

May 2005

CHARTER SCHOOLS

Oversight Practices in the District of Columbia





United States Government Accountability Office
Washington, DC 20548

May 19, 2005

The Honorable Sam Brownback
Chairman
The Honorable Mary L. Landrieu
Ranking Minority Member
Subcommittee on the District of Columbia
Committee on Appropriations
United States Senate

The Honorable Joe Knollenberg
Chairman
The Honorable John W. Olver
Ranking Minority Member
Subcommittee on Transportation, Treasury, and Housing and Urban
Development, The Judiciary, District of Columbia, and Independent
Agencies
Committee on Appropriations
House of Representatives

In the 2004-2005 school year, District of Columbia (D.C.) charter schools enrolled more than 15,000 students, or approximately 21 percent of D.C.'s public school population—one of the highest proportions in the nation. Charter schools are public schools that are exempt from certain regulations in exchange for accountability in improving student achievement. Charter school authorizers—the entities that approve and oversee charter schools—are responsible for ensuring that charter schools achieve expected student outcomes and comply with applicable laws. In D.C., two entities, the D.C. Board of Education (BOE) and the D.C. Public Charter School Board (PCSB), were established by the School Reform Act as charter school authorizers. The law requires the authorizers to monitor charter schools, but little information is available about the performance of the BOE and PCSB in providing such oversight.

As required by the 2005 D.C. Appropriations Act, we examined the performance of D.C. charter school authorizers in their approval and oversight roles. In fall 2005, we will publish the full results of our research. However, as required by law, we provided your staff with an interim report on our work. For this interim report, we addressed the following questions:

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1. What are the responsibilities specified for the D.C. charter school authorizers in the School Reform Act?
 2. How are the D.C. authorizers carrying out these responsibilities?

To determine the responsibilities of D.C. charter school authorizers, we reviewed the School Reform Act as well as other applicable federal and District laws. To determine how the authorizers are carrying out these responsibilities, we reviewed charter school application guidelines, monitoring reports, evaluation criteria, school accountability plans, and authorizers' renewal and revocation policies and procedures. We also interviewed officials from the BOE and PCSB, other D.C. agencies such as the Office of the Chief Financial Officer and the Office of the Inspector General, and the U.S. Department of Education. We conducted our work between January and April 2005 in accordance with generally accepted government auditing standards.

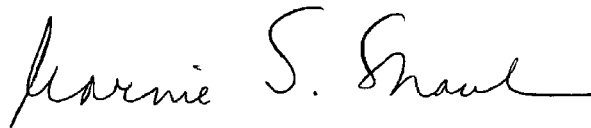
This report formally conveys the information provided to your staff during a briefing held on April 25, 2005. In summary, we found:

- The School Reform Act outlines the responsibilities of the D.C. charter school authorizers. The law requires that the authorizers review charter school applications and approve qualified applicants. Additionally, the law requires the BOE and PCSB to monitor charter schools and determine if charters should be renewed or revoked. The authorizers are also required by the School Reform Act to create and distribute annual reports on their activities.
- Although the authorizers carry out their responsibilities in different manners, both the BOE and PCSB have developed processes to meet their legal responsibilities. Each authorizer has established timelines, guidance, and procedures for reviewing and approving charter school applications. Additionally, both authorizers conduct annual and 5-year monitoring reviews to ensure that charter schools are complying with applicable laws, achieving student academic goals, and using sound financial practices. The BOE has revoked charters of schools that fail to meet required standards, and the PCSB is in the process of revoking a school's charter. Finally, each year both authorizers have created annual reports that include the information required by the School Reform Act.

We provided a draft of this briefing to officials at the BOE and the PCSB for their technical review and incorporated their comments where appropriate.

We are sending copies of this briefing to the BOE, the PCSB, the D.C. Board of Education, the D.C. Public Charter School Board, the Secretary of Education, appropriate congressional committees, and other interested parties. In addition, the briefing will be available at no charge on GAO's web site at <http://www.gao.gov>.

If you or your staff have any questions, please contact me or Deborah Edwards at (202) 512-7215. Tamara Fucile, Christopher Morehouse, and Sheila McCoy also made key contributions.

A handwritten signature in black ink that reads "Marnie S. Shaul". The signature is written in a cursive style with a long horizontal stroke at the end.

Marnie Shaul
Director, Education, Workforce,
and Income Security Issues

DC Charter School Authorizers

**Briefing for Staff of the Senate and House
Committees on Appropriations
April 25, 2005**

Introduction

- Charter schools are public schools that are exempt from certain state and local regulations in exchange for accountability for improving student achievement.
- The DC School Reform Act established two independent entities with authority to approve and oversee charter schools in the District of Columbia. Called **authorizers**, these entities are
 - the DC Board of Education (BOE) and
 - the Public Charter School Board (PCSB)
- The BOE began chartering schools in DC in 1996. PCSB chartered its first schools in 1997. At the beginning of the 2004-2005 school year, 16 schools were operating under the BOE and 26 under PCSB.

Congressional Mandate

- The 2005 DC Appropriations Act required GAO to review the responsibilities and performance of the DC charter school authorizers.
 - GAO's review consists of 2 phases:
 - Phase 1 (in this briefing): GAO will describe what the School Reform Act requires of DC authorizers and how they are carrying out their responsibilities.
 - Phase 2 (fall 2005): GAO will conduct a more comprehensive examination of the authorizers' processes and performance.
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Research Questions

1. What are the responsibilities specified for the DC charter school authorizers in the School Reform Act?
 2. How are the DC authorizers carrying out these responsibilities?
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Scope and Methodology

- To determine the authorizers' responsibilities, we reviewed federal and District laws.
 - To determine how the authorizers are carrying out their responsibilities, we reviewed
 - application guidelines,
 - monitoring reports,
 - evaluation criteria,
 - school accountability plans, and
 - renewal and revocation policies and procedures.
-

Scope and Methodology, cont'd

- We also interviewed officials of
 - the BOE and PCSB,
 - U.S. Department of Education, and
 - DC agencies, including
 - Chief Financial Officer (CFO) and
 - Office of Inspector General
 - We conducted our work from January to April 2005 in accordance with generally accepted government auditing standards.
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Results in Brief

- **Requirements of the School Reform Act:** DC Authorizers must
 - review and approve charter school applications,
 - monitor charter schools,
 - determine if charters should be renewed or revoked, and
 - provide annual reports on their activities.
 - **Authorizer Practice:** The BOE and PCSB have developed similar processes to carry out their legal responsibilities, but the two entities vary in how they implement these processes.
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Background

- Parents, educators, nonprofit organizations, or other groups may apply to start a charter school. Charter schools are governed by a board of trustees.
 - The academic goals of the school are included in its charter, which is the agreement reached with the authorizer on what the school intends to accomplish and how it will operate.
 - Charter schools are subject to certain federal laws, including the Individuals with Disabilities Education Improvement Act (IDEA) and the No Child Left Behind Act (NCLBA).
-

Background, cont'd

- Charters in DC are granted for 15-year terms, which can be renewed an unlimited number of times. To date, no schools have reached the end of their first term.
 - Local funds are allocated to charter schools in DC using the same per-pupil allocation formula for operating expenses used for all other public schools. During the 2004-2005 school year, this amount ranged from \$6,904 to \$8,077 for a regular education student depending on grade level.
 - For fiscal year 2005, DC's appropriation included \$13 million specifically designated for charter schools. Additionally, DC charter schools, like all public schools, are eligible for other federal funds, such as funding for IDEA and NCLBA.
-

Background, cont'd

- In School Year 2004-05, DC charter schools enrolled about 21 percent of the District's public school students, one of the highest proportions of public students in charter schools in the country.

DC charter schools 2004-2005

	Number of charter schools operating	Number of students enrolled (January 2005)	School year 2004-05 authorizer budget ^c (thousands)	Number of authorizer's full-time staff
BOE	16 ^a	3,945	\$ 509.4	3
PCSB	26 ^b	11,555	1,382.7	10

Source: BOE and PCSB documents.

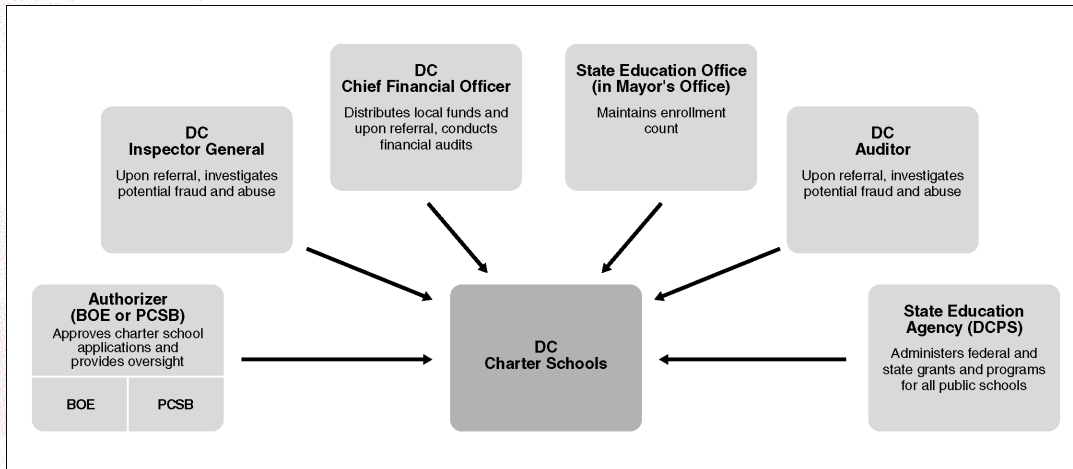
^a16 schools on 23 campuses.

^b26 schools on 31 campuses.

^cThis amount reflects total authorizer funding, including funding from the D.C. government and fees charged to charter schools.

Background, cont'd

Various DC offices have responsibilities related to DC charter schools



Source: GAO.

Legal Responsibilities: Reviewing and Approving Charter Applications

- Applicants seeking to form charter schools may file a charter application with either authorizer.
- Applicants must provide a detailed academic and business plan, including elements such as
 - the school's academic focus,
 - plans for community and parental involvement,
 - a 2-year operating budget, and
 - articles of incorporation and bylaws.
- Authorizers must hold public hearings on applications received.

Legal Responsibilities: Reviewing and Approving Charter Applications, cont'd

- After reviewing applications, an authorizer must approve any application if it determines that
 - the application meets the legal requirements;
 - the applicant agrees to any condition or requirement set forth by the authorizer; and
 - the applicant has the ability to meet the educational objectives outlined in the application.
 - If an authorizer does not approve an application, it must provide written notice to the applicant explaining why the application was not approved.
-

Legal Responsibilities: Monitoring Charter Schools

Authorizers must monitor schools'

- operations and
- progress in meeting student academic achievement goals as set forth in the charter.

Authorizers must ensure compliance with

- applicable laws and charter provisions and
- annual reporting requirements, including the submission of audited financial statements.

Legal Responsibilities: Renewing and Revoking Charters

- At the end of a charter's 15-year term, authorizers may renew a school's charter.
- Authorizers shall not approve renewals if the school
 - committed a material violation of applicable laws or provisions of its charter or
 - failed to meet student academic achievement goals set forth in the charter.

Legal Responsibilities: Renewing and Revoking Charters, cont'd

- At least once every 5 years, authorizers must conduct a thorough review of each charter school to determine whether the school should be permitted to continue or have its charter revoked.
 - Authorizers may revoke charters for failure to meet academic goals only as a consequence of the 5-year review; authorizers can revoke charters for other reasons, such as financial mismanagement and legal noncompliance, at any time.
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Legal Responsibilities: Renewing and Revoking Charters, cont'd

- An authorizer *may* revoke a charter if it determines that the school
 - violated applicable laws or provisions of its charter or
 - failed to meet the academic goals set forth in the charter.
 - An authorizer *must* revoke a charter if it determines that the school
 - does not use generally accepted accounting principles,
 - has engaged in a pattern of fiscal mismanagement, or
 - is no longer economically viable.
-

Legal Responsibilities: Issuing Annual Reports

Each authorizer is required to prepare an annual report that includes

- a list of its board members and board meeting dates for the previous year;
 - the number of charter petitions received, approved, and denied, and reasons for denials;
 - a description of new charters issued, charters renewed, refused renewal, and revoked; and
 - any recommendations for improving the administration of charter schools.
-

Legal Responsibilities: Issuing Annual Reports, cont'd

Each authorizer must submit its annual report to

- DC Mayor,
 - DC Council,
 - DC Board of Education,
 - US Secretary of Education,
 - House and Senate Committees on Appropriations,
 - House Committee on Education and the Workforce,
 - Senate Committee on Health, Education, Labor, & Pensions,
 - House Committee on Government Reform, and
 - Senate Committee on Homeland Security & Governmental Affairs
-

Authorizer Practice: Application Process

Consistent with the law, each authorizer

- requires that applications include elements mandated by law,
- holds public hearings on proposed schools, and
- provides written notification to applicants whose applications have been denied.

	Applications received	Applications approved	Schools opened
BOE	63	26	23
PCSB	108	37	27

Note: One charter school may operate on multiple campuses.
Source: GAO analysis of BOE, PCSB documents.

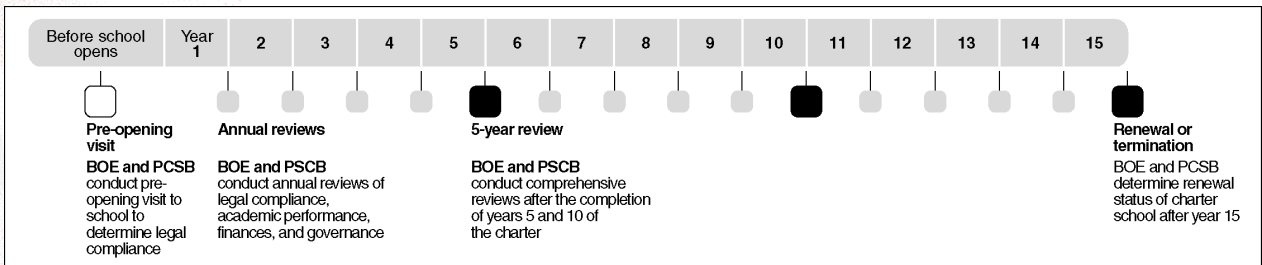
Authorizer Practice: Application Process, cont'd

- Both authorizers require applicants to provide additional information, such as
 - a student recruitment and marketing plan,
 - a staffing plan,
 - expected use of volunteers, and
 - services sought from DC Public Schools.
 - Both authorizers require applicants to submit their applications in two phases. BOE and PCSB officials stated this two-phase process enables them to identify potential problems earlier in the application process.
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Authorizer Practice: Application Process, cont'd

- Each authorizer has developed its own method for generating numerical scores to select successful applications and for assigning certain weights to the selection criteria.
 - BOE is not accepting applications in the 2004-2005 school year, in order to re-examine its application process. BOE officials stated they expect to resume accepting applications in the 2005-2006 school year.
 - PCSB has accepted applications each year since 1997.
-

Authorizer Practice: Overview of Monitoring Reviews



- Pre-opening review
- Annual review
- Comprehensive review

Source: GAO.

Authorizer Practice: Monitoring

- The BOE and PCSB have outside experts conduct reviews, including site visits, to assess schools' compliance.
- Both authorizers have developed processes for reviewing schools' finances, governance, legal and charter compliance, and academic performance.
 - BOE includes these components in one annual report.
 - PCSB conducts separate reviews to assess legal and charter compliance and academic performance.

Authorizer Practice: Monitoring of School Governance

- Authorizers verify background checks of school staff are conducted.
- During annual reviews, both authorizers
 - review minutes of school board meetings and
 - interview school board members.

Authorizer Practice: Monitoring of School Finances

- Both authorizers require charter schools to submit
 - periodic financial statements,
 - annual audits, and
 - revised budgets in case of enrollment shortfalls.
- Both authorizers review contracts as required by law.

Authorizer Practice: Monitoring of School Finances, cont'd

- PCSB conducts additional financial oversight.
 - During a school's first year, PCSB hires an outside CPA to assess the school's accounting practices and internal controls.
 - PCSB compares schools' expenditures with projected revenues.
 - Both authorizers have provided extra scrutiny to schools facing financial problems.
 - BOE has referred cases to the DC CFO and DC Auditor.
 - PCSB has conducted its own interim financial reviews to assess problems and provide direction.
-

Authorizer Practice: Monitoring of Legal Compliance

- Both authorizers conduct annual monitoring reviews to ensure compliance with DC health and safety laws.
 - The State Education Office conducts an annual enrollment audit each fall, as it does for all DC public schools.
 - PCSB reviews compliance with provisions of the No Child Left Behind Act during annual monitoring reviews; BOE relies on DCPS to review compliance in this area for its schools.
 - Both authorizers rely on outside consultants to review schools' compliance with IDEA.
-

Authorizer Practice: Monitoring of Academics

- Both authorizers require schools to submit accountability plans that outline 5-year academic goals.
 - Accountability plans become part of the charter and are used as guides for the academic component of annual monitoring visits.
 - Annual monitoring reviews assess progress toward academic goals; the 5-year review provides a comprehensive look at the accomplishment of academic goals set forth in the charter.
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Authorizer Practice: Monitoring and Sanctions

Both authorizers have used sanctions in an effort to achieve compliance from schools.

- The BOE maintains a delinquent list that outlines reporting deadlines missed by individual charter schools.
- The PCSB follows a Table of Remedies, which prescribes appropriate disciplinary actions depending upon the seriousness of the problems identified.

	Applications received	Applications approved	Schools opened	Schools placed on probation
BOE	63	26	23	4
PCSB	108	37	27	At least 6 ^a

Note: One charter school may operate on multiple campuses.

^aPCSB documents did not show complete probation activity. PCSB officials stated they did not believe additional probation episodes occurred.

Source: GAO analysis of BOE, PCSB documents.

Authorizer Practice: Renewal and Revocation

- Every 5 years authorizers must conduct comprehensive reviews to determine if charters should be allowed to continue.
- Five-year reviews cover the same areas as the annual monitoring review, but are more comprehensive. Five-year reviews also include documentation from previous annual reviews to help identify trends.

Authorizer Practice: Renewal and Revocation, cont'd

The result of this 5-year review can be charter revocation or continued operation of the school.

	Applications received	Applications approved	Schools opened	Schools placed on probation	Schools that have received 5-year review	Schools with charters revoked at 5-year review
BOE	63	26	23	4	7	1
PCSB	108	37	27	At least 6 ^a	11	0 ^b

Note: One charter school may operate on multiple campuses.

^aPCSB documents did not show complete probation activity. PCSB officials stated they did not believe additional probation episodes occurred.

^bAs of 4/05, 1 revocation is in process.

Source: GAO analysis of BOE, PCSB documents.

Authorizer Practice: Renewal and Revocation, cont'd

Neither authorizer has developed standardized procedures to follow when a school closes.

- BOE has closed schools on a case-by-case basis. BOE officials stated that legislative clarification on closure procedures would be helpful, such as what to do with student records and how to dispose of assets.
- PCSB officials stated they are developing procedures for what to do when a school closes.

	Applications received	Applications approved	Schools opened	Schools placed on probation	Schools that have received 5-year review	Schools with charters revoked at 5-year review	Schools with charters revoked (at any time)	Schools closed voluntarily
BOE	63	26	23	4	7	1	7	0
PCSB	108	37	27	At least 6 ^a	11	0 ^b	0 ^b	1

Note: One charter school may operate on multiple campuses.

^aPCSB documents did not show complete probation activity. PCSB officials stated they did not believe additional probation episodes occurred.

^bAs of 4/05, 1 revocation is in process.

Source: GAO analysis of BOE, PCSB documents.

Authorizer Practice: Annual Reporting

BOE and PCSB annual reports include all information required by the DC School Reform Act as well as other information not required by law.

- BOE's annual reports include information about the academic performance of each of its charter schools.
- PCSB's annual reports include information about the board's operations and official actions.

Authorizer Practice: Annual Reporting, cont'd

- BOE officials stated that they submitted their annual reports to the required DC offices and the US Department of Education, but not to Congress. BOE officials stated this omission was an oversight.
- PCSB officials indicated that they submitted their annual reports to all of the required recipients.

Next Steps

- In the second phase of this review, GAO will more closely examine the charter school authorizers' performance in their approval and oversight of DC charter schools.
 - In addition, GAO will examine the resources devoted to DC public charter schools.
 - The second phase of this review will be published in fall 2005.
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