

Agency: 359 WA Charter School Commission
Decision Package Code/Title: A1 Reduction of General Fund Authority
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

The Washington State Charter School Commission (CSC) authorizes and provides oversight of public charter schools throughout Washington State (RCW 28A.710.070). In accordance with Office of Financial Management (OFM) directives, a 15% cut to the CSC's maintenance level budget would severely limit the CSC's capacity to function resulting in severe reductions in the agency's ability to fulfill all of its statutory responsibilities.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	(106,000)	(100,000)	(206,000)
Total Cost	(106,000)	(100,000)	(206,000)
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	-2	.0	-.1

Package Description:

Established in April 2013, the CSC is an independent state agency whose mission is to authorize high-quality public charter schools throughout the state, particularly schools designed to expand opportunities for at-risk students, and to ensure the highest standards of accountability and oversight for these schools. Based on current projections provided by OFM, a 15% reduction to the CSC's maintenance level budget equals a cut of \$206,000 over the next biennium.

The CSC is a new state agency that is still in the process of developing capacity to fulfill all of its statutory requirements. A 15% maintenance level budget reduction will dramatically impact this agency's ability to function because the cuts would result in a diminished capacity to ensure the highest standards of accountability and oversight of the charter schools it authorizes. Charter schools are new to Washington state and the processes and systems that facilitate the authorization and oversight of charter schools are still in their infancy. Few in this state, possess all the knowledge and skills needed to ensure the highest standards of authorizing and oversight; therefore, a significant burden has been placed on the Commission to develop capacity quickly with limited resources. Continuing to limit Commission resources to develop capacity would jeopardize the intent of the charter school law and would put both students and public tax dollars at risk.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The CSC's mission is to authorize high-quality public charter schools and provide effective oversight and transparent accountability to improve educational outcomes for at-risk students. The CSC has a vision to foster innovation and ensure excellence so that every

student has access to and thrives in a high-quality public school. This Decision Package explains how the proposed maintenance level funding cuts negatively impact the CSC's mission, vision and strategic plan to solidify the CSC's operational structure, putting public funds at risk of being misappropriated and mismanaged and student outcomes being negatively impacted. The CSC's performance goal is to authorize two new charter schools per year, and by enacting these cuts, this goal will be in jeopardy. Additionally, the oversight of the existing schools would suffer because the CSC would not be able to increase capacity to ensure the highest standards of accountability and oversight of charter schools.

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This package is essential to the Washington State Charter School Commission's mission to authorize high-quality public charter schools and provide effective oversight and transparent accountability to improve educational outcomes for at-risk students. The CSC has a vision to foster innovation and ensure excellence so that every student has access to and thrives in a high-quality public school. The first strategy of the CSC's strategic plan is to operationalize the work of the CSC. Without adequate resources, the CSC will not be able to operationalize its statutorily required work.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

The Governor's strategic framework identifies a goal that all Washingtonians have access to education that prepares them to transition from elementary, middle, high school, postsecondary, career and lifelong learning opportunities. Further, the K-12 Access component of this goal is to increase the percentage of schools rated exemplary or very good on the Washington School Achievement Index by 10% by 2017. The CSC views public charter schools as a critical component of this goal. By enacting a 15% maintenance level reduction, charter schools may not become a value-add component of the Governor's goals because the charter schools may not exist in a large enough number to impact the percentage of schools rated exemplary or very good on the Achievement Index and those that do may not be held accountable to achieve the high standards that the Governor has established.

What are the other important connections or impacts related to this proposal?

When the voters of Washington State passed Initiative No. 1240, charter schools became part of the public trust. Charter school proponents, opponents and operators do not support this decision package because of their strong belief that, in order for charter schools to become and remain options for families across Washington State, charter school operators must be allowed to respond to an annual request for proposals and the charter schools that are authorized must be held accountable to achieve strong results. Without adequate funding, the CSC would not be able to develop the necessary capacity to operate at a level equivalent to that of a high-quality charter school authorizer.

What alternatives were explored by the agency, and why was this alternative chosen?

The CSC is an agency that was established in April 2013. At that time, 1.5FTE was apportioned to the CSC with the expectation that all statutory requirements would be met within this limitation. This expectation was unrealistic as it undermined the public trust by placing the full burden of statewide charter school oversight on less than two employees, a trust that the public granted the state when the voters passed Initiative No. 1240. Furthermore, no account was established that would allow the CSC to receive the oversight fee that authorized schools must provide to the CSC. During the 2014 Legislative Session, the Oversight Account, 19L, was established. However, the spending authority of this account was limited to \$21,000/fiscal year. The CSC has explored both hiring consultants to perform the oversight tasks and limiting our spending authority for the Oversight Account to the current \$21,000/fiscal year. However, the state has a need for state agencies to identify ways in which the agencies' General Fund requirements can be reduced. The CSC by statute (RCW 28A.710.110) has access to oversight fee funds that reduce the CSC's need to access General Funds. Based on current projections, the oversight account will grow to \$186,000 in FY2016 and \$437,000 in FY2017; therefore, increasing the CSC's spending authority for this account has been explored and a separate Decision Package outlines how the CSC can mitigate the impacts of the 15% maintenance level reduction by increasing spending authority in this oversight account. This Decision Package was created to meet the requirements of a 15% maintenance level reduction as outlined by OFM.

What are the consequences of adopting or not adopting this package?

By funding this package, and thus enacting a 15% maintenance level reduction, the state and legislature run the risk of the CSC authorizing new charter schools that are not of the highest quality and providing only limited oversight to authorized charter schools that are currently under contract. The limits in oversight are directly relational to the resources available to the CSC to conduct oversight such as the number to individuals that are employed or contracted to provide such oversight and the professional development available to employees to develop their oversight capacity. The Executive Director and his assistant would be placed in a position to not only manage a nine member CSC, but to manage a state agency, review/recommend charter school applications and provide oversight to authorized schools. Washington has the opportunity to learn from its counterparts across the nation and not repeat the charter school oversight mistakes that can result in charter school failure, at-risk student populations continuing to be underserved and the tax payer being fleeced by dishonest charter school operators due to a lack of oversight. In Michigan, tax payers pour nearly \$1 billion a year into charter schools' coffers, but state laws regulating Michigan charter schools are among the nation's weakest resulting in rampant fraud and waste. In Ohio, \$187 million has been spent on closing underperforming charter schools. Because of a lack of adequate state oversight, these monies have not and will likely never be retrieved. Additionally, Ohio's charter schools have a 29% failure rate as compared to 8% nationally, and this gap of performance can be directly attributed to a lack of oversight. Here in the Pacific Northwest, Oregon is currently litigating against a charter school operator accused of racketeering to the tune of \$20 million. Finally, there are cases from Oakland to Miami of charter school operators engaging in fraudulent practices and manipulating the pool of students in charter schools for personal gain. Without adequate resources, CSC cannot develop and enforce processes for transparency and oversight that prevent the misuse or outright embezzlement of public funds as detailed above. Thus, oversight presumes the ability to look closely at the records and practices of charter schools, an intricate process that requires an adequate and well trained staff in National Association of Charter Schools Authorizers published Principles & Standards.

However, while these monetary risks elicit negative public opinion, at the end of the day it is the at-risk student populations that are most vulnerable and most adversely effected by funding this package. Washington State's charter school law is one strongest and was written explicitly to support at-risk youth. Without adequate funding, the students this law was designed to serve would continue to be disenfranchised and marginalized, ultimately robbing the individuals who already suffer the greatest inequities of an opportunity to be successful in school and ultimately in life.

What is the relationship, if any, to the state's capital budget?

This decision package does not impact the state's capital budget.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

We are not seeking changes to existing statutes, rules or contracts in order to implement the proposed changes.

Expenditure and revenue calculations and assumptions

The CSC biennium carry forward budget includes both general state funds and funds from the charter school oversight account, resulting in a biennium budget of \$1,376,000. A 15% general fund reduction results in a carry forward budget adjustment of \$1,164,000. This is a difference of \$206,000 over the biennium. In order to reach the goal of reducing the CSC budget by \$206,000, the following cuts would be made. The hiring of the Deputy Director of Authorization and Oversight position would be at .75FTE for FY16 moving to 1.0FTE in FY17, a savings of \$27,000. It is assumed the agency would not incur costs for issuing contracts to support the evaluation of annual request for proposals, a savings of \$45,000 over the biennium. In addition, employee professional development would be eliminated, thus contributing \$15,000 in saving over the biennium. Funding for Attorney General services is being requested in a separate decision package so the agency may be incorporated into the Central Service Model. Funding of that package through the Central Service model will save CSC \$101,000 over the biennium on contractual services. Finally, Commissioner and staff travel would be dramatically reduced resulting in a savings of \$18,000 over the biennium. Total savings come to \$206,000.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

This package does not seek to increase costs or functions for the CSC; rather, it provides law makers with a clear description of the consequences of enacting a 15% maintenance level budget reduction.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	(20,500)		(20,500)
B Employee Benefits	(6,500)		(6,500)
E Goods\Other Services	(70,000)	(91,000)	(161,000)

G Travel	(9,000)	(9,000)	(18,000)
Total Objects	(106,000)	(100,000)	(206,000)