

Agency: 359 WA Charter School Commission

Decision Package Code/Title: N2 Increase Oversight Capability

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 scope of work and responsibilities requires additional staff. The CSC is funded by the general fund and an oversight fund sourced by a fee charged to CSC authorized charter schools. Increasing the number of staff and the CSC's spending authority in the oversight fund 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>
001-1	General Fund - Basic Account-State		(105,000)	(105,000)
19L-1	Charter Schools Oversight Account-State		180,000	180,000
Total Cost			75,000	75,000
Staffing		<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
	FTEs	1.0	2.0	1.5

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 CSC through its authorization process will solicit, evaluate, and approve or deny charter applications. Further, the decision to approve charter applications leads to the development of contracts, the negotiation each contract on an individual basis for its customized features related to its target students, and establishment and implementation of contract monitoring standards to assess the educational performance and legal compliance each school's ongoing viability. An approved applicant will be awarded a five year contract with ongoing five year renewal opportunities based on performance reports.

Charter school authorization and oversight will require specialized staff and lead time to develop individualized monitoring tools for incorporation into each charter applicant's contract, and to develop those in accordance with the National Association of Charter Schools Authorizers' published Principles & Standards. These full-time positions will aid the CSC and the public in the development of a strong understanding of the performance and legal compliance requirements of these public charter schools. The CSC has explored hiring consultants to perform the oversight tasks; however, effective oversight is a combination of effective practices and strong relationships, relationships that may be difficult to develop due to the transient nature of contractors.

The charter school system, replaces some of the standardized public school regulatory structure with individual contracts customized to

each school's program. The authorization and oversight monitoring process will decrease the risk that state dollars could be mismanaged, students poorly educated, and the undermining of the statutory vision of charter schools' ability to improve the educational outcomes of at-risk students.

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 hiring consultants to perform the oversight tasks, limiting our spending authority to align with the maintenance level budget, and limit our spending authority in 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.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This funding will help make the CSC financially "whole" to carry out its mission. In order for the CSC to effectively manage the charter school authorization process, as well as supervise and enforce the provisions of charter school contracts and the public common school system, the CSC requires increased personnel capacity. . At its establishment in April 2013, the CSC was apportioned 1.5FTE with the expectation that all statutory requirements would be met within this limitation. This expectation was unrealistic and 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.

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: 1) annual solicitation of promising applicants; 2) effective application review leading to mission-focused, feasible and sustainable schools; 3) contracts that focus on core and measurable school /outcome expectations; 4) 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.

This request for additional staff will allow the CSC to meet the performance outcome of all authorized charter schools meeting established goals and remaining in compliance with applicable state and federal law.

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 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 funds the CSC's Strategic Plan to solidify the CSC's operational structure.

The first strategy of the CSC's strategic plan is to operationalize the work of the CSC. This strategy requires the CSC to increase staff from 3.0FTE to 5.0FTE by 2017. The purpose of this increase is to allow for the CSC to operate and fulfill its statutory requirements relating to authorizing and overseeing high-quality public charter schools. Furthermore, this increase in staff will allow the CSC to meet its performance outcomes.

In order for the CSC to operationalize and hire further FTE, it must gain additional spending authority for the Oversight Account, 19L.

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 have adequate resources in terms of staff and spending authority.

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, the CSC must increase its capacity through the hiring of specialized staff with expertise in charter school oversight and accountability.

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

Three options have been explored: First, maintain the maintenance level budget and current staffing levels and attempt to conduct both charter authorization and oversight tasks. Second, contract with consultants to perform charter school authorization and oversight tasks. Third, increase staffing authority to manage both authorization and oversight activities of charter schools.

The scope of work concerning charter school oversight will increase dramatically over the next biennium. Six charter schools are scheduled to open in fall of 2015 with as many as three additional opening during this time due to the fact that we are in the middle of charter school authorization process. Add to this, an additional two schools opening in fall of 2016, based on our projections, bringing the total number of charter schools requiring oversight to 11. Attempting to conduct oversight of 11 schools with three employees, one being an Executive Assistant is extremely risky and dangerous, risky for tax payers and parents of student that attend those schools and dangerous for the students that attend.

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. Instead, full-time CSC employees, once hired, have a strong likelihood of remaining with the CSC for several if not many years and providing high quality oversight for the schools they are assigned.

Recruitment needs to be on a CSC-run interview selection process for on-board staff who would do internal peer review with each other, satisfying some degree of standard process. As time passes and more schools accumulate as expected, some standardized data points may appear for segmenting out for contracting and improving the CSC's target population program focus.

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 if 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 the CSC continuing to request additional General State Funds in order to operate, 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. Closer to home, Oregon is currently litigating against a charter school operator accused of

rackeering 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 the increase in staff.

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 expenditure assumptions are based upon two full-time employee salaries and benefits along with professional development, capital outlays, supplies/materials, communication and travel needs of these employees. The base salary for these positions will range between \$60,000-\$70,000/year with a benefits package projected at 25% of their salary. The revenue assumptions are based on charter school authorizing projections with the assumption that two new public charter schools will be authorized per year.

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		56,250	56,250
B Employee Benefits		18,750	18,750
Total Objects		75,000	75,000