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April 15, 2009

Achieving Excellence at Scale: State Support for High-Performing Charter School Expansion

Executive Summary

In communities nationwide, public charter schools are meeting the growing demand for high-quality education opportunities. This is especially true in communities with underperforming public district schools that are not meeting the academic needs of students, including poor and minority students. Forty states and the District of Columbia have laws allowing for fiscally independent, tuition-free charter schools that operate under a performance contract. Today more than 1.2 million students attend the more than 4,300 charter schools established since the first state charter law was enacted in 1991. Yet many students and their families are denied access to quality charter school options because of limits placed on the development of new charter schools or expansion of existing high-performing charter schools.

While not every charter school is successful, the charter movement has produced several outstanding schools that consistently demonstrate high levels of academic growth and success for all their students, regardless of race or family income. Given these exemplary models and the increased demand for high-performing charter schools, many state policymakers want to accelerate the replication of such schools.

Achieving excellence at scale requires states to pursue strategies that promote growth (i.e., expansion or replication) among charters with a track record of success. Governors and policymakers seeking to increase the number of high-performing charter schools can:

- Define charter school quality to guide charter school expansion;
- Streamline reporting, renewal, and governance requirements for high-performing charter schools;
- Create at least one statewide authorizing body to facilitate outstanding charter school expansion;
- Ensure greater parity of funding between charter schools and district public schools; and
- Support charter schools' access to adequate facilities.

Background

In 2007 more than 350,000 students were on waiting lists to enroll in public charter schools. Extensive charter school waiting lists were reported in several states, including more than 25,000 students on waiting lists in **Colorado**, 27,000 in **Pennsylvania**, 16,000 in **Massachusetts**, 12,000 in **New York**, and 10,000 in **Illinois**.¹ Significantly, charter schools serve a comparatively high percentage of low-income students (approximately 50 percent) and students of color (more than 60 percent) nationwide.²

Some of the high-performing charter schools are operated by charter management organizations (CMOs), while others operate as stand-alone schools. (For an explanation of CMOs and other information, see the appendix on charter school expansion basics.)

Successful replication or expansion of these excellent schools is possible, as is demonstrated by the growth of high-performing CMO-operated schools such as YES Prep, Achievement First, Green Dot, and the Knowledge is Power Program (KIPP). Each of these schools has expanded to serve high numbers of low-income students and students of color in multiple communities. Collectively, they have grown from four stand-alone charter schools to more than 100 schools serving upwards of 25,000 students in 41 communities across 20 states. These schools outperform their neighboring district public schools on reading and math performance measures in more than 85 percent of the communities served.³ These schools also establish a strong college-going culture. In particular, YES Prep reports that 91 percent of its former students have graduated or are still enrolled in a four-year college or university. This is a significant track record for a school where 95 percent of the students are black or Latino and 80 percent are low income. *Newsweek* and *U.S. News & World Report* have ranked YES Prep as the best public school in Houston.⁴

Some stand-alone charter schools also boast exceptional academic performance and waiting lists. For example, Oglethorpe Charter School, a middle school in **Georgia**, has outperformed district schools, and its students have exceeded the state average in math, and reading language arts performance at each grade level in each of the past five years.⁵ Serving more than 60 percent students of color, this school has a waiting list at each grade level. For the fifth consecutive year, Roxbury Preparatory Charter School has been named one of the top 10 middle schools in **Massachusetts**. On five of the seven state tests administered in 2008, the percentage of the charter school's students—all of whom are black or Latino—scoring “advanced” or “proficient” was higher than that of the state's white students. This school also has a waiting list at every grade level.⁶

Challenges to Achieving Excellence at Scale

State and local leaders involved in replicating high-performing charter schools identify several challenges to expanding these schools to meet demand:

- Limited charter school growth is too often based on caps that are unrelated to quality;
- Some reporting and governance requirements create disincentives to growth;
- Funding for charter public schools is not equal to funding for district public schools; and
- Accessing and financing adequate school facilities limits growth options.

Limited Charter School Growth Is Too Often Based on Caps That Are Unrelated to Quality

Of the 40 states with charter school laws, 26 restrict charter school growth, most commonly by imposing caps on the total number of charter schools allowed to operate. These restrictions function as blunt policy instruments that constrain the number of authorizers, charter schools, and students served, without regard to charter school quality. The limits create barriers to innovative charter developers seeking to open schools in new states and severely curtail the growth or expansion of successful schools within a state. Yet, in many states, student and family demand for charter school opportunities far exceeds the supply of available seats.⁷

Some Reporting and Governance Requirements Create Disincentives to Growth

Several leaders of highly successful charter schools and CMOs, including KIPP, Achievement First, YES Prep, UnCommon Schools, and ASPIRE, have suggested that cumbersome or duplicative policies and procedures provide disincentives for replication. Meeting compliance requirements leaves far too little time to focus on ensuring academic excellence.⁸ Leaders of

highly successful schools often avoid replication in places where the hassle factor may negatively affect their ability to replicate their current level of student success. These leaders cite barriers such as inflexible school governance requirements that, for example, require a separate board of directors for each campus of an expanding school; renewal contracts that have limited durations; and complex renewal applications that offer little autonomy for accountability. In addition, district authorizers with limited jurisdictional boundaries (i.e., they can only charter in their own community or region) can hinder operators of high-performing charter schools that seek to establish schools in multiple districts. Operating replicated schools under the auspices of multiple district authorizers across the state requires charter school operators to follow multiple and sometimes contradictory authorizing rules.

Funding for Charter Public Schools Is Not Equal to Funding for District Public Schools

In exchange for increased operational autonomy relative to district public schools, charter schools are held accountable to high expectations of performance. Too often, however, this arrangement occurs on an uneven financial playing field. A 2008 study of America's charter schools reported the funding gap at close to 40 percent, with charter schools across the nation receiving, on average, \$6,585 per pupil, and district public schools receiving, on average, \$10,771 per pupil.⁹ The funding gap is even larger in urban communities.¹⁰ Such funding disparities challenge charter schools to deliver on their promise to raise academic achievement. Moreover, some charter schools cannot access federal and nonprofit funding streams because they lack legal status as a local education agency.

Accessing and Financing Adequate School Facilities Limits Growth Options

Charter school operators encounter multiple barriers to secure and fund school buildings. Charter schools in nearly 75 percent of the states that have charter laws do not receive a per-pupil allocation for facilities.¹¹ Furthermore, charter schools are often excluded from local bonds issued for school buildings. Without these resources, the cost of securing charter school facilities has a direct and proportional effect on funds that could otherwise be used for student instruction. According to a recent study, "Charter school operators are forced to improvise to save money when finding a location for their school, and [they] often convert spaces such as retail facilities, former and current churches, lofts, or portable trailers into classrooms, cafeterias and gym space. Sixty-five percent of survey respondents rent their school building and only 30 percent own their own facility; 37 percent rent from churches and other nonprofit organizations, but 30 percent rent space from private commercial businesses, often spending more money [than they would otherwise need to] because of the location and the facility owner."¹²

Excellent charter schools that seek to expand must have access to adequate facilities. Some CMOs have identified facility access and usability as a key consideration in their efforts to expand. As a result, they avoid states with policies that severely limit facility options.¹³

How States Can Achieve Excellence at Scale

Governors recognize that highly successful charter schools can be beneficial to students, and many seek excellent education opportunities for students through the growth of their state's charter school sector. For example, **Minnesota** Governor Tim Pawlenty's support of KIPP in his state-of-the-state address resulted in two expansion sites in the state in 2008.¹⁴ In **Louisiana** the governor and state superintendent of education extended a similar high-level invitation to charter school operators. Today, more than half of all public school students in New Orleans attend charter schools, more than in any other major U.S. city.¹⁵

In addition to extending invitations to charter operators, governors can take steps to institute state policies that pave the way for quality charter school expansion. They can:

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Define Charter School Quality to Guide Charter School Expansion

Largely because of No Child Left Behind requirements, both district and charter public schools have substantially expanded their focus on measuring student academic performance. Assessing students' academic performance in specific content areas is just one component of establishing a comprehensive definition of school quality. As states craft a strategic growth plan for charter schools, a clear definition of school quality—and a corresponding system to measure it—can serve as a guide for charter school authorizers. Schools' organizational performance and financial management should be factors in determining whether they have met their contractual obligations and should inform authorizers' renewal decisions. Moreover, measuring school quality for charter growth or expansion purposes should be based, in large part, on student performance outcomes.

Individual states can establish distinct measures of excellence and performance targets to guide charter school expansion, but some key elements of student achievement should be consistent across states. Building Charter School Quality, a federally funded initiative, convened a national consensus panel to identify academic performance indicators and corresponding measures to define quality charter schools.¹⁶ The panel recommends these four essential indicators of quality.

1. **Student Achievement Level (Status)**—how students have performed at a single point in time on particular measures; this typically includes, but is not limited to, state standardized tests.
2. **Student Progress over Time (Growth)**—how students have improved over time on particular academic measures.
3. **Postsecondary Readiness and Success**—high school students' preparation and readiness for postsecondary education, training, workforce participation, or military service.
4. **Student Engagement**—basic, objective measures of student engagement in schooling, such as attendance and continuous enrollment.

The Building Charter School Quality research team is piloting these indicators and their corresponding measures to rank the quality of charter schools, along with that of all public schools, in four states: **Arizona, Colorado, Florida, and Ohio**. Currently, both Arizona and Colorado have compiled academic status and growth data for all charter schools in the state. Colorado has made this information available to the public. Arizona is using the data to inform charter renewal decisions. Although the specifics will vary from state to state, clearly the most effective schools are those producing the highest *sustained* rates of growth in student achievement.¹⁷

When clear definitions and measures of charter school quality are in place, states can establish a “smart cap” (see appendix). This creates an opportunity for policymakers to deliberately support

and grow proven charter school models in their state even if they still choose to limit the total number of charter schools in operation.¹⁸

Streamline Reporting, Renewal, and Governance Requirements for High-Performing Charter Schools

States can review their existing charter policies for unnecessary restrictions, requirements, or duplication of effort that consume valuable time and can lead excellent schools or CMOs to decline replication opportunities or seek expansion in other states without such constraints. Strategies to expand opportunities for growth or expansion of the highest-performing schools include:

- Modifying school governance requirements (e.g., allowing multiple campuses to share a single governing board);
- Streamlining renewal application processes (e.g., using a truncated or expedited application process for schools with a demonstrated track record of student academic success); and
- Extending the terms of renewal contracts (e.g., increasing the contract renewal term for highly successful schools).

Charter management organizations are more likely to establish new or replicate schools in states with greater operating freedoms. For example, the Knowledge is Power Program (KIPP), which operates charter schools in 19 states, has established guidelines for new states applying to be considered for KIPP expansion sites. KIPP factors the duration of contracts into its decision to establish schools in new states. Program officials also seek sites where contracts can only be terminated for poor academic performance, financial mismanagement, negligence, criminal activity, or other wrongdoing. In addition, they will only expand in states where the charter term is renewed automatically without an extensive reapplication process, provided the school meets accountability targets.¹⁹

Several states are working to create more operating flexibility for high-performing schools. **Arizona** is seeking to minimize unnecessary reporting processes for high-performing schools as a part of the charter renewal process. Schools that meet renewal performance targets (i.e., student academic status and academic growth measures) are not required to submit performance management plans as a part of their renewal application that must be developed by schools not achieving their targets. Furthermore, they are not required to develop the performance management plans that must be crafted by schools not achieving their targets. **California** has instituted a Statewide Benefit Charter policy that allows charter schools to replicate in other areas of the state provided there is “substantial evidence that they provide instructional services of a state-wide benefit that cannot be provided by a charter school operating in only one school district, or only one county.”²⁰ In **New York** a team of charter school and education leaders is developing policy recommendations that will create opportunities for excellent charter schools to grow in that state. Recommendations include allowing one charter school with one governing board to operate a single school on multiple campuses; this increases the number of students who can enroll.²¹

Create at Least One Statewide Authorizing Body to Facilitate Outstanding Charter School Expansion

In many states, local school boards can authorize charter schools, but they have limited jurisdictional boundaries (i.e., they can only charter in their own community or region). In these situations, a charter operator seeking to replicate in other parts of the state would have to enter into agreements with multiple authorizers, which sometimes results in contradictory authorizing

rules and guidelines. Statewide authorizers, such as those in **Louisiana, Massachusetts, Arizona, Colorado,** and **New York** can resolve this issue. Many states including Louisiana and Massachusetts, identify the state’s department of education as a statewide authorizer. Other states have identified a statewide body specifically focused on authorizing charter schools, such as the state board for charter schools in Arizona and statewide charter school institutes in Colorado and New York.

Ensure Greater Parity of Funding Between Charter Schools and District Public Schools

A 2008 National Charter School Policy Forum report published by the U.S. Department of Education recommends that “[a]s public schools, charter schools should receive 100 percent of the federal, state, and local tax dollars generated by their students, without exceptions.”²² With the funding gap between district schools and charter schools approaching 40 percent, achieving parity will not be easy. The lack of access to locally generated tax revenue is a primary driver of funding disparities, so policies ensuring access to local funding would have a tremendous effect. Charter school laws in several states, including **California, Colorado, Florida, Georgia,** and **Michigan,** ensure some access to local funds.²³

States can also ensure that charter schools are legally designated as local education agencies (LEAs). LEA status enables charter schools, like their public school counterparts that are housed in an LEA, to be eligible to receive and be accountable for revenues from multiple public and nonprofit sources, including federal special education funds and Title I funds through the No Child Left Behind Act. Currently, 25 states designate individual charter schools as stand-alone LEAs.²⁴ In 2007 **Nevada** took a coordinated approach and designated all charter schools sponsored by the state board of education as a single LEA for purposes of accessing federal funds.²⁵

State policymakers should also ensure their state education agency is taking full advantage of the increasing flexibility in determining eligibility for federal charter school startup funds.²⁶ Nonregulatory guidance from the U.S. Department of Education has clarified that startup funds are available to new charter schools *and* to multiple charter schools established under a single charter *if* each of the charter schools meets the legal definition of “charter school” and the schools truly are separate and distinct from one another.²⁷ Under this expanded eligibility, however, startup funds still may not be awarded to one charter school with multiple campuses because the sites are not construed as separate and distinct from one another. Some states, such as Colorado and Texas, have sought a waiver of this restriction, but to date no waiver requests have been approved.

Support Charter Schools’ Access to Adequate Facilities

A lack of access to facilities is frequently identified as the greatest barrier to charter school growth and replication.²⁸ States can use several policy tools to address this barrier, including providing direct cash assistance to purchase or lease facilities and enhancing charter schools’ ability to access or borrow funds. Ten states and the District of Columbia currently provide facilities aid based on a per-pupil calculation.²⁹ The federal State Charter Schools Facilities Incentive Grants program encourages this arrangement by providing matching funds for nonfederal dollars used to provide facilities.³⁰

States can also help charter schools secure low-cost financing for facilities when public funds are unavailable or insufficient to cover these costs by allowing charter schools to participate in bond programs.³¹ Statewide conduit entities in 17 states have issued tax-exempt municipal bonds on behalf of charter schools to finance facilities.³² In a 2006 statewide facilities bond (kindergarten through university public education), **California** included a \$500 million set-aside for use by

charter schools.³³ In 2008 the state allocated nearly \$18 million for a charter school facilities grant program. This program reimburses 151 charter schools for facility rent and lease expenses incurred during the prior school year.³⁴ Some states, including **Arizona, California, Massachusetts, Michigan, and Wisconsin**, have made federal tax breaks available to charter school investors by making charter schools eligible to participate in the state's allocation of Qualified Zone Academy Bond tax credits.³⁵

Some lending institutions see charter schools—especially those required to renew their contracts every three to five years—as a risk for not paying off longer-term debt. States can create a pathway for charter schools to acquire facilities funding by providing credit enhancements to help guarantee or insure debt needed to secure leases or finance charter school facilities. Enhancements, including state-backed debt insurance, can make it easier for these schools to acquire resources to build and/or renovate facilities. For example, **Colorado** and **Michigan** help alleviate investor cash-flow concerns by providing an intercept mechanism that enables the state to transmit a school's per-pupil revenue directly to bondholders for facilities debt.³⁶ **Michigan** and **Texas** use another credit enhancement option; they fund a debt service reserve with federal credit enhancement funds.³⁷

Another approach states can use to mitigate lender concerns about short-term charters is to address the duration of charter contracts. **South Carolina** recently extended the charter school renewal term from five to 10 years for schools fulfilling all aspects of their charter contract.³⁸ Charter schools in **Arizona** can apply for early renewal of a 15-year contract, making it possible for a school seeking facilities funding to present its new 15-year contract to a lending institution instead of having to present its current contract with a remaining term of five years. This often creates a more favorable analysis of the financial arrangement.³⁹

Conclusion

One of the charter movement's great successes has been the creation of schools where low-income students and students of color are demonstrating levels of academic success comparable to those of students in some of the highest-performing public district schools. The demand for these excellent charter schools is strong and growing and is supported in multiple sectors. In his 2009 Annual Letter, Bill Gates observes that “[e]ducational innovation and overall improvement will go a lot faster if the charter school limits and funding rules are changed.”⁴⁰

Governors and other state policymakers seeking to ease expansion restrictions and facilitate strategic growth among charters with a demonstrated record of success are not alone. With interest from philanthropic organizations, the clear support of a new federal administration, and models from other states, state leaders dedicated to expanding effective schools will be well positioned to achieve their goals.⁴¹

Laura Bloomberg and Joe Nathan, of the Center for School Change at the University of Minnesota, and Ilene Berman, of the National Governors Association Center for Best Practices, wrote this brief. The contents of this issue brief were developed under a grant from the U.S. Department of Education (U282N060002). However, these contents do not necessarily represent the policy of the U.S. Department of Education, and you should not assume endorsement by the federal government.

Endnotes

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⁷ Ziebarth.

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¹² Center for Education Reform.

¹³ Toll, Barbic, Feinberg, and Shalvey.

¹⁴ KIPP, “Twin Cities Selected for new KIPP Public School Expansion Site in 2008,” *News Release* (San Francisco, CA: KIPP, November 28, 2006).

¹⁵ Jay Matthews, “Charter Schools’ Big Experiment; New Orleans’s Post-Katrina Test May Offer Lessons for Ailing Systems,” *The Washington Post*, 9 June 2008.

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¹⁹ KIPP, “Bring KIPP to Your Area” (San Francisco, CA: KIPP, 2008), <<http://www.kipp.org/07/>>; and Feinberg.

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³⁴ California Department of Education, “State Schools Chief Jack O’Connell Releases \$18 Million to Reimburse Charter School Facilities Expenses,” *News Release* (Sacramento, May 13, 2008).

³⁵ U.S. Department of Education, *Making Charter School Facilities More Affordable*.

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ South Carolina General Assembly, “2007-2008 Bill 4980: Charter Schools” (Columbia, July 31, 2008), <http://www.scstatehouse.gov/sess117_2007-2008/bills/4980.htm>.

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Appendix: Charter School Expansion Basics

Who Governs Charter Schools?

Unlike district public schools that are centrally governed by the district board of education, most charter schools are governed by an independent board of directors. Charter school board members are typically drawn from the school's community, including parents, teachers, and people who possess skills and expertise that are of use to the school. Some states require parental involvement on the board,¹ and some specifically stipulate inclusion—or exclusion—of teachers on the board.² Under state charter laws, it is the board's responsibility to ensure the school is successful and operates in compliance with applicable law and its charter agreement. Even where the school elects to hire an outside education management organization (EMO) or charter management organization (CMO) to operate the school, the board retains ultimate responsibility and control.

What Are Charter Management Organizations and Education Management Organizations?

Many charter schools opt to partner with an organization that manages the school and provides educational and/or financial resources. Such partnerships enable individuals who seek to open a school to obtain some of the benefits of a district infrastructure. In addition to offering instructional expertise, these organizations help with tasks such as purchasing, obtaining and dealing with a facility, and contracting for insurance. Consequently, a school managed by a CMO or an EMO can benefit from having additional educational and operational expertise. The school's trustees can essentially outsource those services by hiring a management organization to do this work for them. To do so, the board enters into a management agreement with the CMO or EMO. CMOs are typically nonprofit organizations that rely on philanthropy to supplement the per-pupil public funding that supports the school (e.g., ASPIRE and KIPP). EMOs are typically for-profit managers that sometimes look to capital markets to supplement the school's public funds (e.g., Edison schools).³ Both organizations operate networks of schools serving a specific geographic area, type of school, or educational mission. At their core, management organizations are designed to enable charter growth with consistent high quality. By centralizing or sharing key functions and resources across schools, CMOs and EMOs seek to offer greater efficiency and long-term sustainability for networks of charter schools.

What Distinguishes Charter Schools with Multiple Campuses from Multiple Charter Schools?

In most cases, each separate charter school has its own governing board. If a charter school operates on multiple campuses, but is governed by a single board, it is considered one charter school.

What Is the Difference Between Charter School Replication and Charter School Expansion?

Charter school expansion occurs when existing charter schools increase their student enrollment capacity within their existing charter and are still considered one single school. (e.g., opening additional campuses, adding grades, or adding grade-level sections). Charter school replication creates new and distinct charter schools based on a replication of a model from another school (e.g., the replication of a curriculum design, staffing pattern, or philosophy).

What Are Charter School Caps? What Are “Smart Caps”?

Caps limit the growth of charter schools in a state. Some states have placed caps on the total number of new charter schools that are allowed to open, or caps on the number of charter schools in certain geographic areas. Some charter advocates see a cap as a blunt policy instrument that

does not sufficiently consider school quality. Smart caps have been proposed as a way of managing charter school growth while accelerating the supply of outstanding charter schools. Using smart caps, states can, for example, encourage replication of “proven” school models that have demonstrated exceptional student success while still maintaining a total cap on charter growth.

What Are Qualified Zone Academy Bond Tax Credits?

Qualified Zone Academy Bond (QZAB) tax credits can be used to carry out school renovations and repairs as well as other improvements; they cannot be used for new construction. The federal program allows public schools, including charter schools, to issue the tax credit bonds if the school is located in an area with low-income populations. In addition, to qualify for QZAB allocations, a school or district is required to raise a contribution equal to at least 10 percent of the proceeds from the bond issue. Investors earn tax credits, which makes them willing to accept lower interest payments and, therefore, reduces the cost of borrowing for charter schools.

¹ For example, the Connecticut charter school law specifies, “The application shall include information concerning the charter school that describes . . . parental involvement in the operation and decision of the governing board.”

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