

Agency: 359 WA Charter School Commission
Decision Package Code/Title: N0 Restore 15% Reduction
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). The CSC is a new state agency in need of maintaining current maintenance level spending authority. The CSC is funded by the general fund and an oversight fund sourced by a fee charged to CSC authorized charter schools. Increasing the CSC's spending authority in the oversight fund will allow the CSC to absorb the 15% maintenance level reductions and buy-back essential services that will increase the likelihood of overall student success, and the legal compliance and financial viability of authorized public charter schools.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
19L-1 Charter Schools Oversight 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:

The CSC, established in April 2013, is an independent state agency whose mission is to authorize high-quality public charter schools designed to expand opportunities for at-risk students, and to ensure effective, efficient and transparent accountability and oversight at the school level and state-wide.

RCW28A.710.100 stipulates that the authorization process will solicit, evaluate, and approve or deny charter applications leading to contracts, negotiate each contract on an individual basis for its customized features related to its target students, and establish and implement contract monitoring standards to assess the educational performance and legal compliance each school's ongoing feasibility. An approved applicant will be awarded a five year contract with ongoing five year renewal opportunities for meriting schools based on performance reports.

The CSC will buy-back the \$206,000 maintenance level budget reductions by the legislature increasing its spending authority in the CSC's oversight account. This will allow the CSC to hire a full-time Deputy Director of Authorization and Oversight, maintain the integrity of the establish charter school application evaluation process through fully funding contracts for support of the evaluation process, provide much needed professional development for staff and maintain travel levels of the Commission in order to hold open public meetings once a month for a full-day and staff traveling to provide support, guidance and oversight of authorized charter schools.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The charter school law has a primary focus on at risk students. Specific school outcomes will be focused on student academic achievement goals, charter school organizational goals, charter school compliance with applicable state and federal laws, and charter school financial reporting and control expectations. Specific CSC outcomes will assess: annual solicitation of promising applicants; effective application review leading to mission-focused, feasible and sustainable schools; contracts that focus on core and measurable school /outcome expectations; school accountability with collaborative monitoring process & results, valid and reliable performance reports aggregated at the school and state level, and publication of school and CSC performance.

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?

The Washington State Charter School Commission'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 funds the CSC's Strategic Plan to move the CSC closer to solidifying its operational structure. Without approval of this buy-back funding, the CSC's ability to function as a whole agency, responsible for both authorization and oversight of charter schools, will be in jeopardy.

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. With high-quality authorizing and oversight of public charter schools, the percentage of schools rated exemplary will increase as they will consistently be held to a high bar. Charter schools are part of an effective K-12 educational system and they provide viable options for families throughout Washington State. In order for the CSC to provide high-quality authorizing and oversight, it must be provided with adequate financial resources.

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 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 schools must be held to highest standards and provided high-quality oversight. In order for charter school to be held to these high standards, at a minimum, the CSC must be allowed to maintain its current maintenance level budget.

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

The CSC has explored three alternatives to fulfill its statutory responsibilities: 1) attempting to function as a state agency within its current staffing structure while absorbing a 15% maintenance level budget reduction, 2) hiring consultants to perform some of the agency's scope of work, and 3) postponing the annual solicitation for new charter schools.

The scope of statutory responsibilities this agency is required to facilitate are vast and will grow as more charter schools are authorized and opened. CSC current staff levels, 3.0FTE with 1.0FTE working only .5FTE for FY16 due to 15% maintenance level budget reduction, put students, the CSC and tax payers at risk. The risk is directly relational to the ability of the CSC to conduct high quality

oversight. With limited staff capacity, the quality of oversight will be jeopardy.

The CSC has, as well, also explored postponing the annual solicitation for new charter schools until funding to pay for the solicitation

becomes available. For the charter school law to be fully realized, charter school operators must be provided the opportunity to respond to a solicitation that is design to allow high-quality charter schools to operate. Without the issuance of an annual solicitation, the integrity of the charter school law will be severely compromised. The CSC will not take a position that undermines the charter school law; therefore, issuing of the annual solicitation will continue.

Finally, the CSC has explored hiring consultants to perform the oversight tasks; however, effective oversight is a combination of effective practices and seasoned staff with strong relationships and continuity with schools and the CSC, especially during a school's first 5-year contract. Consultants, while at times fiscally prudent, are by nature short-term and not an effective means of building the strong relationships required to provide effective oversight and accountability in a transparent and predictable manner. Further, the process of identifying and establishing contractors is cumbersome and lengthy.

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

This funding will support the CSC's stewardship responsibility: From contracting through monitoring to renewing charter contracts and public reporting of results. The last paragraph below details the fiscal conditions that no account was established that would allow the CSC to receive the oversight fee that authorized schools must provide the CSC. Without funding this package, the state and legislature run the risk of charter schools failing, 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. 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, charter school authorizers 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 numbers commensurate to national best practices.

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 not 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. The CSC's oversight fee that is charged to the charter schools it authorizes will pay for this buy-back package.

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 would restore \$206,000 to its budget by increasing spending in the Charter School Oversight Account (19L). This would include:

Increasing the Deputy Director of Authorization and Oversight position by .25 FTE in FY16 making it a full-time position. Estimated salaries and benefits costs would be \$27,000.

Reinstating plans to issue contracts to support the evaluation of annual request for proposals, a cost of \$45,000 over the biennium.

Reinstating employee professional development opportunities estimated at \$15,000 over the biennium.

Increasing contractual services by \$101,000 over the biennium.

Finally, Commissioner and staff travel would be increased by \$18,000 over the biennium.

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

We are seeking an increase in spending authority in the Oversight Account of \$159,000 for Fiscal Year 2016 and \$405,000 for Fiscal Year 2017. In future biennia, the CSC will seek additional spending authority in this account. The increase in hiring authority will be ongoing costs that the Oversight Account will be able to pay for in perpetuity.

<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