts and ideas, nor does it prove theories and hypotheses, and certainly makes no pretense towards these ends.”<sup>92</sup> Additionally, best practices research does not “pretend to use random systematic sampling methods; it relies on reputational samples and word of mouth and agreement to identify the sample group.”<sup>92</sup>

What best practices research offers is observations about what agencies or companies, identified by others as being superior in an area, do. Most of the best practices literature appears in practitioner manuals and journals, with very few articles appearing in policy or academic texts.<sup>27</sup> The analysis of best practices research found that most research focused on what went right for a given organization or set of organizations, and sometimes includes suggestions for how other firms might implement a process.<sup>92</sup> The research is limited in that it assumes that the audience is ready and willing to initiate the changes discussed in the sample.

Additionally, when academics analyzed the best practices research literature, they found that it lacked the depth and nuance of most social science or business case studies.<sup>92</sup>

Best practices can fuel innovation and encourage new ways of doing something. However, in some fields a more conservative route is desired. The medical field is heavily influenced by lawsuits. Practitioners and hospitals want to avoid lawsuits. Professionally-accepted standards arose as a mechanism for protecting practitioners from lawsuits. Professionally-accepted standards are the prudent, thoughtful and reasonable steps an informed practitioner would take in treating an individual patient with a given set of symptoms.

Professionally-accepted standards do not have to be demonstrated scientifically to be the “best” option for treating the patient, just a common course a prudent practitioner would take. If a doctor or other practitioner avails himself of the professionally-accepted standards while treating a patient and the outcome for the patient is adverse, the physician is generally protected in a lawsuit from charges of negligence or malpractice.

In medicine, there is a second set of standards that practitioners follow when they are available, these are evidence-based practices. Evidence-based standards are standards that are based on quantitative evaluation of evidence and demonstrated to be statistically superior to other forms of treatment. Generally, best practices are applied in management areas and evidence-based practices are established in relation to medical and mental health treatment.

## DEFINITIONS

**Best Practices:** Practices that are demonstrated to produce the best possible outcome with the current state of knowledge.

**Professionally Accepted Standards:** Common, prudent, practice of any reasonably educated professional in a given field.

**Evidence Based Practices (EBP):** Practices that have been scientifically studied, the results quantified, and one practice has been demonstrated to be statistically superior to another.

**Randomized Clinical Trial (RCT):** Experiments or “trials” where one group is randomly assigned to receive a treatment and another randomly assigned group does not receive a treatment. The outcomes of the two groups are quantitatively compared.

Both best practices and evidence-based practices have been demonstrated to be superior in some way to other practices in the field. Best practices rely on observations that the “best” providers get the “best” outcomes by using the “best” methods. Evidence-based practices must be quantitatively evaluated and demonstrated to be statistically superior to other forms of treatment.

Professionally-accepted standards reinforce the status quo. Best practices press innovation and further the development of the field. Evidence-based practices have been empirically demonstrated to work better than other practices.

### **Best Practices**

Many definitions of best practices exist. However, for this paper, we adopted Keehley, et al.’s definition. Best practices across fields demonstrate certain characteristics. Best practices produce better outcomes than other practices for the same process. They have results that demonstrate success over time. They are innovative, repeatable, and recognized as having positive outcomes. They are not overly general or linked to a specific demographic.<sup>57</sup>

CRB opted for a more rigorous definition of best practices and included the concept that a true best practice could be validated to improve outcomes. We did not go as far as defining a best practice as evidence-based practices (EBPs). EBPs require that the outcome difference be quantitatively verified to produce a statistically significant difference in outcomes. CRB recognized that in some fields, better outcomes in certain management areas may not be able to be quantified, and reach levels of statistical significance, but still provide better outcomes than current management practices. We felt that this applied to charter school management.

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*The most precise definition of [best practices research] is the selective observation of a set of exemplars across different contexts in order to derive more generalizable principles and theories of management.*

~ Overman and Boyd, 1994

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Our definition is more rigorous than much of what is often qualified as “best practices.” Best practices are often identified through “research.” Overman and Boyd’s survey of best practices research found that much of what was qualified as research failed to meet basic social science standards for random selection and hypothesis testing. Additionally, most best practices research fails to discuss any negative outcomes, instead, it focuses on only positive outcomes- thus limiting the depth of analysis.<sup>92</sup>

Best practices may be field specific or cross-cut practice areas. For example, the Department of Defense (a government organization) used lessons learned from private sector organizations to greatly improve both its food and medical supply processes because both the DOD and the private organizations needed to procure food and medical supplies.<sup>42</sup> Alternatively, Jesse Rothstein recommends that schools look toward management consulting firms for examples on how to manage and improve teacher performance. He recommends treating teachers like other white-collar workers rather than looking at quantitative measures or outputs as one would do with a factory worker.

Best practices are generally identified through a process of comparison and evaluation. An organization, wanting to improve its current processes, looks for other agencies or businesses

with similar practices but better results. The agency wanting to improve then studies the “best practices” organization to determine what practices, processes and tasks it has in place that produce superior outcomes. Finally, the agency seeking to improve implements a number of the “best practices” as a way of improving its organization.

### **Best Practices and Administrative Law**

Best practices are increasingly used in administrative law.<sup>111</sup> At the federal level, “Congress has directed that best practices be observed in federal information policy, and for federal employee discipline.” It also mandated consideration of best practice for agricultural programs, military programs, education funding and national parks.<sup>111</sup> While use of the term “best practices” in legislation has increased 1,000-fold between 1980 and 2004, neither the federal Congress nor the Supreme Court have legally defined what the term means.

In his review of federal use of best practices in legal terms, Zaring finds that “best practices are a method of regulation that works through horizontal rather than hierarchical direction.” The idea is that agencies themselves devise “best” practices. The agency will publicize the practice, which will be adopted by other regulated entities. The practice thus spreads horizontally among agencies rather than through a command-and-control structure.

Using best practices to regulate agencies can have several benefits. First, best practices can be desirable when a standard administrative scheme is warranted. Fields that present complex, resource-intensive and multiple options for regulation may be well suited for a best practices approach. Best practices “can lessen the burden on local regulators by providing them with regulatory recipes, as opposed to leaving them in a lurch with broad regulatory authority and taxing regulatory problems.”<sup>111</sup>

Second, best practices are not subject to many of the requirements of other types of administrative law. They can be developed and institutionalized without judicial review or a required comment period. Regulatory areas that are highly complex or politically sensitive may benefit from regulation through best practices rather than traditional administrative rule making or legislative mandate.

However, the fact that best practices are not subject to a comment period or judicial review limits oversight. Zaring cautions that “best” practices should be thought of as *second* best practices. In his review of use of best practices by the federal government, he found that this technique was good at creating consistency between agencies without having to impose rules from the top. However, the fact that agencies often copied each other without fully researching all their options led some agencies to use the first option they found or a suboptimal solution because it was readily available. In this sense, best practices as used in administrative law are more consistent with professionally accepted standards than the industrial or private industry use of the term.

### **Professionally Accepted Standards**

While best practices encourage innovation for some firms and the adoption of better practices in others, sometimes professions aim to encourage a more conservative route. In these instances, professionally accepted standards develop. Professionally accepted standards are standards or practices in a field that most prudent and educated practitioners choose to follow. For example, in the medical field, physicians will often choose a course of treatment knowing that most other physicians in the field would choose a similar course for the same patient. The treatment may not be the most innovative or empirically established to be the

“best” course of treatment. However, by selecting the standard course of treatment, the physician insulates himself from some potential lawsuits.

Professionally accepted standards tend to circumscribe what is acceptable practice in a given field. This has a way of limiting what a company or practitioner does. Unlike best practices, which encourage companies to seek out new and innovative ways to improve their processes, professionally accepted standards emphasize established practices. In fields like accounting and medicine, this type of standardization may limit errors.<sup>66</sup> Additionally, professionally accepted standards provide basic guidelines for all practitioners in known situations.

Leahy makes an argument that, in the medical field, professional associations should establish practice guidelines (akin to professionally accepted standards) as guides to what physicians *ought* to do for screening, diagnosis and treatment for many health related issues. He argues that by establishing these standards and updating them as new research demonstrates success in a given area, innovations may spread more quickly and good practice may become institutionalized.

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*In addition to assisting physicians to make appropriate clinical decisions, thereby benefiting both physicians and patients, practice guidelines can increase the efficiency of the malpractice litigation process.*

~ Richard E. Leahy, 1994

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For example, he discusses mammograms. By any professionally accepted screening standard, fewer mammograms are conducted each year in the United States than are recommended. If there were legally enforceable professionally accepted standards, Leahy argues that more women would be screened and public health would benefit. By legally enforceable, he suggests that a physician could be held accountable for failure to diagnose breast cancer if he failed to order a screening for a patient who fit the guidelines. However, if the patient failed to get screened due to her own decision after the physician ordered a screening, the physician would not be held responsible.

Current professionally accepted standards are not legally enforceable. In the medical field there are accepted standards. A plaintiff must prove that a practitioner failed to meet these standards in a malpractice or medical negligence suit. However, competing experts may recommend different standards. Additionally, the jury and judge are free to decide if the standard will be used in the final court decision.

In other fields, professionally accepted standards act as “good ideas” but generally do not enter the legal arena. In accounting, there are two accepted standards for accrual-based accounting. Many nonprofits and government agencies have adopted one of the two standards as the standard method of accounting for their organization. This limits confusion on accounting forms and decreases the ability to misrepresent income and expenditures on accounting forms.<sup>57</sup>

Professionally accepted standards may have research to back up their implementation, but this is not a requirement. In the medical field, generally there is some quasi-experimental or early experimental evidence that a procedure or practice improves outcomes for patients. A small group of physicians adopt this new practice and anecdotally report improved outcomes.



The practice catches on and eventually becomes a professionally accepted standard. Research demonstrating a practice's effectiveness generally emerges after a practice has become a standard due to the nature of medical research.

The *post hoc* nature of evidence in medical research and implementation of professionally accepted standards illustrates the necessity of research. Some standards are eventually found to be successful at improving health. Other standards are eventually shown to harm patients. The histories of using aspirin after a heart attack and hormone replacement therapy (HRT) for menopausal women illustrate the two different outcomes.

Both the practice of giving a patient who experienced a heart attack an aspirin and the practice of giving menopausal women hormone replacement therapy developed after early experiments showed promising results. In each case, a small group of studies showed patients who received the treatments fared better than did patients who received placebos. These studies were enough to convince some physicians to adopt either the aspirin regimen or HRT.

In both cases, as more physicians became aware of the early studies, more patients received treatments. Eventually, physicians using the different regimens began to talk to one another and relate anecdotal evidence that the use of aspirin or female hormones improved the outcome of their patients. As the anecdotal evidence mounted, the practices became "professionally accepted."

During this second phase, medical research was being conducted. Because medical research takes a long time and results are slow to be released, physicians have to treat patients based on what they know from prior research, what they observe in their practice, and what they hear from other practitioners. Word of mouth between practitioners is especially important in determining what treatments a patient will receive.<sup>8</sup> Medical communities are more likely to trust what colleagues relate to them rather than what they read in a study.<sup>8</sup> Therefore, anecdotal evidence carries a great amount of weight for most medical practitioners.

For both the use of aspirin after a heart attack and HRT, a majority of the anecdotes reported positive outcomes. Professionally accepted standards were established for these practices.

The two practices deviate only after longitudinal studies were completed and released to the medical community. Several longitudinal studies on the aspirin regimen demonstrated that patients who received this treatment did indeed do better than patients who did not receive an aspirin. The difference was statistically significant. After several highly respected studies were released stating the same outcome, The Joint Commission\* adopted the practice as a benchmark for accreditation. This helped institutionalize what is now an evidence-based practice.

Hormone replacement therapy faced the opposite outcome. After a longitudinal study on thousands of nurses was completed, researchers found that women who had HRT were more likely to suffer a surfeit of health problems not experienced at the same levels as women not on HRT. After much public discussion, the practice of providing all menopausal women HRT ceased to be a professionally accepted standard.

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\* The Joint Commission is a primary organization for accrediting hospitals in the United States.

## Evidence-Based Practices

Evidence-based practices (EBPs) are the quantitative “gold” standard for “proving” one practice is better than another. EBPs are practices that have been studied, the results quantified, and one practice has been demonstrated to be statistically superior to another. This means that the “best” practice can be shown to provide a better outcome, however that is defined, for more participants than a second practice.

EBPs were originally established in medical fields and began to flourish in the late 1970s and early 1980s.<sup>88</sup> Traditional EBPs rely on randomized clinical trials (RCTs), where one group is randomly assigned to receive a treatment and another randomly assigned group does not receive a treatment. The outcomes of the two groups are quantitatively compared, and if the treatment group statistically outperforms the non-treatment group, it is elevated to an EBP.

Depending on the area of study, the difference between treatment and non-treatment does not mean that the treated group is “cured.” EBPs are often used in corrections. Currently, in California, there is approximately a 70 percent recidivism rate over a three year period. This means that about seven out of every 10 inmates released from prison will likely be returned to prison within three years. Several treatment programs have become accepted EBPs by demonstrating that they can reduce this rate to 60 percent. While this means that six in 10 program participants will probably be returned to prison sometime in the next three years, the four that are not make the program statistically better than no treatment.

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*Establishing best practices, in both education and health care, is more than a matter of simply accessing, critically appraising, and implementing research findings. It also involves integrating such knowledge with professional judgment and experience.*

~ Philip Davies, 1999

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EBPs have evolved and now involve studies that do not rely on RCTs. In some fields, like education, the use of RCTs is limited. Factors such as classroom assignment, school socioeconomic profiles, and teacher assignment to schools are not random. EBPs in this case, rely on other research methods such as case studies, matched samples, and qualitative comparisons. However, advanced econometric techniques can provide some relatively robust information on causal directions of relationships between variables.

Regardless of the scientific or social scientific method used to demonstrate that one practice is superior to another, the goal of EBP research is to provide some type of evidence that one “treatment” is superior to another. Practitioners can use EBPs to guide decisions about which of many options to use in a specified situation. EBPs narrow choices of treatments and programs, but provide a reasoned method for doing so.

Best practices, professionally accepted standards, and EBPs each work in some way to limit what an organization does in practice. The goal of using one of these standards is to improve the outcomes of a given process or practice. Best practices allow an organization to emulate successful organizations. Professionally accepted standards impose conservative standards of practice. By selecting EBPs, providers know they are choosing somewhat more effective treatments or processes. Each option may serve to improve the outcomes for an organization.

For this report, we examined the state of best practices in charter school authorizing. Overall, we found that what authorizers are calling best practices more closely resemble

professionally accepted standards. As of yet, there are no EBPs in this field. However, there is some work being done nationally on best practices and EBPs in charter school authorizing.

### **CHARTER SCHOOL AUTHORIZER EXPERIENCE WITH BEST PRACTICES**

CRB found at least seven organizations that had lists of “best practices” for authorizers. Each organization working on “best practices” for charter authorizers has a unique set of activities that count as “best practices.” These organizations were divided between those that have general “best practices” and those that specialize in financial or academic “best practices.” Four organizations (National Association of Charter School Authorizers, the U.S. Department of Education, Thomas B. Fordham Institute, and Center for Reinventing Public Education) were generalists, while the other three were specialist.

In order to determine which generalized practices were commonly recognized as best practices, CRB created a crosswalk (see an example in Table 8) of the standards for the four generalist organizations. This crosswalk can be found in Appendix E. By aligning similar standards between organizations, we were able to acknowledge approximately 14 “best practices” recommended for charter authorizers. Many of these recommendations can be lumped into five categories: transparency, data-driven decision making, autonomy, highly-qualified staff, and strategic use of resources.

<b>Transparency</b>	<b>Data-Driven Decision Making</b>	<b>Strategic Use of Resources</b>	<b>School Autonomy</b>	<b>Highly-Qualified Staff</b>
Transparent oversight in application and evaluation process.	Schools are regularly held accountable for their performance.	Determine the best way to use financial resources for oversight.	Intervenes as necessary.	Processes encourage development of a strong pool of candidates.
Renewal decisions are based on clear measures of reliable data.			Respects school’s autonomy.	Recruits and maintains a highly qualified staff.
Uses national standards/independent standards to evaluate own performance.		Visit schools strategically.		
Oversight includes use of clear and distinct performance measures. Oversight process is transparent.				
Reviews applications for clear mission and well-developed plan.				
	Evaluates charter schools on multiple dimensions and grants charters only to those with capacity in multiple areas.			
	Use a variety of tools to streamline reporting requirements for schools.			

Five “general” categories contain multiple authorizer practices. Each practice contributes to good charter school oversight, according to the evaluating agency. When we looked at the “best practices” *en masse* we found that two general types of practices stood out: transparency and data-driven decision making. Additionally, experts in the field of

authorization encourage the strategic use of resources, the establishment of school autonomy, and the development of a highly qualified staff.

By transparency, we mean the authorizer engages in actions that allow the public to gain information on the process of charter school petitioning, authorization, review and closures. Acts such as publicizing the rubric a charter petition will be evaluated with for initial approval or holding public hearings prior to closing a charter school increase transparency. In a number of studies about good authorization practices, the more transparent the authorizer was, the more likely they were to have successful charter schools.<sup>20,47, 48</sup> While selection bias\* is a problem with the samples in these studies, the authors provide a number of examples where transparency aided the authorizer in achieving better outcomes.

Practices that encourage transparency appear to be key in improving charter school oversight. Studies on closing of charter schools, conducted by Hassel and his associates, reveal that authorizers who establish transparent practices engendered better feelings in the community, were able to more readily achieve their goals, and created less political problems than less transparent agencies. Additionally, the more transparent the process, the less likely an authorizer is to be unduly influenced through political pressure to authorize or fail to authorize a charter school.<sup>47</sup>

Data-driven decision making was the second practice that received a great deal of attention in the best practices literature. Specialists in charter school authorizing agree that the more data that is used and the better the data are, the better the decision about the charter school will be. Charter schools in California, as in most states we reviewed, have academic and financial performance measures they must meet if the charter is to be renewed. Charter schools provide data, varying in quality, to authorizers. Authorizers, if they are using professionally accepted standards, use this data for review.

The third area of best practices reviewed is the strategic use of resources. NACSA and other specialist in charter school authorizing recognize that authorizers have limited resources. Like the schools they serve, authorizers are having to make due with fewer and fewer dollars. Best practices literature finds that the “best” authorizers have found creative ways to use the few resources they have to oversee the schools under their authority.

Both the ED and NACSA recommend that authorizers find a way to balance oversight with school autonomy. While both organizations recognize that good charter oversight allows a school an “appropriate” amount of autonomy, there is no specific formula for determining what the “right” amount should be. Instead, organizations that study charter school oversight stress the importance of authorizers and schools working together to establish a comfortable level of autonomy in each unique relationship.

Finally, across the four organizations with general recommendations for improving charter school oversight, each suggested some version of developing a highly qualified staff to oversee charter schools. The general consensus was that charter school oversight is both a specialized skill and something that requires a significant amount of professional attention.

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\* Selection bias refers to a problem in research where there is some non-random difference based that occurs because of the selection method. Any type of bias in selecting sample items or members can cause statistical abnormalities in the analysis.

Developing staff with expertise in oversight was seen as a critical way of improving outcomes for charter schools.

## GENERAL BEST PRACTICES

### Transparency

Transparency is a key concept in charter school authorization. Charter schools justify their exemption from most state regulations due to their increased accountability. The general argument for charter schools is that parents, teachers, authorizers and the community as a whole will be able to hold the charter school accountable for its performance. In order for parents and others to be able to hold charter schools accountable, charter schools must make performance data (both fiscal and academic) available. This requires transparency.

In an effort to improve transparency, California has made some education data available to the general public. Through DataQuest (<http://dq.cde.ca.gov/dataquest/>) the public can access information on a school's test scores (including API, AYP, CAHSEE, and CELDT), advanced placement (AP) course availability, average class size, enrollment, and drop-out rates, amongst other information. DataQuest provides school level information. However, there is not an easy way to compare multiple schools at once. EdData (<http://www.ed-data.k12.ca.us/>) provides information on schools, at the school level, district level, county level and state level. The public can gather information on school profiles, academic accountability indexes (AYP and API scores), financial information, information on bonds and taxes, among other information on the site. EdData allows the user to compare schools, districts and counties on many of its measures. Additionally, the California Department of Education provides a number of different pieces of information about school performance, structure, and financial accountability. This information is summarized in Table 9.

While these different databases are a source of information about the performance of charter schools, they have their limitations. None of the publicly available sites explain how the AYP and API numbers are established. There is no discussion about the appropriate interpretation or use of these scores. DataQuest and the CDE website provide information on school academic and financial performance but lack a way to contextualize or compare it to other statewide or districtwide information. Finally, none of the sites have items that explain how student

populations drawn from different neighborhoods and different socioeconomic backgrounds

DATABASE	INFORMATION AVAILABLE	WEBSITE
DataQuest	APY, API, CAHSEE, CDELT, STAR, Enrollment, Staffing, AP classes, Class Size, Expulsions, English Language Learners, Pupil-Teacher ratios, Dropout Rates, Special Education, Physical Fitness testing results	<a href="http://dq.cde.ca.gov/dataquest/">http://dq.cde.ca.gov/dataquest/</a>
EdData	APY, API, Enrollment, Class Size, School Technology, Financial Reports, Staff and teacher salary information	<a href="http://www.ed-data.k12.ca.us/">http://www.ed-data.k12.ca.us/</a>
California Department of Education	Lists of data resources and reports available through CDE with specialized search engine	<a href="http://www.cde.ca.gov/ds/">http://www.cde.ca.gov/ds/</a>

are difficult to compare on academic performance measures. All of the websites are available in English only, a significant limitation in California.\*

The lack of functional information available to parents is not due to a lack of data. In a 2006 investigation of availability and transparency of data in the California education system, the author found that K-12 schools had 125 data collections from different agencies.<sup>45</sup> The author points out that, while there is a plethora of data, there is a problem with data systems. Much of the data reported in the 125 collections is funneled into various “data silos” where it is impossible to conduct comparisons. Further, “data sharing is also constrained by inconsistencies in units of analysis and time period coverage, by limited documentation, and by multiple approaches to data storage.”<sup>45</sup> Additionally, most of the 125 data collections are collected via paper-based reports and then entered into proprietary and siloed computer databases. This makes it impossible to compare similar-sounding measures as they are not necessarily equivalents and databases are not easily merged.

With the convening forces of NCLB regulations on data collection, the development of CBEDS, CALPADS and CalTIDES databases, and increased calls for government transparency, California has made some efforts to standardize certain data. In 2006, the CDE had 48 “preferred” definitions for specific data fields and plans to define about 150 more fields in the coming years. Additionally, CDE had reduced the data collections from 158 reports to 125 and plans to reduce these collections further. However, defining even 200 terms across 125 data collections represents standardization of only a fraction of the educational data reported to various agencies in California.<sup>45</sup>

### **Transparency and Charter Authorizers**

Charter schools are not the only entities for which transparency is recommended. Charter authorizers also benefit from being transparent organizations. Charter authorizers are subjected to political pressure from multiple agents (*e.g.*, school district officials, elected officials, unions). Transparency in the charter approval and charter renewal process can protect the authorizer from some of this pressure.

A charter authorizer with a transparent process for approving charters benefits itself in several ways. First, charter applicants are well aware of the requirements for a charter application. There are some indications that this improves the overall quality of charter applications received by the authorizer.<sup>46</sup> Second, when an authorizer makes the approval process transparent, persons or groups that would use untoward pressure to force an approval or block a charter school may be dissuaded in doing so. Third, a transparent process for the charter renewal process can ease the school closure process when a charter fails to meet academic or fiscal performance standards.<sup>48, 58</sup>

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\* Households are considered *linguistically isolated* by the Census Bureau if “no member 14 years old and over 1) speaks only English or 2) speaks a non-English language and speaks English ‘very well.’ In other words all members 14 years old and over have at least some difficulty with English.” Using this definition, 31 percent of households in California that speak Asian/Pacific Island languages are linguistically isolated, as are 26 percent of Spanish-speaking households, 17 percent of “Other Indo-European language” households, and 15 percent of those that use “Other languages.” [http://www.stanford.edu/dept/csre/reports/execsum\\_14.pdf](http://www.stanford.edu/dept/csre/reports/execsum_14.pdf)

## Transparency Role Models

Florida often is held up as an effective model of a data transparency system. For the past 30 years, Florida has had a system in place to track student performance on a large number of indicators from kindergarten through a four-year college degree. The state has developed a website for data sharing and informational reports which the general public has access to (<http://www.flED.org/arm/>). Through the website, the public has access to both Excel spreadsheets with district level data and reports completed by the Department of Education's research division.

The information available covers a broad range of topics, from performance on academic measures to the number of college students with jobs and their salaries. The website is successful at making a large amount of information on school performance available to the public. However, the information assumes a level of sophistication about data and its interpretations. The data available to the public for their own calculations is exclusively based in Excel spreadsheets. The reports are written to a level that assumes the reader will have some familiarity with data collection and analysis. All information is in English only. Finally, there is no obvious way to compare the performance of one school to another.

The widespread praise about Florida's educational data transparency raises several questions for California. Is having an abundance of data available useful to the general public? What types of data and analysis improve the public's oversight of school performance? How is data being used by the public? How sophisticated are the users in terms of knowledge of data collection and analysis? What types of data do community members want to see?

An assumption in the charter school best practices literature is that increasing the amount of information available to parents will improve school performance. This belief is driven by the assumption that parents seek out performance information on schools and evaluate which school to send their child to based on this information. If this is the case, then providing a large amount of performance information to parents should be both useful to the parent and should improve parental oversight of school performance.

In the next section, we present a short discussion on the effectiveness of e-government and transparency. Overall, the literature we reviewed shows when transparency is increased there is limited impact on the performance of public sector agencies. California already makes a substantial amount of information about schools available to parents, if they are willing to seek it out. To date, there have been no studies connecting the release of this information with an improvement in school performance.

## Transparency and School Charters in California

Charter schools are, by California statute, responsible for meeting the goals of their charter petition. Authorizers are the primary body in charge of holding the school accountable to the goals set forth in the petition. However, charter school theory also places parents, teachers, and the general public in a position to hold the school accountable for its performance. In order to hold a school accountable to the goals set forth in the charter petition, parents, teachers and the public need access to this document.

As part of the research for this report, CRB attempted to collect charters from districts across California. CRB staff identified contacts for charter offices through CDE and SBE web directories and through school district directories. Representatives in the charter school offices for 150 of the 289 districts reporting a charter school were contacted via email from CRB staff with a request for a copy of one or two charters from their district. If the respondent did not reply to the email within two weeks, a follow up email was sent. When a reply was received that indicated CRB staff had the wrong contact person or that the email was not delivered (a “bounce-back” message was received), attempts were made to find and contact the correct person.

A majority of charter authorizers did not reply to the request. Repeated emails failed to generate a significant number of responses beyond the initial set of charters emailed to CRB. Ten authorizers responded by sending email copies of charters to CRB. An additional six authorizers directed CRB staff to school websites for further information on charters.

The six authorizers that directed CRB staff to school websites were part of districts where it is standard practice to post a charter online. However, in California, it is neither standard practice, nor is it mandated that charters be publicly accessible – either online or as a hard copy. CRB staff searched dozens of school websites for charters, most often finding the charter was not available online.

CRB was especially interested in gathering charters from Los Angeles Unified School District (LAUSD), as it is the largest charter district in the state. CRB staff requested three charters from LAUSD, with an additional request that one of the three charters come from either an Aspire or Green Dot school. LAUSD responded to CRB by having CRB staff file a formal request for the documents. LAUSD then offered to provide copies of the documents at \$0.25 cents per page. Electronic copies were not made available. As a state agency, CRB sought an exemption to the fee. The fee was not waived.

Without a copy of the charter petition, it is impossible for the general public or government agencies to know the goals the charter school has established. To increase transparency in California, there is a need to make charter documents publicly available.

### E-Government, Transparency and Public Agency Performance

Wilson and Welch conducted a study comparing 14 countries that had implemented forms of e-government. They evaluated governments on their websites’ level of transparency, interactivity, and openness and factored in level of bureaucracy, autonomy of government officials, and outside forces. They concluded that between 1997 and 2000 all of the observed 14 countries had increases in transparency, interactivity and openness. However, this does



not mean that e-government was used to simply empower people. The authors found that, in highly bureaucratic countries, websites were often used to promote a state's agenda rather than as a public accountability tool. Additionally, they concluded that "agencies often determine their website openness with a strategic mind-set on whom they see as their target user group."<sup>110</sup>

State agencies control their own websites. Because of this, they control what information is made available to the public and how the information is presented. This provides the agency an opportunity to frame the information, shaping it to the agency's internal agenda. Simply requiring charter schools to publish information is not a fail-safe method to get critical information to parents about school performance. Depending on the control and framing of the information, parents can be guided to different conclusions with the same facts.

Simply increasing the amount of information available to parents by placing it on a variety of websites may not increase school accountability. Data needs to be: (1) understandable, (2) timely, (3) useful, and (4) accessible if it is going to be used to increase a school's accountability. If the desire of the Legislature is to increase school accountability by using e-government, there needs to be serious consideration as to what type of data is useful to parents, how parents can access the information, and what the most useful format for that information is.

### **Data-Driven Decision Making**

Prior to the passage of No Child Left Behind, states tested students in a variety of subjects. These tests were generally used to determine if the students had mastered skills necessary to pass onto the next level of schooling, but had little consequence for the school. Schools with a large number of students failing the exams may have been the target of reform efforts, but no process to systematically hold a failing public school accountable existed.

Charter schools entered the educational market a decade prior to NCLB. The charter school movement promised schools that would be held accountable for student test scores. Primarily, schools would be closed if they failed to produce students who could pass exams.

Charter schools and charter school authorizers found state standardized tests to be limiting in both the scope of what they tested and their definition of student success. In response, charter school authorizers began to develop multiple sets of measures for school performance. Including metrics such as graduation rates, dropout rates, and the number of available advanced placement classes altered the definition of a successful school and changed the issues for which a charter school was accountable.

These measures were not adopted by all charter schools. However, as the charter movement progressed and researchers studied successful authorizers and successful charter schools, the use of multiple metrics appeared to be a better way of measuring school performance than a single standardized test.

Today, much of the literature about "best practices" in charter school oversight calls for the development of reliable, validated measures and metrics of student performance and growth. Beyond the snapshot offered by the standard measure of "Adequate Yearly Progress" (AYP), charter school authorizers press for more measures that will better represent the progress students make (or fail to make) during the school year. More sophisticated analysts can measure student progress and measures of marginally added value to determine what value charter schools are adding to the education process.

Multidimensional and sophisticated metrics require that staff understand how metrics are computed, and how results are to be interpreted. Local education agencies (LEAs) in California do not receive new staff, nor does current staff receive additional training on the use of complex metrics to determine charter school performance when an LEA authorizes a charter school. This leaves the LEA to find and hire a staff member with the requisite skill set or train a current staff member in the use of new metrics to evaluate charter schools if multiple metrics not currently used for other public schools are employed in measuring charter school success.

Currently, most traditional public schools do not use the same metrics for evaluation as charter schools. Training or hiring a staff member for specialization in charter school evaluation has limited utility in a district with few charter schools which is a preponderance of districts in California. Additionally, charter school performance is not tied to school district evaluation or funding. Therefore, it is not surprising that many districts have not invested in staff training or hiring of staff to utilize the available multiple metrics available for charter school evaluation.

Several of the authorizers profiled in the ED report have begun to use multiple measures of student progress. The authorizers in this study all had 10 or more charter schools under their purview. The measures used by these authorizers are generally available to other authorizers. An authorizing body with a staff member who understands how the metrics work and are to be interpreted could adopt measures and metrics from established authorizers and use them to explain student performance in their district.

The use of multiple metrics is becoming more relevant for school districts. Public schools have started to advocate for state agencies to utilize more than standardized test scores to determine the progress of a school towards academic proficiency. Both nationally and in California there is current debate about adopting a number of new metrics to evaluate all public schools in addition to traditional standardized test scores. In this case, we see the trickle down effect of a practice begun in charter schools that later impacts all public schools.

### **Autonomy**

Autonomy as a best practice is difficult to legislate and to provide a single standard appropriate for all charter schools. While most research organizations that study charter authorizers advance the argument that authorizers need to allow their schools a level of autonomy, what that level is differs between schools. Additionally, as a charter school develops and becomes more financially stable and establishes more standard practices, the level of autonomy it may be able to function under can change.

When discussing best practices for oversight agencies, NACSA, ED, CRPE and the Thomas Fordham Institute emphasize the need to strike a balance between oversight and school autonomy. Disagreement over what constitutes too much oversight exists. ED states that “during the first few months – even up to the first year – of a school’s operation, [the eight large authorizers in its study] provide intensive support to help ensure that the school’s goals and responsibilities are clear, and that the school has everything in place that will support its success.”<sup>104</sup> This conflicts with NACSA, which advocates a “hands-off” approach throughout the charter school’s lifetime.<sup>81, 104</sup>

Both NACSA and ED support increasing a school’s autonomy as it demonstrates a capacity to achieve both its financial and academic goals. When schools fail to meet academic or financial goals, all four research organizations support intervention. The four research

organizations suggest that interventions be carried out methodically and be supported by validated data. Best practices in the area of the balance of autonomy stress the art of selecting when to intervene and when to make a school find its own answer.

### **Strategic Use of Resources**

Authorizers, whether big or small, have limited fiscal resources. All four general authorizer research organizations stress that the most successful authorizers find ways to strategically use fiscal and staff resources to aid the oversight process. For example, each of the research organizations cites the use of school visits in the evaluation process as an effective use of resources. This practice is chosen because it conveys information to the authorizer about the school not readily available on paper and is relatively cost effective.

Successful authorizers utilize resources differently to carry out school visits. One authorizer employs retired teachers part time to conduct unannounced school visits.<sup>104</sup> Another authorizer has members of their staff drop off paperwork or do other errands at the schools on an unannounced basis to “check up” on the school’s performance. These various techniques achieve the same outcome: information is obtained about school performance not readily available through paperwork. Both strategies also use resources in a creative way to reduce costs for the authorizer.

As with autonomy, legislating strategic use of resources is difficult. Each authorizer has a unique set of needs, circumstances and resources. Currently, each authorizer must determine the best way to use its resources to oversee its charter schools. For most LEAs this means determining how to use the one-percent oversight funds to pay for charter school oversight for a single school in their district.

What the above “best practice” does not address is the need for the Legislature to think creatively about the use of its resources for charter school authorizing. The one- and three-percent fees for authorizing oversight come from state funds and are allotted to charter schools. The state, therefore, has a legitimate interest in how these funds are spent. The Legislature could use its considerable influence to restructure charter school oversight to better use these funds.

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*Nearly a third of the [State Board’s of Education] time is consumed by charter school issues, yet charter school students represent only 5 percent of the total public school student body in California.*

*~ Little Hoover Commission, **Smarter Choices, Better Education: Improving California Charter Schools**, 2010*

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For example, under current charter school regulations, each school district is responsible for authorizing individual charter schools that apply for a charter within the district. In most cases, this means the district authorizes a single charter school. The district has to dedicate staff to review the charter application, and if the charter is approved, district staff have to oversee the operations of the charter school. This costs the district staff time and money. According to testimony before the Little Hoover Commission, districts are spending a disproportionate amount of time and funds on charter school oversight in relation to the number of pupils served by the schools.<sup>69</sup>

For example, one potential solution to this problem is that the Legislature could decide to allow school districts to combine resources for charter school oversight. Instead of individual districts authorizing charter schools, districts could form coalitions and combine resources. The combined funds for this coalition could pay for staff that specialize in charter school oversight. Ultimately, having one full time staff member who specializes in charter school finance review the audits and financial statements of four charter schools across four districts may be more cost effective than four .25 FTE who do not specialize in charter school oversight each perform the same tasks.

### **Develop Strong Staff and Candidate Pools**

Across the board, authorization specialists argue that it is important to have highly qualified and motivated people to staff oversight jobs. NACSA recommends having at least one full-time person dedicated to oversight activities. This allows at least one person to become very familiar with oversight practices and have time dedicated to oversight.

Most authorizers allot some staff for oversight activities. In a 2009 survey of authorizers, NACSA found that a majority of authorizers had more than a single full-time equivalent (FTE) position dedicated to authorization.<sup>82</sup> On average, large authorizers had 5.4 FTEs dedicated to oversight activities. This ranged from a high of 12.3 FTEs at independent charter boards to a low of 2.7 FTEs for state education authorities. Among all authorizers they found a range of no FTEs dedicated to oversight to a high of 1.14 FTEs for every school in the authorizer's portfolio.<sup>78</sup>

In the CRB survey of charter school authorizers in California, we found the average authorizer allots 1.44 FTEs for oversight activities. However, this varies by type of authorizer. School districts averaged 1.54 FTEs for oversight activities, where County Boards of Education averaged 0.92 FTEs. The State Board of Education allots 2.5 FTEs for oversight activities.

### **BEST PRACTICES IN ACADEMIC OVERSIGHT**

As in the area of generalized best practices, a number of agencies and institutes have worked to provide information on best practices for academic oversight. Several states (Texas, Washington, D.C., New York) have unique handbooks dictating how academic progress is to be measured in the state's charter schools. In addition to these states, a national panel was convened to identify best practices in academic oversight for charter schools. For this section we relied heavily on the National Consensus Panel on Academic Quality's report on how to measure charter school progress. The National Consensus Panel is made up of representatives from multiple organizations with vested interest in charter school authorizing, including NACSA. Their publication on academic oversight can be found in Appendix F1.

By design, charter schools differ from one another in significant ways. They also differ from the other local public schools in ways that may impact academic performance of students. These differences necessitate developing multiple and nuanced measurements that enable researchers to truly compare apples-to-apples when evaluating charter school academic performance.

Many organizations for authorizing agencies (California Charter Schools Association, CREP, Thomas Fordham Institute, NACSA) agree that charter schools should be held to the same minimal levels of academic performance as traditional public schools. In California, charter schools are required to administer the same statewide proficiency exams as other public schools and are required to report on adequate yearly progress (AYP) and annual

performance index (API) indicators as are other public schools. They are expected to meet the same federal No Child Left Behind (NCLB) standards as other public schools. Underperformance on these measures in comparison to equivalent public schools can be a reason to revoke or fail to renew a charter.

Developing multiple, reliable, and significant measures for school performance and comparison is politically difficult. Current popular measures provide snapshots of school performance. Annual performance exams provide a way to compare this year's third graders with last year's third graders on math and language skills, but they do not provide a measure to compare last year's third graders performance with this year's fourth graders in any meaningful way. Further, annual exams do not provide a measure of what skills and knowledge a student has gained over the course of a single year. Finally, while some metrics allow for balancing on demographic and socioeconomic status of students, they still fail to provide the nuanced balancing of these factors from year to year.

The National Consensus Panel on Charter School Academic Quality sought to fill in the benchmarks, measures, and metrics used to evaluate academic performance. In their document "A Framework for Academic Quality," the panel recommends measures and metrics in four areas: achievement level, progress over time, postsecondary readiness, and student engagement. In designing the benchmarks, measures, and metrics for these areas the panel considered data availability, data quality, construct validity, reliability, and feasibility among other things. They advocate using measures beyond the ones outlined in their framework, but argue that their measures make a good starting point for determining school academic performance over time.

The consensus panel suggests that the measures and metrics in their framework be used for both charter and other public schools. The adoption of these measures would allow schools to benchmark both the best-performing nonselective public schools in the chartering jurisdiction, state, and nation and the best performing comparable schools in the same locals. Recognizing that demographics, neighborhood, and income levels make a significant difference in school performance, the panel advocates using the best-performing comparable nonselective schools in the charter district's jurisdiction as a legitimate benchmark. However, they also recognize the importance in striving to better performance by also benchmarking the best-performing nonselective schools regardless of demographic and socioeconomic comparability.

In order to implement these measures, schools would have to alter the way they test students. Current testing models function on a spring-spring or fall-fall testing schedule. The panel recommends a fall-spring testing cycle to allow schools to measure growth over a given school year. This increases the amount of funding needed to test students. However, the gains in useful data and the ways that the data could be used to improve student instruction and in school and teacher evaluations may justify the costs.

The panel suggests that all four indicators need to be adopted rather than the current approach of applying a single indicator (student achievement levels). Current testing of achievement levels provides a snapshot of student performance and fails to show growth or postsecondary readiness in meaningful ways. Ideally, education should both facilitate academic growth over a year and ultimately prepare the student to exit high school and enter either college or the work force. Adopting multiple academic measures provides a way of determining if schools are helping students progress toward these goals.

Providing measures and metrics to monitor the progress of students in charter and public schools allows states to empirically judge the quality of the school. Some charter schools, however, serve unique populations that do not necessarily fit into standard progress models. Schools that target chronically underperforming students, students that were expelled or dropped out, or schools that provide specialized academic programs may not be the best candidates for standardized measures of performance. Charter schools are generally over-represented amongst schools that cater to special needs students. California has some provisions for these schools. Its use of the Alternative School Accountability Model (ASAM) which allows non-traditional schools to opt out of standardized exams and use alternative methods for determining student achievement provides the alternative.

The panel further recommends working to create specific measures for non-traditional schools (*e.g.*, foreign language proficiency exams for schools that emphasize second languages). They also recommend using other established measures such as the National Assessment of Educational Progress (NAEP) exams as validated and reliable measures for student achievement.\*

The panel recommendations represent both professional consensus on what measures and metrics should be used and how they should be carried out. These are some of the only measures and metrics evaluated for construct validity and reliability. Rather than detail what metrics the panel recommends for different indicators, we refer you to the panel report in Appendix F1.

**TABLE 10. PERFORMANCE INDICATORS: KEY TERMS<sup>0</sup>**

**Indicator:** General dimension of quality or achievement (*e.g.*, *postsecondary readiness*).

**Measures:** General instruments or means of assessing an indicator. Measures require the use of metrics or calculations (*e.g.*, *postsecondary readiness as measured by high school completion rates*).

**Metrics:** Quantifiable calculation method or formula for a given measure (*e.g.*, *high school completion rates as the percentage of ninth graders that graduate within four years*).

<sup>0</sup> Excerpted from the following reference, except where noted. National Association of Charter Schools Authorizers. 2009. "Charter School Performance Accountability." *Policy Guide Series*. National Association of Charter School Authorizers.

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\* The use of the NAEP tests in California has been criticized. The larger than average population of foreign language students greatly impacts the scores on the language portions of the test. The lack of algebra on the 8<sup>th</sup> grade mathematics exam also shortchanges California test scores.

## BEST PRACTICES IN FINANCIAL OVERSIGHT

Academic performance of charter schools has generated more reports, but financial performance of charter schools has a greater impact on their longevity. Of all charter schools that have closed between 1992 and 2009, 41 percent closed for financial reasons. An additional 27 percent closed for “mismanagement.” Only 14 percent were closed due to academic failings. The remaining 18 percent were closed for a variety of other reasons. In California, no charter school has ever been closed solely for academic failure.<sup>69</sup>

Financial performance also dominates the reasons schools can be closed in California.\* In the California Education Code, a charter may be revoked by the chartering authority for one of four reasons, including failure to comply with generally accepted accounting principles or financial mismanagement. (Ed. Code §47605.5) Further, the State Board of Education may revoke a charter, even if they are not the chartering authority, if the school is found to have: (1) gross financial mismanagement, or (2) illegal or substantially improper use of charter schools funds or, (3) substantial and sustained departure from educational practices that, if continued, would jeopardize the educational development of its pupils. (Ed. Code §47604.5)

The field of financial oversight is much more developed and has more validated metrics and measures than the field of academic oversight. This is, in part, because financial oversight occurs in multiple fields. The literature on financial oversight and the development of accepted accounting standards for educational institutions allow for increased oversight in this area.

Official and unofficial guidelines for financial oversight practices for chartering authorities have been established. The California Education Code provides specific financial reporting requirements for a charter school. While these requirements are minimal, they serve as a base to build an auditing system. What that full auditing system looks like is left to the charter authority.

In California, chartering authorities are required to “monitor the fiscal condition of each charter school under its authority.” (Ed. Code §47604.32) To assist with this duty, charter schools are required by law to submit: (1) a preliminary budget, (2) an interim financial report, (3) a second interim financial report, (4) a final unaudited financial report. (Ed. Code §47604.33) In addition, charter schools must respond to all financial inquires from its chartering authority, the county office of education in its jurisdiction, and the Superintendent of Public Education. (Ed. Code §47604.3) The mandate for quarterly reporting reflects a “best practice” in charter school financial oversight. (SUNY, NACSA)

NACSA, the National Consensus Panel on Charter School Operational Quality, and the Charter Institute of New York (associated with the State University of New York) each have produced guides for charter school financial oversight. All three agencies recommend using accepted accounting practices (either the Generally Accepted Accounting Practices, Government Accounting Standards Board), employing an independent third party to conduct

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\* While financial reasons are the primary reasons cited by schools for closures, several experts have suggested that academic performance is often coupled with financial performance. For example, a school may have poor academic performance, leading parents to move students out of the school. The loss of these students equates to a loss in revenue. The school then can no longer financially support its functions and closes. The official reason for closure would be financial problems even though academic problems preceded them. The evidence for this linkage is only anecdotal and lacks solid proof.

an annual audit, and regular financial reporting to the governing board or charter authority. Beyond those standard recommendations, all three agencies provide measures and metrics to calculate financial stability for the charter school.

NACSA provides some specific advice for financial oversight of charter schools. Rather than specify funding levels that need to be maintained or other measures of financial health, they suggest charter authorities rely on independent accountants to carry out annual audits and the chartering authority staff should learn to read interim financial reports. Their suggestions include having the charter school report at a minimum on a quarterly basis to the authority. They strongly urge schools to report using standard forms that make it easier for the authority to quickly determine information and to use accrual-based accounting practices rather than cash-based practices. Both of these recommendations stem from a concern that nonstandard forms and cash-based accounting can hide the true financial condition of a school.

NACSA suggests that charter school authorizers learn about basic finances. Knowing the difference and purpose of liabilities, assets and net assets serves as a start. They also list 10 characteristics of financially healthy schools and 10 financial red flags that authorizers should consistently look for (these lists appear in Appendix g).

The Charter Schools Institute at SUNY provides a detailed handbook on financial oversight. Not only does the handbook contain the principles of financial oversight, it includes standard forms, lists of questions for authorizers, and selected control practices guidelines. Like NACSA, SUNY recommends quarterly financial reporting at a minimum, the use of standardized reporting forms and accepted accounting practices, and annual independent audits. They also suggest both short-term and long-term financial planning for schools.

The best practices in financial oversight are similar to the best practices in academic oversight in that they have not been scientifically tested to demonstrate they help create a better charter school. However, financial best practices for charter schools have benchmarks in other fields. Use of accrual-based accounting, standardized reporting forms, quarterly financial reporting and independent audits have been used in many businesses and nonprofits, and have demonstrated improvement of financial management of firms.<sup>57</sup>

These practices are simple enough for charter schools to adopt. With a financially literate individual monitoring a charter school, an authorizer should have a clear picture of how the school is performing and what the prospects for long-term sustainability are.

## **THE ROLE OF THE LEGISLATURE**

The Legislature can play an active role in developing and encouraging best practices. While NACSA and CRPE advocate for authorizer autonomy, they recognize that legislating specific actions can foster better oversight practices. It is developing a balance between mandating certain practices and maintaining a level of autonomy that is both difficult and necessary for states. Below is a discussion of how the Legislature can begin to foster best practices amongst authorizers. Specific recommendations for legislative action are contained in the recommendations section of this report.

NACSA begins its best practices discussion by looking at the role legislatures might play in creating a good charter school authorization system. They write:

In a well designed statewide accountability system for charter schools, **the state** establishes minimum standards and essential elements to guide charter school evaluation generally, while enabling authorizers to develop the details



of the contract in conjunction with the schools they oversee (emphasis added).<sup>80</sup>

NACSA explicates this point in their document. They envision states providing generalized guidelines for performance that authorizers can use to build upon. NACSA cautions policy makers about being overly specific in its accountability requirements as that may lead to regulatory creep. They give further guidance to policymakers by suggesting any legislated performance standards reflect the following guidelines:

- Hold charter schools accountable to the same academic standards and outcomes as all public schools in the state;<sup>1</sup>
- Require charter contracts to center on objective and multidimensional metrics;
- Define minimum academic and operational performance elements;
- Allow authorizers to augment state standards.<sup>80</sup>

These suggestions dovetail with the suggestions from the Center on Reinventing Public Education. CRPE suggests that policymakers ensure authorizers: (1) provide more information and transparency, (2) focus on process management reviews, (3) focus on outcomes and not inputs, and (4) develop multiple, competing authorizers.<sup>59</sup>

Both organizations see a role for the legislature in preparing a solid oversight system. Ideally, the legislature would put in place minimal requirements to increase transparency of the authorization and renewal process, focus on validated metrics to examine outcomes, and make sure charter schools are held to the same minimal standards as the rest of the public school system. NACSA and CRPE suggest that these additions to current charter school authorization laws would provide authorizers with valid and legal guidelines to evaluate charter schools. By providing legitimate guidelines for authorizers to renew, fail to renew, or rescind charters, the legislature empowers authorizers to do their job.

Currently, California legislates some portions of charter school oversight. For example, the Education Code specifies reasons a charter school may be closed. (Ed. Code §47607 (5)(c)) The Code also specifies minimally what needs to appear in a charter petition (Ed. Code §47605) and the reports a charter school must submit to its chartering authority (Ed. Code §47604.33). These codes provide some guidance to a chartering authority and meet the best practices suggestion that legislatures minimally regulate charter school oversight while allowing charter school authorities to augment standards.

California currently does not specify minimal financial performance standards for its charter schools. Both CRPE and NACSA suggest legislatures introduce minimal performance standards to their education codes. California does specify that charter schools must participate in statewide testing and report the results from those exams. It also allows authorizers to revoke or fail to renew a charter if the school does not meet the minimum academic performance requirements specified in their charter contract. The way the standard is written, however, schools and charter authorities may select minimal performance requirements, making it easier for schools to reach their go

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<sup>1</sup> This is already the standard in California.

and CRPE both suggest that a codified minimal performance requirement be added to statutes.

CRPE's suggestion number four is already present in California. Charter schools can seek a charter from an LEA, an intermediate authorizer (*i.e.*, county school districts), or the State Department of Education. Having multiple authorizers allows charter schools to seek out the authorizer they see as most congenial and most likely to approve their proposal. It also provides an alternate route to authorization when a potential school is rejected by one of the three authorizing bodies. The system of multiple authorizers is recommended additionally by Public Impact, the Little Hoover Commission and NACSA.<sup>69</sup>

Policy considerations for regulating charter school authorizers were also the focus of a study by ED. The study of eight large authorizers attempted to determine the best practices for charter school oversight. The leaders of the authorizing agencies interviewed for the study all indicated that their job as an oversight agency was strongly affected by the policy context they operated in. Issues such as autonomy, vulnerability to political change, funding and state imposed caps on charter schools all impacted how they did their job. As a result of these discussions, ED created a policy checklist for quality charter school authorizing.

The items on the ED's policy checklist encompass many of the NACSA recommendations for legislators. The checklist includes:

### **(1) Accountability**

Under this heading, ED suggests legislators "define authorizer 'success' and devise systems to hold authorizers accountable for meeting these standards." The checklist further states "Since authorizers' environment is already complex, make these systems as least burdensome and as results-oriented as possible." In current California law, there is very little that defines what constitutes a successful authorizer. As a result, authorizers face little pressure to perform to the best of their abilities. For the 60 percent of authorizers in California with only one school under their jurisdiction, there is almost no incentive to ensure that school's success or to implement best practices for oversight.

The second focus of authorizer accountability mirrors what authorizers themselves should be requiring of charter schools: clear outcomes measures. By carefully evaluating the measures, metrics, and targets that will be used to evaluate authorizers, legislators can bring clarity and transparency to the evaluation process. The focus on outcomes rather than compliance is echoed by NACSA, CRPE and Public Impact. Too much focus on compliance and inputs into the system increases the risk of regulatory creep and the conversion of charters back into traditional public schools.

### **(2) Operational Autonomy**

ED recommends that legislators provide authorizers with enough autonomy "to pursue their authorizing missions and carry out their responsibilities." Additionally, "In cases of joint oversight of charter schools by the authorizer and other entities, foster a streamlined relationship between monitoring entities that maximizes efficiency and minimizes the administrative burden upon charter schools." As with charter schools, charter school authorizers need a good amount of autonomy to carry out their mission. This does not mean, however, that they should receive no direction as to what constitutes a strong performance and what are basic expectations. The legislature can use outcomes measures to guide performance rather than specify processes and inputs. This will allow for charter school authorizers to have the autonomy they need without sacrificing quality.

### **(3) Limit Vulnerability to Political Change**

Authorizers in the ED study expressed concern about vulnerability to political pressure and political change. In a study by Hassel and Steiner, they found at least one underperforming charter school received renewal after extensive political pressure was exerted. Like CRPE, ED recommends that a state have a mix of authorizers to limit political interference in the charter school authorization process. Additionally, having a data-driven and transparent evaluation system for authorizers further insulates them from political pressure.

### **(4) Remove Limits on Charter School Growth**

ED and NACSA both find that caps on the number of charter schools in a state limit the capacity of authorizers. If the goal of charter school authorization is to charter the best school models and authorizers are good at determining which schools will be successful, the need for legislatively imposed caps is unnecessary. Both ED and NACSA state that initially, before charter schools had demonstrated that they could function at least as well as other public schools, there was a legitimate reason to cap the number of schools allowed. NACSA now argues that there is a strong case for allowing an unlimited number of charter schools to be established, capped only by the supply of good charter applications.

California currently limits the number of charter schools that can be approved in a given year. While there are indications that authorizers are becoming more discerning in their approval process and approving fewer charters per year than they had even four years ago<sup>78</sup> the state limits on the total number of charter schools approved limits the authorizers ability to approve additional qualified charter schools when the applications arise. In a 2010 report by the Little Hoover Commission, it found that caps had not significantly impacted the approval of new charter schools. In three of the past four years, approximately 85 schools per year were approved (this is under the cap of 100 new schools per year). However, in 2009, 115 new schools were approved (using the full 2009 limit and taking advantage of additional charter slots left over from the prior year). If the trend continues that more than 100 schools per year are qualified to be authorized, the remaining charter slots could be quickly absorbed, necessitating a re-evaluation of the cap in California.

### **(5) Levels and Types of Funding**

The ED report suggests that legislatures evaluate the types and levels of funding an authorizer receives to ensure it is enough to cover “high-quality authorizing practices.” They further suggest seeking out ways to improve funding. This report seeks to address the issue of levels of funding for authorizer oversight activities in California. See Chapter three for a more complete exploration of this topic.

## **USE OF “BEST PRACTICES” STANDARDS IN LEGISLATION**

The Legislature has many options for issuing regulations to charter schools. Typically, the Legislature issues “command-and-control” type rules. These are laws that specify exactly what an agency or entity has to do (or not do) in order to comply with the law. Most often, there is a state agency that oversees the implementation of the regulation and issues some type of penalty if the regulation is not followed.

Command-and-control regulations tend to be resource-intensive and highly prescriptive. The state has to fund an agency to oversee the implementation of the regulation. Additionally, the regulation limits what the controlled agency may do. In some circumstances, this is desirable. For example, regulating the use of cellular phones while

driving has an effective “one-size-fits-all” solution and can be enforced by an existing agency without significantly increasing the agency’s resources.

However, charter school authorizing does not lend itself to command-and-control regulation. CRB’s review of charter school oversight practices revealed no definitive “best” way of doing oversight. Additionally, as charter schools grow (and thus, charter school authorizers expand), what we know works will change. Writing strict command-and-control regulations limits the flexibility and growth of authorizer practices in this case.

The Legislature has an option, modeled by the federal government, which may work better than command-and-control to regulate charter schools. The federal government writes statutes which mandate the use of “best practices” for a given field. The legislation does not specify what the best practice to be used will be. This allows agencies with special knowledge of a practice area to define the “best” practice for a given task. Zaring found that statutes requiring best practices resulted in “horizontal learning” between agencies with similar tasks. While the “best” practice was not always institutionalized, agencies often developed standardized practices. Zaring also found that legislation requiring the use of best practices allowed for more institutional learning and flexibility than command-and-control legislation typically would.<sup>111</sup>

Since the field of charter school authoring continues to evolve and researchers are working to elucidate best practices, legislating “best practices” be used may be a more flexible and workable option for standardizing charter school operations at this point in time. Additionally, by mandating best practices without specifying what those practices are, the Legislature could allow charter school authorizers and specialists in the field of authorization to define what works.

This option comes with some risks. First, if the Legislature mandates charter authorizers use “best practices” it will have to determine how to evaluate the outcome of this legislation. Who will determine what the best practices are? Who has the power to enforce the use of said practices? Who has the ability to challenge the use of a practice and demand its review? Finally, who has the power to use the legal system to force a LEA or other authorizer to use a given practice?

In a review of federal use of best practices in legislation, Zaring found no congressional definition of the term. The Supreme Court also has not ruled on the definition of best practices. While mandating the use of best practices has increased greatly,<sup>111</sup> it is unclear exactly what this means in legal terms. Nevertheless, Zaring found that agencies under order to use best practices, sought out research-based practices to implement and teach one-another.

## **CONCLUSIONS**

Best practices as reliable and validated practices that clearly lead to better outcomes for an organization do not exist in the realm of charter school oversight. What does exist is a growing professional consensus on what practices and goals lead to better oversight. These “best practices” have face validity and some have been demonstrated to work in other fields. Using this consensus as a guideline, we can begin to construct modes of accountability for charter authorizers.

Most authorizers in California are small, having only one or two schools to oversee. Currently, there are few incentives for these authorizers to ensure their charter schools succeed. The Legislature may be able to play a role in improving the practices of these authorizers by mandating the general use of current best practices in the field (without specifying a given practice) and requiring accountability of authorizers. Further, by providing a sufficient amount of funding for authorization practices, the Legislature can encourage better practices.

One lesson rings clear across all areas of oversight. Transparency is key to good oversight practices. It promotes accountability, legitimacy, and fairness. Transparency in the application process fosters better applicants and promotes legitimacy of the authorizer. Transparency in oversight demonstrated fairness and commitment to the schools and students. Transparency in school closings decreases animosity in the process and can shield an authorizer from undue political pressure to keep a school open. Transparency in accounting for state funds demonstrated to taxpayers that their money is being used appropriately and can increase support of authorizing agencies.

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*A quality authorizer recognizes that chartering is a means to foster excellent schools that meet identified needs; clearly prioritizes a commitment to excellence in education and in authorizing practices; and creates organizational structures and commits human and financial resources necessary to conduct its authorizing duties effectively and efficiently.*

~ National Association of Charter School Authorizers, *Principles and Standards for Quality Charter School Authorizing*, 2010

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Transparency can be fostered in many ways. Publishing standards for charter applications and renewals provides stakeholders, and the community at large, insight into the charter school authorization process. Published standards can be referenced when justifying chartering or closing a school. By holding to published standards, authorizers can reduce political pressure and provide valid reasons for its actions.

Transparency can also be fostered by using standardized, well-designed accounting forms. By insisting that authorizers account for the funds they spend and provide clear information on their funding, the Legislature and other interested stakeholders can determine: if funds are being used appropriately, if there are enough funds for oversight, and if the authorizer is functioning in a fiscally sound manner.

Multiple practices increase transparency. Some are more appropriate for large charter school systems (e.g., holding widely-publicized community meetings to solicit charter applications), while others are appropriate for all authorizers (e.g., holding community meetings to discuss the potential closing of a troubled school). Good authorizing demands accountability. Accountability relies on transparency. By encouraging or legislating some of these practices, the legislature can encourage best practices.\*

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\* For a complete list of transparency laws relating to charter schools, please see Appendix I.

The importance of good, clearly presented data is another best practice. Whether it is academic achievement score reporting, financial audits, or authorizer spending information, there is a need for strong, clear data. Financial oversight provides more best practices for producing this data than does academic oversight. Nevertheless, both areas have basic measures and metrics that can be used to explicate progress (or lack of progress). Authorizers should encourage schools provide clear and reliable data for their financial and academic performance on a regular basis.

California has begun to regulate some of this data-driven reporting. The state Education Code specifies four financial reports that must be produced and given to authorizers for oversight purposes. The Code also encourages charter authorizers to specify what measures will be used to evaluate schools in the charter renewal process. This is a good start to gathering the necessary data to critically evaluate school performance.

Authorizers can go beyond what is required in the Education Code to specify what information must be produced and on what timeline this information must be given to the authorizer. By specifying metrics, benchmarks, and targets for a school in its charter agreement, authorizers provide clear, transparent, and intellectually sound ways for evaluating a school throughout its existence.

Legislators and authorizers need to tread a fine line when regulating charter schools. One of the promises of charter schools is that they will have greater autonomy than standard public schools. Over-regulation or over-specification of standards in a charter can lead to regulation creep. There is not a bright line between too much regulation and too little. The professional consensus guidelines discussed in this section provide brief sketches as to when and what to regulate. It is up to the authorizer to determine what is too little and too much handholding and oversight.

Overall, the discussion of best practices in this section provides broad brush strokes for regulating charter school authorizers. There still has not been a scientifically demonstrated link between good authorization practices and good charter schools. What we do have is professional consensus built on 20 years of observation and several more recent studies of large authorizers. These studies begin to demonstrate trends for good authorizers and provide suggestions of what research needs to be completed to provide the clear link between authorizer practice and school performance.

Best practices as discussed in this report should be used as guidelines to be built upon as additional knowledge is added to the field. CRB has provided options as to next steps and legislation California should consider later in this report. Those suggestions are based upon the best practices literature and our research.

The Legislature charged CRB with discussing the best practices for charter school authorizing. We located the professionally accepted standards for certain practices within the field, but conclude there are no best practices that can be applied. Currently, NACSA is conducting promising research in this area and we encourage the Legislature to pursue that line of inquiry.

We have provided the Legislature with an extensive summary and discussion about a variety of professionally accepted standards for charter school authorizing. The Legislature may use these standards as a guide for determining what activities they wish to mandate authorizers carry out as well as which activities they conclude authorizers should continue to be reimbursed for.

We encourage the Legislature to think creatively about how they may encourage the use of professionally accepted standards among charter authorizers. The ED study and work by CRPE and NACSA have demonstrated that legislating bodies do not have to issue command-and-control type of statutes to encourage best practices amongst charter authorizers. Best practices change over time, and therefore writing specific practices into law does not necessarily make sense. Incentivizing behaviors may work as well or better than writing specific best practices into statute.





## **Chapter 5. California Authorizer Practices, Expenditures, and Revenues: Survey Results**

Education Code section 47613(g)(1) requires the California Research Bureau prepare a report to the Legislature “on the key elements and actual costs of charter school oversight.” The primary approach we used to assess charter school authorizers’ oversight activities, expenditures, and revenues was an electronic survey. The survey consisted of twenty eight questions, developed in consultation with the members of an expert advisory panel. See Appendix A for a list of panel members and Appendix B for the questionnaire.

Seventy-two authorizers (out of 261 authorizers in 2008) responded to the survey. Our sample was representative of the population on several key factors. We compared our sample with the known population of authorizers and determined that, based on district size by enrollment and number charter schools overseen by individual authorizers, our sample was statistically similar to the whole population of authorizers. This gives us confidence that our findings are applicable to the larger population of charter school authorizers operating in California in 2008.

Overall, authorizers responding to our survey reported that they spent more on oversight activity than they were reimbursed for through state funds. However, we found most charter authorizers do not account for the specific use of California Education Code section 47613 funds. Respondents were able to answer general questions about expenditures, but very few had actual data on staff hours or expenses associated with charter school oversight. This has limited our ability to address the Legislature’s questions on the sufficiency of funding for charter school oversight.

Respondents were able to provide us some information about their overall activities. Using information about their reported activities and information we gathered about charter petition review, we were able to develop proxy measures for charter oversight financial and staff time costs. We were also able to explore the different relationships that have developed between charter schools and their authorizers.

This chapter addresses the questions specified in Education Code section 47613. We have broken the chapter up into five major sections: survey methodology, charter petitions, accounting, charter authorizer services, and recommendations. The survey methodology section explains the method of collecting information from charter schools and provides information on charter authorizer population versus our sample. The petition review section provides a detailed analysis of the costs associated with petition review. The authorizer services section describes what services authorizers provide and what services they charge for. Finally, based on our research, we provide the Legislature with options for improving charter authorizing in California.

**TABLE 11. KEY FINDINGS FROM 2008 CHARTER AUTHORIZER SURVEY**

- Respondents did not generally track the expenses and revenues associated with charter school oversight.
- Respondents reported they spent more on authorization costs than they receive in oversight revenue at the one- and three-percent formulas currently allowed under state law.
- Respondents varied greatly in the amount of time and staff dedicated to petition review. Additionally, charter authorizers varied greatly in the reported costs of petition review. Staff time and authorizer costs were not related to the number of charter petitions processed.
- Charter authorizers were inconsistent about activities for which they sought Education Code section 47613 oversight funds. Nearly 15 percent of all respondents report being unsure if they sought Education Code section 47613 funds for a given activity.

## **SURVEY METHODOLOGY**

The goals of our survey were to construct a picture of California charter school authorizers' oversight practices and to identify sources of expenditures and revenue for these activities. We consulted with an expert panel on charter school authorizing and created a survey for authorizers based on those consultations.

In the Spring of 2008, we obtained a list of what was then all 261 chartering authorities representing 679 charter schools and contact names for each from the California Department of Education (CDE).<sup>\*</sup> We emailed each identified contact person, asking a representative from each chartering authority – usually the Superintendent of Schools, Deputy/Associate/Assistant Superintendent, or Chief Administrative Officer – to respond. Where we received no email reply or completed survey, we followed up with two phone contacts in an attempt to solicit additional survey responses. We assured each chartering authority that no individual school's answers would be identified in the final report.

We targeted Superintendents, Deputy/Associate/Assistant Superintendents, and Chief Administrative Officers as respondents to the survey as these individuals understand the charter authorizing process and have access to information about the costs and time commitments a district has for charter oversight. We wanted the most knowledgeable respondents answering the survey so that the information provided was as complete and accurate as possible.

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<sup>\*</sup> As of April 1, 2010, California had 900 charter schools with 293 authorizers.  
[www.qualitycharters.org/overview-interactive-map](http://www.qualitycharters.org/overview-interactive-map).

The survey was administered electronically between April 14, 2008 and May 16, 2008. We instructed charter authorizers to provide answers based on FY2006-07. We received 72 responses (28 percent of those contacted) representing 176 charter schools active during school year 2006-07. Five respondents had no active charter schools during 2006-07 but had one or more charter schools active (or charters approved) during 2007-08.

## **SAMPLE AND POPULATION EQUIVALENCY**

In order to be confident that the responses we received to our survey can be applied to the general population of charter authorizers, the sample of respondents must be representative of the full population of authorizers. Our respondents were to an extent self-selected.\* Hence, in order for any findings that we may draw from our data to inform us about the broader population, it is important that we establish that the set of respondents was representative of the full population on key attributes for which we have information.

We examined statistically three key attributes of charter authorizers in order to test for representativeness: the institutional type (local school district, county office of education, or the State Board of Education), district size - measured by enrollment during the 2006-07 school year – and the number of charter schools overseen by individual authorizers. We were able to compare our sample directly to the total population of authorizers, as the total population of authorizers in California is known and data is available on key characteristics of each authorizer.

Figure 7 graphs the densities of 2006-07 enrollments in charter authorizer schools by the authorizer's response status to the survey. A density plot is a graph that shows the density of observations (y-axis) for the values along the x-axis. District enrollments range widely. The smallest 10 percent of authorizers had fewer than 440 enrolled students, whereas the largest 10 percent had more than 30,000 students. The figure implies a difference in typical enrollments between respondent and non-respondent authorizers, with the peak of the non-respondent distribution to the left of the peak for the respondent distribution. This indicates that the average enrollment for authorizers responding to the survey is greater than the average enrollment for authorizers who did not respond.

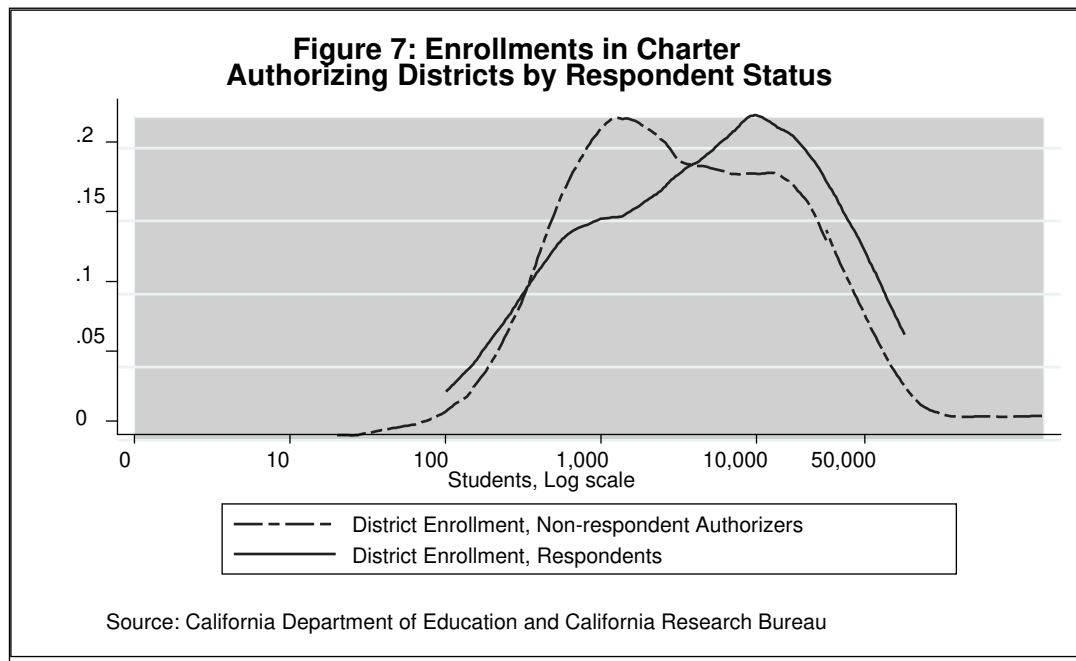
Nonetheless, formal statistical tests strongly support the conclusion that our respondent set was representative of the charter authorizer population overall in terms of enrollment sizes.† Participating authorizer districts had average enrollment of 13,459 and median enrollment of 5,744 in 2006-07, compared to 12,717 and 2,921, respectively, for non-respondent charter authorizers, both of which are statistically insignificant differences. Median enrollment is the level at which half of the authorizers had smaller enrollments

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\* CRB had no authority to require authorizers to respond to the survey. Respondents, then, represent only those authorizers that chose to use staff time to complete the survey.

† We conducted three formal statistical tests comparing the enrollment distributions, all of which were consistent with our null hypothesis that the respondent set was representative of all authorizers.

and half had larger enrollments. Districts with no charter schools had average district enrollment of only 3,755 (median: 1,096) in 2006-07, according to CDE data.

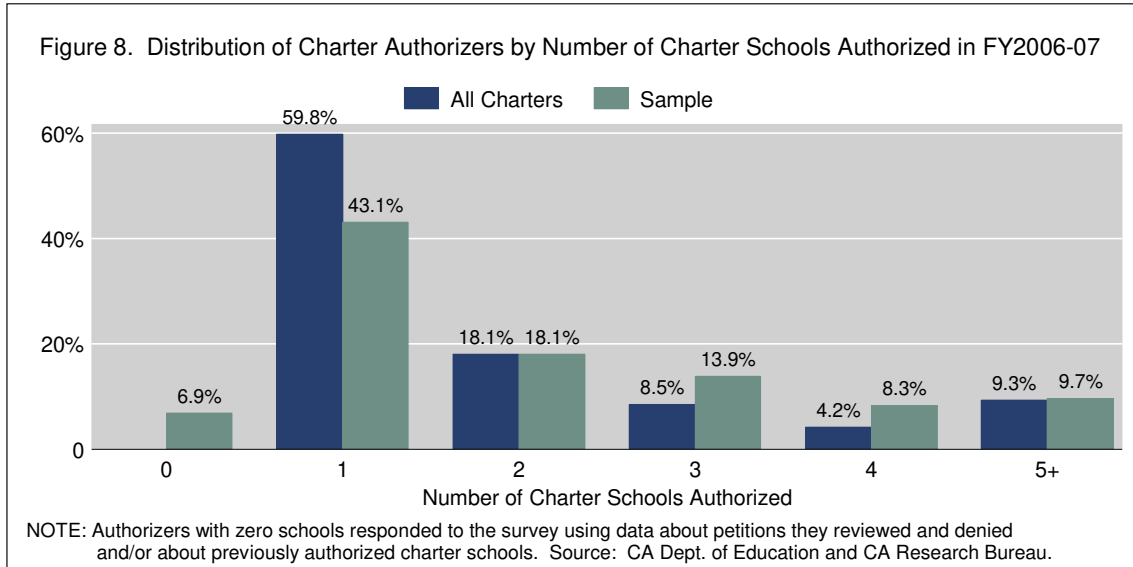


We found that our respondents were statistically representative of the overall population of charter authorizers in terms of their distribution of authorizer institutional type. Fifty-eight responses (81 percent) came from local school districts, whereas 88 percent of the overall population of charter authorizers was local school districts. We also received responses from 13 county offices of education (COEs, 18 percent of respondents, compared to nine percent of non-respondent charter districts) and the State Board of Education (SBE) with respect to eight schools it had authorized, not including certain schools authorized by the SBE as Statewide Benefit Charter schools. These nominal differences were too small to constitute statistically significant differences.\*

As can be seen in Figure 8, a majority of charter authorizers in California oversaw only a single charter school. Half of all survey respondents oversaw none or one charter school in FY2006-07. Sample respondents were more likely than authorizers in general to oversee three or four charter schools. However, the percentage of authorizers overseeing more than five charter schools is nearly identical.

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\* We could not reject the null hypothesis of “no difference” between the distributions of respondents and non-respondents across the three categories of authorizer types, using a standard  $\chi^2$  test for independence.



While charter authorizers may differ from one another on several dimensions – direct-funded versus dependent, site-based versus mixed or web-based, with or without their own local education agency authority – we believe these differences are less significant in terms of oversight activities than district size and the number of charter schools an authorizer oversees. Much of the charter school “best practices” literature differentiates schools on number of charters overseen as the key factor for comparing oversight practices. Our measures demonstrate that the sample of authorizers responding to the survey is sufficiently similar to the total population of charter schools on key measures.

Once we found out that our sample was sufficiently similar to the total population of charter school authorizers, we could begin to examine the attributes of the sample population to help us figure out the attributes of the general authorizer population. At the Legislature’s request, we looked at the relationship between staff time and cost of charter oversight, staff time and number of petitions reviewed, cost of charter oversight and number of petitions reviewed, variety of oversight services and arrangements provided by authorizers, and opportunities for increased oversight. The sections below discuss our findings for the costs in time and funding for 72 respondents with charter schools in 2006-07.

While we are confident in our ability to draw some conclusions about authorizer behavior from our data, many authorizers provided limited or incomplete data. The lack of an abundance of sufficient data on authorizer behavior, especially financial accounting, has limited our ability to provide definitive answers to the Legislature for a portion of its questions to CRB. Additionally, we remind the reader that this data is from a sample drawn in 2008. The number of charter schools and charter authorizers has continued to expand in California, altering some of the characteristics of these populations.

## CHARTER PETITIONS

“Pre-chartering” or the review of charter school applications, is not listed as one of the four “oversight” activities in Education Code section 47604.32, but nonetheless may

constitute a substantial workload requirement for authorizing agencies. The California Education Code is unclear on whether or not an authorizer can seek reimbursement funding for either initial petition reviews or reviews of renewal applications.

The relevant section of Education Code section 47613 reads:

(1) Except as set forth in subdivision (b), a chartering authority may charge for the actual costs of supervisory oversight of a charter school not to exceed 1 percent of the revenue of the charter school. (b) A chartering authority may charge the actual costs of supervisory oversight of a charter school not to exceed 3 percent of the revenue of the charter school if the charter school is able to obtain substantially rent free facilities from the chartering authority. (c) a local agency that is given the responsibility for supervisory oversight of a charter school, pursuant to paragraph (1) of subdivision (K) of Section 47605, may charge for the actual costs of supervisory oversight, and administrative costs necessary to secure charter school funding. A charter school that is charged for costs under this subdivision may not be charged pursuant to subdivision (a) or (b).

Nowhere in the Education Code are the limits of “supervisory oversight” completely defined. Education Code section 47603.32 outlines five required actions of a charter authority, but the section does not limit oversight to those actions. Authorizers may charge charter schools for any activity they deem “oversight” as long as it does not exceed the one- or three-percent cap as specified in section 47613. It is unclear from our research if charter authorizers either seek reimbursement for, or channel oversight funds to petition review activities.

While the Education Code states that charter authorizers may only charge for the “actual costs of supervisory oversight,” authorizers may seek these funds without submitting documentation of what they spent on oversight. As some of our expert panel members suggested and our research confirmed, few authorizers track the costs associated with oversight activities. When asked to “estimate the actual total oversight expenditures for FY2006-07,” only 10 authorizers provided a response. None of the 10 responses provided a dollar amount. Instead, most survey respondents reported charging schools one-percent of their general revenue and assuming the costs incurred for oversight exceeded this. We received such comments as:

“The parties agreed that the actual cost of oversight exceeds 1%: therefore, the MOU states that there will be no itemized invoicing,” and

“We are not in the hourly billing business like attorneys. It takes time to do oversight right, particularly for a struggling charter school.”

Since many authorizers do not account for the specific costs associated with oversight, CRB needed a proxy for time and money spent on oversight activities. The one consistent activity performed across all surveyed authorizers was petition review. While

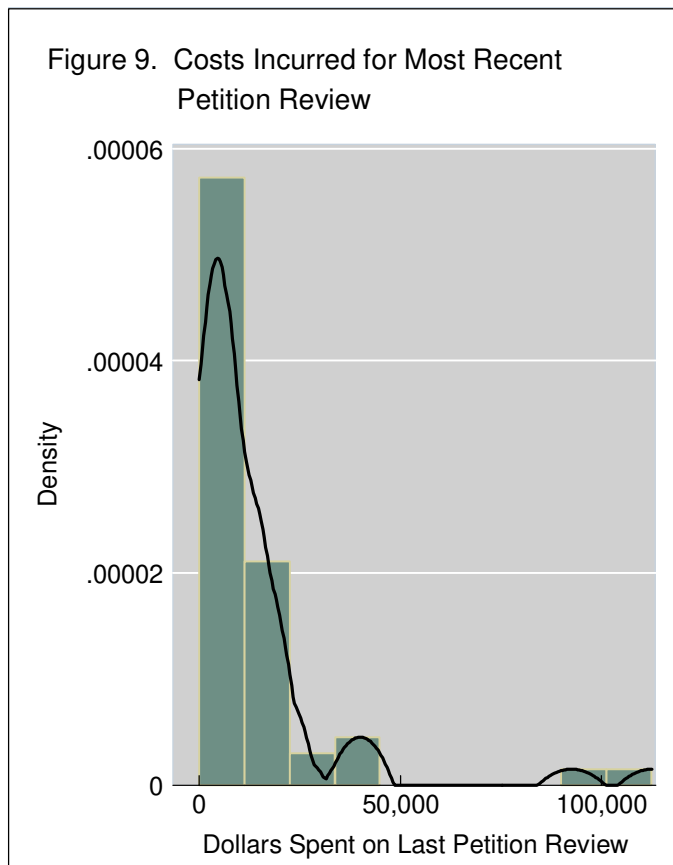
not strictly an “oversight” activity listed in the Education Code, petition review is a necessary step in authorizing a charter school. Petition review also is part of the oversight process for charter school petition renewal.

In the CRB survey, we were able to get estimates from authorizers on the expenses and staff time associated with petition review. While we can not provide the Legislature with details on all costs associated with all oversight activities, we can provide time and cost information about petition review. This information provides a window into authorizer functions.

In the next several sections we review the costs and staff time required for petition review. We follow this with a discussion of the activities performed by authorizers. We finish our data review with information on general time spent on oversight activities. Our final section provides several options for the Legislature.

### Cost of reviewing charter petitions

Education Code section 47613 (g)(1)(E) requires CRB to provide a comparison of school district costs and revenues attributable to charter school oversight. CRB examined both costs incurred and expenses of oversight in several ways. We inquired as to how much was spent reviewing the most recent petition, how much the authorizer charged the charter school for oversight, how much staff time was required for petition review, and we asked the authorizers to provide us with an estimate of the actual cost of oversight.



We looked at the cost of reviewing a single charter. We asked authorizers to provide us with the dollar amount spent on the most recently reviewed charter. Fifty-nine of the 72 respondents provided a dollar amount. The range for the cost of a petition review was \$0-\$112,500. The average cost per authorizer was \$12,702.05, with a median (middle value in the range) of \$6,000 and a mode (most frequent value) of \$15,000. There were two outliers on the high side of expenses. One authorizer reported spending \$112,500 on a petition review and a second reported \$92,588 for a petition review.

Figure 9 shows the frequency of different dollar amounts spent on petition review. We “binned” the

dollar amounts for review into 10 bins for the graph. The y-axis (vertical axis) plots the frequency of these dollar amount bins (how often the answers in that “bin” occur divided by the width of the bin). The graph demonstrates that a large number of charter authorizers spent a low dollar amount on their last petition review. There were only a few authorizers who spent more than \$50,000, represented by the low bars to the right of the graph. The line is a smoothed distribution of cost for last petition review. It shows that most authorizers spent less than \$15,000 on their last petition review, with a small “bubble” of authorizers spending around \$40,000 in the fourth bin.

## REVENUE FOR CHARTER AUTHORIZERS

The next measure we examined was the total revenue for all charter schools under an authorizer’s purview. This included all general purpose entitlements and categorical block grants. Because the number of charter schools per authorizer varies widely in our sample, ranging from zero to 29, we expected a wide range of revenue levels. For our sample, authorizers reported revenue between \$0 and \$43.3 million. The average amount of revenue for all charter schools under a single authorizer was \$5 million with a standard deviation of \$7.6 million. Here again we faced the issue of extreme outliers.

To better predict the average revenue charter authorizers would use to calculate their reimbursement costs, we calculated a confidence interval. A 95 percent confidence interval for total revenue of charter schools ranges from \$3.1 million to \$6.9 million. For charter authorizers drawing one percent of the total revenue, the reimbursement range is \$31,152 to \$69,091. For authorizers that provide “substantially rent free” facilities, they can draw three percent. This creates a reimbursement range of \$93,456 to \$207,273.

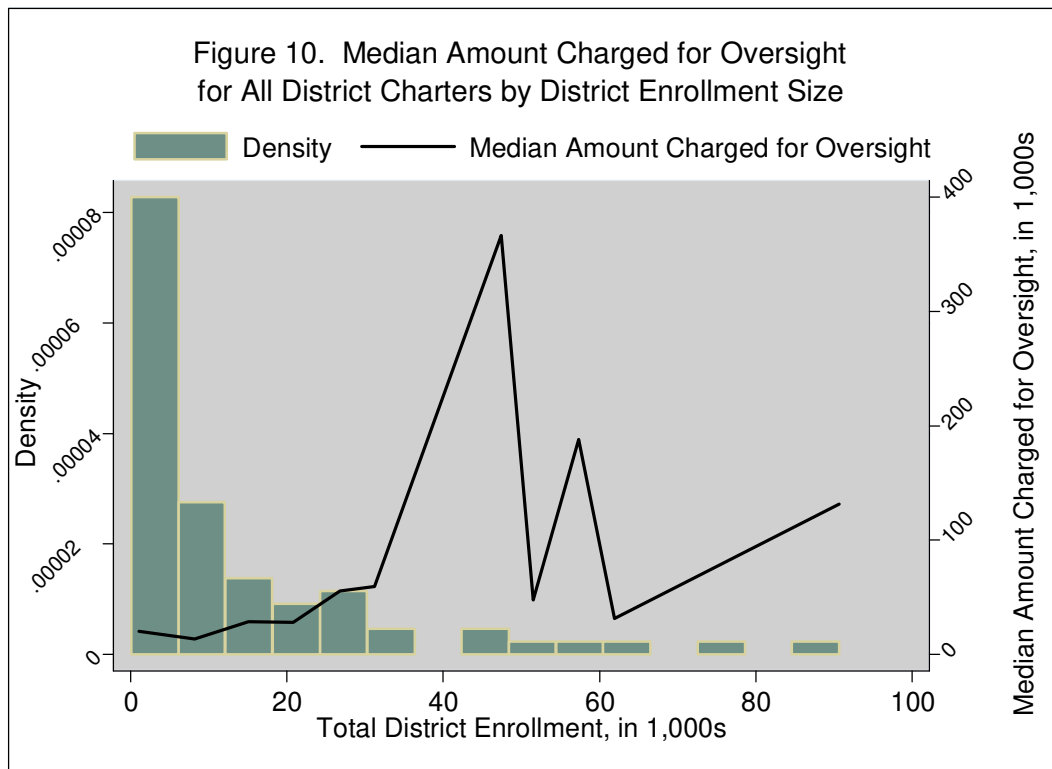




Figure 10 illustrates a couple of pieces of information about the relationship between district size and charter oversight funding. The bar graph in Figure 10 is a histogram of total district enrollment. We “lumped” together schools with similar enrollments into 15 “bins.” Each bar is a bin. The higher the bar rises in the chart, the larger the number of schools with that range of enrollment. The figure illustrates that most schools have relatively small enrollments. Bins for schools with more than 20,000 students are very short in comparison to bins for schools with enrollments under 20,000.

The line on Figure 10 charts the median oversight charged to charter school districts by district enrollment. The line indicates a weak positive relation between the two measures: as school district size increases, so does the amount charter authorizers receive in funding. This makes some sense, since charter authorizer funds are based partially on a percentage of a school’s general fund. A school’s general fund receives dollars based on the average daily attendance (ADA) of a school. As school size increases, so would the dollars available from ADA funding. As ADA funding increases, so does the absolute dollar amount a charter school authorizer can charge for oversight (however, the percentage remains the same).

Next, we compared the annualized cost associated with petition reviews to the annual revenue an authorizer receives from all charter schools. Authorizers are allowed to keep one or three percent of their charter schools’ revenue for oversight activities. The bottom pie chart in Figure 11 on the following page, illustrates authorizers’ self-reported ratio of expenses to income. A majority (56.9 percent) reported that their expenses for oversight activities exceeded the income they received from their charter schools. The top right chart in Figure 11 shows that when reported expenses for petition reviews are compared with one percent of the total revenue from charter schools for an authorizer (the legally allowed amount for oversight activities), a majority of authorizers (65.3 percent) receive more in revenue than they spend on petition review. When the amount of revenue is raised to three percent of charter school revenue, fully three-quarters of all authorizers receive more revenue than they spend on petition review.

The method for calculating revenue for Figure 11 was to take the total reported revenue for all charter schools under a single authorizer and multiply it by 0.01 and 0.03 to obtain the maximum amounts the authorizer may keep under the one- and three-percent rules in the Education Code. The expenses for petition review were calculated as follows. The total number of petitions for the last five years (reported in the survey) was divided by five to average the number of petitions reviewed per year. The result of that calculation was multiplied by the total cost reported for the most recent petition review to determine the average yearly costs of reviewing charter petitions (see Equation 3). The total from this equation was then compared to the one-percent and three-percent totals from the revenue equation. We were unable to determine which charter authorizers in our study were able to charge three percent and which were limited to one percent. We calculated the comparisons below using all 72 authorizers who responded to the survey.

**Equation 2. AVERAGE ANNUAL COST OF PETITION REVIEWS**

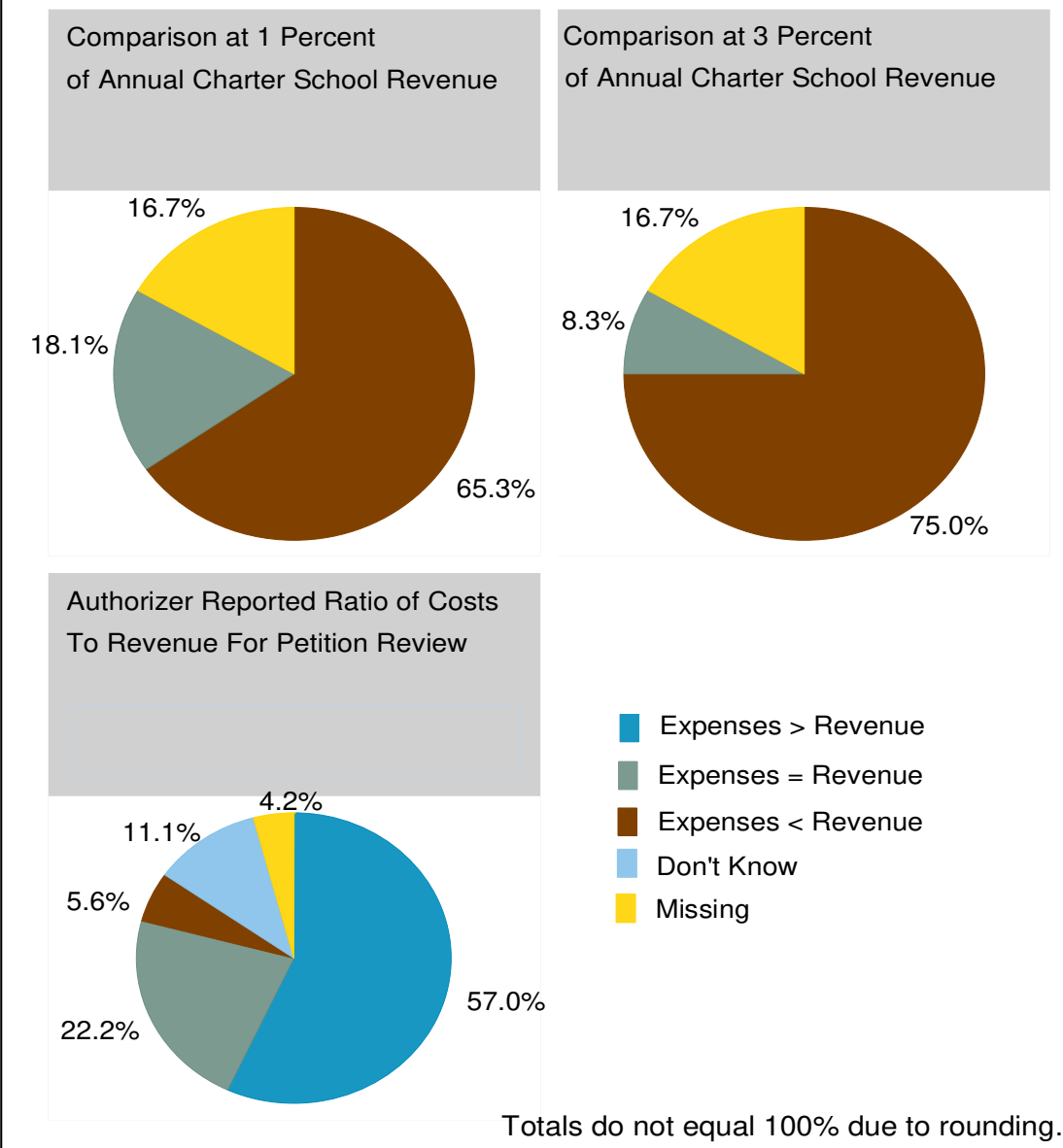
$$TC_{\text{annual}} = (TP_{\text{five}}/5) * TC_{\text{pr}}$$

$TP_{\text{five}}$  = Total number of petitions reviewed in the past five years.

$TC_{\text{pr}}$  = Total cost of the most recent petition review.

$TC_{\text{annual}}$  = Annual cost of petition reviews.

**Figure 11. Authorizer Revenue to Petition Review Expense**



It is important to note that petition review is only part of the oversight process. Petitions are reviewed during the initial application process, then again every five years. Each year charter schools operate, authorizers are supposed to monitor them for fiscal performance and soundness, assure the charter school files all necessary reports, and visit each school annually. These activities involve staff time and financial costs to the authorizer.

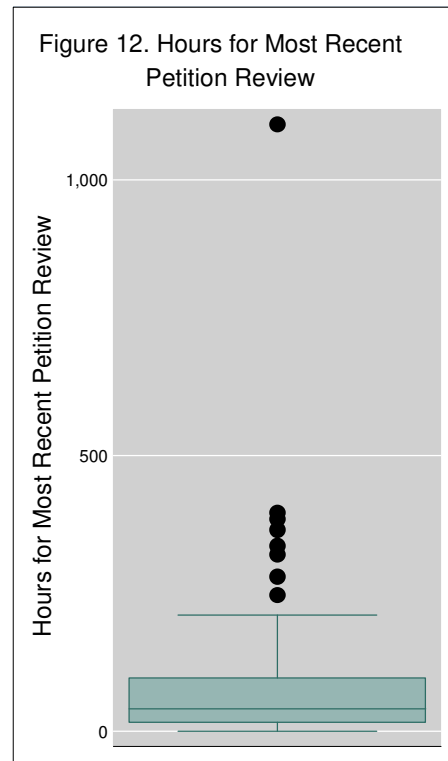
CRB was unable to obtain reliable information on the costs associated with activities other than petition review. As noted earlier in the chapter, we are using petition review as a proxy measure to establish a floor for what is necessary to fund charter authorization. Even with this proxy measure, we suspect that the minimal level of funding necessary for good oversight exceeds what we can predict with the information provided to us. However, with the information we have, we are able to estimate that most authorizers receive sufficient funding for charter petition review using the one- and three- percent formula currently in use in California.

### STAFF TIME AND PETITION REVIEW

Education Code section 47613(g)(1)(G) asks for CRB to report on the “length of time required to review a single charter petition.” Authorizers were asked to estimate the number of staff hours required to review their most recent petition request. Sixty-one authorizers provided estimates, ranging from zero to 560 hours.\* Figure 12 illustrates the distribution of hours used to review the latest petition. The box plot (on the right) illustrates the full range of answers, including a number of outliers.

Here, again because of a number of outliers, we calculated confidence intervals for the number of hours the average authorizer spent on petition review. With 95 percent confidence, we can say the average time spent reviewing a charter petition ranges from 78.36 hours to 131.64 hours.

Education Code section 47613(g)(1)(B) and (C) requires that CRB report on the “staff time spent on reviewing charter petitions measured by the size of school districts and the number of charter petitions received” and “staff time spent on oversight responsibilities by the size



\* Three authorizers reported zero hours for petition review but oversaw one charter school. It appears from the data that the charter authorizers had approved the petition more than a year prior to the survey and were therefore answering questions about the earlier petition. However, in the last year, the authorizer had spent zero hours authorizing petitions.

**Table 12. AVERAGE NUMBER OF HOURS FOR PETITION REVIEW BASED ON TOTAL PETITIONS RECEIVED IN THE PAST FIVE YEARS**

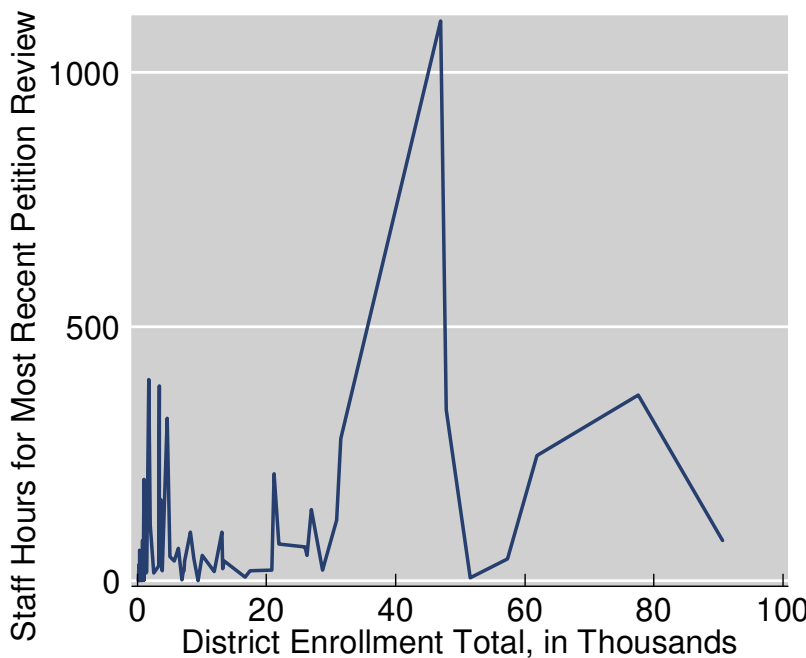
Total Petitions in the Past Five Years	Average Number of Hours Reviewing Latest Petition
0	111.66
1	101.86
2	47.9
3	200.75
4	103.47
6	50
7	48.75
8	150
9	40
11	166
12	165
32	60
40	137.50

of the school district and the number of charter schools.” Measures of staff time provide a second way to measure costs associated with charter school oversight.

To explore the connection between the number of charter petitions and the amount of time spent reviewing a petition, we asked charter authorizers two questions. We asked the authorizer to estimate the number of charters they received in the past five years, including renewals. We then asked them to estimate the total staff time, in hours, spent reviewing the most recent application.

We were looking for one of two potential correlations. First, the number of hours spent reviewing petitions could decrease as the number of petitions reviewed increased. This would indicate that the authorizer was either streamlining the review process or was performing less rigorous reviews as the number of petitions increased. Alternatively, the number of hours for a petition review may increase with the number of petitions received. This would indicate to us that an authorizer was becoming more rigorous as it became more familiar with how to conduct a good petition review.

**Figure 13. Number of Hours for Most Recent Petition Review By Total Students Enrolled in District**

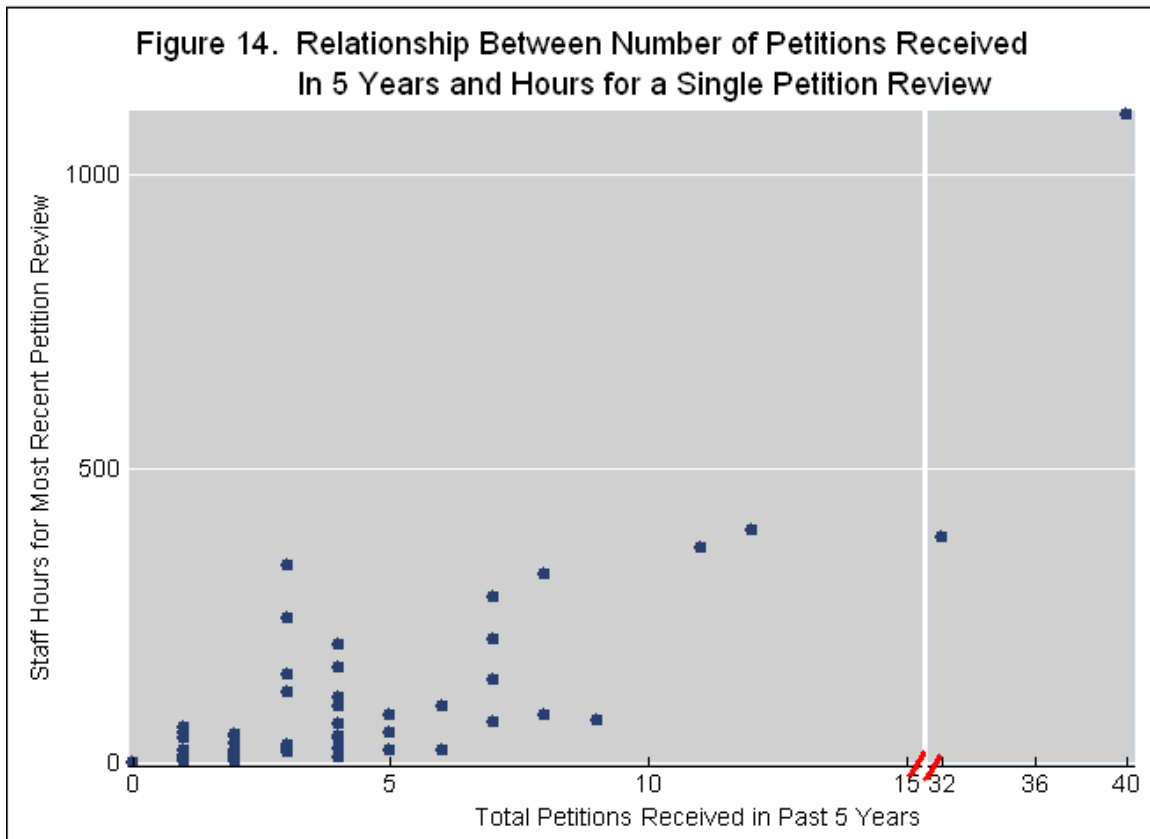


Source: CA Department of Education and CA Research Bureau

We produced a table that listed the number of petitions an authorizer received and the number of hours the same authorizer spent reviewing the most recent petition. Table 12 provides a summary of this information. In the left hand column, we have the number of petitions an authorizer has reviewed in the last five years. In the right column is the average number of hours authorizers with a given number of petitions spent reviewing their most

recent petition. There appears to be no correlation between the two variables. Also to note, there were only single authorizers reporting reviewing nine or more petitions in the past five years.

The next possible correlation we examined was between time spent reviewing a petition and the size of the district. Figure 13 is a line graph relating district enrollment size to hours spent on the most recent petition review. As with the above comparison, we found no correlation.



We examined the amount of staff time spent on charter review in relationship to the numbers of charters received by a given authorizer. We used three statistical tests to measure the interrelatedness of the two measures. Testing for a relationship between staff hours and petition review time or petition review costs showed that no correlation could be determined.

Figure 14 shows the lack of relationship between the number of staff hours used for the most recent petition review (y-axis) to the total number of petitions received in the past 5 years. Most respondents had reviewed fewer than 10 petitions in the past five years. The amount of time spent on the most recent petition had no correlation to the number of total petitions received. Only four respondents reported reviewing more than 10 petitions in the last five years. Each of these authorizers spent more time reviewing the most recent petition than did other authorizers. However, with only four data points, we cannot conclude that staff time for oversight increases as the number of petitions received increases.

## ACCOUNTING

Education Code section 47613(g)(1)(D) requires CRB to define the “best practices for charter school oversight measured by efficiency and effectiveness” and to perform a cost analysis of these practices. As we discussed at length in Chapter Four of this report, best practices for charter school oversight have not yet been established. There are some promising accepted professional standards. However, there is currently no work connecting those standards with outcomes for students.

In 2010, NACSA launched a project to examine the connection between their established “best practices” and outcomes for charter schools. NACSA has the capacity to examine questions about the connection between authorizer practices and charter school outcomes. We encourage the Legislature to follow up with NACSA.

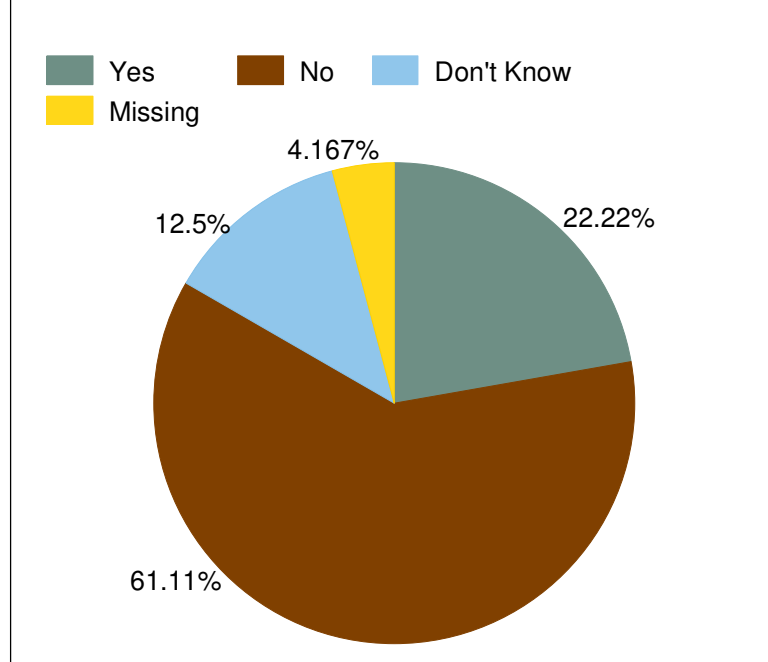
The one area of cost effectiveness CRB can speak to is the reimbursement process for charter school authorizers. Currently, authorizers do

not have to demonstrate that they spend any funds on authorization activities in order to receive Education Code §47613 funds. Authorizers report that they spend more for authorization than they receive in reimbursement funds; however, when asked by CRB, the State Auditor and others, authorizers could not demonstrate where the funds for authorization were used. Establishing basic accounting procedures for authorizer funding appears to be an area in which the Legislature can make improvements.

In our survey of authorizers, a majority (56.9 percent) reported that they spent more on authorization/oversight than they charged. An additional 22 percent reported that the charges were about the same as the expenses. Fifteen percent of authorizers were either unaware of the relationship between the two measures or simply left the question blank. Figure 15 illustrates this.

In addition to asking authorizers to estimate their costs-to-charges for oversight activities, we inquired to see if authorizers had a defined set of categories as to what constituted oversight. Basic accounting principles require that the person assigning costs and

Figure 15. Authorizers With Established Oversight Categories for Accounting Purposes



expenses has a defined set of activities/costs that fit in a given category. For an authorizer to be consistent in what they charge the state and the school for, they need to have some idea what constitutes an “oversight” cost.

Among the 72 authorizers responding to our survey, 61 percent had not established what qualified as an oversight expense. Figure 15 illustrates the breakdown of authorizers with and without accounting categories.

More than half of all respondents stated that they have no established categories they use to account for oversight expenses. As authorizers have only a limited set of guidelines for their activities, they are allowed to qualify many activities they perform as an “oversight” expense and seek reimbursement through schools and the state government. In a review by the State Auditor in 2002, the auditors found that the four authorizers under review charged their schools \$2 million for oversight and charged the state an additional \$1.2 million for oversight activities. They estimate that this represents at a minimum, half a million dollars in duplicate charges.<sup>22</sup> Additionally, the Auditor found that the authorizers failed to account for their expenses.

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*None of the four chartering entities could document that the fees they charged corresponded to their actual costs, in accordance with statute, because the entities failed to track their actual oversight costs. Rather, the entities automatically charged a percentage of charter schools’ revenues, assuming that their oversight costs exceeded the revenues they charged. As a result, the entities may be charging their charter schools more than permitted by law.*

~ California State Auditor, 2002

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The state audit was completed in 2002. Since then, the state of California has added 552 charter schools. The State Auditor’s review examined only 74 of 360 charter schools and found \$500,000 in overcharges to the state. Regulating the reporting of authorize expenses presents the Legislature with the opportunity to step in and help shape what is considered a legitimate expense and what accounting procedures must be followed to improve authorizer accountability.

## **OVERSIGHT ACTIVITIES PROVIDED BY CHARTER SCHOOLS**

California law does not specifically limit oversight activities. This has led to a great deal of variation in terms of the activities performed by charter school authorizers.

The Legislature has specified four general activities a charter authorizer must perform. Section 47604.32 of the Education Code requires chartering authorities to:

- Conduct annual site visits at each charter school;
- Ensure that charter schools comply with mandatory reporting requirements;
- Monitor the fiscal condition of charter schools; and

- Notify the Department of Education when a charter renewal is granted or denied, when a charter is revoked, or when a charter school ceases operation for any reason.

Section 47604.32 also provides that these required duties “shall be funded with supervisory oversight fees collected pursuant to Section 47613.” However, the law does not state that this list of oversight duties is all inclusive. Nor does it state that additional oversight duties cannot be funded with oversight fees.

Education Code section 47613 (g)(1)(A) and (F) require CRB to provide information about the services charter authorizers are required to perform for supervisory oversight and what services authorizers provide that “may be useful in the oversight of charter schools.” The section below explores a range of charter authorizer activities, the revenue sources for these activities, and the accounting for expenses and revenues associated with the listed activities.

We inquired about what services charter authorizers were providing and whether or not they paid for the services with section 47613 oversight funds. Tables 13 and 14 illustrate the inconsistency between authorizers when it comes to services provided and whether or not section 47613 oversight funds were sought to pay for the activity.

While Education Code section 47613 allows authorizers to seek reimbursement for the activities in Table 13, less than a third of all authorizers report the activities were totally paid for by these funds. We were unable to distinguish between authorizers who answered “no” to this question because funding was inadequate and those who answered “no” because they did not seek reimbursement for the activity. If we combine the number of authorizers who report the activity was entirely covered by section 47613 funds and those who reported it was partially covered by these funds, approximately half of all authorizers pay for mandated activities with section 47613 funding.

<b>TABLE 13. CHARTER AUTHORIZER ACTIVITIES AND USE OF §47613 FUNDS FOR MANDATED OVERSIGHT ACTIVITIES</b>						
	ENTIRELY PAID WITH §47613 OVERSIGHT FUNDS	PARTIALLY PAID WITH §47613 OVERSIGHT FUNDS	PROVIDED/ PERFORMED BUT NOT PAID FOR WITH §47613 FUNDS	PROVIDED/ PERFORMED, DON’T KNOW IF PAID WITH §47613 FUNDS	NOT PROVIDED/ PERFORMED BY THIS AUTHORIZER	MISSING
<b>SITE VISITS</b>	21	14	18	12	2	2
<b>NOTIFY CDE OF CHARTER CHANGES</b>	17	9	22	18	8	3
<b>MONITORING SCHOOL FINANCE</b>	24	18	13	13	1	1
<b>COMPLIANCE WITH REPORTING REQUIREMENTS</b>	22	20	12	13	0	1

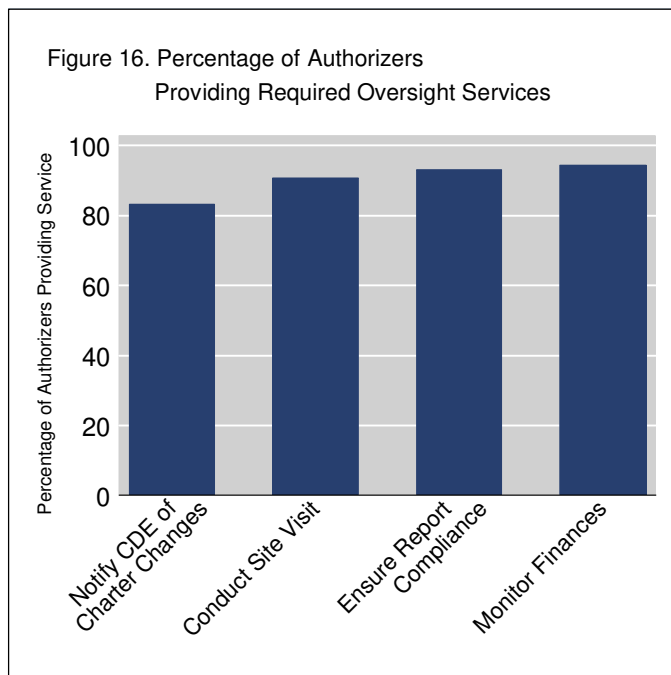


This leaves a significant number of authorizers who either perform a mandated task but do not pay for it with allotted funds, or who do not know where the funding comes from for the specified task. Nearly 15 percent of authorizers report that they are unsure of where the funding for a given activity comes from. This finding indicates that some authorizers may lack sufficient accounting structures to fully track where funds are coming from and what activities they are going to.

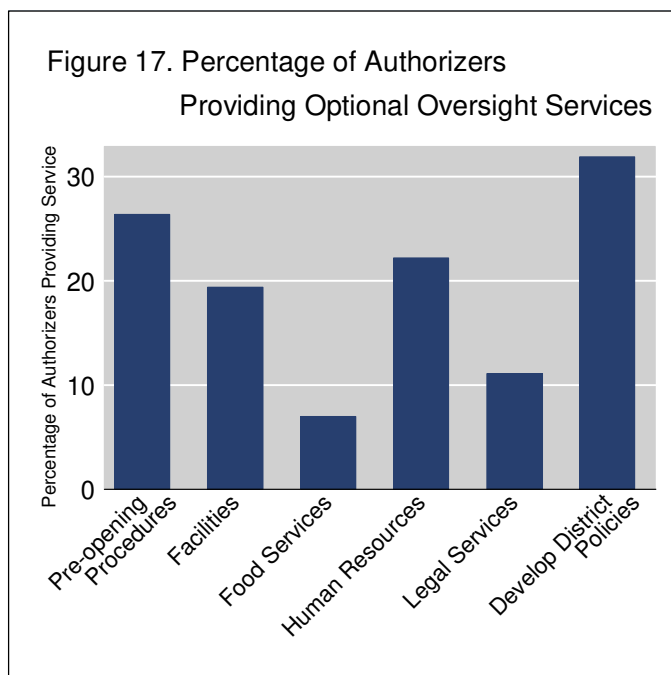
Beyond carrying out the oversight activities mandated by the Legislature, many authorizers provide additional services to their charter schools. These services afford the authorizer a greater opportunity for oversight. CRB sought out information on which services authorizers provided to schools in California. CRB surveyed authorizers about (1) services provided and, (2) fee-for-service arrangements with charter schools. These activities include such services as office support, food service support, and developing district policies for the charter school. While not all charters provide all services listed above, a substantial minority provide additional services to their charter schools.

<b>TABLE 14. CHARTER AUTHORIZER ACTIVITIES AND USE OF §47613 FUNDS FOR OPTIONAL OVERSIGHT ACTIVITIES</b>						
	ENTIRELY PAID WITH §47613 OVERSIGHT FUNDS	PARTIALLY PAID WITH §47613 OVERSIGHT FUNDS	PROVIDED/ PERFORMED BUT NOT PAID FOR WITH §47613 FUNDS	PROVIDED/ PERFORMED, DON'T KNOW IF PAID WITH §47613 FUNDS	NOT PROVIDED/ PERFORMED BY THIS AUTHORIZER	MISSING
<b>OFFICE SUPPORT</b>	5	8	15	4	30	6
<b>PRE-OPENING PROCEDURES</b>	8	9	17	11	18	4
<b>FISCAL SERVICES</b>	8	14	25	8	11	2
<b>LEGAL SERVICES</b>	3	5	15	5	34	6
<b>PROVIDING INFORMATION AND NOTICES TO CHARTER SCHOOLS</b>	18	11	19	13	6	3
<b>HUMAN RESOURCES</b>	5	8	25	11	16	4
<b>REPORTING TO AUTHORIZER BOARD</b>	21	8	24	12	2	2
<b>FOOD SERVICES</b>	0	3	23	5	35	3
<b>FACILITIES</b>	5	8	17	9	27	4
<b>DEVELOP DISTRICT POLICIES</b>	14	13	22	9	8	3

Of the 72 authorizers CRB surveyed, most provided some type of financial service to their school: 94.4 percent monitor school finances, 76.3 percent provide fiscal services to a school, and 62.5 percent offer pre-opening help, which includes assistance setting up accounting and other monitory practices. Additionally, some charter authorizers provided legal services (38.9 percent), office support (44.4 percent) and food services (43.1 percent) to their charter schools. Each service an authorizer provides allows the authorizer the opportunity for additional oversight of the schools in their purview.



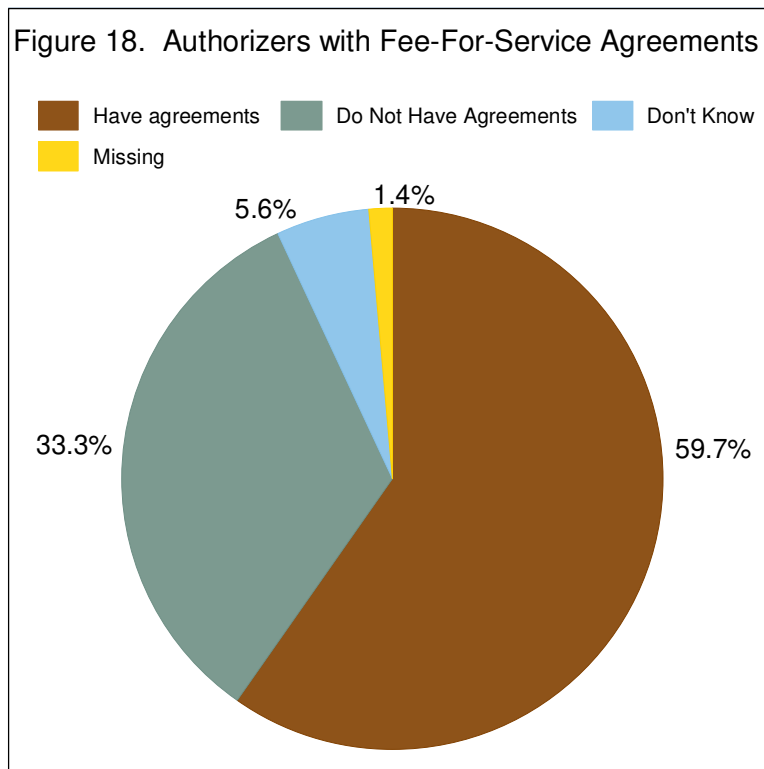
To help the reader understand which activities charter authorizers engage in that afford the authorizer the opportunity for greater oversight, we have converted the table information into a graph. Figure 16 illustrates the percentage of charter authorizers in our survey that provide a mandated oversight service. Figure 17 summarizes the optional oversight services provided by authorizers. Except for food services, legal services, and office support, a majority of authorizers provide the listed services to their charter schools.



The charts also illustrate that charter authorizers are most likely to engage in activities mandated by the Legislature (*e.g.*, monitor a school’s finances, report on compliance issues, and notify the California Department of Education about changes in a charter). However, even when activities are mandated in the Education Code, not all authorizers participate.

The services not mandated by the Education Code may be expensed to the charter school. Forty-three of the 72 authorizers who responded to the study reported they had a “fee-for-service” arrangement with their charter school. Schools also received

support with special education, student testing, and information technology. Fifteen schools reported that they had a “fee-for-service” arrangement with the authorizer for special education services. Ten authorizers mentioned they received support for technology or specific technology-related programs through “fee-for-service” agreements with their charter authorizer.



## CONCLUSIONS

Education Code section 47613(g)(1)(H) requires that CRB provides recommendations “for structuring charter school oversight and accountability in California, including an assessment of whether or not the associated costs specified in subdivisions (a) and (b) and subparagraph (F) are adequate to support appropriate supervisory oversight.” With the current information available to CRB, we are hesitant to make recommendation about structuring charter school oversight and accountability in California. The lack of established best practices and the limited information we gained from the survey leave gaps in our knowledge base, limiting our recommendations.

There are two areas we can make recommendations about. First, our analysis, along with the findings of the State Auditor, RAND, and the Little Hoover Commission, demonstrate that authorizers are not accounting for their authorization costs. In the comments section of the CRB survey, one authorizer even stated that the school and the authorizer “knew” that authorization costs were greater than one-percent of the school’s revenue, so there would be no itemized accounting of costs and the school would simply be charged one-percent of its total revenue. This, along with the other research findings,

suggests to us that the Legislature may want to consider requirements for authorizer accounting practices.

The State Auditor reports that charter school authorizers are not accounting for their costs, but continue to charge both schools and the state maximum allowable amounts for oversight. The Auditor found that just four authorizers accounted for more than \$500,000 in overcharges to the state in 2002. Our survey found that authorizers report that they spend more on authorization than they receive in funding. However, when the cost of reviewing petitions is compared to the income a charter receives, most charters are taking in more money than they are spending.

It remains difficult to gauge the ratio of income-to-expenses because most charters lack a standardized system for authorization charges. Two-thirds of the authorizer we surveyed reported that they had no system in place for categorizing oversight charges. An emerging professional standard in charter school authorizing is the use of established and accepted accounting principles. The Government Accounting Standard Board (one of two generally accepted accounting standards) requires that an entity has established sets of costs and activities that it counts in a single category. Adopting these or similar accounting principles would help future analysts determine if charter authorizers were spending more on authorization than they were receiving in reimbursement funds.

Related to standardizing accounting procedures is the practice of standardizing which activities may be considered oversight and reimbursed. Currently, authorizers are allowed to determine which activities they classify as “oversight” and which activities they request funds for. This allows significant flexibility in oversight procedures and allows the authorizers to determine what they will do as oversight for their individual charter schools.

There are great inconsistencies between authorizers. Using the example from our calculations on hourly cost of petition review, one authorizer reported not charging for petition review and another reported \$1,156.00 per hour of review. Clearly, there is some inconsistency between authorizers as to what they charge per hour and what is being included in their oversight costs. While the Legislature may wish to continue allowing authorizers the level of flexibility they currently have in determining what constitutes an oversight charge, we suggest that it may wish to discuss this matter.

The second part of Education Code section 47613(g)(1)(H) asks CRB to determine if there is currently sufficient funding for charter school oversight. We are hesitant to draw firm conclusions about the level of oversight funding with the current level of knowledge about charter authorizer funding. Most charter authorizers do not consistently categorize oversight activities or consistently account for their costs associated with oversight. Our survey revealed that there are significant differences in the level of oversight provided between authorizers.

We were unable to completely account for all oversight costs incurred by the surveyed authorizers. We gathered some information on the costs of reviewing charter petitions. When the costs of reviewing petitions are compared with the one-percent reimbursement

level, 65 percent of all authorizers would have their costs completely covered. At the three-percent level, more than three-quarters of all authorizers are covered. When the two outliers in our survey are eliminated, the three-percent reimbursement rate provides all reporting authorizers with more funding than petition review costs.

We can not conclude, based on this evidence, that authorizers are receiving sufficient funding. In addition to petition review, authorizers are mandated to conduct site visits and provide financial oversight to their schools. CRB was unable to gauge the costs of these activities. CRB also found inconsistencies in what authorizers required from charter schools for oversight. Without knowing which practices improve charter school oversight (and therefore should be reimbursable) and which activities do not improve oversight, determining the appropriate level of reimbursement is outside the scope of CRB's practice.

What is needed to determine if charter school authorizers are receiving sufficient funding is a full audit of authorizer oversight expenses and reimbursement revenue. In 2002, the State Auditor attempted to do just this and found inconsistencies and lack of accounting of charter school oversight costs. If authorizers recorded what they spent on oversight in a consistent manner, then an analyst could conduct an audit to determine if charter schools were receiving sufficient reimbursement from the state.



## Conclusions and Recommendations

The California Research Bureau (CRB) was mandated by the Legislature to review the best practices associated with oversight and to evaluate if current levels of funding for oversight were sufficient (SB537 (Simitian, Ch. 650, Stats. of 2007)). To do this, CRB reviewed the extant literature on charter school authorizing, consulted with experts in the field of authorizing, interviewed current charter school practitioners and authorizers, and conducted an electronic survey of California authorizers.

CRB endeavored to provide the Legislature with information on best practices in charter school authorizing. The current literature on best practices reveals that no true “best practices” exist for charter school authorizing as of yet. There are professionally accepted standards recognized across research organizations that specialize in charter authorizing. The National Association of Charter School Authorizers (NACSA) has undertaken an empirical evaluation of professionally accepted practices to determine their impact on charter schools. However, their findings are not yet available. The current standards can be used to guide future legislation considerations for charter authorizers. We provide a complete discussion on these practices in “Best Practices and Charter School Authorization” as well as an overview in the “Best Practices” section below.

The second task for CRB was to determine if authorizers currently receive sufficient reimbursement for oversight activities. Overall, we found that authorizers report they spend more money on oversight practices than they receive in reimbursement from the state. However, authorizers do not consistently account for the staff time or costs associated with oversight activities. Authorizers vary greatly in both their oversight activities and the amount they charge for oversight.

CRB was unable to determine if charter authorizers are sufficiently funded for oversight activities. This is due primarily to the fact that most authorizers fail to track staff time or costs associated with oversight activities. Additionally, those who did report costs associated with authorizing varied widely. While some authorizers report not charging for activities such as petition review, others charged more than \$100,000 for the same activity. This variability was not associated with district size or the number of charter schools an authorizer oversaw.

Our findings, while limited, allow us to make four suggestions to the Legislature. First, we suggest that charter schools be required to make their charter or petition available to the public. Some schools provide access to their charter while others make it very difficult for the public to obtain. Making the charter available would increase transparency and allow parents to begin to hold the school accountable for its stated performance goals. Second, we suggest that charter authorizers be required to account for their oversight costs. This would allow the state to know if it is over- or under-funding charter school authorizers. Third, we suggest the Legislature review charter school oversight activities and determine which activities they wish to provide reimbursement for. Currently, authorizers have no statutorily demarcated limits on the activities for which they may charge. This has led to a plethora of activities being qualified as “oversight.” Fourth, in line with professionally accepted standards, we

suggest the Legislature encourage the use of multiple metrics to evaluate charter school performance. Current practice limits performance measures to the use of standardized tests. Professionally accepted standards use both standardized tests and additional measures of success.

**TABLE 15. RECOMMENDATIONS**

1. Charter schools should make their charters publicly available for free.
2. Charter authorizers should develop a consistent system to account for oversight costs. Authorizers should make this information available for audits.
3. The Legislature should review oversight activities and determine which activities to pay for with Education Code section 47613 funds.
4. The Legislature should encourage charter authorizers to use multiple metrics to evaluate charter school performance.

This chapter contains both a discussion of our findings and recommendations for the Legislature. We have broken down the chapter into four sections: best practices, survey results, authorizer funding, and recommendations. The best practices section reviews the findings we discussed at length in chapter five. The survey results section provides our interpretation of the findings from the survey and supplemental interviews. Both the best practices and survey results sections are slightly redundant with their respective chapters. We designed the conclusion this way so that individuals who just review the conclusion will not miss out on key information and findings. We include a section that discusses authorizer funding. Finally, we provide four recommendations to the Legislature for future action.

## **BEST PRACTICES**

Education Code section 47601 requires CRB to examine the best practices for charter schools and make recommendations to the Legislature on which of these practices would improve charter school authorizing in California. Our examination of the literature revealed that true “best practices” do not exist. Because of this, we were not able to provide the Legislature with the requested cost/benefit analysis of these practices. What we were able to do is examine the established professionally accepted standards and base our recommendations on these standards.

These standards are gaining recognition and are amassed and refined by the National Association of Charter School Authorizers (NACSA). While NACSA is not the only source for professional standards for charter schools, they are viewed in the authorizer community as a prime source for information on best practices. NACSA not only provides information about the implementation of professional standards, but is currently



conducting empirical research to determine which of these practices leads to better outcomes for charter schools.\*

We used the practices advocated by NACSA as a starting point to explore best practices in charter school authorizing. For practices associated with the general management of charter schools, we reviewed the literature and work by three other organizations<sup>†</sup> and compared these organizations' findings with NACSA's recommendations (see Appendix E for the aligned standards). Overall, two general practice areas stood out: transparency and the use of data-driven decision making. Additionally, striking a balance for school autonomy, using multiple metrics for charter school evaluation, and developing a highly qualified staff were consistently recommended practices.

All four organizations advocated practices that made parts of the charter authorization process more transparent. Charter schools are premised on public accountability. Measures that increase that accountability are seen as a way to make schools more responsive and improve their performance. Actions such as publishing the standards for charter school applications, writing letters to parents about the performance of a failing charter school, and having open public meetings about a charter school's performance are all promoted as "best practices." The goal of this transparency is to empower parents and the community to act on behalf of the school and students. (See Appendix H for examples of other states' charter school transparency laws).

We examined the practices of other states in terms of transparency. We found many different approaches to making charter school information transparent. Some states require that charter schools post performance data and state report card results online or in the newspaper. Other states require that data on student performance be made available to research agencies for a fee. One state requires that charter schools publish financial performance data on the Internet. Additionally, the federal government has sought to make charter schools post information on their revenue and expenditures online (these efforts have failed so far). All of these actions have been undertaken to make charter school information more available to the public and increase charter school accountability.

CRB attempted to obtain examples of charters for this research project. Charters provide information on performance goals, charter school missions, measures and metrics expected to be used to determine performance. Knowing these things would help us evaluate an authorizer's attempts to hold a charter school accountable for meeting the requirements set forth in the charter. For parents, charters provide information to help hold a charter school accountable for performance.

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\* NACSA anticipated the release of these results at the end of 2011.

<sup>†</sup> The other three organizations included the U.S. Department of Education, the Center on Reinventing Public Education, and the Thomas Fordham Institute.

CRB encountered extensive difficulties obtaining copies of charters from most districts. The initial contact e-mail we sent to authorizers explained that we were a nonpartisan research organization conducting state mandated research and to that end, we were requesting a copy of a single charter for a school in their oversight jurisdiction. We had a 10 percent response rate from authorizers. Additionally, certain school districts raised substantial roadblocks to obtaining their charters (see the box “Transparency and School Charters” on page 60). Without a charter, it is difficult for CRB or parents to hold charter schools accountable for pre-established performance goals.

CRB suggests the Legislature mandate that charter schools make their charters available to the public. Some schools and districts already engage in this practice. These entities post the school’s charter online or make an electronic copy available at no cost. Charters already exist in electronic format for most schools. CRB believes the additional step of requiring either electronically posting a charter to the internet or making copies available electronically (*e.g.*, attaching documents to email requests) would impose minimal hardship on charter schools. Interested parents and community members would then have a tool to help hold a charter school accountable to pre-agreed upon performance measures.

The second and third major professionally accepted standards are the use of data-driven decision making and employing multiple metrics of educational success. Charter schools are supposed to be judged on their performance. Having data readily available and actually employed in decision-making is crucial in justifying an authorizer’s actions. Additionally, using multidimensional metrics increases the number of issues taken into consideration when a school is approved or renewed.

All organizations that worked on charter school authorizer best practices advocate using multiple metrics to evaluate charter school performance. Using multiple sources of data to decide to authorize a school, to continue or fail to renew a charter or to close a school helps authorizers improve their decision-making process and legitimates the outcomes for the public.

Multiple metrics include the use of standardized tests. Each of the four organizations that examine best practices for charter schools recommends the use of standardized testing as part of a package of performance measures. The use of the same standardized tests that are used in other public schools allows researchers to compare performance between students in charter schools and those in traditional public schools. With longitudinal tracking and the appropriate controls, this data can help determine the “value added” of a charter school.

In addition to single-year performance measures, NACSA and other organizations recommend the use of longitudinal data on standardized test performance. Tracking student academic growth, progress toward graduation, and progress toward college or job readiness allows a school to determine if it is making adequate progress. To track this progress, a longitudinal database that can track individual student performance is needed. California is in the process of developing such a database, CALPADS.

CALPADS (California Longitudinal Pupil Assessment Data System), once completed, will allow each student to be assigned an individual identification tracking number. This allows schools to input information like test scores from standardized tests for the student over the course of K-12. Florida has just such a system that it has expanded to K-20. This has allowed Florida to measure school level performance and determine which schools, what type of schools, and what other factors influence student success through college and into the working world. CALPADS could, if completed and utilized, have this capability.

Multiple measures include non-standardized test-based measures as well. Measures such as four-year graduation rates, drop-out rates, the number of students passing AP exams, and performance on national exams such as the National Assessment of Education Progress (NAEP, a.k.a. “Nation’s Report Card”) are suggested as other useful measures. Each of these measures of success reveals a different aspect of school performance. Some may be more relevant to specific charter schools than others. Since charter schools are over-represented amongst schools that serve non-traditional populations (*e.g.*, “at-risk” youth, students that have previously dropped out), measures such as five-year graduation rates or meeting minimal proficiency levels on state exams, may be better measures of success than the number of students accepted to four-year colleges.

The two other generally agreed upon “best practices,” developing a highly qualified staff and balancing school autonomy, have fewer suggested practices than do transparency and data-driven decision making. While both practices are discussed by multiple charter authorizer research organizations as important for developing strong authorizers, the literature is comprised of case studies and lacks clarity on developed general practices to apply to other charter authorizers.

Autonomy is especially tricky for research organizations to deal with. The charter authorizers’ studies for best practices offer varying levels of autonomy to their charter schools. Charter schools are premised on performance in exchange for autonomy from state regulation. However, charter authorizers are state entities that are responsible for assuring charter schools meet certain performance criteria. Determining when an authorizer should intervene with a floundering charter school and when a school should be autonomous in figuring out a solution to a problem is not a bright line.

Complicating this issue for the Legislature is the difference in opinion between major charter authorizer research organizations. CRB suggests the Legislature currently refrain from mandating when an authorizer must intervene in a charter school’s operations. Allowing the school and authorizer to develop a comfortable level of autonomy between the two entities is appropriate at this point in time.

The fourth professionally accepted standard for charter school authorizers is hiring and retaining qualified staff. As with autonomy, this is an area that is difficult to legislate. Each authorizer will have some common needs for charter school oversight (*e.g.*, staff with the ability to read a financial audit) and some will have unique needs (*e.g.*, districts with charters that serve drop-outs will need staff who understand alternative evaluations of success).

One factor in hiring and retaining qualified staff is salary level. The Legislature has asked CRB to evaluate if current reimbursement levels for charter school oversight are sufficient. One factor in determining sufficient funding levels is determining at what salary level an organization can retain qualified oversight staff. Current accounting techniques of charter school authorizers and CRB survey methodology limited our capacity to determine the current pay scale for oversight personnel. We encourage the Legislature to conduct a time and salary survey of oversight personnel, after authorizers have implemented consistent oversight activity accounting standards, to determine salary levels for various oversight staff. This process will help the Legislature determine if current funding levels are sufficient for charter school oversight.

We encourage the Legislature to think creatively about configuring charter authorizers and their staff. Current legislation allows each school district to authorize individual charter schools. This requires that each district, more than 1,000 in California, dedicate staff time and resources to charter school oversight. While fewer than 300 districts have currently authorized at least one charter school, to bring charter schools to scale will require creative thinking about use of staff time.

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*Charter responsibility has been layer[ed] over the top of an already existing job – doing more in the same amount of time.*

~ Charter authorizer in response to CRB question about any significant challenges for charter authorizers, 2008.

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Qualified charter oversight staff are a limited resource. Salary funds for these staff are also limited. Over 50 percent of school districts in California authorize only a single charter school. This requires each of these districts to set aside time and resources to train a staff member in charter school oversight in order to develop qualified personnel. Charter authorizers repeatedly reported to CRB that current levels of funding impacted their capacity to conduct oversight. This includes their capability to develop competent oversight staff.

One possibility for thinking creatively about using limited funds and trained staff would be for the Legislature to allow school districts to pool money and resources for charter school authorizing. A second alternative would be to create regional charter authorizers instead of district level authorizers. These options may be proposed in addition to or as a replacement to current authorizing structures.

CRB offers the above examples only as possible options for the Legislature to consider. Clearly, such suggestions need to be developed more fully. Our point, however, is that there are creative options the Legislature can introduce that would encourage hiring and retention of qualified authorizer staff.

The best practices section of this report explores the recognized professional standards for authorizers. To see what California authorizers were actually doing, we administered

an electronic survey. Overall, we found great inconsistencies in practices and costs incurred by authorizers. The next section summarizes our survey findings.

## **SURVEY RESULTS**

CRB administered a 28-question electronic survey to authorizers in California. Approximately 28 percent of the then-current authorizers responded to the survey. Overall, the survey revealed inconsistencies between authorizers. Organizations varied widely in the amount of staff time and money they invested in oversight. Additionally, authorizers were inconsistent with the activities they associated with oversight. We also found that authorizers could not provide reliable numbers for the costs associated with oversight.

Most authorizers reported that they spent more on oversight than they received in funding. However, we found very few authorizers that actually tracked these expenses. Estimates for costs of petition review ranged from \$0 to \$122,500 for a single petition. Staff time invested in review of a single petition ranged from 0 to 560 hours. Neither staff time nor cost associated with petition review were correlated with the size of the district, the number of schools an authorizer oversaw, or the number of petitions reviewed in the past five years.

Authorizers provided a wide range of services to charter schools, ranging from fiscal oversight to food service. Authorizers were inconsistent in applying Education Code section 47613 funds to oversight activities. About half of all authorizers paid for activities listed in Education Code section 47607.32 with section 47613 funds, either entirely or partially. Other authorizers performed these tasks, but did not apply section 47613 funds to the cost of the activity. Many of the authorizers surveyed applied section 47613 funds to activities not specified in Education Code section 47607.32. Authorizers reported using section 47613 funds for human resource, legal, and other “services” provided to a school. The application of these funds was also inconsistent.

We attempted to correlate several measures of cost and staff time with district size, number of schools overseen by an authorizer, and other measures. We found no consistent correlations. This leads us to conclude there is no consistency in authorizer activities or reported expenses.

## **OVERSIGHT REIMBURSEMENT**

The Legislature required that CRB evaluate the costs incurred by authorizers for oversight activities and recommend an appropriate reimbursement level. Consistent with findings from the State Auditor, the Little Hoover Commission, and RAND, CRB found that authorizers do not track expenses associated with Education Code section 47613 funds. Most authorizers self-report they spend more than the one- or three- percent cap on authorizing activities. As a result, authorizers generally charge the maximum amount for reimbursement without accounting for the funds they receive.

This practice limited the information authorizers could provide to CRB on actual costs incurred for oversight. When asked on the survey what the estimated costs of oversight

activities for FY2006-07 were, not a single authorizer provided a dollar amount. Several responded by stating that they did not track these costs or that they had an agreement with their school to simply charge one-percent and assume the authorizer incurred more than this amount in expenses.

To try and answer the question of sufficiency of funding, CRB compared California practice with other states. California funds its charter authorizers by setting aside one- or three- percent of a school's general revenue for the authorizer, depending on if the authorizer provides substantially rent-free facilities. For the one-percent formula, authorizers in California receive less on average than other states that use this method of funding. At the three-percent level, most authorizers receive more than the average state authorizer. Of the 16 states that base authorizer reimbursement on a percentage of charter school funds, most allow authorizers to charge between two and three percent of a school's general fund budget in authorizing fees.

CRB found there is no magic formula for funding authorizers. Professionally accepted standards suggest that each authorizer have at least one full time employee dedicated to oversight. California has a large number of authorizers that have only a single charter school. Dedicating a full time equivalent staff position for oversight may not be feasible for small authorizers. On the other hand, districts with many charter schools (*e.g.*, Los Angeles Unified School District, Fresno Unified School District) may receive significantly more funding than they spend on oversight. This is an area where creative use of funding and personnel could greatly improve the method of oversight.

CRB was able to conclude that most authorizers receive sufficient funding to cover petition review, for both new petitions and renewal petitions. However, petition review is not the sum of oversight activities. In order to fully answer the Legislature's question of funding sufficiency, charter authorizers need to track oversight expenses and provide information about those expenses to an analyst.

## **RECOMMENDATIONS**

Based on our findings about best practices and charter authorizer practices in California, CRB has developed four key recommendations. First, we suggest charter schools should make their charter publically available. Second, authorizers should have to account for their oversight costs in order to be reimbursed from charter schools and the state. Third, we suggest the Legislature discuss which oversight activities it wants to continue to reimburse charter schools for. Fourth, we suggest the Legislature encourage the use of multiple measures for charter school success, including the use of longitudinal test scores. Each recommendation is discussed in-depth below.

### **Make School Charters and Charter Petitions Available to the Public**

Charter schools are premised on the idea that they can be held accountable to performance standards. California law requires that a charter school specify academic and fiscal goals in their charter petition. The petition or the charter becomes the document to which future performance is supposed to be compared. To effectively hold

a charter school responsible for meeting its stated performance goals, parents and the general public need to know what these goals are.

In California, some schools provide their charter to the public and others make it incredibly difficult to obtain. We found a number of schools that place their charter on the school website for anyone to access. Other schools had formal petition processes and charged for copying fees to obtain their charters. Some schools simply did not respond to multiple requests to view their charter.

Making the charter easily available to the public increases transparency and enables parents to better exercise their role in holding the school responsible for performance. Making a charter available to the public is a useful service and is not overly burdensome for the charter school. We suggest the Legislature consider making this a requirement of all charters in California.

### **Account for the Use of Education Code section 47613 Funds**

Currently, charter school authorizers in California may withhold a percentage of a school's general fund budget and request additional reimbursement from the state for charter oversight activities without fully accounting for the use of these funds. Charter authorizers report that they spend more on oversight than they receive in reimbursement, and lack of funds limits the amount of oversight they can provide a school. However, when the State Auditor attempted to account for oversight spending, it found that charter schools did not account for section 47613 funds. Six years later when CRB asked authorizers about their expenses, not a single authorizer replied with an actual dollar figure. Most authorizers simply stated they spent more than they were reimbursed for with section 47613 funds. Several respondents explicitly stated they did not make a habit of accounting for funds and just assumed they spent more than they requested in reimbursement.

Our survey findings revealed that authorizers vary widely on what they charge for activities. We gathered information specifically on petition review. While the average authorizer spent approximately \$12,000 on a single petition review, some spent as little as \$500 while others spent more than \$100,000. We found no correlations between the amount charged for petition review and the size of the district, the number of schools a specific authorizer had, or the amount of staff time invested in the review. Similar to the State Auditor's conclusions in 2002, we suspect there might be some double-billing occurring and other accounting problems when it comes to oversight expenses.

More than half of all authorizers report they do not have a system to classify oversight expenditures. Lack of a standardized accounting system presents a variety of problems. There are inconsistencies in the activities billed for, some activities are billed for in multiple categories, and there is no way to understand the actual cost of oversight. While we are not suggesting the Legislature determine exactly how to account for all costs in a micromanagement methodology, we suggest it may wish to consider the need for authorizers to develop a consistent way of accounting for oversight costs. One option would be to require authorizers to adopt the Generally Accepted Accounting Principles or another similar accounting system for oversight funds.

There is a second component to this recommendation. There must be a body that oversees authorizers or an incentive system to make the practice of accounting for expenses effective. Currently, no organization oversees authorizers. This has allowed authorizers to develop unique relationships with the schools they oversee, but has also allowed for great inconsistencies between authorizers. It also leaves open the possibility for poor oversight, and for overcharging schools and the state for oversight expenses.

CRB does not offer a specific suggestion for the form of authorizer oversight. In our discussion of market incentives and the development of CMOs, it became clear that incentivizing good authorizer practices through market mechanisms is possible. Charter authorizer oversight does not necessarily have to be a command-and-control structure through a government agency. However, identifying a state agency that could intervene when alerted of a problem by a third party (*e.g.* community organization, parents) may also be an effective way to monitor and intervene with an authorizer that is not performing its duties in an acceptable manner.

While there are arguments to be made for maintaining a lack of authorizer oversight, the State Auditor provides a good reason to implement an accountability system, at least for the purpose of cost accounting. In their 2002 audit of only four authorizers, the State Auditor found \$500,000 in overcharges to the state.<sup>22</sup>

### **Determine Which Oversight Practices to Pay For with Education Code section 47613 Funds**

Currently there are no statutorily set limits on what activities may be qualified as “oversight” and paid for with 47613 funds. The way the Education Code statute is written, charter authorizers may seek reimbursement for any activity they deem “oversight.” The CRB survey found there were a large number of activities paid for by section 47613 funds. Authorizers paid for everything from site visits (mandated by Education Code section 47607.32) to legal services, facilities operation, and maintenance (not mandated in the Education Code).

Additionally, there is confusion amongst authorizers as to whether they can seek section 47613 funds for specific activities. While 36 percent of all authorizers paid for the costs associated with notifying the Department of Education about charter petition changes (an activity they must perform according to the Education Code) another 30 percent performed the activity but did not seek section 47613 funds to cover the cost. Fully one-quarter of all authorizers reported conducting this activity but not knowing if section 47613 funds were used to cover the expense.

In our interview with charter school operators, we found there were inconsistencies in the amount of oversight a school received. One operator with schools under nine different authorizers reported that each authorizer had a different set of requirements for oversight, but each authorizer charged the maximum allowable dollar amount for oversight. While it is possible for two authorizers to arrive at the same expense, we question the consistent ability of authorizers to reach the maximum amount of reimbursable costs while performing significantly different activities.



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*Districts need better descriptions of what is included in oversight and what is not oversight that can be charged for fee-for-service.*

~ Charter authorizer comment on CRB Survey, 2008

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The intention of the original charter schools act was to allow authorizers and schools the necessary leeway to develop their own relationship and determine what activities were best for both parties. The Legislature may still wish to take this approach. However, there is value in discussing which activities the Legislature sees as legitimate for section 47613 fund reimbursement. For example, is providing food services to a school a legitimate use of 47613 funds (three of 72 authorizers reported using section 47613 funds for food service)? What about legal services offered to charter schools? Human resources?

The Legislature has created alternative routes for authorizers to be paid for services. Authorizers and their schools may enter into a fee-for-service agreement. Fully 60 percent of authorizers already have these agreements with their schools. The question the Legislature needs to answer is which expenses should be paid for with section 47613 fund pot and which should be paid for through other means? While CRB cannot provide a definitive answer to this, we suggest the Legislature discuss the topic and come to a consensus.

### **Encourage the Use of Multiple Metrics**

Charter schools base their legitimacy on the ability of various groups to hold them accountable to performance standards. This implies that some form of data will be used to evaluate charter school performance. Standardized testing is the most studied and widely used measure of school performance. However, professionally accepted standards encourage the use of more multiple metrics for charter school evaluations.

Schools may be measured across a broad spectrum of success measures: graduation rates, drop-out rates, AP courses offered and passed, students placed in colleges or technical schools, longitudinal gains on standardized tests, number of charity hours students and staff donate to the local community, and so on. Charter schools begin by constructing a mission and a set of goals. These can be used to determine which measures and metrics are appropriate for determining success.

The Legislature can encourage charter authorizers to use multiple metrics for charter school evaluation. Currently, charter schools in California must use the same standardized tests for their students as every other public school. The Education Code specifies minimal performance levels on these standardized tests for charter renewal. (Education Code §47605.5) This has made standardized testing a measure by which charter schools are evaluated.

NACSA, the Little Hoover Commission, the California Charter Schools Association and other organizations support the Legislature's decision to mandate that charter schools meet the same performance requirements as other public schools. In their 1996 report on

charter schools, the Little Hoover Commission recommended the state Legislature mandate that charter schools meet the same performance measures as traditional public schools. The passage of AB3384 (Knox, Ch. 786, Stats. of 1996) made this a requirement.

Currently, charter schools and traditional public schools are evaluated annually based on several statewide standardized tests. While yearly performance at the school level can be assessed, California's ability to further delineate progress amongst individual students has been limited. Currently, a longitudinal data system (CALPADS) is under development. This system will allow state agencies to track the progress of students on several key tests and make allowances for important factors that impact performance. Adding the longitudinal component to standardized test measurement should improve our understanding of the differences between charter school and traditional public school performance.

Professionally accepted standards encourage the use of non-standardized test based measures for charter school evaluation as well. Several key metrics have been developed for examining school performance which do not rely on standardized tests. These are described at length in Appendix F1. Through mandate or legislated options, charter authorizers could be encouraged to use one or several of these additional measures to evaluate the charter schools they oversee.

## **FUTURE STEPS**

CRB was unable to complete the full analysis requested by the Legislature. However, the field of charter authorizing continues to develop, and the Legislature has the opportunity to substantially improve the possibility a future analyst could answer all the questions posed in Education Code section 47613. By the end of 2011, NACSA anticipated having early answers about the connection between authorizer activities and outcomes for charter schools. This will greatly improve our knowledge about best practices. Additionally, implementing a requirement that authorizers account for their oversight expenses would allow a future analyst to gain information to assist in answering the question of sufficiency of reimbursement levels.

The questions the Legislature posed to CRB are important. We have endeavored to answer them as fully as possible with the current state of information from charter schools. We recognize the need for further analysis and encourage the Legislature to work with researchers to design a method for answering these important questions.

## Appendix A: Advisory Panel

### ADVISORY PANEL FOR CALIFORNIA RESEARCH BUREAU CHARTER SCHOOL OVERSIGHT STUDY

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## **Appendix B: Charter School Authorizer Survey Tool**

The following pages reproduce the charter school authorizer survey tool used by the California Research Bureau. The survey was conducted electronically, using Survey Monkey, between April 14, 2008 and May 16, 2008.



SB 537 (Chapter 650, Statutes of 2007) requires the California Research Bureau (CRB) to prepare and submit to the Legislature a report on charter school oversight. The results of the following survey will be the key component of the report. The accuracy and quality of the report depend on your participation. PLEASE COMPLETE THIS SURVEY NO LATER THAN FRIDAY MAY 2, 2008.

Survey responses will be collected and analyzed by CRB staff only. All survey data will be reported at the aggregate level. Your organization's specific data will not be reported separately.

Survey Instructions:

If you exit the survey prior to completing it, your answers will not be saved when you return. It is suggested that you print a hard copy of the survey, and complete the survey online after determining your answers.

You may only submit one completed survey. If you accidentally submit the survey (by clicking the "done" button at the bottom of the survey) prior to completing it, or need to return to the survey to edit previous responses, please contact the survey administrator (Chris Marxen; 916-653-1252; gboyken@library.ca.gov) to obtain a new link that will allow you to return to the survey.

If you have questions about this survey, contact Chris Marxen, Assistant Director, at 916-653-1252 or gboyken@library.ca.gov. The California Research Bureau (CRB) is a unit of the California State Library that provides nonpartisan research services to the Governor and his staff, to both houses of the legislature, and to other state elected officials.

**1. NAME: Name of the person answering the survey.**

NAME: Name of the person answering the survey.

**2. PHONE NUMBER: Phone number of the person answering the survey.**

PHONE NUMBER: Phone number of the person answering the survey.

**3. NAME OF CHARTERING AUTHORITY: Please indicate the name of your organization (i.e., the name of the school district or county office of education).**

NAME OF CHARTERING AUTHORITY: Please indicate the name of your organization (i.e., the name of the school district or county office of education).

**4. TYPE OF CHARTER AUTHORITY: Please indicate whether your organization is a:**

- TYPE OF CHARTER AUTHORITY: Please indicate whether your organization is a: School District (including a county wide school district)
- County Board of Education
- State Board of Education
- Don't know

Other (please specify; e.g., a school district that has charter schools, but is not an authorizer)

**5. NUMBER OF CHARTER SCHOOLS OPERATING IN FISCAL YEAR 2006-07: Please indicate the total number of charter schools that were operating (i.e., open and serving students) under this authorizer during the fiscal year that ended in June 2007.**

NUMBER OF CHARTER SCHOOLS OPERATING IN FISCAL YEAR 2006-07: Please indicate the total number of charter schools that were operating (i.e., open and serving students) under this authorizer during the fiscal year that ended in June 2007.

**6. TOTAL PETITIONS RECEIVED IN THE PAST 5 YEARS: Please estimate the total number of charter school petitions (including renewals) that this chartering authority has received since January 2003.**

TOTAL PETITIONS RECEIVED IN THE PAST 5 YEARS: Please estimate the total number of charter school petitions (including renewals) that this chartering authority has received since January 2003.

**7. STAFF TIME DEVOTED TO REVIEWING CHARTER PETITIONS: For the most recent charter petition that your staff reviewed, please estimate the total staff time, in hours, that was spent on the review process.**

STAFF TIME DEVOTED TO REVIEWING CHARTER PETITIONS: For the most recent charter petition that your staff reviewed, please estimate the total staff time, in hours, that was spent on the review process.

**8. COST OF REVIEWING CHARTER PETITIONS: For the most recent charter petition your office reviewed, please estimate the total cost of the review process.**

COST OF REVIEWING CHARTER PETITIONS: For the most recent charter petition your office reviewed, please estimate the total cost of the review process.

**9. DURATION OF APPROVAL PROCESS: For the most recent petition that your office reviewed, please indicate the number of days from the time that office staff first began working on the review process (including any work that might have been done prior to the formal submission of a petition), until the board approved or denied the petition. The total duration should include the time it took to review all petitions or amended/ revised petitions submitted for the same school by the same applicant.**

DURATION OF APPROVAL PROCESS: For the most recent petition that your office reviewed, please indicate the number of days from the time that office staff first began working on the review process (including any work that might have been done prior to the formal submission of a petition), until the board approved or denied the petition. The total duration should include the time it took to review all petitions or amended/revised petitions submitted for the same school by the same applicant.

**10. OUTCOME OF MOST RECENT PETITION REVIEWED: For the most recent petition your office reviewed, was the petition:**

- OUTCOME OF MOST RECENT PETITION REVIEWED: For the most recent petition your office reviewed, was the petition: Approved by the board?
- Denied by the board?
- Withdrawn prior to board vote?
- Other (please specify)

**11. PROCEDURES FOR ENSURING THAT STATUTORY TIMELINES ARE MET: Has this authorizer adopted a set of procedures or guidelines to ensure that the board complies with the statutory guidelines (i.e., hold a public hearing within 30 days and either grant or deny the petition within 60 days -- or 90 days by mutual agreement)?**

- PROCEDURES FOR ENSURING THAT STATUTORY TIMELINES ARE MET: Has this authorizer adopted a set of procedures or guidelines to ensure that the board complies with the statutory guidelines (i.e., hold a public hearing within 30 days and either grant or deny the petition within 60 days -- or 90 days by mutual agreement)? Yes
- No
- Don't know

If yes, please provide a brief description

**12. CHARTER APPLICATION AND APPROVAL PROCESS: In the charter application and approval process does your office:**

	<b>Yes</b>	<b>No</b>	<b>Don't know</b>
<b>Post information on a website to help potential applicants understand the charter petition process and requirements?</b>	<input checked="" type="radio"/> * CHARTER APPLICATION AND APPROVAL PROCESS: In the charter application and approval process does your office: Post information on a website to help potential applicants understand the charter petition process and requirements? Yes	<input type="radio"/> Post information on a website to help potential applicants understand the charter petition process and requirements? No	<input type="radio"/> Post information on a website to help potential applicants understand the charter petition process and requirements? Don't know
<b>Hold workshops for potential applicants?</b>	<input checked="" type="radio"/> Hold workshops for potential applicants? Yes	<input type="radio"/> Hold workshops for potential applicants? No	<input type="radio"/> Hold workshops for potential applicants? Don't know
<b>Have an application scoring rubric or evaluation guide that is available to applicants before they submit a petition?</b>	<input checked="" type="radio"/> Have an application scoring rubric or evaluation guide that is available to applicants before they submit a petition? Yes	<input type="radio"/> Have an application scoring rubric or evaluation guide that is available to applicants before they submit a petition? No	<input type="radio"/> Have an application scoring rubric or evaluation guide that is available to applicants before they submit a petition? Don't know
<b>Offer informal meeting(s) with the applicant to assist with the petition or with the review process?</b>	<input checked="" type="radio"/> Offer informal meeting(s) with the applicant to assist with the petition or with the review process? Yes	<input type="radio"/> Offer informal meeting(s) with the applicant to assist with the petition or with the review process? No	<input type="radio"/> Offer informal meeting(s) with the applicant to assist with the petition or with the review process? Don't know
<b>Provide feedback to an applicant and the opportunity to revise a charter proposal prior to the board vote?</b>	<input checked="" type="radio"/> Provide feedback to an applicant and the opportunity to revise a charter proposal prior to the board vote? Yes	<input type="radio"/> Provide feedback to an applicant and the opportunity to revise a charter proposal prior to the board vote? No	<input type="radio"/> Provide feedback to an applicant and the opportunity to revise a charter proposal prior to the board vote? Don't know

Other (please specify)

**13. TOTAL STATE REVENUE FOR ALL OF THE AUTHORIZER'S CHARTER SCHOOLS: For fiscal year 2006-07, what was the combined total**



**of the general purpose entitlements and categorical block grants (i.e., the revenue base from which oversight fees for charter schools are calculated -- EC 47613(f)) for all of the charter schools under your office's authorization? Please indicate the dollar amount below.**

TOTAL STATE REVENUE FOR ALL OF THE AUTHORIZER'S CHARTER SCHOOLS: For fiscal year 2006-07, what was the combined total of the general purpose entitlements and categorical block grants (i.e., the revenue base from which oversight fees for charter schools are calculated -- EC 47613(f)) for all of the charter schools under your office's authorization? Please indicate the dollar amount below.

**14. TOTAL AMOUNT CHARGED TO CHARTER SCHOOLS FOR OVERSIGHT UNDER SECTION 47613 OF THE CALIFORNIA EDUCATION CODE: For fiscal year 2006-07, what was the total amount that your organization charged charter schools for oversight under Section 47613 of the California Education Code? This should be the combined amount of oversight charges for all charter schools under your organization's authorization. Please indicate the dollar amount below.**

TOTAL AMOUNT CHARGED TO CHARTER SCHOOLS FOR OVERSIGHT UNDER SECTION 47613 OF THE CALIFORNIA EDUCATION CODE: For fiscal year 2006-07, what was the total amount that your organization charged charter schools for oversight under Section 47613 of the California Education Code? This should be the combined amount of oversight charges for all charter schools under your organization's authorization. Please indicate the dollar amount below.

**15. ACTUAL OVERSIGHT EXPENDITURES FOR ALL CHARTER SCHOOLS: In fiscal year 2006-07, relative to the amount that your office charged charter schools for oversight under Section 47613 of the California Education Code, would you say that the actual amount that your office spent on what you consider to be charter school oversight was:**

ACTUAL OVERSIGHT EXPENDITURES FOR ALL CHARTER SCHOOLS: In fiscal year 2006-07, relative to the amount that your office charged charter schools for oversight under Section 47613 of the California Education Code, would you say that the actual amount that your office spent on what you consider to be charter school oversight was: Greater than the amount charged to charter schools for oversight

About the same as the amount charged to charter schools for oversight

Less than the amount charged to charter schools for oversight

Don't know

If possible, please estimate the actual total oversight expenditures for all of this authorizer's charter schools in FY 2006-07

**16. ACCOUNTING FOR OVERSIGHT EXPENDITURES(EDUCATION CODE 47613): Does your office account for specific categories of expenditures (e.g., salaries, costs of outside consultants, etc.) paid for with funds received from charter schools for oversight under California Education Code 47613? For example, are these expenditures (or estimated expenditures) categorized in invoices when the funds are collected, and/ or reported in audits or financial reports?**

ACCOUNTING FOR OVERSIGHT EXPENDITURES(EDUCATION CODE 47613): Does your office account for specific categories of expenditures (e.g., salaries, costs of outside consultants, etc.) paid for with funds received from charter schools for oversight under California Education Code 47613? For example, are these expenditures (or estimated expenditures) categorized in invoices when the funds are collected, and/or reported in audits or financial reports? Yes, this information is reported.

No, this information is not reported.

Don't know

Further explanation if necessary

**17. CRITERIA FOR DETERMINING OVERSIGHT EXPENDITURES: Do you have a set of guidelines or criteria that you use to determine whether an expenditure should (or should not) be counted as charter school oversight (i.e., criteria that you use to determine whether the expenditure should be paid with revenue charged to the charter schools for oversight under Section 47613 of the California Education Code)?**

CRITERIA FOR DETERMINING OVERSIGHT EXPENDITURES: Do you have a set of guidelines or criteria that you use to determine whether an expenditure should (or should not) be counted as charter school oversight (i.e., criteria that you use to determine whether the expenditure should be paid with revenue charged to the charter schools for oversight under

Section 47613 of the California Education Code)? Yes

No

Don't know

If yes, please provide a brief explanation of these criteria.

**18. FTE'S ASSIGNED TO CHARTER SCHOOL OVERSIGHT: How many Full Time Equivalent employees (FTEs) are assigned to the oversight of existing charter schools? Please add part time staff together and include in the total.**

FTE'S ASSIGNED TO CHARTER SCHOOL OVERSIGHT: How many Full Time Equivalent employees (FTEs) are assigned to the oversight of existing charter schools? Please add part time staff together and include in the total.

**19. ACTIVITIES PERFORMED AND SERVICES PROVIDED TO CHARTER SCHOOLS BY AUTHORIZER: Please indicate which of the following activities/ services your office performs/ provides, and the extent to which your office pays for these with income charged to charter schools for oversight under Section 47613 of the California Education Code:**

	Entirely paid with 47613 oversight funds	Partially paid with 47613 oversight funds	Provided/ performed, but not paid for with 47613 oversight funds	Provided/ performed, don't know whether this is paid for with 47613 oversight funds	Not provided/ performed by this authorizer	Don't know whether provided/ performed
<b>Food services</b>	<input checked="" type="radio"/> * ACTIVITIES PERFORMED AND SERVICES PROVIDED TO CHARTER SCHOOLS BY AUTHORIZER: Please indicate which of the following activities/services your office performs/provides, and the extent to which your office pays for these with income charged to charter schools for oversight under Section 47613 of the California Education Code: Food services Entirely paid with 47613 oversight funds	<input type="radio"/> Food services Partially paid with 47613 oversight funds	<input type="radio"/> Food services Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Food services Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Food services Not provided/performed by this authorizer	<input type="radio"/> Food services Don't know whether provided/performed
<b>Ensuring that schools comply with reporting requirements</b>	<input checked="" type="radio"/> Ensuring that schools comply with reporting requirements Entirely paid with 47613 oversight funds	<input type="radio"/> Ensuring that schools comply with reporting requirements Partially paid with 47613 oversight funds	<input type="radio"/> Ensuring that schools comply with reporting requirements Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Ensuring that schools comply with reporting requirements Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Ensuring that schools comply with reporting requirements Not provided/performed by this authorizer	<input type="radio"/> Ensuring that schools comply with reporting requirements Don't know whether provided/performed
<b>Develop district policies and procedures for charter school oversight</b>	<input checked="" type="radio"/> Develop district policies and procedures for charter school oversight Entirely paid with	<input type="radio"/> Develop district policies and procedures for charter school oversight Partially paid with	<input type="radio"/> Develop district policies and procedures for charter school oversight Provided/performed, but not paid for with	<input type="radio"/> Develop district policies and procedures for charter school oversight Provided/performed, don't know whether	<input type="radio"/> Develop district policies and procedures for charter school oversight Not provided/performed by	<input type="radio"/> Develop district policies and procedures for charter school oversight Don't know whether

	47613 oversight funds	47613 oversight funds	47613 oversight funds	this is paid for with 47613 oversight funds	this authorizer	provided/performed
<b>Legal services provided to charter schools</b>	<input checked="" type="radio"/> Legal services provided to charter schools Entirely paid with 47613 oversight funds	<input type="radio"/> Legal services provided to charter schools Partially paid with 47613 oversight funds	<input type="radio"/> Legal services provided to charter schools Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Legal services provided to charter schools Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Legal services provided to charter schools Not provided/performed by this authorizer	<input type="radio"/> Legal services provided to charter schools Don't know whether provided/performed
<b>Notifying the California Department of Education about charter renewals/ revocations</b>	<input checked="" type="radio"/> Notifying the California Department of Education about charter renewals/revocations Entirely paid with 47613 oversight funds	<input type="radio"/> Notifying the California Department of Education about charter renewals/revocations Partially paid with 47613 oversight funds	<input type="radio"/> Notifying the California Department of Education about charter renewals/revocations Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Notifying the California Department of Education about charter renewals/revocations Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Notifying the California Department of Education about charter renewals/revocations Not provided/performed by this authorizer	<input type="radio"/> Notifying the California Department of Education about charter renewals/revocations Don't know whether provided/performed
<b>Reporting to the authorizer board on charter school-related matters</b>	<input checked="" type="radio"/> Reporting to the authorizer board on charter school-related matters Entirely paid with 47613 oversight funds	<input type="radio"/> Reporting to the authorizer board on charter school-related matters Partially paid with 47613 oversight funds	<input type="radio"/> Reporting to the authorizer board on charter school-related matters Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Reporting to the authorizer board on charter school-related matters Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Reporting to the authorizer board on charter school-related matters Not provided/performed by this authorizer	<input type="radio"/> Reporting to the authorizer board on charter school-related matters Don't know whether provided/performed
<b>Pre-opening procedures</b>	<input checked="" type="radio"/> Pre-opening procedures Entirely paid with 47613 oversight funds	<input type="radio"/> Pre-opening procedures Partially paid with 47613 oversight funds	<input type="radio"/> Pre-opening procedures Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Pre-opening procedures Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Pre-opening procedures Not provided/performed by this authorizer	<input type="radio"/> Pre-opening procedures Don't know whether provided/performed
<b>Monitoring school finances</b>	<input checked="" type="radio"/> Monitoring school finances Entirely paid with 47613 oversight funds	<input type="radio"/> Monitoring school finances Partially paid with 47613 oversight funds	<input type="radio"/> Monitoring school finances Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Monitoring school finances Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Monitoring school finances Not provided/performed by this authorizer	<input type="radio"/> Monitoring school finances Don't know whether provided/performed
<b>Providing information and notices to charter schools</b>	<input checked="" type="radio"/> Providing information and notices to charter schools Entirely paid with 47613 oversight funds	<input type="radio"/> Providing information and notices to charter schools Partially paid with 47613 oversight funds	<input type="radio"/> Providing information and notices to charter schools Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Providing information and notices to charter schools Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Providing information and notices to charter schools Not provided/performed by this authorizer	<input type="radio"/> Providing information and notices to charter schools Don't know whether provided/performed
<b>Facilities (maint./ operation/ etc.)</b>	<input checked="" type="radio"/> Facilities (maint./operation/etc.) Entirely paid with 47613 oversight funds	<input type="radio"/> Facilities (maint./operation/etc.) Partially paid with 47613 oversight funds	<input type="radio"/> Facilities (maint./operation/etc.) Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Facilities (maint./operation/etc.) Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Facilities (maint./operation/etc.) Not provided/performed by this authorizer	<input type="radio"/> Facilities (maint./operation/etc.) Don't know whether provided/performed
<b>Conducting site visits</b>	<input checked="" type="radio"/> Conducting site visits Entirely paid with 47613 oversight funds	<input type="radio"/> Conducting site visits Partially paid with 47613 oversight funds	<input type="radio"/> Conducting site visits Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Conducting site visits Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Conducting site visits Not provided/performed by this authorizer	<input type="radio"/> Conducting site visits Don't know whether provided/performed
<b>Human resources services provided to</b>	<input checked="" type="radio"/> Human resources services provided to charter schools	<input type="radio"/> Human resources services provided to charter schools	<input type="radio"/> Human resources services provided to charter schools	<input type="radio"/> Human resources services provided to charter schools Provided/performed,	<input type="radio"/> Human resources services provided to charter schools Not	<input type="radio"/> Human resources services provided to charter schools Don't

**charter schools**

Entirely paid with 47613 oversight funds	Partially paid with 47613 oversight funds	Provided/performed, but not paid for with 47613 oversight funds	don't know whether this is paid for with 47613 oversight funds	provided/performed by this authorizer	know whether provided/performed
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**Office support (e.g., equipment, phone lines, procurement, etc.)**

<input checked="" type="radio"/> Office support (e.g., equipment, phone lines, procurement, etc.) Entirely paid with 47613 oversight funds	<input type="radio"/> Office support (e.g., equipment, phone lines, procurement, etc.) Partially paid with 47613 oversight funds	<input type="radio"/> Office support (e.g., equipment, phone lines, procurement, etc.) Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Office support (e.g., equipment, phone lines, procurement, etc.) don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Office support (e.g., equipment, phone lines, procurement, etc.) Not provided/performed by this authorizer	<input type="radio"/> Office support (e.g., equipment, phone lines, procurement, etc.) Don't know whether provided/performed
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**Fiscal services provided to charter schools**

<input checked="" type="radio"/> Fiscal services provided to charter schools Entirely paid with 47613 oversight funds	<input type="radio"/> Fiscal services provided to charter schools Partially paid with 47613 oversight funds	<input type="radio"/> Fiscal services provided to charter schools Provided/performed, but not paid for with 47613 oversight funds	<input type="radio"/> Fiscal services provided to charter schools Provided/performed, don't know whether this is paid for with 47613 oversight funds	<input type="radio"/> Fiscal services provided to charter schools Not provided/performed by this authorizer	<input type="radio"/> Fiscal services provided to charter schools Don't know whether provided/performed
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Other (please specify additional charter school related services/functions that this authorizer provides/performs).

**20. FEE-FOR-SERVICE AGREEMENTS: Does your office have any fee-for-service agreements with the charter school(s) it authorizes?**

- FEE-FOR-SERVICE AGREEMENTS: Does your office have any fee-for-service agreements with the charter school(s) it authorizes? Yes
- No
- Don't know

If yes, please provide a brief description of the types of services provided under the agreement(s)

**21. CRITERIA FOR DETERMINING WHETHER RENT-FREE FACILITIES ARE PROVIDED TO CHARTER SCHOOLS: Section 47613 of the California Education Code allows chartering authorities to charge schools for the actual cost of supervisorial oversight up to 1 percent of the charter school's revenue, and up to 3 percent if the chartering authority provides "substantially rent free facilities" to the charter school.**

**Has your office adopted some type of criteria or guidelines to define "substantially rent free facilities"(i.e., guidelines to determine whether or not to charge more than 1% for oversight?). For example, is there some minimum level of facilities that needs to be provided?**

- CRITERIA FOR DETERMINING WHETHER RENT-FREE FACILITIES ARE PROVIDED TO CHARTER SCHOOLS: Section 47613 of the California Education Code allows chartering authorities to charge schools for the actual cost of supervisorial oversight up to 1 percent of the charter school's revenue, and up to 3 percent if the chartering authority provides "substantially rent free facilities" to the charter school. Has your office adopted some type of criteria or guidelines to define "substantially rent free facilities"(i.e., guidelines to determine whether or not to charge more than 1% for oversight?). For example, is there some minimum level of facilities that needs to be provided? Yes
- No
- Don't know

Please elaborate with a brief description of the criteria or guidelines adopted, or a brief explanation of why no criteria or guidelines have been adopted.

**22. AMOUNT OF CHARTER SCHOOL REVENUE CHARGED FOR OVERSIGHT: Please indicate the percent of revenue that your office charges charter schools for oversight under Section 47613 of the California Education Code.**

AMOUNT OF CHARTER SCHOOL REVENUE CHARGED FOR OVERSIGHT: Please indicate the percent of revenue that your office charges charter schools for oversight under Section 47613 of the California Education Code. All charter schools are charged greater than 1% of revenue by this authorizer.

- No charter schools are charged greater than 1% of revenue by this authorizer.
- Some are charged 1% of revenue or less, some are charged more than 1%.
- This chartering authority does not charge charter schools for oversight.
- Don't know

Other (please specify)

**23. USE OF OVERSIGHT CHARGES GREATER THAN 1% : If your office does charge one or more of the charter schools it authorizes greater than 1% of charter school revenue for oversight, is the additional amount (the amount greater than 1% ) treated differently somehow (e.g., used to fund different types of oversight activities than those funded by the first 1% of revenue charged for oversight) ?**

USE OF OVERSIGHT CHARGES GREATER THAN 1%: If your office does charge one or more of the charter schools it authorizes greater than 1% of charter school revenue for oversight, is the additional amount (the amount greater than 1%) treated differently somehow (e.g., used to fund different types of oversight activities than those funded by the first 1% of revenue charged for oversight)? Yes

- No
- Don't know
- None are charged greater than 1%

If yes, please elaborate.

**24. STAFF TIME DEVOTED TO SELECTED OVERSIGHT ACTIVITIES: Please rank the following oversight activities according to the amount of staff time devoted to them in a typical year.**

Use "1" to indicate the activity to which the greatest amount of staff time is devoted.

Use "5" to indicate the activity to which the least time is devoted.

Each number may be assigned to only one activity.

1--requires greatest staff time

2

3

4

5--requires least staff time

\* STAFF TIME DEVOTED TO SELECTED OVERSIGHT ACTIVITIES: Please rank the following oversight activities according to the amount of staff time devoted to them in a typical year. Use "1" to indicate the activity to which the greatest amount of staff time is devoted. Use "5" to indicate the activity to which

Conducting site visits

Conducting site visits 2

Conducting site visits 3

Conducting site visits 4

Conducting site visits 5--requires least staff time

the least time is devoted.  
 Each number may be assigned to only one activity.  
 Conducting site visits 1--requires greatest staff time

**Ensuring that schools comply with reporting requirements**

Ensuring that schools comply with reporting requirements 1--requires greatest staff time

Ensuring that schools comply with reporting requirements 2

Ensuring that schools comply with reporting requirements 3

Ensuring that schools comply with reporting requirements 4

Ensuring that schools comply with reporting requirements 5--requires least staff time

**Monitoring school finances**

Monitoring school finances 1--requires greatest staff time

Monitoring school finances 2

Monitoring school finances 3

Monitoring school finances 4

Monitoring school finances 5--requires least staff time

**Notifying the California Department of Education of charter renewals/ revocations/ closures**

Notifying the California Department of Education of charter renewals/revocations/closures 1--requires greatest staff time

Notifying the California Department of Education of charter renewals/revocations/closures 2

Notifying the California Department of Education of charter renewals/revocations/closures 3

Notifying the California Department of Education of charter renewals/revocations/closures 4

Notifying the California Department of Education of charter renewals/revocations/closures 5--requires least staff time

**Preparing reports and other communication about charter issues to authorizer board**

Preparing reports and other communication about charter issues to authorizer board 1--requires greatest staff time

Preparing reports and other communication about charter issues to authorizer board 2

Preparing reports and other communication about charter issues to authorizer board 3

Preparing reports and other communication about charter issues to authorizer board 4

Preparing reports and other communication about charter issues to authorizer board 5--requires least staff time

If applicable, Please list any additional oversight activities not included in the list above that require a significant amount of staff time .

**25. USE OF OUTSIDE CONSULTANTS: Does your office use outside consultants to conduct or contribute to any aspect of charter school oversight?**

- USE OF OUTSIDE CONSULTANTS: Does your office use outside consultants to conduct or contribute to any aspect of charter school oversight? Yes
- No
- Don't know

If yes, please describe the oversight activities done by consultants

**26. EXPERIENCE WITH SIGNIFICANT CHARTER SCHOOL PROBLEMS: Of all the charter school(s) that your office has ever authorized, please estimate the proportion that have experienced significant problems (i.e., problems that led to formal corrective action, and/ or to revocation or non-renewal of the charter) in each of the following areas:**

	None	Fewer than one half	More than one half	All
<b>Academic performance</b>	<input checked="" type="radio"/> * EXPERIENCE WITH SIGNIFICANT CHARTER SCHOOL PROBLEMS: Of all the charter school(s) that your office has ever authorized, please estimate the proportion that have experienced significant problems (i.e., problems that led to formal corrective action, and/or to revocation or non-renewal of the charter) in each of the following areas: Academic performance	<input type="radio"/> Academic performance Fewer than one half	<input type="radio"/> Academic performance More than one half	<input type="radio"/> Academic performance All

Financial performance

- Financial performance None
- Financial performance Fewer than one half
- Financial performance More than one half
- Financial performance All
- Governance, reporting, and compliance None
- Governance, reporting, and compliance One half
- Governance, reporting, and compliance More than one half
- Governance, reporting, and compliance All

Governance, reporting, and compliance

Other (please list other significant problems that charter schools authorized by this office have experienced).

27. IMPROVING OVERSIGHT: If you had more staff or other resources for charter authorizing/ oversight, please rank how important it would be to do each of the following.

Use "1" to indicate the most important area for improvement.

Use "7" to indicate the least important area for improvement.

Each number may be assigned to only one item.

	1 -- Most important	2	3	4	5	6	7 -- Least important
<b>Conduct more thorough review of charter petitions?</b>	<input checked="" type="radio"/> * IMPROVING OVERSIGHT: If you had more staff or other resources for charter authorizing/oversight, please rank how important it would be to do each of the following. Use "1" to indicate the most important area for improvement. Use "7" to indicate the least important area for improvement. Each number may be assigned to only one item. Conduct more thorough review of charter petitions? 1 - Most important	<input checked="" type="radio"/> Conduct more thorough review of charter petitions? 2	<input checked="" type="radio"/> Conduct more thorough review of charter petitions? 3	<input checked="" type="radio"/> Conduct more thorough review of charter petitions? 4	<input checked="" type="radio"/> Conduct more thorough review of charter petitions? 5	<input checked="" type="radio"/> Conduct more thorough review of charter petitions? 6	<input checked="" type="radio"/> Conduct more thorough review of charter petitions? 7 -- Least important
<b>Improve communications with applicants and charter schools about application process requirements and approval/ renewal requirements?</b>	<input type="radio"/> Improve communications with applicants and charter schools about application process requirements and approval/ renewal requirements? 1 -- Most important	<input type="radio"/> Improve communications with applicants and charter schools about application process requirements and approval/ renewal requirements? 2	<input type="radio"/> Improve communications with applicants and charter schools about application process requirements and approval/ renewal requirements? 3	<input type="radio"/> Improve communications with applicants and charter schools about application process requirements and approval/ renewal requirements? 4	<input type="radio"/> Improve communications with applicants and charter schools about application process requirements and approval/ renewal requirements? 5	<input type="radio"/> Improve communications with applicants and charter schools about application process requirements and approval/ renewal requirements? 6	<input type="radio"/> Improve communications with applicants and charter schools about application process requirements and approval/ renewal requirements? 7 -- Least important

**Conduct more site visits?**

- Conduct more site visits? 1 -- Most important
- Conduct more site visits? 2
- Conduct more site visits? 3
- Conduct more site visits? 4
- Conduct more site visits? 5
- Conduct more site visits? 6
- Conduct more site visits? 7 -- Least important

**Devote more time and effort to monitoring reporting compliance?**

- Devote more time and effort to monitoring reporting compliance? 1 -- Most important
- Devote more time and effort to monitoring reporting compliance? 2
- Devote more time and effort to monitoring reporting compliance? 3
- Devote more time and effort to monitoring reporting compliance? 4
- Devote more time and effort to monitoring reporting compliance? 5
- Devote more time and effort to monitoring reporting compliance? 6
- Devote more time and effort to monitoring reporting compliance? 7 -- Least important

**Devote more time and effort to monitoring school finances?**

- Devote more time and effort to monitoring school finances? 1 -- Most important
- Devote more time and effort to monitoring school finances? 2
- Devote more time and effort to monitoring school finances? 3
- Devote more time and effort to monitoring school finances? 4
- Devote more time and effort to monitoring school finances? 5
- Devote more time and effort to monitoring school finances? 6
- Devote more time and effort to monitoring school finances? 7 -- Least important

**Devote more time and effort to monitoring academic performance?**

- Devote more time and effort to monitoring academic performance? 1 -- Most important
- Devote more time and effort to monitoring academic performance? 2
- Devote more time and effort to monitoring academic performance? 3
- Devote more time and effort to monitoring academic performance? 4
- Devote more time and effort to monitoring academic performance? 5
- Devote more time and effort to monitoring academic performance? 6
- Devote more time and effort to monitoring academic performance? 7 -- Least important

**Increase the expertise of authorizer oversight staff in the areas of academic performance, finance, charter school governance?**

- Increase the expertise of authorizer oversight staff in the areas of academic performance, finance, charter school governance? 1 -- Most important
- Increase the expertise of authorizer oversight staff in the areas of academic performance, finance, charter school governance? 2
- Increase the expertise of authorizer oversight staff in the areas of academic performance, finance, charter school governance? 3
- Increase the expertise of authorizer oversight staff in the areas of academic performance, finance, charter school governance? 4
- Increase the expertise of authorizer oversight staff in the areas of academic performance, finance, charter school governance? 5
- Increase the expertise of authorizer oversight staff in the areas of academic performance, finance, charter school governance? 6
- Increase the expertise of authorizer oversight staff in the areas of academic performance, finance, charter school governance? 7 -- Least important

Please list any additional oversight activities that this authorizer might improve or implement if additional resources were available.

**28. ADDITIONAL COMMENTS: Please provide any comments you have on challenges associated with charter school oversight or ideas about how to improve oversight.**

ADDITIONAL COMMENTS: Please provide any comments you have on challenges associated with charter school oversight or ideas about how to improve oversight.

Done >>



## Appendix C: State Funding Allotments for Oversight Activity

### Funding Allotments for Oversight Activities by State

<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
California	1 or 3 percent	\$11,649/21	348,686/422	\$49,158.78 (at 1 percent) \$154,465.74 (at 3 percent)	Charter school authorizers may charge up to three percent of the charter school's revenue if the authorizer provides "substantially rent-free" facilities or one percent in all other cases.
Colorado	5 percent	\$10,051/41	66,186/411	\$221,624.55	Up to 5 percent of per pupil revenue

<sup>1</sup> Amount allowed for oversight funding taken from the Education Code section of the appropriate state.

<sup>2</sup> Taken from the U.S. Census Bureau's "States Ranked According to Per Pupil Elementary-Secondary Public School System Finance Amounts: 2007-2008" chart.

<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
District of Columbia (DC)	0.5 percent	\$21,040/1	29,557/308	\$32,401.60	A chartering authority may charge one-half of one percent of a school's operating budget for oversight and administration. DC also allows chartering authorities to charge a \$150 application fee for a potential charter school.
Florida	5 percent for first 250 students	\$11,3380/27	150,199/352	\$141,725.00	Authorizers are allowed to withhold five percent of the school's revenue for the first 250 students. They receive no further funding if the school's enrollment exceeds 250.

<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
Georgia	3 percent	\$11,345/26	57,987/630	\$214,420.50	Georgia has three authorizing bodies. The State Board of Education receives funding for oversight activities as part of the state budget. This funding is flexible. Local school boards and the Charter School Commission are each allowed three percent of a school's revenue for oversight activities.
Hawaii	6.5 percent	\$14,129/13	7,668/240		Up to 6.5 percent of federal grants and subsidies. Not calculated on a per pupil basis, so funding cannot be reliably compared to other states.
Illinois	2 percent	\$11,756/20	37,860/456	\$107,214.72	Change currently in Rules committee.

<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
Indiana	3 percent	\$10,708/35	19,669/364	\$116,931.36	Up to 3 percent of school's revenue.
Maryland	2 percent	\$15,480/9	9,792/265	\$82,004.00	Charges cannot exceed the cost of oversight or two percent of per pupil funding allocation, whichever is greater. Fees allowed for non-oversight related services offered by the authorizer.
Massachusetts	Varies	\$15,484/8	25,167/393	Varies	Massachusetts allocates oversight funding as a line item for its Department of Education budget. This amount varies annually.

<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
Michigan	3 percent	\$11,630/22	111,397/390	\$136,071.00	Three percent of per pupil funding allocation may be retained by authorizer for oversight services. Authorizers may not charge for application review, issuing a charter, or any oversight costs that exceed three percent per student.
Minnesota	1.5 percent	\$12,229/17	30,184/187	\$34,302.34	1.5 percent of defined revenue subject to state determined minimum and maximum caps per school.
Missouri	1.5 percent	\$10,290/38	17,684/442	\$68,222.70	1.5 percent of state and local funding, not to exceed \$125,000 (adjusted for inflation).

<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
New Mexico	2 percent	\$10,847/32	14,932/205	\$44,472.70	Authorizers are allowed to retain two percent of a school's revenue as an oversight/administrative fee.
Nevada	2 percent in first year of operation, 1.5 percent in each additional year	\$10,116/39	8,033/298	\$60,291.36 for the first year \$45,218.52 for each additional year	Nevada allows an authorizer to charge a school up to two percent of operating revenue in the first year of operation and one and one-half percent of operating revenue each additional year for all "administrative costs" including oversight. If the charter school fails to pay upon request, it is in violation of their charter.

<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
North Carolina	Varies	\$9,551/45	36,577/362	Varies	The State Board of Education oversees all charter schools in NC. The Legislature allots a line item amount in the budget each year for oversight. This amount varies by budget year.
Ohio	3 percent	\$12,710/16	114,554/343	\$130,785.90	Up to three percent of state's education revenue.
Oklahoma	5 percent	\$9,600/47	5,970/351	\$168,480.00	Up to 5 percent of state education revenue.
South Carolina	2 percent	\$10,873/31	12,627/341	\$74,153.86	Charter school authorizers are allowed to retain two percent of a school's revenue for oversight activities.

<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
Utah	Varies	\$7,540/51	35,019/455	Varies	Oversight activities are handled by the Utah State Charter School Board. Funding for oversight is a line item in the state budget and changes annually.
Virginia	Based on a school-by-school agreement	\$11,810/19	341/11	Varies	Virginia does not provide per pupil funding for its schools. Funding is based on a number of different formulas. Charter schools arrange specific agreements in their charters with the oversight body as to how much will be charged for oversight activities.



<i>State</i>	<i>Percentage of Per Pupil Funding Used for Oversight<sup>1</sup></i>	<i>Per Pupil Funding for School Year 2007-08/ National Rank for Per Pupil Funding<sup>2</sup></i>	<i>Number of Students Attending Charter Schools/Average Number of Students per Charter School<sup>19</sup></i>	<i>Average Oversight Funding Allotted per Charter School*</i>	<i>Comments</i>
Wisconsin	Varies	\$12,014/18	40,645/ 186	Varies	No specific state laws apply to oversight fees. Authorizers in Milwaukee retain up to three percent of operating fees.

Formula for calculating average oversight funding:

$$\text{Per Pupil Funding} \times \text{Average Number of Pupils Attending a Charter School} \times \text{Percentage of Funding Allotted for Oversight}$$

**Summary:**

Percentage of per pupil funding allotted for oversight

- Low: 0.5 percent of a school's operating budget
- High: 6.5 percent of a school's operating budget
- Mean: 2.26 percent of a school's operating budget
- Median: 3 percent of a school's operating budget
- Mode: 2, 3 percent of a school's operating budget

Average funding per school for oversight:

- Low: \$32,401.60
- High: \$221,624.55
- Average: \$89,885.71

Qualifiers

There are four surveyed states that allow chartering authorities to negotiate with the schools as to what the fees will be. There are no state laws capping the amount authorities may negotiate for.

**NACSA Findings:**

Percentage of charter school revenues deducted as oversight fees by large (10+ schools) charter school authorizers.

- Minimum: 0.1 percent                      Mean: 2.7 percent
- Maximum: 5.0 percent                     Median: 2.8 percent

Source: NACSA. 2010. *The State of Charter School Authorizing: 2009*. Chicago, IL: NACSA

## APPENDIX D: Significant CA Charter School Legislation

### SIGNIFICANT CALIFORNIA CHARTER SCHOOL LEGISLATION<sup>33</sup>

Below is a chart which summarizes significant charter school legislation in California. The bill number, year and a brief description of the legislation is provided. To find the full text of each piece of legislation, please visit <http://www.leginfo.ca.gov/bilinfo.html>.

<i>Bill Number (Author)</i>	<i>Year</i>	<i>Description</i>
SB1448 (Hart)	1992	Authorized the creation of charter schools in California. Designated school districts as charter authorizers. Allowed a maximum of 100 charter schools in California, with no more than 10 per district. Required the California Department of Education complete an evaluation of the charter school approach six years after the effective date of the law. Required funding “follow the student” as he or she left traditional public school to attend a charter school. <i>Chapter 781, Statutes of 1992.</i>
AB3384 (Knox)	1996	Implemented some of the 1996 Little Hoover Commission’s recommendations, including provisions for charter school start-up funds under the Charter School Revolving Loan Fund, dispute resolution, compliance with open meeting laws, and meeting statewide performance standards, and conducting pupil assessments. <i>Chapter 786, Statutes of 1996.</i>
AB544 (Lempert)	1998	Increased the accountability of charter schools. Increased the number of charter schools allowed in the state to 250 by the end of the 1998-99 school year and allowed the state to approve up to 100 additional petitions for charter schools per year after 1999. Granted the State Board of Education the ability to grant and revoke charters. Established an appellate process, allowing a school denied a petition by a school district to appeal to the county board of education or the State Board of Education. <i>Chapter 34, Statutes of 1998.</i>

<i>Bill Number (Author)</i>	<i>Year</i>	<i>Description</i>
AB1115 (Strom-Martin)	1999	Set up a funding system so that charter schools could receive funding through their school district or directly from the state in the form of a general purpose entitlement and a categorical block grant. Provided that charter schools receive the statewide average in Economic Impact Aid for every disadvantaged pupil in the school through the categorical block grant. Allowed charter schools to negotiate with a local education agency for shares of local sources of funding. Allowed charter schools to be local education agencies for special education funding and made it possible for them to join or form their own special education local plan area. <i>Chapter 78, Statutes of 1999.</i>
SB267 (Lewis)	1999	Allowed new “start-up” charter schools to apply directly to the California Department of Education for a loan of up to \$250,000. <i>Chapter 736, Statutes of 1999.</i>
SB434 (Johnston)	1999	Required charter schools offering independent study to comply with all laws and regulations governing independent study generally. Also required charter schools to offer a minimum number of instructional minutes equal to that of other public schools, maintain written records of pupil attendance and release their records for audit and inspection. Required charter schools to certify that their students participated in the state’s annual testing programs. <i>Chapter 162, Statutes of 1999.</i>
AB631 (Migden)	1999	Specified that charter employees are allowed to join or form a union and engage in collective bargaining. Required charter schools to declare whether the school or the charter-granting entity would be the employer for collective bargaining. <i>Chapter 828, Statutes of 1999.</i>

<i>Bill Number (Author)</i>	<i>Year</i>	<i>Description</i>
Proposition 39	2000	Lowered the threshold needed to approve local general obligation bonds for school construction from two-thirds to a 55 percent majority. Offered guarantees to charter schools, ensuring that students who attend charter school in their district of residence have facilities that are “sufficient” and “reasonably equivalent” to the other buildings or classrooms in the district. Required buildings to be “furnished and equipped” and reasonably close to where the charter school wished to locate. Specified that to get this support, the charter school must serve a minimum of 80 students who live within the district’s boundaries.
SB326 (Lewis)	2000	Established an appeals process for denied applications for charter school renewals, identical to the appeal process for new charter school applications. <i>Chapter 160, Statutes of 2000.</i>
SB675 (Poochigan)	2001	Required charter schools to submit their annual financial and compliance reports to the California Department of Education in addition to their chartering agency (school district or county office of education). <i>Chapter 344, Statutes of 2001.</i>
SB740 (O’Connell)	2001	Put tighter controls on charter schools offering nonclassroom-based instruction, such as distance learning and home schooling. Provided charter schools with up to \$750 per student based on average daily attendance to assist with rent or lease costs. Specified that schools accepting this aid cannot offer nonclassroom-based instruction and cannot occupy an existing school district or county office of education facility. <i>Chapter 892, Statutes of 2001.</i>
AB1994 (Reyes)	2002	Increased oversight of charter schools and tightened the charter-approval process. Curtailed the freedom of charter schools to serve any grade and locate anywhere in the state. <i>Chapter 1058, Statutes of 2002.</i>

<i>Bill Number (Author)</i>	<i>Year</i>	<i>Description</i>
AB1137 (Reyes)	2003	Increased accountability of charter schools, created performance requirements and added four programs to charter school categorical block grants. <i>Chapter 892, Statutes of 2003.</i>
AB1610 (Wolk)	2005	Added required components to charter school petitions that are presented to a county office of education in order to establish a countywide charter school. Extended the sunset of charter school waiver authority. Allowed the State Board of Education to waive fiscal penalties for charter school failure to offer instructional time. <i>Chapter 543, Statutes of 2005.</i>
SB20 (Torlakson)	2007	Clarified and strengthened the process by which the State Board of Education authorizes statewide benefit charter schools. Appropriated \$18 million from Proposition 98 funds for the Charter School Facility Grant Program. <i>Chapter 215, Statutes of 2007.</i>
AB2033 (Nunez)	2008	Modified the methodology used by the California School Finance Authority for determining the interest rate on a loan made to a charter school for financing the construction or rehabilitation of a school facility under the Charter School Facility Program. Prohibited the Charter School Facility Program from setting the interest rate at lower than two percent. <i>Chapter 2731, Statutes of 2008.</i>
AB2246 (Villines)	2008	Authorized the Center for Advanced Research and Technology (CART) to receive general-purpose funding through the charter school block grant for the 2005-06 and 2006-07 fiscal years and required the Superintendent of Public Instruction, commencing in the 2008-09 fiscal year, to calculate the new funding formula for pupils concurrently enrolled at CART and regular secondary school classes, pursuant to a joint powers agreement. Provided sunset on July 1, 2012. <i>Chapter 762, Statutes of 2008.</i>

<i>Bill Number (Author)</i>	<i>Year</i>	<i>Description</i>
SB658 (Romero)	2008	Exempted a school district receiving Year-Round-School Grant Program funds in fiscal year 2007-08 from losing eligibility for state school bond funds, sunset the Year-Round School Grant Program on July 1, 2013, and required the reallocation of those funds to the Charter School Facility Grant Program. Provided nearly \$100 million for charter schools over a five-year period. <i>Chapter 271, Statutes of 2008.</i>
SBX5 1 (Steinberg)	2010	Modified state laws on education standards and assessments, data systems to support instruction, great teachers and leaders and turning around the lowest-achieving schools, to make California eligible to apply for federal Race to the Top grant money. <i>Chapter 2, Statutes 2009-10 Fifth Extraordinary Session.</i>
SBX5 4 (Romero)	2010	Established an open enrollment program, which authorizes a student enrolled in a low-achieving school to attend any higher achieving school in the state. Also established a parent empowerment program that allows parents to sign a petition requiring a local educational agency to implement a school intervention model. <i>Chapter 3, Statutes of 2009-2010 Fifth Extraordinary Session.</i>





## Appendix E: Aligned General Oversight Standards

### Aligned General Oversight Standards

The table below aligns the standards of National Association of Charter School Authorizers (NACSA), the U.S. Department of Education (ED), the Center for Reinventing Public Education (CRPE), and the Thomas Fordham Institute (TFI). Blank squares in the table indicate there was no aligned standard for a given agency.

<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
<p>(1) Issues charter RFPs that clearly state all standards and guidelines for application.</p> <p>(2) Implements charter application process that is transparent.</p> <p>(3) Explains how each stage of the process is to be conducted.</p> <p>(4) Communicates with chartering agency throughout process.</p>	<p>Provides meaningful and transparent oversight.</p>	<p>Mandatory Disclosure (Transparency):</p> <p>Possibly adopt and publish formal policies on approval, oversight, financing, and revocation.</p>		<p><b>Each organization calls for transparent oversight in application and evaluation processes.</b></p>

<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
<p>(1) Authorizer provides annual report on progress toward goals in the strategic plan.</p> <p>(2) Produces annual report on the performance of charter schools under its authority.</p>			<p>Sound working relations between authorizer and school.</p>	<p><b>Authorizers establish practices that foster sound working relationships with their schools.</b></p>
<p>Clear mission, vision and values for authorizer.</p>	<p>Leaders have a clear vision for charter school education.</p>			<p><b>Authorizers and school leaders have a clear vision for a charter school.</b></p>
<p>Evaluates its own work against national standards.</p>	<p>Evaluates its own work against national standards.</p>	<p>Has an independent third party review authorizer performance.</p>		<p><b>Uses national standards/independent standards to evaluate own performance.</b></p>
		<p>Allows charter schools to rate the performance of their authorizer.</p>		<p><b>No overlap.</b></p>

<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
Employs experts and highly trained staff.	Recruits and retains highly qualified staff.		Skilled personnel.	<b>Recruits and maintains highly trained staff.</b>
Provides for regular staff development.			Skilled personnel.	<b>No overlap.</b>
Devotes enough financial resources to ensure good oversight.	Uses external resources strategically.		Adequate resources and autonomy.	<b>Determines the best way to use financial resources for oversight.</b>
Structures funding to avoid conflicts of interest.			Adequate resources and autonomy.	<b>No overlap.</b>
Welcomes charters from new and established providers.	(1) Develops a strong talent pool. (2) Engages in responsible risk taking to encourage innovation. (3) Supports schools during incubation and planning period.		Adequate resources and autonomy.	<b>Processes encourage development of strong pool of candidates.</b>

<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
		Multiple authorizers should exist in each market. Withdraw the exclusive right of authorization from LEAs.		<b>No overlap.</b>
Requires all applicants to present clear and well developed plan for school.	Seeks education models that are aligned with the authorizer's mission.		Data-driven decision making, and rigorous, objective selection and renewal processes.	<b>Reviews applications for clear mission and well developed plan.</b>
Has a clear and distinct requirement for existing charter school operators, education service management agencies, and virtual charter schools.				<b>No overlap.</b>
Grants charters to only those schools that exhibit competence in each area of school management.	Employs a variety of evaluation methods to assess applicants' capacity.		Data-driven decision making and rigorous, objective selection and renewal processes.	<b>Evaluates charter schools on multiple dimensions and grants charters only to those with capacity in multiple areas.</b>

<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
Uses both written documents and interviews in application reviews.			Data-driven decision making and rigorous, objective selection and renewal processes.	Use of data in decision-making.
Provides orientation and training to applicant evaluators.			Data-driven decision making and rigorous, objective selection and renewal processes.	Use of data in decision making.
Ensures application process is free from conflicts of interest.			Sound working relations between authorizer and school.	Authorizer has processes in place to ensure a good working relationship with charter school.
Executes contract with school that is no more than five years long and defines material terms of contract.				No overlap.
Contract defines rights and duties of school.			Sound working relations between authorizer and school.	Authorizer has processes in place to ensure a good working relationship with charter school.

<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
Executes charters that clearly establish performance measures.	Provides meaningful and transparent oversight.		Sound working relations between authorizer and school.	<b>Oversight includes use of clear and distinct performance measures. Oversight process is transparent.</b>
Implements comprehensive performance accountability and compliance monitoring system.	Assists schools in developing meaningful measures for student performance.			<b>Use of data in decision making.</b>
Communicates accountability requirements to schools.			Sound working relations between authorizer and school.	<b>Authorizer has processes in place to ensure a good working relationship with charter school.</b>
Streamlines federal, state, and local reporting requirements.	Uses information and technology to streamline compliance.		Adequate resources and autonomy.	<b>Uses a variety of tools to streamline reporting requirements for schools.</b>

<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
Visits each school as part of performance review.	Visits schools strategically.		Data-driven decision making and rigorous, objective selection and renewal processes. Sound working relations between authorizer and school.	<b>Visits schools strategically.</b>
Provides annual written report to school identifying both strengths and weaknesses.	Holds schools accountable for meeting performance goals.		Sound working relations between authorizer and school.	<b>Schools are regularly held accountable for their performance.</b>
Respects school's autonomy.	Respects school's autonomy.		Sound working relations between authorizer and school.	<b>Respects school's autonomy.</b>
Protects student rights.				
Intervenes when necessary, with the aim of maintaining school autonomy and performance.	Intervenes early when problems arise.		Adequate resources and autonomy.	<b>Intervenes as necessary.</b>

<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
<p>Revokes charter only when there is extreme underperformance, illegal activity or a violation of public trust.</p>			<p>Data-driven decision making and rigorous, objective selection and renewal processes.</p>	<p>Use data in decision making process</p>
<p>Renewal decisions are based on body of data.</p>	<p>Base renewal decisions on solid evidence.</p>		<p>Data-driven decision making and rigorous, objective selection and renewal processes.</p>	<p>Renewal decisions are based on clear measures and reliable data.</p>
<p>In advance of renewal, each school submits a comprehensive renewal application.</p>			<p>Data-driven decision making and rigorous, objective selection and renewal processes.</p>	<p>Use data in decision making process.</p>
<p>Closure protocols are followed.</p>			<p>Data-driven decision making and rigorous, objective selection and renewal processes.</p>	<p>Use data in decision making process. Authorizer has procedures in place to assure a good working relationship with the school.</p>



<i>NACSA Standards</i>	<i>ED Standards</i>	<i>CRPE</i>	<i>TFI</i>	<i>Commonalities</i>
	Requires evidence of community support before granting charter.		Parent- and Community input	<b>Community support.</b>
		States adopt “standards of care” that charter authorizers are evaluated against.		<b>No overlap.</b>
		Legislatively mandate performance outcomes for charter authorizers.		<b>No overlap.</b>



# Appendix F1. National Consensus Panel on Charter School Academic Quality

The following document is *A Framework for Academic Quality, A Report from the National Consensus Panel on Charter School Academic Quality*. June 2008. Building Charter School Quality. [www.bcsq.org](http://www.bcsq.org).

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## A Framework for Academic Quality

A Report from the National Consensus Panel on Charter School Academic Quality



June 2008

## **Acknowledgements**

The convening partners of the Charter School Quality Consortium express appreciation to all the members of the National Consensus Panel who contributed their time, perspectives, and shared passion for quality education to this initiative. We also thank project advisors Paul Hill and Andy Smarick. This work was conducted as part of a larger three-year project, “Building Charter School Quality: Strengthening Performance Management among Schools, Authorizers, State Charter Support Organizations, and Funders,” made possible by a National Leadership Activities grant from the U.S. Department of Education’s Charter Schools Program.

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## Introduction

### Building Charter School Quality: Achieving the Promise

The charter school idea is based on a simple, compelling bargain: greater autonomy in exchange for greater accountability for student achievement. Sixteen years after the nation's first charter school opened in Minnesota, there are 4,300 charter schools serving 1.2 million students in 40 states and the District of Columbia. Yet the quality of these schools across the country varies greatly, ranging from those that rank among the nation's finest schools to some that serve their students poorly and improve little over time. Thus, the powerful potential of the charter movement – to increase quality public school options for all children, particularly for the minority and disadvantaged students “left behind” in traditional school systems – is compromised.

A key challenge that has limited the charter movement's success to date is the broad misalignment in expectations among charter operators, authorizers, funders and other stakeholders about how to measure and judge school quality. Indeed, many believe that the vast diversity in charter school missions, educational models, and student populations -- as well as differences in state accountability requirements and individual authorizer expectations – makes it impossible to establish common standards and measures of quality that are applicable and meaningful to all kinds of charter schools. The charter sector today has no basic, universal measures of school quality other than those shared with other public schools under the No Child Left Behind Act. It is no wonder that judgments about the performance of charter schools are so frequently ill-informed.

Of course, this weakness in performance evaluation is not confined to charter schools; it afflicts public education as whole, greatly hobbling and constraining efforts to improve schools. Too often, current approaches to evaluating school performance rely on data that are seriously limited and misleading, unhelpful to schools, and inappropriate for high-stakes judgments. To fulfill the promise of the charter school movement and maximize its success and impact, the charter sector nationwide needs to clarify and commit to a common set of basic quality expectations and performance measures to define and assess charter school success. This report responds to this strong need. At the same time, the framework shared in this report can help to advance standards-setting and performance evaluation for all public schools.

### The Charter School Quality Consortium and Consensus Panel

This report is the product of a national consensus process conducted as part of Building Charter School Quality: Strengthening Performance Management among Schools, Authorizers, State Charter Support Organizations, and Funders

(BCSQ), a three-year National Leadership Activities Project funded by the U.S. Department of Education's Charter Schools Program. The following four organizations have collaborated in spearheading this project:

- The Colorado League of Charter Schools
- CREDO at Stanford University
- The National Alliance for Public Charter Schools
- The National Association of Charter School Authorizers (NACSA)

These four organizations are the initial convening partners for the Charter School Quality Consortium, an emerging entity that, when fully developed, will be a force for improving the quality of charter schools nationwide. The consortium's purposes are to:

1. Establish consensus among national leaders and organizations working to bring quality educational options to underserved families regarding academic and operational performance measures and practices that define quality charter schools; and
2. Disseminate information on these necessary measures and practices so they can inform and improve charter school performance nationwide, particularly for schools in need of improvement and in high-need communities – thereby benefiting students who are most at risk of educational failure.<sup>1</sup>

The Quality Consortium will be an engine for monitoring outcomes from the implementation of these performance measures and practices, providing an empirical base to inform ongoing work to strengthen the charter school sector.

As the first step in developing the national consensus described above, NACSA and the National Alliance for Public Charter Schools co-convened the Consensus Panel on Charter School Academic Quality, a national working group consisting of leaders and key stakeholders in the charter school sector – including charter operators, authorizers, charter school support organizations, policy leaders, researchers, and charter school funders and lenders. The Consensus Panel has launched a grassroots, quality standards-setting initiative to strengthen and advance the charter school sector. This effort will continue and

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<sup>1</sup>“Building Charter School Quality: Strengthening Performance Management among Schools, Authorizers, State Charter Support Organizations and Funders,” Proposal to the U.S. Department of Education, pp. 9-10. In addition to the Quality Consortium, other major national goals of the BCSQ Project are to: 1) create and launch a Performance Management Institute for charter school operators and authorizers; 2) demonstrate and implement Student Growth-to-Standard Performance Measures in four pilot states (Arizona, Colorado, Florida and Ohio); and 3) develop a National Charter School Data Warehouse.

be broadened through the future work of the Charter School Quality Consortium. (The consensus process conducted over the past year is described in Appendix A; Consensus Panel participants are listed in Appendix B.)

The Consensus Panel has focused on three key tasks:

1. Examining and agreeing on a “common core” of academic quality indicators, measures, metrics and benchmark comparisons (defined in this report) that are nationally applicable and useful for all charter schools and authorizers to employ;
2. Ensuring that this core framework supports school-level decisions (internal accountability) while meeting the needs of external stakeholders (external accountability); and
3. Suggesting the best uses of this framework.

The deliberations of the Consensus Panel over the past year have been characterized by intense discussions and spirited, often passionate debates, producing a broad initial consensus on the Framework for Academic Quality set forth in this report. The Quality Consortium convening partners offer this to the charter school community nationwide as a resource – a practical tool and foundation to guide and begin evaluation of school quality, to increase accountability for student learning, and to strengthen performance management among charter schools and authorizers alike.

## An Initial Consensus and Foundation for Future Work

Readers should bear in mind that the following Framework represents simply an initial consensus, intended to serve as a foundation and starting point for assessing academic quality in charter schools across the nation. The consensus represented in this Framework is necessarily broad, in order to apply to – and be meaningful for – every kind of school marching under the highly diverse charter banner.

The Consensus Panel seriously considered and debated a number of measures and metrics that the full Panel ultimately did not agree to include in this initial Framework, for a variety of reasons including shortcomings or barriers in any of the following areas:

- data availability
- data quality
- construct validity
- reliability
- administrative feasibility
- alignment with current accountability mandates
- applicability to the wide diversity of charter schools nationwide
- prohibitive costs of implementation.

At the same time, the Panel agreed that those measures and metrics that were discussed and set aside for now may merit future consideration by the Quality Consortium, as the circumstances that justified the Panel’s decisions may change over time. In addition, as laboratories for educational innovation, charter schools are already demonstrating changes in educational structures and delivery (ranging from various forms of non-classroom-based schooling to changes in the traditional K-12 grade structure) that may require new ways of judging quality and performance. Accordingly, the entire set of measures and metrics considered by the Panel will be archived and forwarded to the Quality Consortium, which will periodically revisit and consider revising the Framework as circumstances merit.

### **The performance measures and metrics set forth here are not the only ones that schools and authorizers should consider.**

Indeed, there are certainly other measures that thoughtful authorizers and charter schools should consider in developing their own performance contracts or accountability agreements. This Framework is intended to facilitate – not supplant – the work required of schools and authorizers to negotiate and establish a variety of performance measures, metrics and targets that are meaningful for each school’s mission and design, and aligned with federal, state and authorizer expectations. The Consensus Panel recommends the current Framework as an essential foundation on which to build – while acknowledging that, in the spirit of continuous improvement, the Framework itself is subject to ongoing development and refinement through the forthcoming work of the Quality Consortium.

We acknowledge that this is not the first or only effort in this arena. Since the advent of charter schools, charter authorizers across the country have established performance measures and accountability systems for the schools they oversee – though authorizer practices and oversight systems are as wide-ranging in quality as charter schools themselves. Major national charter school funders such as the Walton Family Foundation, New Schools Venture Fund, and Charter School Growth Fund have advanced the pursuit of quality-measurement systems for charter schools. On the research front, the National Charter School Research Project’s Charter School Achievement Consensus Panel has focused on finding appropriate growth measures and techniques to enhance school research, as well as offering a model for creating consensus around their work.

The Charter School Quality Consortium builds upon these efforts, advancing the charter school sector by building capacity for performance management and by aligning performance incentives for schools to strengthen learning outcomes for all students. Specifically, we hope to:

- Build knowledge about sound performance measures and associated practices among leaders and key stakeholders in the charter school movement nationwide.
- Strengthen school performance management practices to support school quality and both internal and external accountability.
- Improve charter school authorizing and oversight, particularly by improving the performance measures that form the basis for high-stakes decisions about school quality.
- Build the capacity of charter school support organizations to understand and report on school performance and help schools to improve.
- Support charter school funder and lender portfolio management by providing a common, nationally applicable framework for assessing school performance.
- Enlighten and improve state and federal policy concerning school quality judgments.
- Enable schools to better identify the needs of various types of students (e.g., Special Education, Free/Reduced-Price Lunch, English Language Learners) and individual learners through disaggregated data analysis, thereby helping to close achievement gaps and meet the needs of all students.

## How to Use the Framework

This Framework for Academic Quality is built around four essential indicators of academic quality and associated measures, metrics, and benchmark comparisons.

It is intended as a practical tool to spur and guide improvement throughout the charter sector, regardless of a given school's particular mission or student population. Key groups within the charter community can use the Framework in the following ways:

- **SCHOOL OPERATORS** to help guide school accountability planning and ongoing performance management, and to demonstrate academic performance to external parties.
- **CHARTER AUTHORIZERS, FUNDERS AND LENDERS** to provide a common core of quality indicators, measures, metrics and benchmarks to guide evaluation of all the charter schools in their portfolio.
- **CHARTER SCHOOL SUPPORT ORGANIZATIONS** to illuminate areas of strength and areas for improvement across all the charter schools they support.

To use the Framework appropriately, readers should note the following:

**USE THE ENTIRE FRAMEWORK.** This Framework outlines a core body of evidence that charter schools, authorizers and other stakeholders should seek as a foundation for school evaluation. Parties using this Framework for school evaluation and particularly for high-stakes judgments should use it in its entirety (subject to obvious grade-level limitations for certain elements), not selectively. It would not be appropriate to use only some measures in the Framework while ignoring others applicable to the same grade levels. Likewise, no single source of data or benchmark comparison in this Framework should be the sole basis for high-stakes judgments concerning a school.

**DISAGGREGATE DATA THOROUGHLY.** All data collected and analyzed pursuant to this Framework should be disaggregated to the greatest extent possible (by grade, class, and student groups and subgroups) to clarify student achievement and needs.



# Framework for Academic Quality:

## Key Elements

Key elements of this Framework for Academic Quality include (from the most general to the most specific):

### Indicators > Measures > Metrics > Targets

In addition, Benchmark comparisons are a fifth essential element of this framework. Benchmark comparisons can be employed for both Metrics and Targets.

Following is an overview of these elements and key terms as used in the Framework:

**INDICATORS.** Indicators represent general dimensions of academic quality or achievement, such as “Postsecondary Readiness and Success,” that the Consensus Panel has identified as essential. The four key academic quality indicators set forth in this Framework are accompanied by measures, metrics and benchmarks that the Consensus Panel recommends for widespread adoption and use by charter schools and authorizers.

**MEASURES.** Measures are general instruments or means to assess performance in each area defined by an indicator. Measures require the application of specific metrics or calculation methods (see below). For example, a measure of postsecondary readiness is high school completion.

**METRICS.** Metrics specify a quantification, calculation method or formula for a given measure. For example, the typical high school completion metric is a graduation rate, such as “the percentage of ninth-graders graduating in four years.”

**TARGETS.** Taking metrics a step further, targets are specific, quantifiable objectives that set expectations or define what will constitute success on particular measures within a certain period of time. For example, a graduation-rate target might be “90% of ninth-graders graduating within four years.” Likewise, state-mandated performance levels are common targets. Having well-conceived and well-defined performance targets is important to achieve and evaluate school success. *However, targets should be set by schools, authorizers, and state and federal policy – so the Framework set forth below does not specify targets for each recommended measure and metric.*

<sup>2</sup> CREDO at Stanford University, one of the Quality Consortium convening partners, will serve as a resource for schools and authorizers seeking appropriate benchmark comparisons. Using national and state-by-state school performance data collected for CREDO’s national school performance database, CREDO has the capacity to identify appropriate national and state benchmarks (as defined herein) for charter schools, and will produce examples for the four states that are partners in the BCSQ grant.

<sup>3</sup> For purposes of this Framework, individual academic histories reflect the students’ baseline achievement or academic starting points upon enrolling in the school.

**BENCHMARK COMPARISONS.** Benchmarks compare the performance of an organization to that of exemplars in its field or industry. The benchmark comparisons recommended in this Framework identify two types of meaningful comparison groups for any charter school, based on obtainable data: <sup>2</sup>

1. The best-performing nonselective public schools in the chartering jurisdiction, state, and nation – defined as those demonstrating the highest sustained achievement and/or the highest sustained student growth, without adjusting for student race or socioeconomic status; and
2. The best-performing comparable schools in the chartering jurisdiction, state, and nation – defined as those demonstrating the highest sustained achievement and/or the highest sustained student growth among schools with equivalent individual student academic histories, without adjusting for race or socioeconomic status.<sup>3</sup>

Charter schools, authorizers and other parties using this Framework for school evaluation should consistently apply both of these benchmark comparisons for all applicable measures to obtain broad and clear perspective on a school’s performance.

## Indicators

The Consensus Panel recommends four essential indicators of academic quality:

1. **STUDENT ACHIEVEMENT LEVEL (STATUS)** – This indicator shows how students have performed at a single point in time on particular assessments (typically including, but not necessarily limited to state standardized tests). In other words, it is a “snapshot” of student performance at that point in time.
2. **STUDENT PROGRESS OVER TIME (GROWTH)** – This indicator examines how individual students have improved over time on particular assessments.
3. **POSTSECONDARY READINESS AND SUCCESS (FOR HIGH SCHOOLS)** – This indicator focuses on student preparation for postsecondary education, training, workforce participation or military service.
4. **STUDENT ENGAGEMENT** – This indicator focuses on basic, objective measures of student engagement in schooling, such as attendance and continuous enrollment.

The following pages set forth the Framework for Academic Quality, built around four essential indicators and associated measures, metrics, and benchmark comparisons.

## Indicator #1: Student Achievement Level (Status)

Measures	Metrics	Benchmark Comparisons
<p><b>Proficiency Levels on State Assessments by Grade and Subject</b></p>	<ul style="list-style-type: none"> <li>• Percentage of students scoring at proficiency</li> <li>• Percentage of students scoring at each state performance level (e.g., Advanced, Proficient, Below Proficient)</li> <li>• Attainment of Adequate Yearly Progress (AYP)</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>• Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>
<p><b>College Entrance Exam (e.g., ACT or SAT) Composite and Subtest Scores</b></p>	<ul style="list-style-type: none"> <li>• Percentage of students reaching score predictive of college success on exam (as determined by the test publisher)</li> <li>• Median score</li> <li>• Percentage of students taking college entrance exam</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>• Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>
<p><b>High School Exit Exam (if applicable)</b></p>	<ul style="list-style-type: none"> <li>• Percentage of students passing</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>• Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>

## Notes:

- 1. TESTING CYCLES.** While acknowledging that state accountability systems are generally based on Spring-to-Spring or Fall-to-Fall test results, the Consensus Panel recommends Fall-to-Spring testing (as a complement to the state testing schedule, if necessary) in order to assess each school's impact on student learning during the academic year, as well as to avoid the effects of "summer loss."
- 2. INCENTIVES CREATED BY STATUS MEASURES.** The Consensus Panel discussed concerns about metrics that focus simply on proficiency attainment, such as Adequate Yearly Progress (AYP) as currently deployed. The chief concern is that when such metrics are the sole focus of high-stakes school accountability, they may create incentives and pressure for schools to concentrate attention and resources on students who are "on the cusp" of proficiency or the next-closest performance level, while diminishing incentives to meet the needs of students who are furthest behind as well as those who are already proficient. The use of measures that assess student growth over time, as discussed in the next section of this Framework, partially remedies this problem.
- 3. VARIATION IN STATE PROFICIENCY STANDARDS.** The Consensus Panel acknowledges serious concerns about wide variation across the states in setting proficiency standards for student learning, which makes it difficult to judge school or student achievement across state lines. This Framework therefore includes numerous metrics that are independent of state proficiency standards. In addition, the Panel expressed interest in using the National Assessment of Education Progress (NAEP) to benchmark school performance on state assessments.
- 4. SUBJECTS TESTED.** State assessment programs generally exclude some subjects from annual testing (commonly testing only Reading/English Language Arts and Mathematics), thereby providing a limited perspective on student learning. Schools and authorizers may wish to use national or other valid, reliable assessments in order to assess student learning in subjects not covered by state assessments.
- 5. EXIT STANDARDS, END-OF-COURSE ASSESSMENTS, AND GATEWAY EXAMS.** The Consensus Panel discussed the pervasive problem of students being passed along through every stage of K-12 schooling without meaningful promotion or graduation standards, ultimately graduating from high school without knowledge and skills necessary for higher education or for joining the workforce. The Panel encourages the use of promotion and exit standards, end-of-course assessments, and/or gateway exams, while recognizing these as decisions for states, districts, or individual schools.

## Indicator #2: Student Progress over Time (Growth)

Measures	Metrics	Benchmark Comparisons
<p><b>Annual Gains for Same (Matched) Students</b></p>	<ul style="list-style-type: none"> <li>• Percentage of students achieving or exceeding targeted gains</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>• Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>
<p><b>Longitudinal Growth Based on Similar Starting Points</b></p>	<ul style="list-style-type: none"> <li>• Typical or average growth rate</li> <li>• Percentage of students achieving or exceeding typical or average growth rate</li> <li>• Percentage of students making or exceeding target growth rate</li> <li>• Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>
<p><b>Criterion-Referenced Longitudinal Growth</b></p>	<ul style="list-style-type: none"> <li>• Percentage of students making adequate growth to reach or maintain proficiency during a certain period of time</li> <li>• Percentage of students already proficient or advanced who maintain or improve their performance level</li> <li>• Percentage of students moving to a higher performance level</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>• Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>

## Notes:

- 1. NEED FOR QUALITY STUDENT-LEVEL LONGITUDINAL DATA.** Rigorous analysis of student-level longitudinal data is imperative to reveal and assess individual student academic needs and growth over time. This kind of data examination is critical for schools to diagnose and meet every student's learning needs; for effective strategic decisionmaking for external accountability; and for well-informed evaluation of school performance. Charter schools and authorizers that currently are not collecting, analyzing and reporting student-level longitudinal data should make this a top priority for improving their assessment systems.
- 2. DIFFERENCES IN METHODOLOGIES.** To select and implement assessment systems that will produce quality longitudinal data, it is important for schools and authorizers to have a basic understanding of common methods of growth analysis and their respective advantages, limitations and appropriate (or inappropriate) uses.
  - “Gain-score analysis” is the simplest way to measure growth, using a simple subtraction method. That is, one year's score is subtracted from the prior year's score, with the difference referred to as the “gain score.” While simple to understand and replicate, this measure requires a cross-grade achievement scale (i.e., a vertical scale) and is often contaminated by floor and ceiling effects of the particular assessment, making it difficult to infer students' “pure learning” and thus presenting serious problems if used in high-stakes decisions.
  - In contrast, value-added analysis or modeling (VAM) is a refined longitudinal growth analysis technique that uses deviations from expected growth of students as a basis for inferring school, teacher, or program effectiveness. VAMs are most appropriate when assessing effectiveness across a large number of schools.
- 3. OPTIONS FOR ANALYZING STUDENT GROWTH.** Not all state education agencies conduct longitudinal growth analyses. To understand individual student progress in states that do not provide growth analysis, charter schools, authorizers and/or charter support organizations can obtain and analyze state assessment data themselves; or charter schools can administer national assessments that readily provide student growth data and analysis.
- 4. GRADE LEVELS TESTED ANNUALLY.** Most state assessment programs do not test high school students annually. To understand student academic growth in grade levels not annually tested by the state assessment, schools should consider administering national assessments that readily provide student growth data and analysis.
- 5. SUBJECTS TESTED.** State assessment programs generally exclude some subjects from annual testing (commonly limiting testing to Reading/English Language Arts and Mathematics). Schools and authorizers may wish to use national or other valid, reliable assessments to assess student academic growth in subjects not covered by state assessments.

## Indicator #3: Postsecondary Readiness and Success (for High Schools)

Measures	Metrics	Benchmark Comparisons
<p><b>Postsecondary Access &amp; Opportunity</b></p>	<ul style="list-style-type: none"> <li>Percentage of students enrolled in a college-prep curriculum (based on state high school standards or admission standards for in-state public 4-year colleges)</li> <li>Percentage of graduates submitting applications to postsecondary institutions, by type of program (4-year and 2-year colleges, trade and apprentice programs)</li> </ul>	<ul style="list-style-type: none"> <li>Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>
<p><b>High School Completion</b></p>	<ul style="list-style-type: none"> <li>Graduation rate calculated as recommended by the National Governors Association<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>
<p><b>Postsecondary Admission</b></p>	<ul style="list-style-type: none"> <li>Percentage of students gaining admission to postsecondary institutions (4-year and 2-year colleges, trade and apprentice programs)</li> <li>Percentage of students submitting a complete Federal Application for Financial Student Aid (FAFSA)</li> <li>Percentage of Free/Reduced-Price Lunch students admitted to postsecondary institutions</li> </ul>	<ul style="list-style-type: none"> <li>Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>
<p><b>Postsecondary Enrollment or Employment</b></p>	<ul style="list-style-type: none"> <li>Percentage of graduates, by cohort, enrolled in postsecondary institutions (college, trade and apprentice programs) by February of Year 1 after graduating from high school</li> </ul>	<ul style="list-style-type: none"> <li>Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> </ul>

## Indicator #3: (continued)

Measures	Metrics	Benchmark Comparisons
	<ul style="list-style-type: none"> <li>• Percentage of students submitting a complete Federal Application for Financial Student Aid (FAFSA)</li> <li>• Percentage of Free/Reduced-Price Lunch students admitted to postsecondary institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>

### Notes:

1. **DEFINING “POSTSECONDARY READINESS.”** The Consensus Panel debated how to define postsecondary readiness, given the diversity of postsecondary paths that students may take – including college, the workforce, military service, and trade schools – as well as the fact that a great number of charter schools cater to students who are at high risk of dropping out of high school. For purposes of this Framework, the Panel agreed that an appropriate definition of postsecondary readiness would be “readiness to earn a competitive wage and preparation for economic self-sufficiency” – a broad definition to urge data collection and reporting on all postsecondary paths that students may take.

2. **RIGOR OF COLLEGE PREP CURRICULA.** The Consensus Panel expressed concern about high variation in the (largely self-reported) rigor of college prep courses offered by high schools. While not reaching agreement at this time on a national measure for college prep curricular rigor, the Panel has identified this as a priority task for the next phase of the Quality Consortium’s work.

3. **SHARING OF DATA.** To enable charter schools to track students more easily after graduation, the Consensus Panel recommends that organizations that collect postsecondary enrollment data (i.e., postsecondary institutions, state education departments and other agencies) share such data with secondary schools.

Likewise, the Panel recommends that federal and state agencies that collect employment and military service data share such data with secondary schools.

4. **QUALITATIVE MEASURES.** The Consensus Panel discussed the use of qualitative measures for postsecondary readiness, including surveys or other instruments to assess factors such as student motivation or life skills. The Panel did not agree to include such measures in the present Framework, because the measures discussed were either not outcomes-focused or currently not comparable across all schools. While no consensus was achieved about qualitative outcome metrics or any single instrument to be used for these areas of interest, the Panel urges schools to explore and adopt rigorous qualitative measures to further illuminate and demonstrate their students’ postsecondary preparedness, if desired. The Panel believes that there are a variety of surveys and instruments that serve this purpose.

<sup>4</sup>The NGA graduation rate formula divides the number of graduates in a particular year by the number of students entering the ninth grade for the first time four years before, plus the difference between the number of students who transfer in and out over the same four years. That is:  $[\text{On-time graduates in Year } X] / [(\text{first-time entering ninth-graders in Year } X - 4) + (\text{transfers in} - \text{transfers out over the 4-year period})]$ . *Graduation Counts: A Compact on State High School Graduation Data*, National Governors Association, 2005.

## Indicator #4: Student Engagement

Measures	Metrics	Benchmark Comparisons
<b>Student Attendance</b>	<ul style="list-style-type: none"> <li>• Average Daily Attendance rate</li> <li>• Percentage of students attending a target percentage of days</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing nonselective public schools in the chartering jurisdiction and state</li> <li>• Best-performing comparable schools in the chartering jurisdiction and state</li> </ul>
<b>Continuous Enrollment</b>	<ul style="list-style-type: none"> <li>• Percentage of students continuously enrolled throughout the year</li> <li>• Percentage of students re-enrolled from one year to the next</li> <li>• Percentage of students continuously enrolled for multiple years</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing nonselective public schools in the chartering jurisdiction, state, and nation</li> <li>• Best-performing comparable schools in the chartering jurisdiction, state, and nation</li> </ul>
<b>Truancy</b>	<ul style="list-style-type: none"> <li>• Percentage of students exceeding a particular number of truancies in a given period of time</li> </ul>	<ul style="list-style-type: none"> <li>• Best-performing nonselective public schools in the chartering jurisdiction and state</li> <li>• Best-performing comparable schools in the chartering jurisdiction and state</li> </ul>



## Notes:

1. **SHOULD “STUDENT ENGAGEMENT” BE AN INDICATOR?** While student engagement is not a traditional academic outcome like the other indicators above, the Consensus Panel identified it as an “interim outcome” – a precondition essential for achieving other educational outcomes, and thus meriting attention in this Framework.
2. **OTHER MEASURES POSSIBLE AT SCHOOL LEVEL.** The Panel engaged in a spirited discussion over how to measure student engagement. Student engagement is often demonstrated by affective qualities – e.g., student motivation, attitudes or psychosocial development – that are not readily or reliably measured or universally applicable to the diverse charter schools across the country. In addition, some measures relevant to student engagement may create incentives to under-report data (e.g., student violence or suspensions) if used to inform high-stakes judgments of school quality. The Consensus Panel discussed a number of possible measures for student engagement including climate surveys and qualitative instruments, and the Panel recognizes that such measures, which may capture student engagement more completely, can be valuable for individual schools. For the purposes of this Framework, however, the Panel selected the above limited set of easily quantifiable measures that can reflect student engagement at a basic, objective level across the wide diversity of charter schools nationwide.
3. **CONTINUOUS ENROLLMENT.** A common measure related to student engagement is student attrition, which may be due to a number of factors including choosing another school, moving away, dropping out, or expulsion. Continuous enrollment – the percentage of students who stay enrolled in a school over time – is the inverse of student attrition, and the metrics above capture continuous enrollment over various periods of time, from one year to multiple years. The Panel agreed that as a measure of student engagement, continuous enrollment would be more broadly informative than attrition – capturing the percentage of students who stay in the school over time while simultaneously reflecting the percentage who leave for various reasons.
4. **STATE-SPECIFIC DEFINITIONS AND FORMULAS.** The Panel recognizes that states vary in how they define or approach the above measures. For example, formulas for calculating ADA vary from state to state, and some states have different definitions for ADA for homebound and pre-school students. Thus, the definitions and formulas used by charter schools and authorizers will depend on their state.

## General Areas for Further Development

The Consensus Panel identified two general areas for further development as the Quality Consortium continues its work:

- 1. MORE MEASURES FOR K-8 SUCCESS.** Several of the measures in this Framework focus on the ultimate results of K-12 public education that occur at the secondary and postsecondary levels. The Consensus Panel recognizes the need to develop additional valid measures of success for K-8 schools, particularly given that the majority of charter schools serve grades K-8.
- 2. NON-TRADITIONAL AND MISSION-SPECIFIC MEASURES.** The Consensus Panel recognizes that standardized tests and other readily quantifiable measures (e.g., attendance rates) do not completely capture all dimensions of school performance and quality that may be vital to a school and its stakeholders. The Panel discussed and recognized the importance (for some schools more than others, depending on each school's mission and design) of establishing valid, reliable measures of academic quality beyond standardized tests and traditional measures.

Non-traditional performance measures are often necessary to assess and demonstrate a school's achievement of its unique mission and educational promises. These might pertain, for example, to the arts, technology, entrepreneurship or environmental education; or to character development, service learning, leadership skills, or foreign-language proficiency.

In light of the wide diversity of charter school missions and designs across the country, as well as the technical challenges of establishing validity and reliability for non-traditional performance measures, the Consensus Panel did not reach agreement on the role and usage of such measures for purposes of this Framework. The Panel agreed that non-traditional measures can be valuable if well-developed, and that schools and authorizers should work to develop and use valid, reliable measures and metrics for dimensions of school achievement not captured by standardized tests or other traditional means. In addition, the Panel flagged this topic for further attention and development in the continuing work of the Quality Consortium.

## Next Steps for the Quality Consortium

Key next steps for the Quality Consortium include:

- 1. IMPLEMENTATION:** The Quality Consortium seeks to have charter school operators, authorizers and funders nationwide adopt and employ the indicators, measures, metrics, and benchmark comparisons set forth in the above Framework for Academic Quality to refine and enhance their performance management practices. The Quality Consortium will emphasize longitudinal growth measures and benchmarking in Building Charter School Quality Project pilot states (Arizona, Colorado, Florida and Ohio).
- 2. ONGOING DISCUSSION VIA WEBSITE:** As an extension to convened meetings and development of the measures and metrics, the Quality Consortium now hosts a website ([www.bcsq.org](http://www.bcsq.org)) as a forum for leaders and stakeholders in the charter movement to discuss and respond to the Consensus Panel's draft documents. This forum will further the refinement of the proposed measures, metrics and benchmarks as well as encourage stakeholder learning.
- 3. PERFORMANCE MANAGEMENT INSTITUTE:** To complement the work of the Consensus Panel, the Quality Consortium will launch the Performance Management Institute in 2008, incorporating the above Framework for Academic Quality into the Institute curriculum.
- 4. DEVELOP FRAMEWORK FOR OPERATIONS AND GOVERNANCE QUALITY:** By the end of 2008, a second Consensus Panel will reach consensus on a framework for evaluating the quality of charter school operations and governance. This second set of indicators, measures, metrics and benchmarks will complement the Framework for Academic Quality and is likewise intended for broad adoption by the charter school sector.

## Consensus Panel Process Notes

### Role & Charge of the Panel

The National Association of Charter School Authorizers (NACSA) and the National Alliance for Public Charter Schools co-convened a national working group representing key stakeholders in the charter school movement – including charter operators, authorizers, state associations, policy leaders, researchers, lenders and funders. The charge of this working group – the Consensus Panel on Charter School Academic Quality – was to establish consensus regarding a core set of academic performance measures that define quality charter schools, and to disseminate information on these necessary measures so they can inform and improve charter school performance nationwide.

The expected results of this consensus process included:

- Consistency across like organizations in the charter school sector
- A solid basis for policy discussions
- Clear expectations for measurement
- Knowledge transfer and capacity-building among all types of organizations

### The Consensus Process

On June 6-7, 2007, the Consensus Panel met for the first time in Snowbird, Utah to begin forging a consensus on a core set of academic indicators, measures and metrics that define quality charter schools. In this first meeting, the Panel determined a set of key indicators and established a draft set of measures and metrics. Over the summer, smaller work groups (indicator committees) continued to refine the measures and metrics for each indicator.

On September 17 -18, 2007, the Consensus Panel met again at Stanford University. At this meeting, indicator committees offered final drafts of measures and metrics for the full Panel's consideration and discussion. The decisions and discussions resulting from this meeting were summarized in the first draft Consensus Compact Working Document, released for review and comment to the Consensus Panel and selected other leaders in the national charter school community in early November 2007.

Since then, the Building Charter School Quality Project team has solicited, reviewed and extensively discussed comments from numerous Panel participants and has worked to incorporate practical suggestions into the second draft Consensus Report, released for comment at the end of February 2008.

### Decision Rules of the Consensus Panel

The charge to the Panel was to achieve consensus on the indicators, measures, and metrics contained in the above Framework. If consensus was not reached on particular points, Panel participants then identified areas of disagreement, opposing arguments, and any necessary conditions for future consensus. Key areas of non-consensus are noted at the end of the section for the relevant indicator in the above Framework.

## APPENDIX B.

# Consensus Panel & Staff

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# Building Charter School Quality

[www.bcsq.org](http://www.bcsq.org)

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**National Alliance for Public Charter Schools**  
[www.publiccharters.org](http://www.publiccharters.org)

**National Association of Charter School Authorizers**  
[www.qualitycharters.org](http://www.qualitycharters.org)

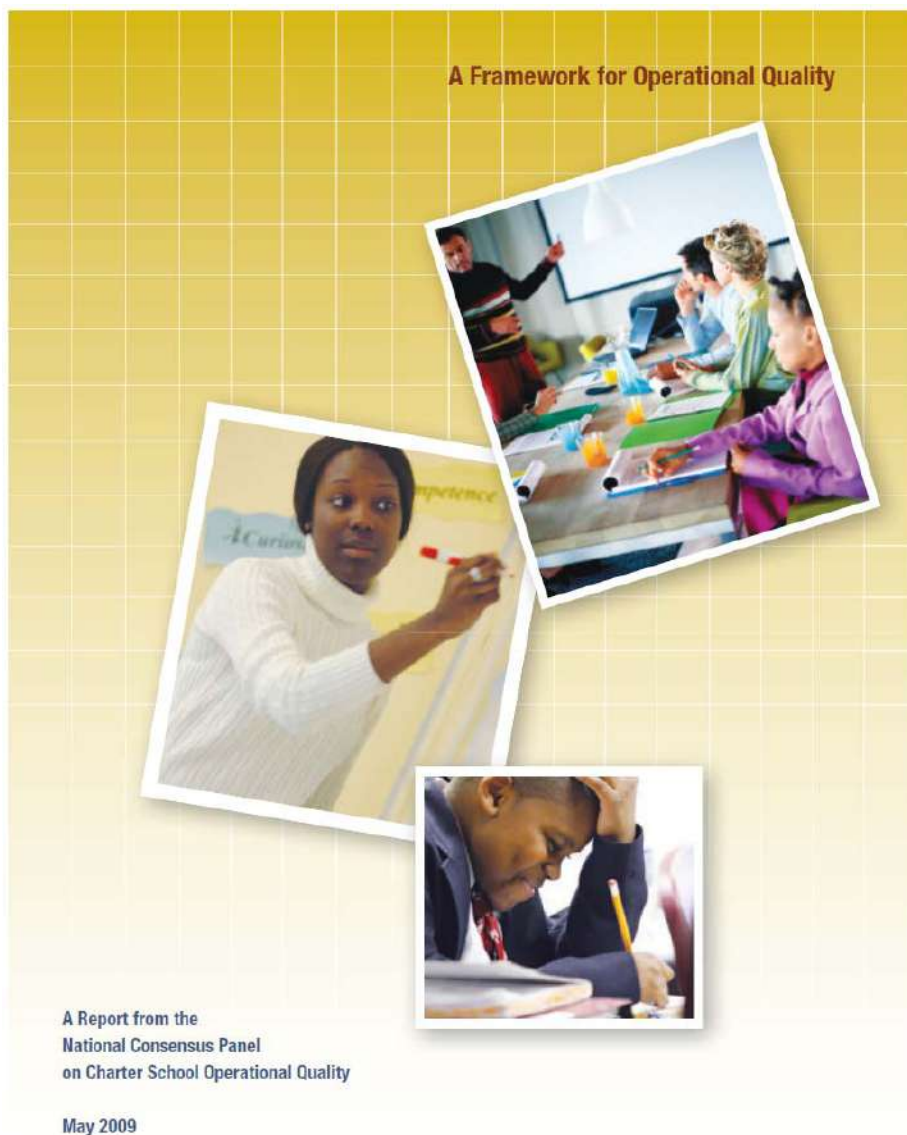
**Colorado League of Charter Schools**  
[www.coloradoleague.org](http://www.coloradoleague.org)

**Center for Research on Education Outcomes (CREDO)**  
[credo.stanford.edu](http://credo.stanford.edu)

## Appendix F2. National Consensus Panel on Charter School Operational Quality.

The following document is *A Framework for Operational Quality, A Report from the National Consensus Panel on Charter School Operational Quality*. May 2009. Building Charter School Quality. [www.bcsq.org](http://www.bcsq.org).

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## Acknowledgements:

The convening partners of the Charter School Quality Consortium express appreciation to all the members of the National Consensus Panel and working groups who contributed their time, perspectives, and shared passion for quality education to this initiative. This work was conducted as part of a larger three-year project, "Building Charter School Quality: Strengthening Performance Management among Schools, Authorizers, State Charter Support Organizations, and Funders," made possible by a National Leadership Activities grant from the U.S. Department of Education's Charter Schools Program.





## Foreword

**Successful charter schools are more than a collection of great teachers and an effective curriculum.** They are also nonprofit corporations that must operate with maximum efficiency in order to produce strong results despite funding disparities and facilities challenges unique to charter schools. They are multi-million-dollar start-up enterprises whose stakeholders are parents, taxpayers, and public authorities. Because they are public schools, charters are publicly accountable not just for academic results, but also for sound stewardship of public dollars. And as schools of choice, charter schools must satisfy families and students to earn their re-enrollment each year.

That's why the convening partners of the Charter School Quality Consortium have produced this report, *A Framework for Operational Quality*, as a companion to the *Framework for Academic Quality* released in June 2008. The Charter School Quality Consortium is a federally-funded initiative spearheaded by four collaborating organizations:

- The Colorado League of Charter Schools
- CREDO at Stanford University
- The National Alliance for Public Charter Schools
- The National Association of Charter School Authorizers (NACSA)

While these four organizations play different roles in the charter movement, we share a common commitment to building and strengthening the movement through quality schooling.

Although charter schools succeed and sustain themselves at a far greater rate than commercial startups, they do sometimes falter—most often, because of deficiencies in finance, governance, and other operational domains. One recent report notes that two-thirds of mid-term charter revocations have occurred for reasons other than academic performance<sup>1</sup>—perhaps because financial or organizational failures are often more clearcut and evident earlier than academic shortcomings.

Achieving consensus on essential indicators, measures, and metrics for charter school academic quality—the focus of our first report—was a long and difficult task, in part because charter schools serve every kind of population from pre-K to adults, and from college-bound teens to adjudicated youth. For our new report on operational quality, the task was somewhat clearer at the outset. No matter what kind of curriculum a school offers, no matter its mission or the background of its students, every charter school must be well-managed and capably governed. Its governing board must oversee the school responsibly and with fiduciary care. The school's books must earn clean audits. Its student records must stand up to authorizer scrutiny.

With gratitude to the numerous experts and practitioners who served on the national Consensus Panel and in related working groups, we present *A Framework for Operational Quality*. We hope this framework and report will be a useful tool for charter schools, authorizers, and funders—working in tandem with our previous *Framework for Academic Quality* to help produce high performance, by many measures, across an ever-strengthening charter school sector.

Nelson Smith  
*President & CEO*  
*National Alliance for Public Charter Schools*

<sup>1</sup> Gau, R., *Trends in Charter Authorizing*, Thomas B. Fordham Institute (2006), 10.



## Introduction: Building Charter School Quality

**The charter school idea is based on a simple, compelling bargain: greater autonomy in exchange for greater accountability for student achievement.**

Seventeen years after the nation's first charter school opened in Minnesota, there are almost 4,700 charter schools serving 1.4 million students in 40 states and the District of Columbia. Yet the quality of these schools across the country varies greatly, ranging from some of the nation's finest schools to others that serve their students poorly and improve little over time. Thus, the powerful potential of the charter movement—to increase quality public school options for all children, particularly for the minority and disadvantaged students “left behind” in traditional school systems—is too often unrealized. This report and its earlier-published companion, the *Framework for Academic Quality*, are the products of a national initiative focused on turning high potential into high performance across the charter school sector.

### The Charter School Quality Consortium and Consensus Panels

This report is the second product of a national consensus process conducted as part of *Building Charter School Quality: Strengthening Performance Management among Schools, Authorizers, State Charter Support Organizations, and Funders (BCSQ)*, a three-year National Leadership Activities Project funded by the U.S. Department of Education's Charter Schools Program. The following four organizations have collaborated in spearheading this project:

- The Colorado League of Charter Schools
- CREDO at Stanford University
- The National Alliance for Public Charter Schools
- The National Association of Charter School Authorizers (NACSA)

These four organizations are the convening partners for the **Charter School Quality Consortium**, an emerging entity that, when fully developed, will be a force for improving the quality of charter schools nationwide. The consortium's purposes are to:

1. **Establish consensus**, among national leaders and organizations working to bring quality educational options to underserved families, regarding academic and operational performance measures and practices that are hallmarks of quality charter schools; and
2. **Disseminate information** on these necessary measures and practices so they can inform and improve charter school performance nationwide, particularly for schools in need of improvement and in high-need communities—thereby benefiting students who are most at risk of educational failure.<sup>2</sup>

To carry out this grassroots, standards-setting initiative, the Quality Consortium partners have convened two national Consensus Panels over the past two years. The first focused on charter school **academic quality**, while the second focused on **operational quality**. The panels have drawn from a variety of leaders and key stakeholders in the charter school sector—including charter operators, authorizers, charter school support organizations, policy leaders, researchers, and charter school funders and lenders. The product of the first Consensus Panel was the *Framework*

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<sup>2</sup> “Building Charter School Quality: Strengthening Performance Management among Schools, Authorizers, State Charter Support Organizations and Funders,” Proposal to the U.S. Department of Education, pp. 9-10.

for *Academic Quality*, released in June 2008 and now available at [www.bcsq.org](http://www.bcsq.org), [www.publiccharters.org](http://www.publiccharters.org) and [www.qualitycharters.org](http://www.qualitycharters.org). The product of the second Consensus Panel—the *Framework for Operational Quality* presented herein—complements the first report with a different focus and purpose.

The Quality Consortium partners have featured the *Framework for Academic Quality* as a centerpiece for training charter school operators and authorizers in the Performance Management Institute (PMI), a professional development program launched by the BCSQ project. Participants to date have attested to the impact of the *Framework for Academic Quality* and the PMI in strengthening their work. In 2008, the PMI trained charter operators and authorizers from Arizona, Colorado, Florida, Illinois, Michigan, New York, New Mexico, Ohio, and Texas. Participants widely reported that the PMI solidified their commitment to performance measurement and the use of well-chosen performance metrics. The impact has been both significant and lasting; a follow-up survey sent six months after participants attended the Institute showed their commitment continued to be strong. In addition, participants noted that the PMI training spurred their organizations to adopt specific performance measures and metrics set forth in the *Framework for Academic Quality*, such as those focusing on student academic growth over time and postsecondary success.

### **The Framework for Operational Quality: Purpose and Uses**

The **Framework for Charter School Operational Quality** is built around three essential indicators of operational quality and associated measures and metrics. It is intended as a practical tool to spur and guide improvement throughout the charter sector by offering standards of practice applicable to any kind of charter school, anywhere. Key groups within the charter community can use this Framework in the following ways:

- **School operators**—to guide the establishment of essential operating standards and a foundation for institutionalized practices to achieve and sustain school success.
- **Charter authorizers, funders and lenders**—to guide schools in establishing these basic operating standards and practices, and to inform ongoing monitoring of charters in their portfolio.
- **Charter school support organizations**—to illuminate areas of strength and areas for improvement across all the charter schools they support, and to train or assist schools in establishing operating practices fundamental for success.

Readers should use this Framework in conjunction with the previously published *Framework for Academic Quality*, while keeping in mind the complementary purposes of the two frameworks. The *Framework for Operational Quality* outlines basic operational standards, systems, and practices that are conditions for achieving and sustaining charter school success. It is primarily a tool for school planning, monitoring, self-evaluation and improvement. Because the *Framework for Operational Quality* focuses on a variety of sound *practices* or “inputs”—rather than clearly measurable school performance outcomes—it is **not intended to serve as the basis for high-stakes judgments** of charter school performance. The Consensus Panel recommends using this *Framework for Operational Quality* to **help schools establish basic conditions for success**—while using the *Framework for Academic Quality* as a foundation for structuring evaluations of school performance.



### Key Elements of the Framework

Key elements of the *Framework for Operational Quality* include (from the most general to the most specific):

**Indicators** → **Measures** → **Metrics** → **Targets**

Following is an overview of these elements and key terms as used in the Framework:

**Indicators.** Indicators represent general dimensions of school operational quality, such as *Financial Performance and Sustainability*, that the Consensus Panel has identified as essential. The three key operational quality indicators set forth in this Framework are accompanied by measures and metrics that the Consensus Panel recommends for widespread use by charter schools and entities that monitor their performance.

**Measures.** Measures are general instruments or means to assess performance in each area defined by an indicator. Measures require the application of specific metrics or calculation methods (see below). For example, a measure of financial performance and sustainability is *liquidity*.

**Metrics.** Metrics specify a quantification, calculation method or formula for a given measure. For example, a metric for expressing an organization's liquidity is a ratio such as:

$$\frac{(\text{Current assets} - \text{Current liabilities})}{\text{Total expenses}}$$

**Targets.** Taking metrics a step further, targets are specific, quantifiable objectives that set expectations or define what will constitute success on particular measures within a certain period of time. Having well-conceived and well-defined performance targets is important to achieve and evaluate school success. However, targets should be set by schools in light of relevant federal, state or authorizer requirements—so the Framework set forth in the following pages **does not specify targets** for each recommended measure and metric.



# Framework for Operational Quality



The Consensus Panel recommends three essential indicators of charter school operational quality:

1. Financial Performance and Sustainability
2. Board Performance and Stewardship
3. Parent and Community Engagement

Following is the *Framework for Operational Quality*, built around these essential indicators and associated measures and metrics. Note: The explanatory notes in each section address or clarify substantive points considered by the Consensus Panel and are important for full understanding and appropriate use of the Framework.

## INDICATOR #1: Financial Performance & Sustainability

Measures	Metrics
Student Enrollment	Actual student enrollment, per statutorily required reported count(s)/ Budgeted student enrollment
Liquidity	$\frac{\text{Current assets} - \text{Current liabilities}}{\text{Total expenses}}$
Sustainability	$\frac{\text{Total unrestricted net assets}}{\text{Average monthly expenses}}$
Occupancy Expense	$\frac{\text{Total occupancy costs (lease or mortgage)}}{\text{Total revenues}}$
Annual Audit	Absence of material or repeated audit findings in annual audit by qualified independent auditor

### NOTES:

1. **Financial Policies and Procedures.** The Consensus Panel believes that a sound financial infrastructure requires establishing and following adequate financial policies and procedures that are clearly set forth in a board-approved manual. Such policies and procedures should establish clear operating standards for financial management of the school; lay a foundation for consistent, institutionalized practice in the event of leadership or staff turnover; and help to overcome any internal resistance to viewing the school as a business.

2. **Financial Accounting System.** To lay the groundwork for solid financial analysis, a school must adhere to sound and consistent methods for collecting and organizing financial data. The Consensus Panel recognizes that many states require a specific chart of accounts for organizing school financial data, and believes that this suffices for charter schools in those states. For charter schools in states that do not prescribe a uniform chart of accounts, the Consensus Panel recommends that schools, authorizers, and other users of charter school financial data employ a common structure. A sample uniform chart of accounts is provided in Appendix A.
3. **Financial Expertise.** The expertise needed for charter schools to perform well financially requires both management and board-level skill. Each is necessary but is not in itself sufficient. The Consensus Panel debated what constitutes “financial expertise,” ultimately agreeing that this should be determined locally.
4. **Annual Financial Audits.** The Consensus Panel agrees that charter schools should undergo annual financial audits by a qualified and independent external auditor (which may be a state auditor, as required in some states). Periodic financial reviews conducted by the authorizer can complement, but do not supplant the need for comprehensive annual audits by qualified financial auditors.



5. **Revenue Management.** The Consensus Panel discussed the need for schools to ensure that they manage incoming revenue so that they can operate at the desired level of performance. Some Panel members expressed concern that some schools neglect or choose not to pursue funds that could help their programs. Other members noted that this could be a rational and strategic decision for schools that wish to avoid attached strings or time-consuming reporting requirements for some funding sources. The Panel agreed that schools should understand the cost of pursuing additional dollars in relation to the additional dollars that they actually receive.

6. **Cash Reserves.** There is always the possibility of unexpected costs in operating a charter school. The Consensus Panel discussed the need for schools to maintain a cash reserve for unexpected expenses. Some states as well as authorizers provide guidance or require a certain percentage of revenue or expense to be held in reserve. The Panel agreed that maintaining a reserve should be a goal for all charter schools, while the appropriate amount for individual schools will vary based on school needs. Schools should be aware of any state or authorizer requirements pertaining to cash reserves. Absent such a requirement, it would be prudent to maintain a minimum of 30 days’ cash on hand—a minimum that charter school lenders like to see. (In many industries, maintaining 90-180 days of cash on hand is the norm, but given the variety of ways charters are funded, this may not be not realistic.)

7. **Charter School Facility Planning and Debt Burden.** The Consensus Panel does not recommend one particular facility approach—either facility purchase or lease—over the other for all charter schools. The best approach will depend on the specific circumstances of each school. The Panel does recommend, however, that all charter schools should have a facility plan providing for either facility ownership or a long-term lease by the time the school reaches full enrollment. The Panel declined to specify a recommended range for charter school facility costs, as such costs are heavily driven by local markets, but the Panel agrees that schools should take care to ensure that facility costs (mortgage or lease payments and debt burden) do not impair their ability to provide a high-quality academic program.
8. **Student Enrollment.** Student enrollment is the major driver of charter school revenues, and projected enrollment is a key assumption underlying financial decisions by charter school boards and leaders. Under-enrollment can lead to devastating financial consequences for charter schools. Many schools maintain a waitlist that helps them manage attrition and fill student spaces throughout the school year. The Consensus Panel believes it is necessary to measure the demand for every charter school to ensure that it can operate as planned. (Measuring demand is discussed under Indicator #4: Parent & Community Engagement.)



- 9. School-Level Financial and Academic Reporting.** Financial performance and impacts are fully transparent only when charter schools (or CMOS/EMOs) report both academic and financial information at the individual school level. The Panel recognizes that some CMOS, EMOs or school networks are organized as quasi-districts that provide centralized administrative support while the schools or campuses manage independent academic programs. Under such structures, it is common for financial information to be reported centrally. If finances are reported only centrally, however, individual school boards (if different from the managing entity’s board) cannot see how their resource allocations compare to those of other schools in the network. Nor is it possible for external stakeholders—such as authorizers, funders or lenders—to see how resources are allocated to individual schools, or to assess the impact of resource allocation on school performance. Do better-performing schools receive more resources—or do they use fewer resources, or use them differently? Such questions cannot be answered when financial reporting is generalized across multiple schools. Accordingly, the Consensus Panel strongly recommends that both academic and financial information be clearly reported and analyzed at the individual school level.
- 10. Accounting for In-Kind Services.** Charter schools often receive in-kind resources such as transportation, special-education support, facilities, or legal and financial services that may not appear in their financial records. It is difficult to capture accurately the dollar value of in-kind support provided to schools by CMO/EMOs, foundations, school districts or other entities, because charter schools may not know the exact monetary value of the in-kind services or resources they receive, and do not record such transactions on their books. Because of this, the Consensus Panel has not developed measures or metrics concerning in-kind services, but does suggest that schools recognize and record them in their financial reporting.

**INDICATOR #2: Board Performance & Stewardship**

<b>Measures</b>	<b>Metrics</b>
Board Member Skills, Knowledge and Commitment	<p>Collective years of board member experience in each of the following critical areas, at a minimum: Finance, Legal, Education, and Board Leadership/ Governance</p> <p>Percentage of board members who attend more than 80% of board meetings</p>
Setting Expectations	<p>Percentage of short- and long-term, board-approved academic and operating performance goals (for external accountability) that are SMART, i.e.:</p> <p><b>Specific</b>  <b>Measurable</b>  <b>Ambitious</b>  <b>Realistic, with Responsibility Assigned</b>  <b>Time-specific with Target Date</b></p> <p>Short- and long-term, board-approved, SMART performance goals, including at least one goal for each of the following areas:</p> <ul style="list-style-type: none"> <li>• Student achievement (status or absolute performance)</li> <li>• Student academic growth over time</li> <li>• Financial health</li> <li>• Operational efficiency</li> <li>• Organizational development</li> </ul>

(Continued on p.10)

**INDICATOR #2: Board Performance & Stewardship (continued)**

<i>Measures</i>	<i>Metrics</i>
Ethical Conduct	Absence of violations of authorizer-approved board policy governing ethical matters including conflicts of interest
Regulatory and Reporting Compliance	Percentage of all required filings that are complete, accurate and on time Absence of violations of any regulatory or reporting requirements
Leadership Oversight and Evaluation	Clear lines of authority, responsibility, and reporting Board monitoring of school/CMO leadership performance throughout the year Annual evaluation of school/CMO leadership performance against established performance expectations (SMART goals)
Contract Management and Oversight	Fulfillment of terms of charter contract Effective management and oversight of all service contracts, including any contracts for education/management services, as evidenced by, at a minimum: a) Clear, sound contracts that articulate roles and responsibilities; academic and operational (as applicable) performance goals, measures, timelines and terms; and consequences for inadequate performance; and b) Oversight that focuses on contractually-agreed performance outcomes and quality service
Public Accountability and Transparency	Clear, accurate, regular communication by the school on its academic and operating performance to key constituencies and the public through a variety of means that maximize access and understanding
Securing the Future/Continuous Improvement	Documented board and leadership attention to significant changes in the school's environment including authorizing changes and legislative, regulatory and policy activity Formal annual board review of performance and improvement against annual targets and long-term academic and operating performance goals Measurable improvement in the school's academic and operating performance over time, aligned with the school's performance contract goals

**NOTES:**

1. **Board Member Skills, Knowledge and Commitment.** This measure aims to ensure that every charter school board collectively possesses the diverse expertise and capacities needed to execute the board's fiduciary duties in governing a public school, nonprofit corporation, and multimillion-dollar enterprise, and to carry out the board's policymaking and strategic decisionmaking roles for the long-term success of the school.

**2. Leadership Oversight and Evaluation.** The Consensus Panel agrees that a charter school board's chief responsibilities with respect to school leadership are to:

- a) hire a strong, capable leader;
- b) monitor and evaluate the leader against established performance expectations based on SMART goals; and
- c) support the leader in achieving goals and securing long-term success, while respecting the distinct roles of governance vs. management.

In most states, charter management organization (CMO) or other school-network boards bear these essential responsibilities for each school or campus they oversee.

**3. Contract Management and Oversight.** This measure focuses on ensuring appropriate stewardship over all contracts executed by a charter school governing board, including the charter contract itself as well as any service or management contracts with third parties. All such contracts should delineate the roles and responsibilities of the parties and articulate performance goals, timelines and terms, including consequences for inadequate performance or service.

**4. Public Accountability and Transparency.** This measure emphasizes the public stewardship responsibility of charter school governing boards. As educational trustees of the state, charter boards are called upon to be responsive to diverse, complex and often conflicting constituencies. Key principles underlying this measure include:

- a) Charter school boards govern on behalf of and are accountable to the broader public, not merely their own school's internal community.
- b) Charter school boards must serve the public interest and uphold the public trust. This central commitment should guide all board policymaking and decisionmaking.

**INDICATOR #3: Parent & Community Engagement**

<b>Measures</b>	<b>Metrics</b>
Satisfied Students and Parents	<p>Percentage of students and parents who give the school a high (A or B) rating on satisfaction surveys, with response rates of at least 75% from parents and at least 80% from currently enrolled students broadly representative of the student population <i>(For internal, school improvement purposes only; minimum response rates recommended for validity)</i></p> <p>Re-enrollment ratio: School's rate of student re-enrollment from year to year, compared to district average and/or the school's prior-year re-enrollment rate (using statutorily required method for tracking enrollment)</p>
Excess Student and Parent Demand	$\frac{(\text{Enrollment} + \text{Valid Excess Demand})}{\text{School's Current Enrollment Capacity}}$ <p><i>(for validity, the demand figure should be annually updated and confirmed)</i></p>

**NOTES:**

**1. Satisfaction Surveys—Quality and Context.** The Consensus Panel recognizes that not all satisfaction surveys are valid or reliable instruments, but agrees that it is important for schools to assess parent and student satisfaction (as well as needs and desires) for internal, continuous school improvement. To strengthen the

quality of satisfaction surveys and the validity of their results, the Panel agrees that satisfaction surveys should reflect strong response rates from parents and from currently enrolled students who broadly reflect the student population's grade levels and demographics.

Though there is no "scientific" standard establishing a response rate sufficient to ensure validity of school satisfaction surveys, the Panel believes that in the context of charter schools—which are self-selective communities—response rates should be significantly higher than might be accepted in other survey contexts (e.g., public-opinion research, academic research, or any random-sampling survey). This is because a) a charter school satisfaction survey is administered to a selective—not random—group of desired respondents; and b) *engagement* of that group is one of the very purposes of the survey itself. The Panel believes that a school that is committed to engaging its students and parents and actively seeks their feedback should be able to achieve response rates of at least 80% for students and 75% of parents on satisfaction surveys, if the purpose is to assess and demonstrate broad, school-wide satisfaction.

In addition, the Panel considered recent research showing that stakeholders, particularly parents, often have broader expectations of established charter schools than of brand-new schools. According to the research conducted by Wohlstetter et al., some elements of a school are important to parents and students regardless of the school's age—such as academic programs, school culture and environment, teachers and administrators, and school support services. In contrast, there are other elements or features that stakeholders tend to expect to improve or develop as a school becomes more established, such as facilities, extracurricular activities, parent groups, and community partnerships.<sup>3</sup>

Accordingly, the Panel agreed that student and parent satisfaction surveys might appropriately contain different questions for charter schools at different stages of development, such as for:

- a) New schools (0-2 years old);
- b) Emerging schools (3-4 years old); and
- c) Mature schools (5 years or older).

2. **Family Means.** The Panel considered but did not agree to include parent volunteerism or financial contributions as a metric for parent satisfaction for all charter schools. The Panel recognizes that not all families have the means or capacity to contribute volunteer time or money to their school, so such metrics could be particularly misleading in assessing parent satisfaction with schools that serve predominantly low-income students.
3. **Need to Understand Why Students Leave.** The Consensus Panel strongly believes that all charter schools should track, document, and report on why students leave their school, by administering and documenting the results of exit interviews whenever students leave. While recognizing the time and resources this requires, the Panel agrees it is vital for schools to document—for self-improvement as well as for reporting to authorizers and other stakeholders—the extent to which students are leaving for logistical reasons (e.g., commuting distance too far, or moving away) versus dissatisfaction with some aspect of the school.
4. **Standard Formula for Calculating Demand (Annually Recalculated).** Though many charter schools maintain waitlists, the Consensus Panel agrees that the length of a school's waitlist alone may not necessarily be a valid or informative calculation of demand for the school, because of differences in enrollment capacity as well as schools' methods for constructing or maintaining waitlists. A school's enrollment capacity is an important consideration—a waitlist of 500 may indicate something entirely different for a school with 250 seats compared to

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<sup>3</sup> See Wohlstetter, P., Nayfack, M. & Mora-Flores, E., "Charter Schools and 'Customer' Satisfaction: Lessons from Field Testing a Parent Survey," *Journal of School Choice* 2:1 (2008), 66-84.

a school with 1,500 seats. In addition, schools should avoid calculations or practices that might artificially inflate their waitlists in various ways—such as continuing to recruit students even after all seats are filled and the waitlist is sufficient to ensure a full enrollment, or keeping students on a waitlist year after year even if those students are no longer interested or eligible.

To obtain clearer perspective on student/parent demand—and to ensure validity and comparability of school waiting lists—the Panel recommends the following standard formula for calculating a ratio of demand to capacity for any charter school:

$$\frac{(\text{Enrolled Students} + \text{Valid Excess Demand})}{\text{School's Current Enrollment Capacity}}$$

This formula takes into account each school's planned enrollment capacity for the current year, which may increase each year for schools that are growing or adding grades. The result indicates the strength of demand, and values greater than 1.0 represent a measure of financial security, since full enrollment is assured. The Consensus Panel agrees that this ratio should be calculated and reported every year to monitor a school's demand **trends** as well as its status (or single-year snapshot). Likewise, authorizers should verify that each charter school is properly calculating and annually updating its waiting list to ensure the validity of its reported excess demand.



## Appendix A: Sample Uniform Chart of Accounts

<b>Function</b>	<b>Subfunction</b>	<b>Detail Function</b>
Instruction	Classroom Teaching	Instructional Teachers
		Instructional Para-professionals
		Substitutes
	Classroom Materials	Pupil-Use Technology & Software
		Non-Employee Instructional Materials
Instructional Support	Non-Instructional Pupil Support	Guidance & Counseling
		Library & Media
		Extracurricular
		Student Health & Services
	Teacher Support	Curriculum Development
		In-Service, Staff Development & Support
	Program Support	Program Management
		Therapists, Psychologists & Social Workers
	Facilities Expenses	Building Management
Capital		Capital Projects/Capital Leases
		Debt Services
Administrative Expenses	School Management	Principals & Assistant Principals
		School Office
	Business Management	Data Processing
		Business Operations
	Program/Operations Management	Deputies, Senior Administrators & Researchers
	District Management (if applicable)	Superintendent & School Board
		Legal
	Legal	Claims & Settlements
Other	Non-Instructional Pupil Services	Transportation
		Food Service
		Safety



## Appendix B: Consensus Process Notes

### **The Consensus Process**

As the initial step in establishing a national peer consensus on a framework for charter school operational quality, the Building Charter School Quality (BCSQ) leadership team convened three national, geographically diverse working groups with broad expertise in the content areas of charter school Governance, Finance, and Parent & Community Engagement, respectively. Each working group convened three times by webinar in Spring 2008 to discuss potential core indicators, measures and in some cases, metrics necessary to ensure charter school operational quality in their particular areas of focus. The working group leaders distilled these discussions into background briefings to initiate and inform the Consensus Panel's deliberations.

On June 5-6, 2008, the Consensus Panel met in Austin, Texas to discuss and draft indicators, measures and metrics for charter school operational quality. With discussion facilitated by the working-group leaders, the Consensus Panel carefully considered the suggestions and ideas of the working groups, identifying areas of overlap as well as areas requiring clarification, and laying the groundwork for the *Framework for Operational Quality*. The BCSQ project team then used the discussion notes from the Consensus Panel meeting to develop multiple drafts of the Framework, with the final draft subject to review and comment by the Panel and working groups, and the final Framework representing broad consensus by the Panel.

### **Decision Rules of the Consensus Panel**

The charge to the Panel was to achieve consensus on the indicators, measures, and metrics contained in the above Framework. If consensus was not reached on particular points, Panel participants then identified areas of disagreement, opposing arguments, and any necessary conditions for future consensus.

## Appendix C: Consensus Panel, Working Groups & Project Staff

### Consensus Panel

**Marci Cornell-Feist**, Meetinghouse Solutions

**Lori Fey**, Michael and Susan Dell Foundation

**Larry Maloney**, Aspire Consulting

**Bruno Manno**, Annie E. Casey Foundation

**Eduardo Martinez**, New Mexico Forum for Youth in Community

**Elizabeth Purvis**, Chicago Charter School Foundation

**Ed Roth**, The Center for Charter Schools at Central Michigan University

**John Snider**, RBC Capital Markets

**Matt Spengler**, Lighthouse Academies, Inc.

**Ting Sun**, Natomas Charter School

**Leslie Talbot**, Talbot Consulting

**Dee Thomas**, Minnesota New Country School/EdVisions

**Bill Wildman**, RBC Capital Markets

**James Merriman**, New York City Center for Charter Schools Excellence

**Nina Rees**, Knowledge Universe Education, LLC

**Suzanne Tacheny**, Policy Innovations in Education Network

**Gregory White**, LEARN Charter School

### *Parent & Community Engagement*

**Eduardo Martinez**, New Mexico Forum for Youth in Community (Working Group Leader)

**Maite Arce**, Self Reliance Foundation

**Michael Brown**, New Mexico Forum for Youth in Community

**Myrna Castrejón**, California Charter Schools Association

**Michelle Evans**, Gompers Charter Middle School

**Lisa Grover**, New Mexico Coalition of Charter Schools

**Alex Medler**, Colorado Children's Campaign

### Working Groups

#### *Finance & Facilities*

**Larry Maloney**, Aspire Consulting (Working Group Leader)

**Elise Balboni**, Local Initiatives Support Corporation Educational Facilities Financing Center

**Chris Bender**, Brighter Choice Foundation

**Robert LaVallee**, The Finance Project

**Joyce Miller**, LarsonAllen LLP

**Peter Tschaepé**, Ball State University Office of Charter Schools

#### *Governance*

**Marci Cornell-Feist**, Meetinghouse Solutions (Working Group Leader)

**Kenneth Campbell**, Louisiana Board of Elementary and Secondary Education—Charter Schools Office

**Brian Carpenter**, National Charter Schools Institute

**Gail Littlejohn**, Center for Reform of School Systems

### Convening Partners and Project Staff

#### *Colorado League of Charter Schools*

**Jim Griffin**, President

**Jody Ernst**, Director of Research and Evaluation

#### *CREDO at Stanford University*

**Macke Raymond**, Director

**Ken Surratt**, Assistant Director

**Meg Cotter-Mazzola**, Manager of Federal Projects

#### *National Alliance for Public Charter Schools*

**Nelson Smith**, President & CEO

**Anna Nicotera**, Research & Evaluation Director

**Margaret Lin**, Of Counsel & Senior Editor

#### *National Association of Charter School Authorizers*

**Greg Richmond**, President & CEO

**Susan Miller Barker**, Vice President for Research and Evaluation

**Sally Bachofer**, Director of Knowledge Resources







National Alliance for Public Charter Schools  
[www.publiccharters.org](http://www.publiccharters.org)

Colorado League of Charter Schools  
[www.coloradoleague.org](http://www.coloradoleague.org)

National Association of Charter School Authorizers  
[www.qualitycharters.org](http://www.qualitycharters.org)

Center for Research on Education Outcomes (CREDO)  
[credo.stanford.edu](http://credo.stanford.edu)



## Appendix G: NACSA Financial Red Flags

### NACSA'S FINANCIAL "RED FLAGS" LIST

Excerpted from: NACSA. "Authorizing Matters: Measuring Charter School Financial Health." Issues Brief. October 2009. Downloaded from [www.qualitycharters.org](http://www.qualitycharters.org).

#### 10 RED FLAGS FOR A CHARTER SCHOOL'S FINANCIAL HEALTH

1. Consistently and materially falls short of its enrollment projections.
2. Continually spends more than it receives in revenue.
3. Leadership is unable to communicate about the school's financial health in clear, understandable language.
4. Payables (the money a school owes others) mounting up and going unpaid.
5. Regularly dips into restricted or deferred funds for today's expenditures, coming up short later when the project those funds were dedicated toward is ready to go.
6. Accounts receivable (the money others owe the school) are going uncollected.
7. Lack of money has become the focal point of conversation at staff and board meetings.
8. Lack of regular board meetings or board minutes without financial review.
9. Demonstrates a lack of effective policies and procedures, management tools, metrics, and reporting.
10. Exhibits excessive optimism – an unwillingness to acknowledge potential pitfalls or changes in the external environment.



## Appendix H: Charter School Transparency Laws

### STATE LAWS PROMOTING TRANSPARENCY IN CHARTER SCHOOLS

<p><i>State/Law or Statute/Year Passed</i></p> <p><i>Fiscal or Academic Accountability</i></p> <p><i>Website-based Posting of Information Required</i></p>	<p><i>Summary of Legislation</i></p>
<p>AZ/ S1119 / 2010</p> <p>Academic</p> <p>No. Report to various elected officials.</p>	<p>Creates task force that must evaluate and examine the best practices in accountability and assessment measures, develop measures of academic gain for grades K-3, and conduct trial examinations. Requires Task Force to submit an annual report by December 1 detailing its findings to the Governor, the Speaker of the House of Representatives, the President of the Senate, and the Secretary of State. Repeals Task Force on July 1, 2016. <i>Chapter 142, Stats. 2010.</i></p>
<p>AR/ SB943 / 2009</p> <p>Academic, Fiscal</p> <p>Yes.</p>	<p>Requires all Arkansas schools with comprehensive school improvement plans or a public school that accepts National School Lunch Act funds to post information on its website that includes: (1) description on how the school uses National School Lunch Act Funds; (2) the school’s annual report card; (3) a “parent-friendly” explanation of the school’s improvement status for each school in the district, supplemental educational services available to students, information on academic and fiscal distress of any school in the district and, information on what is being done to alleviate academic or fiscal distress; (4) district’s parental involvement plan to improve schools; and (5) teacher qualifications. Requires the department of education to annually verify compliance with law. Disclosure on website is mandatory accreditation requirement.</p>

<p><i>State/Law or Statute/Year Passed</i></p> <p><i>Fiscal or Academic Accountability</i></p> <p><i>Website-based Posting of Information Required</i></p>	<p><i>Summary of Legislation</i></p>
<p>CO/ SB09-163 /2009</p> <p>Academic</p> <p>Yes.</p>	<p>Overall bill incorporates accountability standards established in three CO bills and ED's AYP measures. Plan establishes measures of (1) academic growth, (2) achievement levels, (3) achievement gaps, and (4) postsecondary readiness. Makes performance indicators consistent across districts. Establishes six levels of accreditation for schools. Creates website for parents to get information on achievement measures and accreditation status.</p>
<p>CO/ HB10-1036 / 2010</p> <p>Fiscal</p> <p>Yes.</p>	<p>Requires each school post online, in a free, downloadable format, the following information: (1) annual budget, (2) annual audited financial statements, (3) quarterly financial statements, (4) local education provider's salary schedules, (5) accounts payable check register, and (6) investment performance reports. Information in these reports must be updated within 60 days of submitting report, statement or document to the official reporting body.</p>
<p>CT/ SSB014/ 2009</p> <p>Academic</p> <p>No. But not-for-profit agencies can request data for a fee.</p>	<p>Requires the state to create and maintain a longitudinal student-data reporting database that will collect state and federally mandated data. As of August 2009, any 501(c)3 or organization that is operated for educational purposes can request data from this system. Data must be provided within 60 days of the request. Fees for the data must be in line with fees of other state agencies.</p>
<p>DE/ HB119/ 2009</p> <p>Fiscal</p> <p>No.</p>	<p>Requires the Department of Education to establish a citizen budget oversight committee. The committee is composed of parents, educators, and tax payers residing in each district. ED provides oversight training. The Committee has access to all school financial documents. Code specifies what information shall appear in a school's check register: recipient name, amount of check, and identifying information that allows members of the public to request additional information on a specific check.</p>

<p><i>State/Law or Statute/Year Passed</i></p> <p><i>Fiscal or Academic Accountability</i></p> <p><i>Website-based Posting of Information Required</i></p>	<p><i>Summary of Legislation</i></p>
<p>LA/ HB925/ 2010</p> <p>Academic</p> <p>Possibly. If the Department of Education posts school performance online, letter grades must also appear online.</p>	<p>Creates a letter grade system for schools. Requires schools labeled “academically unacceptable” to be assigned an “F.” Requires the Department of Education to include the letter grade on any performance measures released to parents. Creates an “honor roll” for high-performing schools.</p>
<p>SC/ A34, R78, S696/ 2009</p> <p>Academic</p> <p>No. Requires newspaper-based disclosure.</p>	<p>Requires the State Department of Education to issue an executive summary report card for each school that is no more than two pages long and includes NAEP and other national data. The report card must be made available to all parents. The summary of the report card must appear in a daily paper within the school district’s area with a minimum of a 24-point font headline.</p>
<p>SC/ A337, R205, H4823/ 2010</p> <p>Academic</p> <p>Partially. Parents must be provided a link to school and district report cards via email or other communication method.</p>	<p>Suspends requirement that the Department of Education provide printed school and district report cards (among other provisions). Schools must provide parents a link to school report cards via email or through other communication methods. Requires schools to provide their report card results in an area newspaper.</p>
<p>VA/ H140ER/ 2009</p> <p>Fiscal</p> <p>Yes.</p>	<p>Requires approved annual budgets submitted to the Legislature to be published on a school’s or school district’s website. Upon approval of the state budget, the final budget will be posted to the school’s or school district’s website. If the school and school district does not maintain a website, hard copies of the budget must be made available to the public.</p>





# Appendix I: Additional Authorizing Experts

## ADDITIONAL CHARTER SCHOOL AUTHORIZING EXPERTS

Dr. Sean Conlan  
Director of Research  
National Association of Charter School Authorizers  
[seanc@qualitycharters.org](mailto:seanc@qualitycharters.org)  
(312) 350-9514

Dr. Paul Hill  
Director of Research  
Center for the Reinvention of Public Education  
University of Washington  
[crpe@u.washington.edu](mailto:crpe@u.washington.edu)  
(206) 685-2214

Dr. Robin Lake  
Associate Director  
Center for the Reinvention of Public Education  
University of Washington  
[rlake@uw.edu](mailto:rlake@uw.edu)  
(206) 616-1797

Dr. Bryan Hassel  
Co-Director  
Public Impact  
[Bryan\\_Hassel@publicimpact.com](mailto:Bryan_Hassel@publicimpact.com)  
(919) 967-5102

Dr. Alex Medler  
Vice President, Policy and Research  
National Association of Charter School Authorizers  
[alexm@qualitycharters.org](mailto:alexm@qualitycharters.org)  
(720) 635-8329



## Appendix J: Data Overview

### DATA OVERVIEW FROM 2008 CHARTER AUTHORIZER SURVEY

The following appendix summarizes the data from each question on the survey questionnaire administered to charter authorizers by the California Research Bureau in 2008. There were 72 survey responses used for this database (total responses gathered). When there is an open-ended question, we attempt to summarize the responses.

**Please see the survey in Appendix B for complete wording of the questions.**

**Questions 1, 2 and 3 provide contact information from the charter authority responding to the survey.**

#### 4. **Type of Charter Authorizers:**

School District	<b>58</b>
County Board of Education	<b>13</b>
State Board of Education	<b>1</b>
Don't Know:	<b>0</b>
Other, Please Specify:	<b>no responses</b>

#### 5. **Number of Charter Schools Operating in FY06-07**

Observations	<b>72</b>
Range	<b>1 to 29</b>

Number of Charter Schools Operating = Number of Respondents Answering with that Specific Number of Charter Schools (only responses with one or more responses are recorded below)

1 = 35	4 = 6	7 = 1
2 = 11	5 = 3	8 = 1
3 = 10	6 = 1	29 = 1

#### 6. **Total petitions received in the past five years**

Observations	<b>72</b>
Range	<b>0 to 40</b>

Total Petitions Received in Past Five Years = Total Number of Authorizers Reporting That Specific Number of Petitions (only responses with one or more responses are recorded below)

0 = 11	3 = 9	6 = 2	9 = 1	13 = 1
1 = 18	4 = 9	7 = 4	11 = 1	32 = 1
2 = 10	5 = 3	8 = 2	12 = 1	40 = 1

## 7. Staff time devoted to reviewing charter petitions

Observations **61**  
 Range: **0 to 560**

Hours of Staff Time Reviewing Charters = Number of Authorizers Reporting That Specific Staff Time

0 = -1	20 = 2	55 = 1	137.5 = 1	411 = 1
6 = 1	30 = 6	60 = 2	150 = 1	560 = 1
8 = 1	35 = 1	80 = 4	165 = 1	Missing = 11
9.25 = 1	40 = 5	100 = 3	166 = 1	
10 = 2	45 = 1	108 = 1	200 = 7	
15 = 1	48 = 1	120 = 2	255 = 4	
17.5 = 1	50 = 5	137 = 1	300 = 1	

## 8. Cost of reviewing charter petitions

Observations **59**  
 Range: **\$0 to \$122,500**  
 Missing: **13**

Dollars in \$1,000s = Number of Charter Authorizers Reporting Specific Cost Amounts

\$0 = 4	\$2 = 2	\$3.5 = 1	\$7.4 = 1	\$10 = 3	\$20 = 3
\$0.5 = 1	\$2.25 = 1	\$4 = 1	\$8 = 1	\$11.51 = 1	\$22.5 = 1
\$0.925 = 1	\$2.5 = 1	\$4.5 = 1	\$8.5 = 1	\$12 = 1	\$25 = 1
\$1 = 1	\$2.9 = 1	\$5 = 2	\$9 = 1	\$13 = 1	\$40 = 4
\$1.2 = 1	\$3 = 1	\$5.2 = 1	\$9.25 = 1	\$15 = 7	\$92.55 = 1
\$1.5 = 1	\$3.2 = 1	\$6 = 2	\$9.45 = 1	\$19 = 1	\$122.5 = 1

## 9. Duration of approval process

Observations	67
Range:	0 to 330
Missing:	5

Number of Days for Most Recent Petition Review = Number of Charter Authorizers Reporting Specified Number of Days

0 = 5	26 = 1	58 = 1	90 = 4	125 = 1	330 = 1
10 = 4	30 = - 4	60 = 6	95 = 1	142 = 1	
18 = 1	40 = 3	63 = 1	96 = 1	143 = 1	
20 = 2	42 = 1	65 = 1	97 = 1	160 = 1	
21 = 1	45 = 5	70 = 1	100 = 1	170 = 1	
23 = 1	48 = 1	75 = 1	110 = 1	180 = 3	
25 = 2	52 = 1	80 = 1	120 = 3	220 = 1	

## 10. Outcome of most recent petition reviewed

Observations	71
Approved	45
Denied	15
Application Withdrawn	2
Other	9
Missing	1

### If “other,” please specify:

Conditionally Approved	3
Awaiting Hearing	1
No petitions/only renewal	1

## 11. Procedures for ensuring that statutory timelines are met

Observations	68
Yes	54
No	11
Don't Know	3
Missing	4

### If “yes,” please provide a brief description:

A vast majority of the descriptions cite district policy taken from the Education Code language. Others specify Education Code language without specifically mentioning in the Code.

## 12. Charter application and approval process: In the charter application and approval process, does your office:

- (a) Post information on a website to help potential applicants understand the charter petition process and requirements?

Observations	<b>70</b>
Yes	<b>9</b>
No	<b>56</b>
Don't Know	<b>5</b>
Missing	<b>2</b>

- (b) Hold workshops for potential applicants?

Observations	<b>68</b>
Yes	<b>3</b>
No	<b>63</b>
Don't Know	<b>2</b>
Missing	<b>4</b>

- (c) Have an application scoring rubric or evaluation guide that is accessible to applicants before they submit a petition?

Observations	<b>68</b>
Yes	<b>27</b>
No	<b>39</b>
Don't Know	<b>2</b>
Missing	<b>4</b>

- (d) Offer informational meeting(s) with the applicants to assist with the petition or with the review process?

Observations	<b>70</b>
Yes	<b>50</b>
No	<b>17</b>
Don't Know	<b>3</b>
Missing	<b>2</b>

- (e) Provide feedback to an applicant and the opportunity to revise a charter proposal prior to the board vote?

Observations	<b>71</b>
Yes	<b>48</b>
No	<b>19</b>
Don't Know	<b>4</b>
Missing	<b>1</b>

## 13. Total state revenue for individual authorizer's charter schools

Observations	61
Range	\$0 to \$43,311,403
Mean	\$5,012,261

**14. Total amount charged to charter schools for oversight under section 47613 of the California Education Code**

Observations	61
Range	\$0 to \$497,405
Mean	\$47,153.02

**15. Actual oversight expenditures for all charter schools**

Observations	69
Costs > Revenue	41
About equal	16
Costs < Revenue	4
Don't Know	8
Missing	3

**If possible, please estimate the actual total oversight expenditures for FY2006-07. (Reproduced verbatim.)**

The parties agreed that the actual cost of oversight exceeds 1%; therefore, the MOU states that there will be no itemized invoicing.

We are not in the hourly billing business like attorneys. It takes time to do oversight right particularly for a struggling charter school.

We do not charge for oversight, we direct bill for services but not for oversight.

We print out email and telephone logs as backup for invoicing. Partial salaries are also charged to Charter Schools for estimated time spent on oversight and monitoring.

We charge the charter school for the cost of educating a child using facilities, technology, all services, etc. We never charge more than the charter brings in so the cost to the district is always higher than the charter actually earns.

We have not itemized in our invoices. However, the information on our division's expenditures (by object of expenditure) is publicly reported.

The expenditures related to providing oversight are not categorized separately.

I would assume yes but that would be covered by our budget department.

It takes even more time and energy to try and track all these costs. It is not time or resources we have available.

Fiscal reports/audits for the District include itemization of the charter school office which outlines expenditures that result from the charged 1% fee.

**16. Accounting for oversight expenditures**

Observations	<b>69</b>
Yes	<b>16</b>
No	<b>44</b>
Don't Know	<b>9</b>
Missing	<b>3</b>

**17. Criteria for determining oversight expenditures**

Observations	<b>71</b>
Yes	<b>16</b>
No	<b>40</b>
Don't Know	<b>15</b>
Missing	<b>1</b>

**18. FTEs assigned to charter school oversight**

Observations	<b>60</b>
Range:	<b>0 to 17</b>
Missing:	<b>12</b>

Number FTEs = Number of Authorizers Reporting Staffing at Specified Amount

0 = 6	0.36 = 1	0.8 = 1	2.5 = 2
0.1 = 3	0.4 = 2	1.0 = 1	3 = 2
0.15 = 1	0.5 = 5	1.15 = 1	4 = 1
0.2 = 1	0.6 = 2	1.2 = 3	5 = 1
0.25 = 2	0.7 = 1	1.4 = 1	8 = 1
0.3 = 2	0.75 = 1	2.0 = 8	17 = 1



## 19. Activities performed and services provided to charter schools by authorizer

	ENTIRELY PAID WITH 47613 OVERSIGHT FUNDS	PARTIALLY PAID WITH 47613 OVERSIGHT FUNDS	PROVIDED/ PERFORMED BUT NOT PAID FOR WITH 47613 FUNDS	PROVIDED/ PERFORMED, DON'T KNOW WHETHER THIS IS PAID WITH 47613 OVERSIGHT FUNDS	NOT PROVIDED/ PERFORMED BY THIS AUTHORIZER	DON'T KNOW
REPORTING TO AUTHORIZER BOARD	21	8	24	12	2	2
OFFICE SUPPORT	5	8	15	4	30	6
PRE-OPENING PROCEDURES	8	9	17	11	18	4
COMPLIANCE WITH REPORTING REQUIREMENTS	22	20	12	13	0	1
FISCAL SERVICES	8	14	25	8	11	2
LEGAL SERVICES	3	5	15	5	34	6
PROVIDING INFORMATION AND NOTICES TO CHARTER SCHOOLS	18	11	19	13	6	3
HUMAN RESOURCES	5	8	25	11	16	4
SITE VISITS	21	14	18	12	2	2
FOOD SERVICES	0	3	23	5	35	3
FACILITIES	5	8	17	9	27	4
DEVELOP DISTRICT POLICIES	14	13	22	9	8	3
NOTIFY CDE OF CHARTER CHANGES	17	9	22	18	8	3
MONITORING SCHOOL FINANCE	24	18	13	13	1	1

**Other activities performed or services provided:**

Special education services, information technology related services and data management were frequently mentioned as additional services provided to charter schools.

**20. Fee-for-service agreements**

Observations	<b>71</b>
Yes	<b>43</b>
No	<b>24</b>
Don't Know	<b>4</b>
Missing	<b>1</b>

**If yes, please provide a brief description (reproduced verbatim).**

<p>They compensate the district for a flat fee. testing and assessment; Student Assessment BTSA services Accounts payable, payroll, budget, financial transactions and reporting. We provide payroll processing and related support on a fee for service basis. IT Services, work orders, special education encroachment Special Education Services through MOU Facilities, Maintenance and Operations, Financial Services, Technology Support, Human Resources, Nursing Services, Transportation and Special Education Yes for specific services beyond the cost of oversight - technology, legal and payroll. Maintenance, Human Resources, Business Services, Student and Attendance Data, Technology, Health Services, some curriculum and instructional support to a few schools.</p>	<p>special education and food service IT, Maintenance, Library, Facility Support, Security, Custodial Services HR and Payroll Services facilities support coaching for administration HR services In process for fiscal, retirement Educational and Business Fiscal, payroll, accounts payable, interim reports, budgeting, curriculum, library, purchase order system The district provides the following fee-for-service agreements: Information services, instruction media services, student placement, accounting, attendance accounting, special education, maintenance, transportation, human resources, risk manage Expulsions Human Resources Special Education Accounting and Payroll Services Special Education Facilities, Special Education Services, some Business/Fiscal Services</p>	<p>Riverside County Achievement Team services to support student academic growth to meet API/AYP. SACS access including payroll and accounts payable and Human Resources (Fingerprint Consortium) Intra district mail service Special Education Services BTSA New Teacher Support Coaching Nursing Services Testing Administration Support School Site Security Food Services Special Ed MOU Support Services MOU See above Child Nutrition EL support State Testing Special Education services Special Ed Services, Nursing, Transportation, Printing, Warehouse Purchases. Transportation and food services Financial accounting, payroll, retirement, commercial warrants, student system, risk management Business Services sp ed</p>
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**21. Criteria for determining whether rent-free facilities are provided to charter schools**

Observations	71
Yes	43
No	24
Don't Know	4
Missing	1

**22. Amount of charter school revenue charged for oversight**

Observations	67
All charters charged >1%	12
No charter charged > 1%	40
Some charters charged more and some less than 1%	5
Chartering authority does not charge for oversight	6
Don't Know	4
Missing	5

**23. Use of oversight charges greater than one percent**

Observations	66
Yes	1
No	17
Don't Know	3
None charged >1%	42
Missing	6

## 24. Staff devoted to selected oversight activities

	Ranking				
	1 (requires most staff time)	2	3	4	5 (requires least staff time)
CONDUCTING SITE VISITS	14	20	14	9	8
ENSURING SCHOOLS COMPLY WITH REPORTING REQUIREMENTS	0	12	15	20	14
MONITORING FINANCES	3	5	7	17	28
NOTIFYING CDE OF CHANGES IN CHARTERS	43	8	12	37	2
PREPARING REPORTS AND OTHER COMMUNICATION	5	17	16	16	15

### List other activities that require a significant amount of staff time (reproduced verbatim)

Rwevocation suits against the district. Working with unqualified and inexperienced charter employees, board and admistration

Staff liaison attends charter's board meetings

Special Education Assistance with compliance and federal regulations.

Negotiating agreements for MOU for services provided to the Charter by the District including Special Education Services.

Day to day issues for smaller charters . . . always have questions - special education issues, discipline issues for students and staff, ADA issues, testing issues, complaints, attendance at Board Meetings for 5 Charters, academic performance,

Attending Charter Governing Board meetings

Developing MOU with the charter school  
Reviewing charter petitions Developing facility use agreements Charter renewal process

Planning staff development meetings over financial or personnel issues

Assisting STRUGGLING CHARTERS WITH BUDGET ADVICE AND COUNSELING

Review of credentialing requirements and assignments for charter teachers. HQT teachers included in the MOU.

Communications to charter school. Includes parental complaints, special education issues, State Reports, etc.

attendance at charter board meetings

supervision and evaluation, student discipline

Dealing with parents of charter school students when the student is kicked out of the charter school because the students academic performance is not high enough

Inquiries from public, requests for assistance/information from the charter school, requests for assistance from parents/students,

outside agencies, assistance with dispute resolution

Attending monthly board meetings.

Items 1 and 2 were probably relatively equal in terms of staff time devoted.

This year the renewal of the charter took more time as a waiver was needed from the State Department of Education in order to permit an elementary school district to renew a dependent high school charter as the law changed in 2003.

- 1) Reporting attendance-review and correct reports.
- 2) Review and correcting fiscal data;
- 3) Review of required State testing and to ensure test data is returned.
- 4) Parent complaints

#2 (Ensuring that schools comply with reporting requirements) is N/A as our Charters are within our ledgers - Fund 09 (dependent)

Parent complaints CDE annual updates SpEd student/parent education laws (IDEA)

## 25. Use of outside consultants

Observations	71
Yes	24
No	47
Don't Know	0
Missing	1

## 26. Experience with significant charter school problems

	NONE	FEWER THAN 50%	MORE THAN 50%	ALL	MISSING
ACADEMIC PERFORMANCE	32	27	47	5	4
FINANCIAL PERFORMANCE	30	21	10	7	4
GOVERNANCE, REPORTING, AND COMPLIANCE	33	21	8	6	4

### Please list any other significant problems that the authorizer has experienced (reproduced verbatim).

Lack of educational experience-do gooders with no qualifications to operate a school. Untruthful documents, nepotism. Petition is complete, but practices are inadequate.

dependent charter - Board is responsible for policy

we only have experience with one charter

achieving student diversity in recruiting policies

Closure of a charter (mutually) however the time spent closing, talking with parents/employees as well as maintenance of records.

Claims from parents that the charter school was racists and kicked out students who were not proficient in English

Provision of Special Education services and universal access.

Financial compliance problems with district granted charter within COE jurisdiction. Approximately 1,000 staff hours of time devoted to one incident with \$1,000,000 finding.

Revocation related to fiscal management, compliance with statutory regulations related to renewal issues, issues related to the provision of special education services.  
 Actually, it is exactly half but that wasn't an option in the survey.  
 Personnel related issues/parent complaints

Operations such as lack of adequate facilities, under-enrollment, and safety issues.

Testing compliance, dicipline, Special Education, highly qualified staff

They don't follow many of the regulations, e.g. They type of instruction that should be provided to English Learners

This is the first year of the Charter School's operation.

## 27. Improving oversight

	1 (MOST IMPORTANT)	2	3	4	5	6	7 (LEAST IMPORTANT)	MISSING
<b>MORE THOROUGH REVIEW OF CHARTER</b>	9	15	7	7	6	5	10	12
<b>IMPROVE COMMUNICATIONS WITH APPLICANT</b>	25	16	8	5	5	2	1	10
<b>CONDUCT MORE SITE VISITS</b>	7	7	13	15	5	10	6	9
<b>MORE TIME TO MONITOR COMPLIANCE</b>	6	6	9	12	14	10	5	10
<b>MORE TIME TO MONITOR FINANCES</b>	2	4	9	5	11	13	15	13
<b>MORE TIME TO MONITOR ACADEMIC PERFORMANCE</b>	2	5	7	12	11	16	11	8
<b>INCREASE OVERSIGHT STAFF EXPERTISE</b>	10	4	7	6	12	8	18	7

## 28. Additional Comments (reproduced verbatim)

Charter school administrators need to be more knowledgeable in the business of operating a school. Some areas that have been problematic have been the charter establishing and following personnel policies, acquiring appropriate insurance cove

Districts need better descriptions of what is included in oversight and what is not oversight that can be charged fee for service. Also unclear is what is included in essentially free facilities -

although very heavy during the approval process, the charter is very restrictive and our charter has been very cooperative.

Still too much regulatory control for charter to develop creative, progressive, and ground-

breaking programs. Legislative meddling has fouled the process and limited progressive design which in turn makes oversight much more difficult.

The lack of State Support or the County Offices to support the authorizing school district in performing their oversight authorities. To be unable to monitor how the public funds with charters are being used when they financial system is not on

If the District is responsible for oversight there should be a better compliance tool that begging , the threat of revocation or to begin the process of revocation to gain compliance. The CDE was of very little help in dealing with compliance

Guidelines/resources for developing a checklist for oversight visits and for developing MOUs between districts and charter schools.

Challenge: allocating sufficient time for oversight w/o impacting workload of District.  
Solution: Full funding for dedicated staff oversight responsibilities.

adopted another independent charter and have several more in the pipeline. It is unhelpful not to be able to print this document out completely. My responses to the yes/no and bubble areas did not print out for me.

#9 - unknown however the software does not allow for text in this cell.

Custom oversight as defined by the charter means minimal or no oversight.

Need legislation that requires any charter school locating in a neighboring district to contact the district prior to opening a school in that district. Need legislation that requires charter schools to bi-annually report to home districts all

Charter schools are one more responsibility for our already over-burdened staff. Some are wonderful to work with and others are an ongoing challenge. We are not adequately staffed to do a really good job of oversight.

I would like to be able to conduct district wide charter school authorizer meetings to share best practices.

County Offices of Education have been given a new role in overseeing charter school activities in their counties that lacks clarity or funding.

We wrestle with our to balance flexibility/accountability and our role in

monitoring for compliance and providing technical assistance - where do we draw the line? what sort of staffing do we need. We also are thinking about how active to be

Finding and training qualified charter school board members has been challenging.

Charter responsibility has been layer over the top of an already existing job - doing more in the same amount of time.

Oversight would benefit through a strengthening of the charter law in areas where gaps exist. Issues that rise up include enrollment practices, due process for students, addressing parent complaints, and a willingness to provide adequate and t

Charter school compliance with conflict of interest and open meeting laws that apply to public schools. More reasonable Prop. 39 regs.

District advocacy for legislature that supports the oversight responsibility. No short term solutions for charters who do not comply with county, state, federal deadlines.

Charters have been very positive about oversight. No big issues because we have a charter liaison (60%) to do the work

most recent application was denied due to financial plan not sustainable on face.

Finding time to provide oversight and alignment to our districts mission and goals. Improve would be to have charter school directly responsible to state or county office of education. Charter schools presently receive a portion of district fun





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