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Research Brief

TO: Representative Lynn Gattis
FROM: Tim Spengler, Legislative Analyst
DATE: February 1, 2013
RE: Charter Schools in Alaska and Multiple Authorizers
LRS Report 13.134

You asked for information on states that employ a system of “multiple authorizers” for their charter schools. Additionally, you wanted information on charter schools in Alaska including how they are authorized.

Generally, charter schools are independent, nonsectarian public schools created by a formal agreement—the charter—among a team of parents, education professionals, and community or business leaders, and a sponsor, usually a local school board or state department of education. This team, sometimes known as the Academic Policy Committee, typically has the flexibility to shape the school and its programs by governing the educational goals, curriculum standards, assessment measures, administration, and finances of the charter school.¹ The first charter school in the United States opened in 1992 in St. Paul, Minnesota.

According to the Education Commission of the States, as of the 2011-2012 school year, 41 states had enacted charter school legislation, and there are more than 5,600 individual charter schools across the country.² Enrollment in public charter schools more than quadrupled in the decade from 2000-2010.³ Charter school laws vary from state to state, and often differ on several important factors, including how much money charter schools receive for operational and facilities expenses, whether teachers in a charter school have to be certified, and who is allowed to authorize charter schools. The primary functions of authorizers of charter schools are to review applications, establish “charters” or contracts, ensure compliance, and renew contracts. Authorizers are often local school boards or state boards of education, but in a number of states other entities can have a hand in this function. Such states employ a system of multiple authorizers.

Multiple Authorizers for Charter Schools

Of the 41 states with charter schools, at least 16 allow multiple or independent authorizers in addition to local or state education boards.⁴ An independent or multiple authorizer describes an entity other than a local school board or state board of education with legal authority to approve charter schools. These entities typically include colleges and universities, non-profit organizations, municipalities, and independent statewide charter school boards.⁵ There are various schools of thought in the education community pertaining to the merits of a system of multiple authorizers, some of which we discuss below.

¹ This summary was obtained from the National Charter School Resource Center website, which provides information and resources relating to charter schools in the U.S. (www.charterschoolcenter.org/).

² The Education Commission of the States (ECS) is a nonprofit, nonpartisan organization that aims to improve public education by facilitating the exchange of information, ideas, and experiences among state policymakers and education leaders (www.ecs.org/).

³ National Center for Education Statistics, U.S. Department of Education.

⁴ States that we identified with independent charting authorities, in addition to the state and local school boards, are Arizona, Colorado, Florida, Idaho, Illinois, Indiana, Michigan, Minnesota, Missouri, Nevada, New York, Ohio, Oklahoma, South Carolina, Utah, and Wisconsin. We identified information on multiple authorizers from a number of sources including the Center for Education Reform, an organization that advocates for educational reform in the U.S. (www.edreform.com/) and the National Alliance for Public Charter Schools, a leading national nonprofit organization committed to advancing the charter school movement (www.publiccharters.org/).

⁵ As Attachment A we provide recent policy pieces from the National Conference of State Legislatures and the Center for Education Reform pertaining to the issue of authorizing charter schools.

Proponents of multiple authorizers hold that permitting the creation of independent authorizers is one of the most important components of strong charter systems. According to a report from the Center for Education Reform (Attachment A), data indicate that states with multiple chartering authorities have more than three times the number of charter schools than states that allow only local school board authorization. The authors also contend that states without multiple authorizers often create hostile environments for charters because school boards frequently view charter schools as competition and can reject applications based on politics over merit. Proponents suggest that without objective oversight from multiple authorizers, potential charter schools often have little chance of being approved, and growth in a state is stunted. Supporters contend that allowing several different institutions to authorize the schools, so that different groups can specialize and compete, can increase the number and quality of education options open to families.

In 2009, the National Alliance for Public Charter School (NAPCS) published a model law for charter schools.⁶ It includes a provision that two or more viable authorizing options for each charter school applicant be available. The model law also includes sections on authorizer funding, which differs among states and can be quite complex. The NAPCS provided us with a five-page memo, which we include as Attachment B, in which it discusses the funding systems for Arizona, Colorado, Florida, Idaho, South Carolina, and Utah, all states that allow for multiple authorizers. Additionally, the document includes an overview of the ways in which states address charter schools' access to local funding.

Those who oppose charter schools being authorized independently of the traditional education establishment argue that school boards represent local control and therefore should be allowed to be the final arbiter of new education endeavors in their districts. They also speak of the need for state oversight of taxpayer dollars and suggest that waste and fraud may occur without centralized control. A report from Stanford University's Center for Research on Education Outcomes (CREDO) found "a significant negative impact on student academic growth" for charters in states that allow multiple agencies to authorize these schools. In effect, the CREDO document contends that the presence of multiple authorizers allows charter organizers to "shop" for the most advantageous route to approval instead of a more rigorous one.⁷

Alaska

The Alaska Legislature passed the Charter School Act in 1995.⁸ Currently there are twenty-seven charter schools operating in Alaska, in eight different districts.⁹ Charter school enrollment in the state, as in the lower 48, has increased significantly and steadily over the years, from 137 students in 1997 to approximately 6,000 students today.

Authorizing charter schools in Alaska is basically a two-pronged process wherein the local school board must authorize a charter school's application and then the state Department of Education and Early Development (DEED) must do so as well.¹⁰ This is essentially the process employed in most jurisdictions throughout the country. Alaska Statute 14.03.250, which pertains to the establishment of charter schools and delineates the entities that have the authority to authorize them, reads as follows:

- (a) A charter school may be established as provided under AS 14.03.250 - 14.03.290 upon the approval of the local school board and the state Board of Education and Early Development of an application for a charter school.

⁶ The 64-page modal law document can be accessed at www.publiccharters.org/data/files/Publication_docs/ModelLaw_P7-wCVR_20110402T222341.pdf.

⁷ The Center for Research on Education Outcomes (CREDO) is committed to improving the body of empirical evidence about education reform and student performance at the primary and secondary levels (<http://credo.stanford.edu/>). The CREDO 57-page study "Multiple Choice: Charter School Performance in 16 States" is available at http://credo.stanford.edu/reports/MULTIPLE_CHOICE_CREDO.pdf (please note that this document is copyrighted).

⁸ Chapter 77 SLA 1995. The statutes that govern the creation and administration of charter schools in Alaska are AS 14.03.250 through AS 14.03.290.

⁹ Marian Svobodny, Correspondence and Charter Schools program manager, Alaska Department of Education and Early Development, 907-465-8718. Additional information on charters school in Alaska is available at www.eed.state.ak.us/alaskan_schools/charter/.

¹⁰ Alaska Statutes use the term "approved" instead of the more commonly-used term "authorized," which we use in this report.

(b) A local school board shall prescribe an application procedure for the establishment of a charter school in that school district. The application procedure must include provisions for an academic policy committee consisting of parents of students attending the school, teachers, and school employees and a proposed form for a contract between a charter school and the local school board, setting out the contract elements required under AS 14.03.255(c).

(c) A local school board shall forward to the state Board of Education and Early Development applications for a charter school that have been approved or denied by the local board.

There have been a number of measures considered and enacted regarding charter schools in Alaska since the Charter School Act of 1995. We identified only one short-lived legislative effort, in 1997, to expand what entities may have a role in authorizing or approving a charter school.¹¹

We hope this is helpful. If you have questions or need additional information, please let us know.

¹¹ In 1997 House Bill 229 and its companion Senate Bill 182 would have allowed a charter school to be established by a local charter school board authorized by a municipal ordinance, or a state charter school board. Neither bill got much traction during the 20th Legislature. We queried the Alaska Bill Action and Status Inquiry System (BASIS) and consulted with relevant DEED staff.

Attachment A

Authorizing Charter Schools, NCSL, May 2011

The Importance of Multiple Authorizers in Charter School Laws, Center for Education Reform,
December 2011

Authorizing Charter Schools



By Yilan Shen

May 2011

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

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

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

What Do Authorizers Do?

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

Applications

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

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

Charter Schools in the States

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

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

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

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



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

Contracts

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

Oversight

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

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

Renewal

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

Who Are Authorizers?

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

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

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

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

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

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

- **Institutions of higher education** are natural choices as authorizers because they receive students from the K-12 systems. They have a stake in ensuring quality education for college and career readiness at the K-12 level. When surveyed, most authorizing higher education institutions reported that authorizing was part of their overall mission to improve education and viewed it as an opportunity to use their expert knowledge.¹⁹ Although they often are involved in K-12 teacher preparation and other areas, they do not have the existing infrastructure and specific knowledge about K-12 day-to-day operations that school district authorizers do.²⁰ In addition, they usually have limited resources and capacity for authorizing responsibilities.
- **State boards of education** have advantages as authorizers. They can be effective because of their statewide outlook, institutional knowledge and expertise.²¹ However, according to NACSA's analysis, since state education agencies have the most limited staff and resources among authorizers of the same size, authorizing can be low on the list of priorities.²² At the same time, many state boards have unique powers in the authorizing process. More than half of the states with charter laws allow the state boards of education to repeal or override denials from other authorizers.²³
- **Nonprofit organizations** can serve as authorizers because they often have knowledge about specific needs of a population, neighborhood or community, so they have incentives to hold charter schools accountable for educational achievement. They also bring experience in fundraising, organizational operations and manage-

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

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

Components of Effective Authorizing Policies

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

Goals

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

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

Authorizing Powers

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

Accountability

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

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

Funding

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

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

Policy Questions to Consider

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

Notes

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4. Southern Regional Education Board, *Charter Schools in SREB States: A Call for Accountability* (Atlanta: SREB 2008), 4.
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THE IMPORTANCE OF MULTIPLE AUTHORIZERS IN CHARTER SCHOOL LAWS

What is an Authorizer?

An authorizer is an entity or body approved by the state legislature to bring charter schools into existence. Authorizers set up application processes and approve or deny charter school applications. Most importantly, authorizers are accountable for managing and monitoring their charter schools' academic record and organizational viability, while also ensuring that they are in compliance with all applicable laws. An authorizer can be a school board, state board of education, or an independent entity. Charter schools are accountable to their authorizers for state and federal accountability requirements.

What is an independent or multiple authorizer?

An independent or multiple authorizer is the term given to entities other than local boards or the state board that have authority under state law to approve charter schools. They are typically bodies outside of the regular education structure of a state and can include independent, statewide charter school boards (which are separate from the state department of education), colleges and universities, and municipalities.

Why are multiple authorizers important?

Permitting the creation of independent authorizers is one of the most important components of a strong charter law. The data show that states with multiple chartering authorities have almost three and a half times more charter schools than states that only allow local school board approval. About 78 percent of the nation's charter schools are in states with multiple authorizers or a strong appeals process. These states are also home to the highest quality charter schools, as evidenced by state test scores, numerous credible research studies and ongoing observation.

States that do not have multiple authorizers create hostile environments for charters because school boards often view charter schools as competition and reject applications not based on merit, but on politics. Without objective oversight from multiple authorizers, charter schools have no alternatives for approval, and quality growth in a state is severely stunted. School board hostility has prevented certain states, such as Maryland, Tennessee, and Rhode Island from meeting growing demand for school choice.

How many states have independent, multiple authorizers?

16 states have independent chartering authorities, in addition to the state or local boards. Those states are:

Arizona	Missouri
Colorado	Nevada
District of Columbia	New York
Idaho	Ohio
Illinois	Oklahoma
Indiana	South Carolina
Michigan	Utah
Minnesota	Wisconsin

How do they work?

Multiple authorizers consist of staff and boards that create and supervise the process by which charter applications are taken, reviewed, approved and once schools are running, how they are monitored. While held to standards by the state, these staff members are independent of the traditional district education system and can make decisions for their charter schools without the interference of the state or local school boards. Most of the time the processes for operations are written either into the law or into regulations adopted by state boards of education. The more detailed the law is, the more effective the authorizer will be. Not all are created equal, however. Those that are more likely to have high numbers of accountable, high quality charter schools tend to have more independence from conventional education bureaucracies, while still being held to high standards and needing to follow clear rules and state regulations governing all other public agencies.

Are They Constitutional?

Legislatures in every state have grappled with this issue and case law now exists attesting to the constitutionality of charter schools in every state, even those where school board control is paramount. While interpretations may vary, Courts consistently ruled that wherever a state legislature is tasked with the authority to establish and fund public education, it may create systems for the establishment of other public schools without violating the Constitution. These same cases and legal analyses have also confirmed that states are obligated to provide to charter schools the same funding pools that conventional public schools receive (i.e. federal, state and local). State legislators or state attorneys who argue otherwise often hide their disagreement with charter schools behind a constitutional cloud, when in reality their disagreements are based on politics or policy, not the intent or direction of the law.

Additional Benefits of Multiple Chartering Authorities

Charter schools grow and flourish in environments that provide multiple ways for groups to obtain charters to open schools. States that grant universities the ability to charter schools tend to enjoy a robust charter school movement where the resources of higher education are brought to bear on K-12 problems through high standards of accountability, technical assistance and additional oversight. States that have created independent charter school boards, such as in Washington, DC, or allow the mayor's office to charter, as in Indianapolis, Indiana, ensures that a staff and budget is solely used to properly manage charter schools, and most importantly, to make sure that they are academically successful. Strong performance management tools to gauge success have been created in New York and Washington, DC that are used as models for both charter schools and conventional public school systems across the country.

As with any charter school, accountability is key. Schools that fail to perform, or do not meet the terms of their charters do not have their charters renewed.

Below are some outstanding examples of these independent charter school-authorizer partnerships:

- 1) The State University of **New York** was given the authority in 1998 to open a charter school institute, where up to 230 charter school applications can be approved. That office, housed in the Chancellor's office and paid separately by legislative appropriations, is responsible for the highest quality charter schools in New York.
- 2) The independent DC Public Charter School Board is the only charter school authorizer in **Washington, DC** after the DC Board of Education transferred all charter school authorizing power over to them. While it is the only authorizer, it is a model to the nation for its effective oversight and performance management tools that hold schools accountable and the DC PCSB schools consistently outpace conventional public school achievement. Slightly more than forty percent of DC public school students now attend a charter school.
- 3) Any public university in **Michigan** may authorize charter schools. This led to ten major universities opening up charter school offices, which are responsible for the majority of the state's over 300 charter schools. These offices focus on quality applicants, and monitor state and federal accountability measures.
- 4) **Indiana** followed Michigan's model and authorized public universities in that state's charter law. Today Ball State University leads the pack in authorizing nearly half of the state's 63 schools. The Mayor of Indianapolis also authorizes schools and recent changes in law created a state charter school board that will also sponsor schools, will permit additional universities and nonprofit organizations to sponsor, and opens up virtual school enrollment.
- 5) **Wisconsin** gave authority for three branches of the University of Milwaukee system to approve schools in the city, providing a wide degree of choices and boosting that city's appreciation of higher education. Unfortunately, Wisconsin's bill to create a statewide authorizing commission failed to pass in 2011.

- 4) **Indiana** followed Michigan's model and authorized public universities in that state's charter law. Today Ball State University leads the pack in authorizing nearly half of the state's 63 schools. The Mayor of Indianapolis also authorizes schools and recent changes in law created a state charter school board that will also sponsor schools, will permit additional universities and nonprofit organizations to sponsor, and opens up virtual school enrollment.
- 5) **Wisconsin** gave authority for three branches of the University of Milwaukee system to approve schools in the city, providing a wide degree of choices and boosting that city's appreciation of higher education. Unfortunately, Wisconsin's bill to create a statewide authorizing commission failed to pass in 2011.
- 6) **Minnesota** passed the nation's first law without universities involved, but amended it later to allow any postsecondary institution to authorize charters. Today the state is home to more than 160 healthy charter schools.
- 7) The initial **Ohio** charter law gave authority to the University of Toledo to charter schools in its area. Today, other state universities and nonprofit organizations can also authorize charter schools.
- 8) **Missouri's** law limits charters to St. Louis and Kansas City, but gives authority to the public universities in both cities, in addition to the local school boards. It is the universities that have had the most success with charter schools.
- 9) In July 2011, **Illinois** governor signed into law the creation of a statewide charter school commission (in addition to local boards across the state), which will serve as an authorizer focusing on quality and accountability. Commission members were selected this fall, and we expect to see many quality applications from Illinois' suburbs that have been rejected by their school boards for too long.
- 10) **Federal law** governing the public charter school grant program gives priority to state laws which have multiple authorizers. The states noted above get more federal grant funds than those for which there is a single authorizer.

CHARTER SCHOOL FAST FACTS

There are more than 5,700 charter schools serving more than 1.8 million children across the country. Charters schools are growing at a rapid pace. For the 2011-2012 school year, 511 new charter schools opened in 40 states and the District of Columbia.

Today, 41 states and the District of Columbia have charter school laws in place.

Of the 41 laws that CER ranked in 2011 only 13 have strong laws that do not require significant revisions. Get more information on states' charter law grade, ranking at analysis at www.charterschoolresearch.com.

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Attachment B

Funding for State Charter Board—Approved Charter Schools, National Alliance for Public
Charter Schools, January 2013



To: Tim Spengler, Alaska Legislative Analyst

Subject: Funding for State Charter Board-Approved Charter Schools

One of the major issues that must be addressed when states create new independent state charter boards is how to fund the charters authorized by the new boards. Eight jurisdictions currently have independent state charter boards: Arizona, Colorado, the District of Columbia, Florida, Hawaii, Idaho, South Carolina, and Utah. Given the idiosyncratic nature of each state's school funding system, it's not surprising that the funding of state charter board-authorized charters varies from state to state. The purpose of this memo is to provide a comparison of the local, state, and federal contributions to each state's school funding system, an overview of the four ways in which states handle access to local dollars by state charter board-authorized schools, and a description of how each state funds state charter board-authorized schools.

Local, State, and Federal Contributions to School Funding Systems

Battles over school funding are highly contentious. The exact nature of the fights differ, though, depending on whether you're in a state where locals provide most of the monies for the school funding system (like in Nevada, where locals provide 65% of the dollars) versus a state where the opposite is true (such as in New Mexico, where the state provides 70% of the funding). As a point of context when looking at how states fund state charter board-authorized schools, see Table 1 on the next page for the local, state, and federal contributions in the states with independent state charter boards.

Table 1. Local, State, and Federal Contributions to School Funding Systems in 2005-06

	Local	State	Federal
Hawaii	2%	90%	8%
Idaho	33%	56%	11%
Utah	35%	54%	11%
Arizona	41%	52%	7%
South Carolina	45%	44%	11%
Georgia	48%	43%	9%
Colorado	50%	43%	7%
Florida	51%	39%	9%
District of Columbia	87%	-	13%

Source: National Education Association, *Rankings & Estimates*, December 2007.

State Charter Board-Authorized Charter Schools’ Access to Local Dollars

This section of the memo provides an overview of the four ways in which states address state charter board-authorized charter schools’ access to local dollars. It does not include descriptions for D.C. and Hawaii because these states’ mixes of local, state, and federal contributions are anomalies within the set of states with state charter boards.

No Access to Local Dollars, No State Replacement of Local Dollars: In the first approach, states do not provide state charter board-authorized charter schools access to local dollars. They also don’t replace the local dollars with state funds. States that use this approach are Idaho and South Carolina.

No Access to Local Dollars, State Replacement of Some Local Dollars with Existing State Funds: In the second approach, states do not provide state charter board-authorized charter schools access to local dollars. However, they replace some local dollars with existing state funds by holding back a portion of the state’s share of the district per-pupil funding revenue equal to the amount of the local share for the state-authorized charter schools. Colorado uses this approach.

No Access to Local Dollars, State Replacement of Some Local Dollars with New State Funds: In the third approach, states do not provide state charter board-authorized charter schools access to local dollars. However, they replace some local dollars with new state funds. Arizona and Utah use this approach.

Access to Local Dollars: In the fourth approach, states provide state charter board-authorized charter schools access to local dollars. In these states, the state requires districts to send state charter board-authorized charter schools the local funds to which they are entitled. Florida uses this approach.

Description of State Systems

This section of the memo provides a description of how each state funds state charter board-authorized schools. As with the last section, it does not include descriptions for D.C. and Hawaii.

Arizona

Authorizing Picture: While Arizona currently allows local school boards, the state board of education, and the state charter board to approve charter applications, the primary authorizer is the state charter board. Of the 339 charter holders operating on 459 sites, the state charter board oversees 334 charter holders operating on 453 sites. It directly chartered 310 charters on 417 sites, and also oversees 24 charters on 36 sites chartered by the state board of education. Local school boards authorize only six charters operating on six sites.

School Funding System: Arizona public schools are funded based on a per-pupil formula that provides foundation funding. Other revenue is available for students who qualify for various state and federal programs. Districts raise additional revenue from county and local sources.

School Funding for State-Authorized Charters: In addition to the base level amount from the state, charter schools receive state program grants. Charter schools do not have access to local revenue from property taxes and bond measures. The state provides state-authorized charters with additional assistance funds to make up for the lack of local revenues for charter schools.

Colorado

Authorizing Picture: Colorado allows local school districts and an independent state charter board to authorize charter schools. However, the state charter board is only allowed to authorize charter schools in districts that have not maintained the “exclusive authority” to authorize charters in their districts. It currently oversees 12 of the state’s 140+ charters.

School Funding System: According to a 2005 study by the Thomas B. Fordham Institute, Colorado public schools are funded based on a formula that provides a base per-pupil amount plus additional revenue to recognize district-specific variances in cost of living, personnel costs, size, and percentage of at-risk pupils. The formula is funded through a local share and a state share designed to fill any shortfalls that arise when local monies are insufficient to fully fund the total program. Districts raise additional local revenues through voter-approved tax overrides.

School Funding for State-Authorized Charters: Colorado charter school funding is based on 100% of district per-pupil funding revenue for each student enrolled in the charter school. For charters authorized by the state charter board, the state fully funds the

requisite per pupil funding amount with state revenues because these charters do not receive locally generated tax dollars. The state then reduces its funding allocation to each local district sending students to these charters in an amount equal to the local per pupil share for the state-authorized charter schools.

Florida

Authorizing Picture: Florida allows local school districts and an independent state charter board to authorize charter schools. Similar to Colorado, the state charter board is only allowed to authorize charter schools in districts that have not maintained the “exclusive authority” to authorize charters in their districts. There are almost 400 charter schools in Florida, but the state charter board, which was created in 2006, has yet to authorize a school.

School Funding System: According to the 2005 Fordham study, Florida public schools are funded based on a weighted per-pupil funding system that accounts for the number of students in particular education programs. The state contributes state funds to the system and requires districts to contribute local tax dollars to it based upon their taxpaying ability. In addition to the requirement that districts provide local effort to the system, districts can obtain other local funds beyond their local effort contribution by raising local property taxes.

School Funding for State-Authorized Charters: Florida public charter schools authorized by the state charter board are funded through the weighted per-pupil funding system as well. They receive both the state and local portions of the system to which they are entitled. However, they rarely have access to any of the additional local tax dollars that districts are allowed to raise.

Idaho

Authorizing Picture: Idaho allows local school districts and an independent state charter board to authorize charter schools. However, the state charter board is only allowed to authorize charter applications that are referred by local school boards, that aren’t acted upon by local school boards, or that are denied by local school boards. Also, a recent change requires all new virtual public charter schools to be authorized directly by the state charter board. The state charter board currently oversees 14 of the state’s 30 charters.

School Funding System: Idaho public schools receive most of their state and local funds through the general maintenance and operation fund. This fund accounts for the financial operation of the districts' instructional programs supported by local tax revenues and state foundation support appropriations. All other funds account for the revenues of specific types of activities, such as state and federal programs, retirement of debt, and capital projects.

School Funding for State-Authorized Charters: Idaho public charter schools authorized by the state charter board receive state foundation support appropriations, but not local tax revenues.

South Carolina

Authorizing Picture: South Carolina allows local school districts and an independent state charter board to authorize charter schools. While there are 29 public charter schools open in South Carolina, the state charter board, which was created in 2006, has yet to authorize a school.

School Funding System: According to the 2005 Fordham study, South Carolina public schools receive state funds from over 90 revenue categories grouped into five primary areas: Education Finance Act, Restricted State Grants, Unrestricted State Grants, Education Improvement Act, and Education Lottery Act. The Education Finance Act allocation is the foundation for school funding in South Carolina. Every year, the legislature determines a base student cost that serves as the funding level for the foundation education program. State aid for each district is then determined, in part, by multiplying the base student cost by the weights for 15 classifications of students enrolled in the district. State funds are then allocated to school districts via an equalization formula based on the state's assessment of each local district's taxpaying ability.

School Funding for State-Authorized Charters: South Carolina public charter schools authorized by the state charter board receive the state portion of the foundation education program under the Education Finance Act, but not the local portion. They also receive state funds via Restricted State Grants, Unrestricted State Grants, Education Improvement Act, and Education Lottery Act.

Utah

Authorizing Picture: Utah allows local school districts and an independent state charter board to authorize charter schools. The state charter board currently oversees 55 of the state's 66 charters.

School Funding System: Utah public schools are funded using a minimum school program formula based on enrollment, student characteristics, and school location. The formula is funded through a local share and a state share designed to fill any shortfalls that arise when local monies are insufficient to fully fund the minimum school program. School districts can impose property tax levies to raise funds for several additional programs.

School Funding for State-Authorized Charters: Utah public charter schools authorized by the state charter board are funded through the minimum school program as well. However, they do not have access to local property taxes. In lieu of those taxes, the state provides charter schools with local replacement funding through a formula outlined in state statute.