

January 2005

CHARTER SCHOOLS

To Enhance Education's Monitoring and Research, More Charter School-Level Data Are Needed





Highlights of [GAO-05-5](#), a report to the Secretary of Education

Why GAO Did This Study

Charter schools are public schools that are granted increased autonomy by states in exchange for meeting specified academic goals. State law determines who approves the formation of a charter school, often the board of education. As public schools, charter schools are subject to the performance requirements of the No Child Left Behind Act (NCLBA) as well. In this environment, states' systems for allowing charter schools flexibility and ensuring school performance and financial integrity assume greater importance. GAO examined (1) how states allow charter schools flexibility, (2) how states promote accountability for school performance and financial integrity for charter schools, (3) the implications of NCLBA for charter schools, and (4) the role the Department of Education (Education) plays in charter school accountability. GAO surveyed the 39 states and jurisdictions with operating charter schools in 2002-03 and interviewed charter school experts and Education officials.

What GAO Recommends

To enhance Education's charter school monitoring and research, GAO recommends that Education help states track federal funds to charter schools, require Charter School Program grant recipients to report the number of charter schools started with program funds, and include accountability in its planned charter school impact evaluation. Education agreed to take actions related to all our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-5.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marnie Shaul at (202) 512-7215 or shaulm@gao.gov.

CHARTER SCHOOLS

To Enhance Education's Monitoring and Research, More Charter School-Level Data Are Needed

What GAO Found

In school year 2002-03, some states reported that they provided charter schools flexibility by allowing them to choose their authorizer. Authorizers—state education agencies, local education agencies, universities, and other nonprofit organizations—oversee the formation and operation of charter schools. Also, nearly all states provided flexibility by releasing charter schools from some traditional public school requirements, such as teacher hiring and termination practices, schedules, and collective bargaining agreements.

To promote charter school performance and financial integrity, states reported that they took action to oversee charter schools and to oversee and provide assistance to authorizers. About half of the 39 states reported having primary responsibility for enforcing school improvement actions in charter schools not achieving annual school performance goals under NCLBA. Most states reported that they intervened when authorizers were not performing their responsibilities and conducted or required audits of authorizers' finances. About half of the states assisted authorizers with funding for their charter school oversight responsibilities or gave them fee collection authority.

NCLBA requires charter schools to meet the same requirements as other public schools, but the law permits certain flexibilities where allowed by state law. Charter schools must be included in the statewide assessment system, and charter schools that receive NCLBA Title I funds must take school improvement actions if they do not meet state performance goals. However, NCLBA allows state law to determine the entity responsible for charter school oversight. In addition, while NCLBA requires certification for all other teachers to meet the highly qualified teacher requirement, the law exempts charter school teachers from this requirement where state law permits.

As it does for all public schools, Education administers grant programs that provide funds to charter schools, monitors grant performance, and sponsors research on accountability for academic performance and financial integrity. Under NCLBA, the department and states must ensure that new and expanding charter schools receive timely payment of federal grant funds for which they are eligible and meet the act's academic achievement goals. However, in its monitoring and data collection, Education gathers little information on the timeliness of charter school grant payments or how well the schools perform. Moreover, Education's Office of the Inspector General (OIG) reported delays in states' Title I payments to charter schools. Education is in the process of developing new systems that are expected to provide both academic performance and financial reports for the department's major grant programs, but the ability of the new systems to provide financial reports for charter schools is uncertain.

Contents

Letter		1
	Results in Brief	2
	Background	6
	Some States Provided Flexibility by Allowing Charter Schools to Choose among Authorizers, and Most States Released Charter Schools from Traditional Public School Requirements	12
	States Promoted Accountability for Charter School Performance and Financial Integrity through State Actions and through Authorizers	16
	NCLBA's Provisions Apply to Charter Schools but Provide Some Flexibilities	22
	Education Provides Support to Charter Schools Directly and Indirectly through Several Federal Programs and Conducts Research on Charter Schools	30
	Conclusions	37
	Recommendations for Executive Action	38
	Agency Comments	39
Appendix I	Scope and Methodology	41
	Scope	41
	Methodology	41
Appendix II	Selected Data Tables from Survey	48
Appendix III	Summary of Selected Charter School Research Projects Sponsored by the Department of Education	62
Appendix IV	Comments from the Department of Education	63
Appendix V	GAO Contacts and Staff Acknowledgments	66
	GAO Contacts	66
	Staff Acknowledgments	66
Related GAO Products		67

Tables

Table 1: Number of States with Various Responsibilities for NCLBA School Improvement Actions for Charter Schools	17
Table 2: Number of States with Oversight Responsibility for Monitoring the Financial Condition of Charter Schools	18
Table 3: State Actions to Monitor Authorizers' Financial Integrity	20
Table 4: States' Assistance to Authorizers to Help Them Oversee Charter Schools	21
Table 5: Information States Required of Authorizers	22
Table 6: Selected Grant Programs In Which Charter Schools Participate	31
Table 7: Types of Authorizers in States with a Mix of Authorizers in School Year 2002-03	48
Table 8: Responsibility for NCLBA School Improvement Actions by State and Authorizer Structure	50
Table 9: Oversight Of Charter Schools' Achievement of the Academic Goals Not Related To NCLBA Academic Performance Goals, by Authorizer Type	52
Table 10: Entities Monitoring Charter Schools' Financial Condition, by Authorizer Type	54
Table 11: Entities with Primary Oversight Responsibility for Monitoring the Financial Condition of Charter Schools, by Authorizer Type	56
Table 12: Charter School Closures during 2002-03	58
Table 13: Actions Taken by States to Address Authorizers Not Performing Their Responsibilities, by Authorizer Type	59
Table 14: Charter Schools Achieving Annual State Performance Goals and Taking School Improvement Actions under NCLBA, by State, in School Year 2002-03	60

Figures

Figure 1: Types of Authorizers Established in Charter School States	3
Figure 2: State Distribution of Charter Schools, 2002-03	7
Figure 3: Types of Authorizers Established in Charter School States	13
Figure 4: Number of States with Various Percentages of Charter Schools Achieving Annual School Performance Goals for 2002-03	24
Figure 5: Number of States with Charter Schools Receiving Title I Funds in School Year 2002-03	25

Figure 6: Entities with Primary Responsibility for Developing School Improvement Strategies and Enforcing School Improvement Actions	26
Figure 7: In More Than Half of the States, Charter Schools Can Be Separate LEAs	28

Abbreviations

BOE	Board of Education
DOE	Department of Education
GAPS	Grant Administration and Payment System
IDEA	Individuals with Disabilities Education Act
LEA	local education agency
NCLBA	No Child Left Behind Act
OIG	Office of Inspector General
PBDMI	Performance-Based Data Management Initiative
SEA	state education agency

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United States Government Accountability Office
Washington, DC 20548

January 12, 2005

The Honorable Roderick Paige
Secretary of Education

Dear Mr. Secretary:

In the 2003-04 school year, nearly 3,000 charter schools, representing about 3 percent of all public schools, were in operation in the United States. Charter schools are public schools established through agreements between people or organizations granted permission to establish schools—charter holders—and the entities that approve and oversee them—authorizers. The agreement, or charter, specifies certain academic goals and financial requirements that the charter holders agree to meet in return for increased autonomy in school management, usually including release from traditional public school requirements in areas such as teacher termination practices and student discipline. Since 1994, the federal government has provided over \$1 billion of federal funding to encourage new and expanding charter schools under the Education’s Public Charter Schools and Credit Enhancement for Charter School Facilities programs.

Forty states, the District of Columbia, and Puerto Rico have enacted charter school laws in an effort to increase school choice and improve student outcomes, although not all states have operational schools. Specifics of the laws vary from state to state; for instance, there are variations in how many charter schools are allowed and what entity or entities can authorize them. However, in every state, charter schools are included in the statewide system for assessing school performance and are expected to achieve the state annual school performance goal requirements that apply to all public schools under the No Child Left Behind Act of 2001 (NCLBA).

Proponents of charter schools believe that the increased autonomy given charter schools and the expanded opportunities for parents to select their child’s school can result in improved student achievement. However, there are many challenges associated with successfully establishing and operating a charter school. Because of these challenges, state systems for allowing charter schools flexibility and ensuring accountability for school performance and financial integrity assume greater importance. Moreover, NCLBA requirements for assessing the status of annual school performance goals and the actions schools must take if they do not meet

academic performance goals have the potential to expand or restrict the flexibilities and performance agreements established in schools' charters. This report examines (1) how states allow charter schools flexibility in design and operation; (2) how states promote accountability for school performance and financial integrity in their charter school systems; (3) the implications of NCLBA for charter schools, and (4) the role the Department of Education (Education) plays in charter school accountability for school performance and financial integrity.

To determine how states allow flexibility and promote accountability for charter school performance, we focused on actions taken by state-level officials. We surveyed designated charter school points of contact in 37 states, the District of Columbia, and Puerto Rico,¹ with operating charter schools in school year 2002-03. We collected data for school year 2002-03, rather than 2003-04, to increase the likelihood that final, accurate data would be available from state test administrations under NCLBA. We assessed the reliability and validity of questions in our survey by interviewing knowledgeable agency officials, and pretesting draft versions of the survey. For selected questions, we confirmed the data with follow-up telephone interviews of respondents and compared data provided with information available from other sources. We analyzed these data to identify the flexibility states grant charter schools and the actions states take directly, and through authorizers, to help hold charter schools responsible for both their academic results and their fiscal practices. To examine the effect of NCLBA, we synthesized information obtained from Education's charter school guidance on NCLBA, interviews with state and federal officials and charter school experts, and our survey of states with operating charter schools. We determined Education's role by interviewing officials responsible for federal grant and research programs applicable to charter schools and by reviewing relevant laws and guidance. Appendix I provides additional details about our scope and methodology. We conducted our work between September 2003 and December 2004 in accordance with generally accepted government auditing standards.

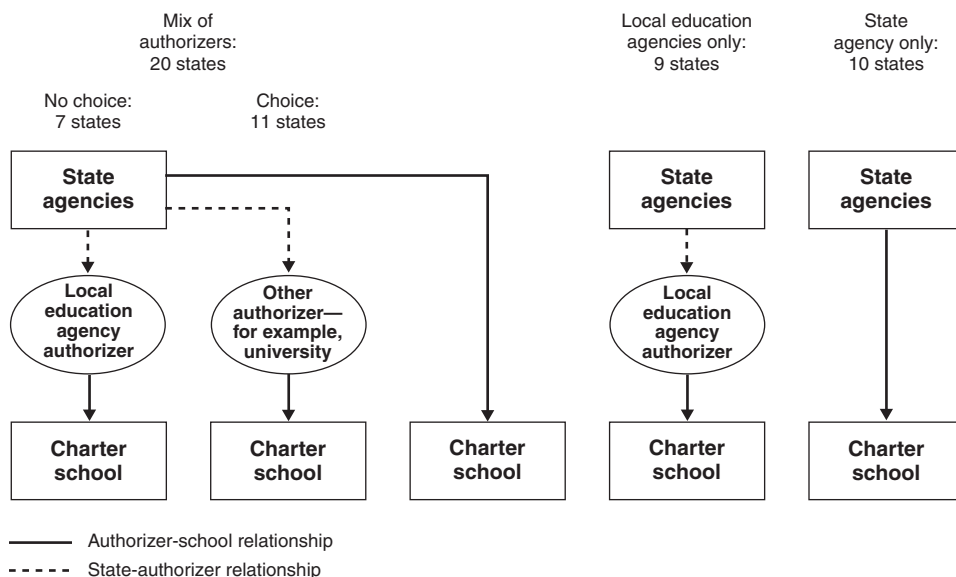
Results in Brief

In school year 2002-03, some states reported that they provided charter schools flexibility by allowing them to choose their authorizer. Also, most states provided flexibility by releasing charter schools from some

¹Throughout the report, we refer to all states, the District of Columbia, and Puerto Rico as states and all of their agencies as state agencies.

traditional public school requirements. As shown in figure 1, about half of the 39 charter school states reported a mix of authorizers, including local education agencies (LEAs), municipal school districts, public and private universities and other nonprofit organizations, as well as a state agency. Of the states with a mix of authorizers, 11 offered charter school developers some degree of choice in selecting their authorizer. Most of the 11 states offering choice allowed choice among all of the state’s authorizers, but some restricted choice to designated geographic areas. About a quarter of the states established only a state agency as the authorizer—usually the department or board of education. Another quarter of the states allowed only LEAs to serve as authorizers, and in general, these states did not allow charter school developers to choose a different LEA than the one where the school was located as their authorizer.

Figure 1: Types of Authorizers Established in Charter School States



Source: GAO survey data.

Note: One state where a public university and LEAs served as authorizers is included in the 7 states that offered no choice. Two states where the board of education and LEAs served as authorizers did not respond to our question about choosing authorizers.

Nearly all of the 39 states released charter schools from some traditional public school requirements. Most of those states provided this release for areas of operation such as teacher compensation, collective bargaining, teacher termination procedures, and local school board requirements. While Michigan and Puerto Rico did not release charter schools from requirements applicable to traditional public schools, both said their

charter schools differed from traditional public schools in areas such as having appointed school boards or being able to augment the curriculum.

States promoted charter school performance and financial integrity through a variety of actions to oversee charter schools and by overseeing and providing assistance to authorizers. About half of the 39 states reported having primary responsibility for enforcing school improvement actions in charter schools not achieving annual school performance goals under NCLBA. Of the 39 states, 28 reported collecting information on the extent to which charter schools had achieved the academic goals in their charters. A third of the states reported having primary responsibility for monitoring charter schools' financial condition. In overseeing authorizers, most states reported having taken actions to determine whether authorizers were performing their oversight responsibilities or to address authorizer oversight problems. In addition to overseeing authorizers, states supported authorizers by providing them with assistance to help them oversee charter schools. Over half of the states provided state funds to help authorizers oversee charter schools or allowed authorizers to collect a fee from the charter schools they authorize.

Under NCLBA, charter schools are subject to the same performance requirements as other public schools, but the act allows some flexibilities that may be given by state law. Charter schools must be included in the statewide assessment system, and charter schools that receive funds from Title I under NCLBA must take certain actions if they do not meet state performance goals. However, NCLBA specifies that state law determines the entity with oversight responsibility for the act's provisions. In addition, while NCLBA requires certification for all other teachers to meet the highly qualified teacher requirement, the act permits a charter school teacher to be highly qualified without certification or licensure if the state law allows.

As it does for all public schools, Education plays a role in academic and financial accountability for charter schools through the resources it provides: it administers grant programs that provide funds to charter schools and sponsors research on charter school accountability. Education's role in funding includes an increased responsibility for charter schools. Under NCLBA, the department must ensure that new and expanding charter schools receive timely payment of federal grant funds for which they are eligible. Education's Office of the Inspector General (OIG) recently reported problems with the timeliness of some states' Title I payments to charter schools. However, ascertaining the timeliness of federal payments is difficult for Education because in its monitoring and

data collection, which focuses on state activities, Education seldom identifies individual schools or distinguishes charter schools from other public schools. Although Education monitors states' oversight systems and visits some school districts and schools, the data collected during these site visits could be used to determine the timeliness of funds disbursed only to the districts and schools visited. These data cannot be used to check timeliness of funds disbursed to all of a state's charter schools. Furthermore, Education has not collected information on the Charter School Program in a standardized way that would help the program determine the number of charter schools started annually with program funds. Education is developing a system to track academic performance and financial information, the Performance-Based Data Management Initiative (PBDMI), which is designed to produce school-level reports and analyses, using state-reported data on charter schools and traditional public schools. However, because states and school districts may not all maintain complete school-level records on disbursements of federal grant funds, it is not clear that all states will collect and report charter school-level financial data. Therefore, at present, Education has little information to use in ensuring that charter schools receive their federal funds promptly or to know how well charter schools perform. Finally, while Education has sponsored research that addressed authorizers' oversight methods and is undertaking a study of charter school performance, these research efforts have not yet addressed the link, if any, between states' oversight and charter schools' performance.

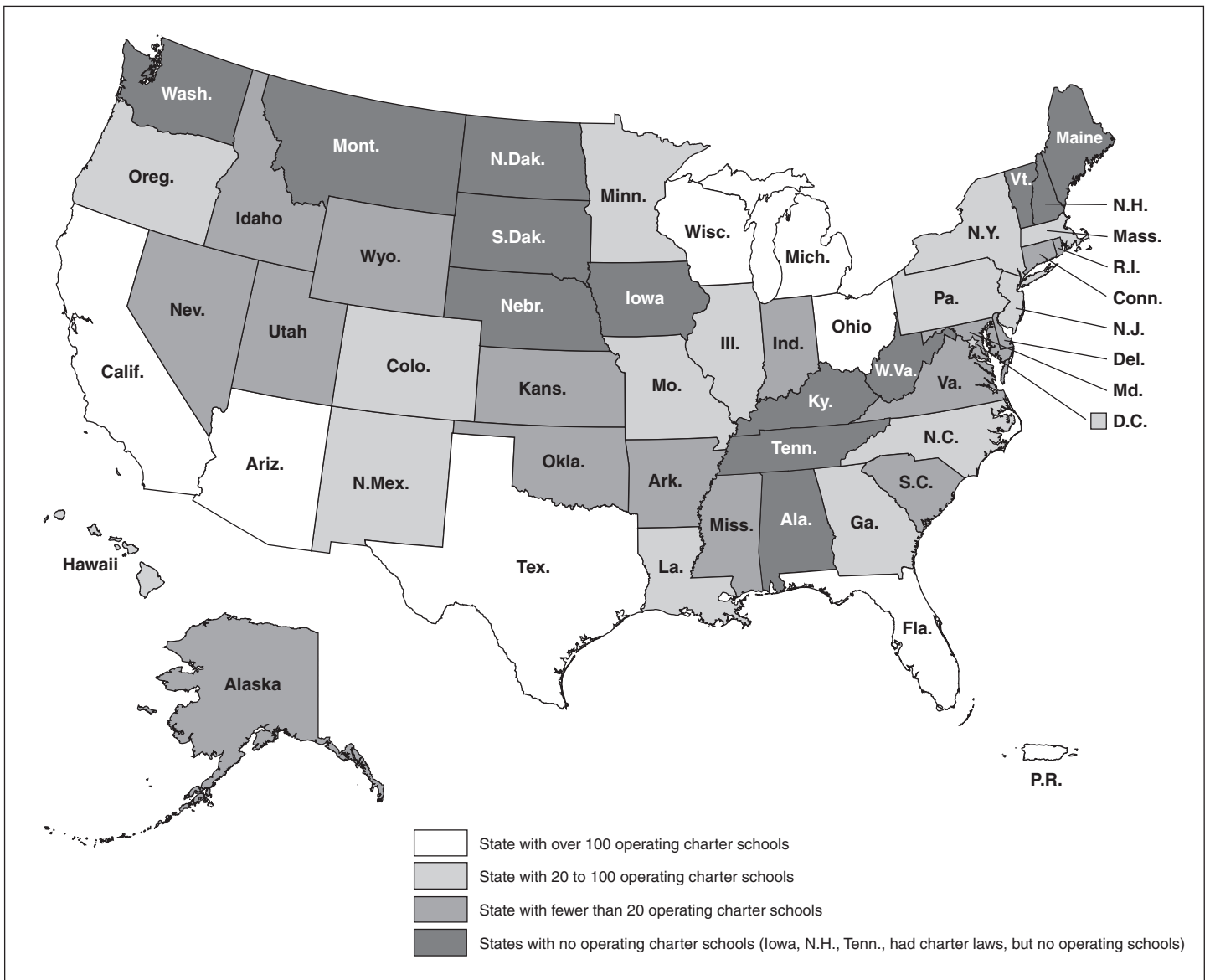
To enhance the department's ability to ensure that charter schools receive federal funds in a timely fashion and to provide other information specific to charter schools, we are recommending that the Department assist states with tracking the disbursement of federal funds to charter schools. In addition, we are recommending that Education collect basic indicators of Charter School Program accomplishments, such as the number of charter schools started with program funds, from all grant recipients and include an examination of the effects of states' oversight approaches in its planned charter school impact evaluation. In its comments on a draft of this report, Education said that it intended to implement our recommendation concerning reporting requirements. In addition, Education agreed to examine the financial tracking systems used in selected states and, if merited, will share this information with other states. Finally, Education said that it would examine expanding the charter school impact study to include further study of oversight and accountability practices. We withdrew our recommendation about collecting authorizer information on a PBDMI survey because Education said that it was using the impact

evaluation to do an initial exploration of this issue. Education's comments appear in appendix IV.

Background

States began adopting charter school laws in the early 1990s, beginning with Minnesota in 1991. Charter schools are permitted more flexibility in school operation for agreeing to accomplish specific academic goals contained in their charters. The specifics of these arrangements vary, as each state adopting a charter school law sets up its own charter school structure and guidelines, and states have continued to revise their charter school laws over time. However, not all states with a charter school law have operational charter schools, as shown in figure 2. The District of Columbia and Puerto Rico also have charter school laws. During the 2003-04 school year, nearly 3,000 charter schools were operating nationwide, with nearly 700,000 students enrolled.

Figure 2: State Distribution of Charter Schools, 2002-03



Source: GAO survey data, and the GAO Web page.

Oversight authority for charter schools is established by the state’s charter school law and may rest with several entities, including state boards of education, which set educational policy, and state departments of education, which implement those policies. Some states have also created independent charter school boards that can authorize charter schools in

the state. In addition, some states have created charter school offices, housed in the state department of education, that support and advocate for charter schools. State law also specifies which entities within the state can authorize the establishment of a charter school, such as state departments of education, state boards of education, local education agencies, institutions of higher education, and municipal governments.

Depending on the state, a wide range of individuals or groups, including parents, educators, nonprofit organizations, and universities, may apply for permission to operate a charter school. The agreement that is reached between the applicants and the authorizer defines specific academic goals and outlines school finances and other operational considerations. In some states, including Texas and Arizona, a single charter may cover the establishment of multiple schools. Once charter schools are in operation, the authorizer is responsible for monitoring school performance and has authority to close the school or take other actions if academic goals or state financial requirements are not met. The schools are governed by a board of trustees, which is responsible for overseeing school operations. Requirements for charter school board membership vary across states, but the responsibilities are similar. Specifically, charter school boards oversee legal compliance, contracts with external parties, financial management and policies, and facilities and equipment acquisition and maintenance.

NCLBA, signed into law in early 2002, increased federal funding for elementary and secondary education and created new requirements for all public schools, including charter schools.² NCLBA requires states to test all children against reading and mathematics standards annually in grades 3-8 and once in grades 10-12 by the 2005-06 school year. States also had to develop performance goals for schools that identify what percentage of students must be proficient in reading and math each year for the school to achieve proficiency for all children by 2013-14.³ Standards for science proficiency are to be developed by the 2005-06 school year, with testing in science to begin in 2007-08. Schools are required to measure the performance of all students in meeting proficiency goals, as well as the performance of designated groups. These groups are students who (1) are economically disadvantaged, (2) represent major racial and ethnic groups, (3) have disabilities, and (4) are limited in English proficiency.

²Pub. L. No. 107-110, 1425 (enacted January 8, 2002).

³Hereafter, we refer to states' adequate yearly progress goals for their schools, as defined by NCLBA, as states' annual school performance goals.

NCLBA also requires that schools include at least 95 percent of students in each of these groups in statewide tests and meet at least one other academic indicator. States must use the graduation rate as the additional indicator for high schools.⁴ NCLBA also generally requires that teachers be highly qualified by the end of the 2005-06 school year, meaning that teachers must demonstrate subject matter expertise, have a bachelor's degree and have full state certification as a teacher.⁵

NCLBA also specifies the actions that must be taken if schools receiving funds for children from low-income families under Title I of the act do not meet performance goals. Title I provides funds to states for local school districts to improve the education of low-income students in high-poverty schools. About half of all public schools nationwide receive a share of the federal funds—over \$12 billion dollars in 2004—this program provides. NCLBA's performance requirements specify that if a school receiving Title I funds does not meet its performance target for 2 consecutive years, it must provide professional development for the school's staff and students must be offered the choice of attending another public school. If the school misses its performance goal for the third year, it must offer low-income students supplemental educational services, such as tutoring. If the school continues to miss its performance goal, additional actions are required, such as replacing the curriculum, hiring a new principal, turning the school into a charter school, letting a private company operate the school, or taking other action designed to improve student academic results.

As with other public schools, funding for charter schools comes largely from state and local funds, augmented by federal aid. Eligible charter schools may receive funds under federal formula and discretionary grant programs. Formula grant programs, which provide funding to states on a noncompetitive basis, include

- *Title I Grants to LEAs*. This program is the largest federal program supporting elementary and secondary education. Title I provides funding

⁴For more information about state NCLBA accountability plans, see GAO, *No Child Left Behind Act: Improvements Needed in Education's Process for Tracking States' Implementation of Key Provisions*, [GAO-04-734](#), (Washington, D.C.: Sept. 30, 2004).

⁵Education's March 2004 guidance allows new flexibilities. For example, under some circumstances, teachers in rural districts are allowed extra time—up to 3 years—to meet the teacher qualification requirements.

for schools with disadvantaged children and accounts for about 2.5 percent of total education expenditures nationally.

- *Impact Aid*. This program provides funds to help educate children whose parents or residences are connected to the federal government through employment, the military, or federal housing programs.
- *Special Education Grants to States*. This program funds districts to assist them to provide special education and related services to children with disabilities.

NCLBA continues to require Education and states to ensure that charter schools receive payment from 18 federal grant programs for which they are eligible, including Title I and Special Education Grants. New charter schools and charter schools with expanding enrollments are to receive these funds within 5 months of opening or expanding enrollment. This NCLBA requirement for timely payment of federal grant funds originated with the Charter School Expansion Act of 1998.

Education has two data systems to support the department's grant administration functions. One system, the Grant Administration and Payment System (GAPS), tracks the payment of federal grant funds to the grant recipient, frequently the state education agency (SEA) or LEA. Education is developing the second system, the PBDMI—a data management initiative for federal grant programs—to streamline the collection of performance and financial data across Education's formula grant programs, including Title I. When fully implemented, this initiative would replace, in whole or in part, other data collections on the implementation of NCLBA's academic performance requirements, including elements of the Consolidated State Performance Report.

Education also administers two grant programs targeted to charter schools, the Charter School Program and the Credit Enhancement for Charter School Facilities Program. These programs provide funding to states, charter schools, and other entities on a competitive basis. The Charter School Program supports the planning, development, and initial implementation of charter schools. The Congress has appropriated over \$1 billion to the Charter School Program since 1995. The Credit Enhancement for Charter School Facilities Program helps charter schools obtain school facilities, one of the greatest challenges faced by new

charter schools.⁶ In total, the Congress has appropriated nearly \$90 million for Credit Enhancement for Charter School Facilities since 2001.

While Education relies on states for the most part to oversee the implementation of federal grant programs at the individual school level, Education does sponsor research on schools in areas that support the department's strategic goals, such as improving student achievement. A considerable body of research related to charter school oversight by authorizers has been conducted since 1991 by a number of policy research organizations, as well as Education. In addition, to address the department's interest in charter schools as an educational reform initiative, Education has sponsored three studies, focusing on the evolution of the charter school movement, the characteristics of charter schools and charter school students, and charter schools' relationships with authorizers and their communities.⁷ The first evaluation, *The State of Charter Schools*, provides descriptive information about charter schools that were operating in the 1998-99 school year. This study addressed how charter schools have been implemented, under what conditions they have improved student achievement, and their impact on public education. The second evaluation, *A Study of Charter School Accountability*, by researchers at the University of Washington, examined charter schools' relationships with authorizers and with their communities. The study included the perspectives of both charter schools and authorizers. The third study, *A Decade of Public Charter Schools*, evaluated the Public Charter School Program and documented the evolution of the charter school movement. None of these studies looked at the states' role in ensuring that charter schools are held accountable for meeting their goals.

⁶See, for example, GAO, *Charter Schools: New Charter Schools across the Country and in the District of Columbia Face Similar Start-Up Challenges*, [GAO-03-899](#) (Washington, D.C.: Sept. 3, 2003).

⁷After our review of studies had been completed, Education released *Evaluation of the Public Charter Schools Program* in November 2004.

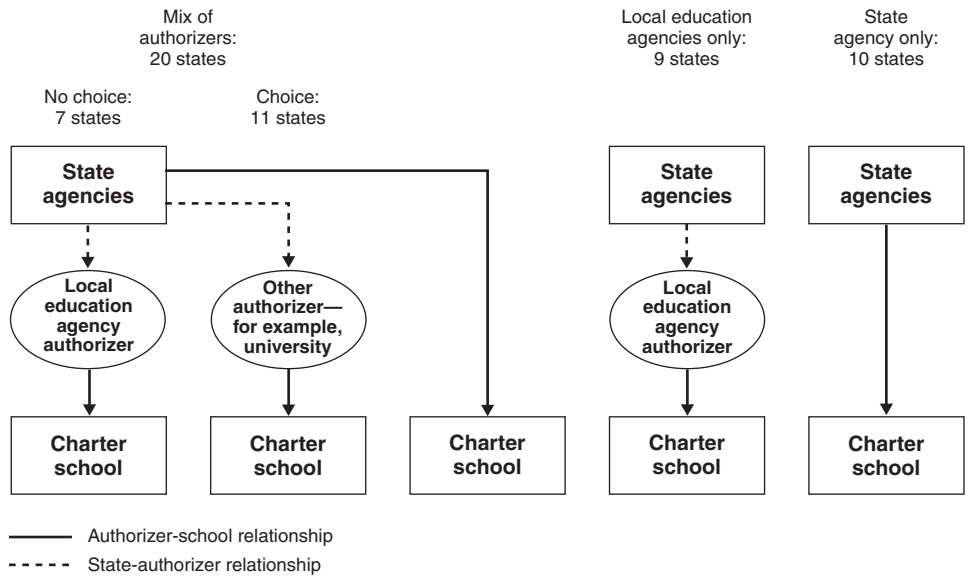
Some States Provided Flexibility by Allowing Charter Schools to Choose among Authorizers, and Most States Released Charter Schools from Traditional Public School Requirements

In school year 2002-03, states reported that they provided flexibility through the authorizers they established and through releasing charter schools from traditional public school requirements. Some states provided charter schools flexibility in developing and operating their programs by allowing a degree of choice in selecting the authorizer that oversees operations. Twenty-six of 39 states in our survey reported that they allowed an appeal of an authorizer's decision to deny an application to start a charter school. Nearly all states released charter schools from traditional public school requirements of some type.

About Half of the States Had Established More Than One Type of Authorizer, but Fewer States Allowed Authorizer Choice

About half of the 39 states with operating charter schools in school year 2002-03 had established more than one type of authorizer to approve charters and oversee operations. In about a quarter of states, only a state agency—either the state education agency or the state board—could authorize; in another quarter, only LEAs could authorize. Figure 3, which is based on responses of charter school state agency officials to our survey, shows the types of authorizers states with a mix of authorizers have established as well as those in states that allow only one type of authorizer.

Figure 3: Types of Authorizers Established in Charter School States



Source: GAO survey data.

Note: One state where a public university and LEAs served as authorizers is included in the 7 states that offered no choice. Two states where the board of education and LEAs serve as authorizers did not respond to our question about choosing authorizers.

A state with a mix of authorizers potentially provides charter school founders more opportunity to find support for a wider range of instructional approaches or educational philosophies than might be possible with a single authorizer, such as the local school district. In addition, providing more than one type of authorizer may expedite charter school authorization and insulate the decision to approve a charter school from the local political environment. The range of authorizers in states that offered a mix of authorizers included LEAs that are local school districts, other types of LEAs, state departments or boards of education, public or private colleges or universities, and nonprofit organizations.⁸ Two states—Ohio and Minnesota—had established more types of authorizers than other charter school states. In school year 2002-03, Ohio allowed the board of education, local school districts, an educational service center, and a private university to authorize. That same year in Minnesota, the department of education, local school districts and other

⁸LEAs of other types include intermediate school districts, educational service centers, and other local offices of education.

types of LEAs, public and private universities, and nonprofit organizations served as authorizers. Examples of another type of authorizer can be found in Arizona and the District of Columbia: both created a charter school board independent of local school districts to authorize.⁹

In 11 of the 20 states with a mix of authorizers in school year 2002-03, more than one authorizer was available in at least some geographic areas that charter school developers could choose. (See fig. 3.) For example, in the District of Columbia, a charter school developer might petition either of the two established authorizers. Most of the 11 states offering choice emphasized that allowing choice was intended to provide charter school developers with options, and these states allowed choice among all of the state's authorizers. In a few of the 11 states, charter school developers had choice in some areas of the state but not in other areas. For example, in Milwaukee, Wisconsin, charter school developers could choose an authorizer from several options: the LEA, the City of Milwaukee, the University of Wisconsin or a local technical college. In Racine, charter school developers could choose between the LEA and the University of Wisconsin, but the university was limited to overseeing just one charter school in Racine. However, outside of Milwaukee and Racine, charter school developers did not have a choice of authorizers.

In 7 of the 20 states with a mix of authorizers, choice of authorizer was not available. Although LEAs and the state board of education served as authorizers in 6 of these 7 states, LEAs could authorize only within their jurisdiction and the board of education authorized only when a charter school developer appealed an LEA's denial of an application.¹⁰ Table 7 in appendix II identifies the type and number of authorizers offered by each state with a mix of authorizers and those states that offer charter school developers a choice of authorizers.

In 9 states—Alaska, Colorado, Nevada, New Mexico, Oklahoma, Pennsylvania, South Carolina, Virginia, and Wyoming—only LEAs served as authorizers. The number of LEAs that had operating charter schools in these states ranged from 1 in Wyoming and 2 in Oklahoma to 91 in Colorado and Pennsylvania. In 8 of these 9 states, the LEAs authorized

⁹In both states, at least one other entity also served as authorizers.

¹⁰As indicated on figure 3, one state where a public university and LEAs served as authorizers offered no choice. Two states where the board of education and LEAs served as authorizers did not respond to our question about choosing authorizers.

only within their jurisdiction, and charter school developers were not allowed to choose an authorizer from a jurisdiction other than the one where they decided to locate their school.¹¹ Ten states—Arkansas, Connecticut, Hawaii, Kansas, Massachusetts, Mississippi, North Carolina, New Jersey, Rhode Island, and Puerto Rico—allowed only a state agency to act as authorizer.

Of the 39 charter school state agencies surveyed, 26 reported that they allowed appeals when authorizers denied applications. States reported taking different approaches to conducting the appeal process. In 17 states, the appeal is made to the state board of education, and in 3 states, the state department of education hears the appeal. In the other states, a charter school review panel or state board, the county office of education or city council, a state or district court, or an independent party hears the appeal. In 1 state, the reviewing body hears the appeal and, if the case has merit, asks the school developers to resubmit the application to the same authorizer.

Most States Released Charter Schools from Some Traditional School Requirements

Nearly all of the 39 states in our survey reported that they released charter schools from some traditional public school requirements.¹² All but 2 states offered release in one or more of 30 areas that states identified, from reporting requirements to staffing practices to student discipline. The greatest number of states released charter schools from teacher termination procedures and length of school day (21 states), teacher compensation and benefits (22 states), collective bargaining procedures (22 states), and requirements established for local school boards (23 states). Officials in 6 states reported that the state released charter schools from almost all traditional public school requirements, while a few requirements, such as the minimum number of teachers required, the use of district-approved text books, and graduation requirements, were released in only a few states.

¹¹We were unable to ascertain the ninth state's policy on this practice.

¹²Some state charter school laws contain actual exemption provisions. For example, Oklahoma's state law provides that each charter school "shall be exempt from all statutes and rules relating to schools, boards of education, and school districts". 70 Okl. St. 3-136. Other states simply legislate a separate set of education requirements that pertain to charter schools. For example, the District of Columbia code itemizes a list of powers exclusive to charter schools such as acquiring real property and exercising "control" over "expenditures, administration, personnel and instructional methods". (D.C. Code 38-1802.04.)

Michigan and Puerto Rico reported that they don't release charter schools from traditional public school requirements but that their charter schools had some features that distinguished them from traditional public schools. Michigan's state charter school agency representative explained that its charter schools operate as private, nonprofit corporations and that their contracts are individualized and set forth terms that are unique to each charter school. In addition, unlike public schools, Michigan's charter school boards are appointed, not elected. Puerto Rico's representative said that the state permits charter schools to introduce additional elements to the curriculum, as long as they meet state curriculum requirements and that the charter school computer equipment policy is different from the policy for traditional public schools.

States Promoted Accountability for Charter School Performance and Financial Integrity through State Actions and through Authorizers

To promote charter school performance and financial integrity, states took various actions to oversee charter schools and provided oversight of and assistance to authorizers. Twenty-eight of 39 states reported that they collected information on the extent to which charter schools achieved the academic goals in their charters, goals that may not be related to NCLBA. A third of the 39 surveyed states reported having primary responsibility for monitoring the financial condition of charter schools. In overseeing authorizers, most states also reported having taken actions to determine whether authorizers were performing their oversight responsibilities or to address authorizer oversight problems.¹³ In addition, most of the states supported authorizers by providing them with assistance to help them oversee charter schools. Over half of the states either provided funding to authorizers or allowed authorizers to collect a fee from the charter schools they authorize.

¹³Twenty-one states provided notification to authorizers of potential noncompliance by charter schools regarding educational requirements. Twenty states provided notification to authorizers of potential noncompliance by charter schools regarding financial requirements. Because the 10 of the 39 states in which a state agency was the only authorizer did not oversee or assist authorizers, they were not included in the analyses of state-authorizer oversight and assistance.

States Took Various Actions to Monitor the Academic Performance and Financial Integrity of Charter Schools

All but 5 states reported monitoring the enforcement of NCLBA school improvement requirements for charter schools. Title I schools are designated as in need of improvement if they miss state performance targets for 2 or more years in a row and certain school improvement actions are required. According to our survey, only 6 states reported being responsible for developing school improvement strategies. (See table 1.) Over half of the 39 states in our survey reported having responsibility for enforcing school improvement actions. Table 8 in Appendix II presents the detailed responses to these questions, organized by states' authorizer structures.

Table 1: Number of States with Various Responsibilities for NCLBA School Improvement Actions for Charter Schools

State department of education or board of education . . .	Number of states
Has primary responsibility for developing a strategy for school improvement	6
Has primary responsibility to enforce school improvement actions	21
Has taken action to determine whether school improvement actions are enforced	33

Source: GAO survey.

Note: Each row in the table reports states responses to a separate question.

Twenty-eight of the 39 surveyed states reported that they also collected information on the extent to which charter schools achieved the academic goals in their charters, not including those goals related to NCLBA. Eight states reported that the state agency had primary responsibility for ensuring the charter goals are achieved, but most of these were states where the state agency is the only authorizer in the state. Table 9 in appendix II shows states' detailed responses to these questions.

States also reported varying roles in promoting financial integrity of charter schools. Thirteen states reported that a state agency was primarily responsible for monitoring the financial condition of charter schools. As shown in table 2, many of the 39 states reported multiple entities with varying degrees of responsibility for financial monitoring. Only 4 states—Arizona, Indiana, Wisconsin, and Puerto Rico—reported that a single entity had financial oversight responsibility. Table 10 and table 11 in appendix II show the complete range of answers given for each state reporting.

Table 2: Number of States with Oversight Responsibility for Monitoring the Financial Condition of Charter Schools

Responsible entity (most respondents marked multiple answers)	Number of states
State department of education	24
State board of education	13
State charter school office	10
Authorizers	33
State audit organization	20
Local audit organization	7
Charter holders	32

Source: GAO survey.

Most of the 39 states relied on financial audits as one mechanism of financial oversight. Thirty states reported that the state required charter schools to obtain an audit of their financial statements on a regular cycle, usually each year, and most of these states said that state law required this audit. Generally, states reported that independent auditing firms conducted these audits; in 6 states, they were conducted by the state audit organization.

Although 30 states reported that audits were required, many of these states did not provide information we requested about audit results for the 2002-03 school year. Twenty-seven states reported that charter schools received audits in 2002-03, but only 14 states provided audit data.¹⁴ States gave several reasons for the incomplete information. Some state officials said that they collected the annual audit reports but did not compile the audit data for our survey or that their office did not receive copies of the audit reports. Other states reported that charter schools are included in school district audits, but results are not broken out for charter schools.

In the 14 states that reported audit data, 360 of the 428 charter schools—84 percent—received an unqualified, or “clean,” opinion.¹⁵ An unqualified

¹⁴Three states, Florida, Indiana, and Wisconsin, indicated that charter schools must receive audits on a regular cycle but did not report that any charter schools were audited in 2002-03.

¹⁵These figures do not include data provided by the independent charter school board in the District of Columbia, which reported that of 19 charter school audits completed in 2002-03, 17 received a clean opinion and 2 received a qualified opinion as a result of a problem. The District of Columbia Board of Education reported that all 14 charter schools that were audited in 2002-03 received a clean opinion.

opinion means that financial statements present fairly the financial position, results of operations, and cash flows of the entity, in this case the charter school, in conformity with generally accepted accounting principles. Almost 70 charter schools in these states received something other than a clean opinion; most of these schools—59—received a qualified opinion as the result of a problem. For example, one state had several charter schools receive qualified opinions because of insufficient detail in their financial statements. Three schools received a disclaimer of opinion, indicating that the auditor did not express an opinion on the financial statements, and 6 schools received a going concern opinion, indicating that the school could not meet current operating costs without incurring debt or liquidating assets.¹⁶

Over one-third of the 39 surveyed states reported that in school year 2002-03, at least one charter school was closed involuntarily, for reasons other than the charter holder's request. One state—Connecticut—reported an involuntary charter school closure for academic reasons in 2002-03, and 7 states—Arizona, Colorado, Florida, Louisiana, New Jersey, Oregon, and Wisconsin—reported involuntary charter school closures for financial reasons. Other reasons given for involuntary closures included leadership and governance problems. Fourteen states, many of which were the same states reporting involuntary closures, also reported that at least one charter school closed voluntarily in 2002-03. Table 12 in appendix II provides more detailed information about charter school closures.

States Also Provided Oversight of and Assistance to Authorizers of Charter Schools

Twenty-nine states reported that entities other than a state agency could authorize charter schools. These states reported that they had established a variety of statewide policies and procedures that authorizers and schools must use. Nearly all of the 29 states established procedures for administering standardized tests. Eight states established policies that required or allowed accreditation of charter schools. Over half of the 29 states reported that they prescribed accounting standards for authorizers,

¹⁶Appendix I provides full definitions for the categories of audit results and the limitations of our analysis of financial audit data.

and 12 reported that they permitted authorizers to withhold state funds from charter schools.¹⁷

Most of the 29 states also reported having taken actions to determine whether authorizers were performing their oversight responsibilities or to address authorizer oversight problems. As table 3 shows, these actions sometimes involved audits or investigations of authorizers. Not shown in table 3, most of the 29 states provided notification of potential charter school noncompliance with educational or financial requirements. Table 13 in appendix II provides more detailed information about states' actions to address authorizers not performing their oversight responsibilities.

Table 3: State Actions to Monitor Authorizers' Financial Integrity

Actions by state	Number of states
Conduct financial statement audits of authorizers	5
Conduct investigations of authorizers	5
Request third-party financial statement audits of authorizers	9
Request third-party investigations of authorizers	2

Source: GAO survey.

Note: Some states marked multiple answers.

In addition to overseeing authorizers, states supported authorizers by providing them with assistance to help them oversee charter schools. As shown in table 4, nearly all of the 29 states provided assistance in at least one of four forms: state funding, fees for service, training, and technical assistance. Over half of the 29 states either provided funding to authorizers or allowed authorizers to collect a fee from the charter schools they authorize.

¹⁷In most cases, as table 7 in appendix II shows, these other authorizers were local education agencies, such as school districts, and were thus already a part of the state's educational system. Consequently, some of the actions states reported might have been actions states routinely carried out for local education agencies.

Table 4: States' Assistance to Authorizers to Help Them Oversee Charter Schools

State	Provides funding	Allows authorizers to collect a fee	Provides training	Provides technical assistance
Alaska	Yes	Yes	No response	Yes
Arizona	Yes	No	Yes	Yes
California	No	Yes	No response	Yes
Colorado	No	No	Yes	Yes
District of Columbia	Yes	Yes	No response ^a	No response
Delaware	Yes	No	No response	Yes
Florida	Yes	No	Yes	Yes
Georgia	No	No	Yes	Yes
Idaho	No	No	No response	Yes
Illinois	No	No	No response	Yes
Indiana	No	Yes	No response	Yes
Louisiana	Yes	Yes	No response	Yes
Maryland	No	No	Yes	Yes
Michigan	Yes	Yes	No response	Yes
Minnesota	No	Yes	Yes	Yes
Missouri	No	No	No response	Yes
Nevada	No	Yes	Yes	Yes
New Mexico	Yes	Yes	No response	Yes
New York	No	No	No response	Yes
Ohio	No	Yes	Yes	Yes
Oklahoma	Yes	Yes	No response	Yes
Oregon	No	No	No response	Yes
Pennsylvania	Yes	No	Yes	Yes
South Carolina	No	No	Yes	Yes
Texas	No	No	No response	No response
Utah	No	Yes	Yes	Yes
Virginia	No	No	No response	Yes
Wisconsin	No	Yes	Yes	Yes
Wyoming	Yes	No	Yes	Yes

Source: GAO survey.

Note: States where only the state authorizers are not included in this table.

^aThe independent charter school board in the District of Columbia also identified training as a form of assistance provided to authorizers.

Most of the 29 states also collected information from authorizers about the charter schools the authorizer oversaw. As shown in table 5, the majority required authorizers to submit schools' charters and student attendance data to the state. Fewer than half required authorizers to submit performance reports about the schools they authorized, contracts approved by charter schools, and information about policy decisions made by charter holders.

Table 5: Information States Required of Authorizers

Information required	Number of states
Schools' charters	22
School performance reports ^a	11
Student attendance data	22
Contracts approved by charter holders	8
Policy decisions	4

Source: GAO survey.

^aThese reports may or may not be related to school performance under NCLBA, but officials in all states reported elsewhere in our survey that charter schools were using the state standardized test for NCLBA.

NCLBA's Provisions Apply to Charter Schools but Provide Some Flexibilities

Under NCLBA, charter schools are required to meet the same performance requirements as other public schools, but the law permits certain flexibilities where allowed by state law. Charter schools, like other public schools, are subject to the law's requirements for the assessment of school performance and the implementation of actions required when schools do not meet state performance goals. NCLBA requires that oversight responsibility be performed in accordance with state law. In addition, while NCLBA requires certification for all other teachers to meet the highly qualified teacher requirement, the law exempts charter school teachers from this requirement where state law contains such an exemption.

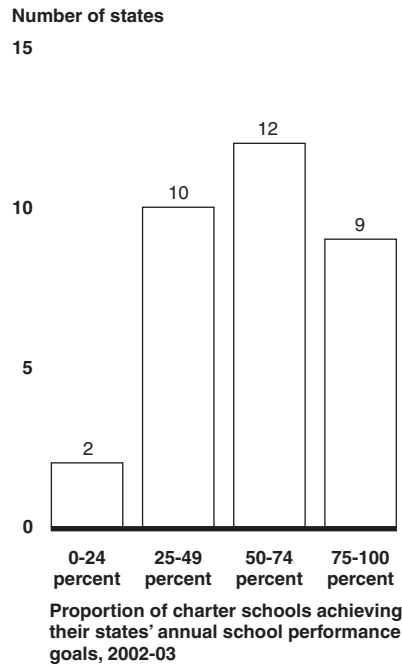
NCLBA Requires Charter Schools to Comply with Its Provisions, but Oversight Responsibility Is Determined by State Law

Charter schools, like other public schools, are subject to the single statewide system for assessing school performance required by NCLBA and to the law's parental notification requirements regarding the school's performance on these assessments. If charter schools receiving Title I funds do not meet annual performance goals, they must also implement the school improvement actions NCLBA requires. Education's guidance for charter schools specifies that NCLBA requirements are to be overseen

in accordance with state law and that it is state law that determines the entity with responsibility for the performance of charter schools. According to the guidance, this generally means the authorizer.

Our survey of states indicated that charter schools were included in statewide assessment systems. All 39 states indicated that charter schools administered the test used for states' annual performance goals under NCLBA in 2002-03. Thirty-three states provided information on their charter schools' performance in achieving the state performance goals in 2002-03. Of these 33 states, 21 reported that at least half of charter schools in the state achieved annual state performance goals in 2002-03, while 12 states indicated that fewer than half of their charter schools achieved annual performance goals. (See fig. 4.) For example, the percentage of charter schools achieving state performance goals ranged from 100 percent in Utah to 8 percent in Missouri. Table 14 in appendix II includes information for each state on charter schools' achievement of state goals.

Figure 4: Number of States with Various Percentages of Charter Schools Achieving Annual School Performance Goals for 2002-03

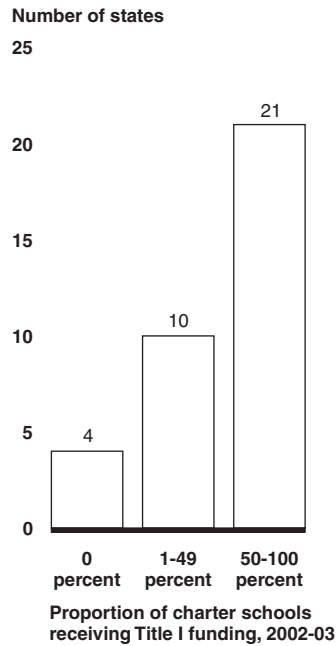


Source: GAO analysis of survey data.

Note: Because the school performance data reported were incomplete or not comparable with data reported by other states, this analysis excludes 5 states that reported their charter schools' performance in achieving annual school performance goals. Also, this analysis includes performance data reported for all charter schools in the District of Columbia. See appendix I for additional details, and appendix II, table 14, for state data.

In addition, the law requires schools receiving funds under Title I of NCLBA, including charter schools, to take certain improvement actions if they repeatedly do not achieve their states' annual performance goals. As figure 5 shows, 31 states reported that some or all charter schools in their states received Title I funds in 2002-03; therefore, these Title I schools would potentially be subject to NCLBA school improvement actions. In 21 of those states, a majority of charter schools received Title I funds. Table 14 in appendix II provides detailed responses on the percentage of Title I charter schools by state.

Figure 5: Number of States with Charter Schools Receiving Title I Funds in School Year 2002-03



Source: GAO analysis of survey data.

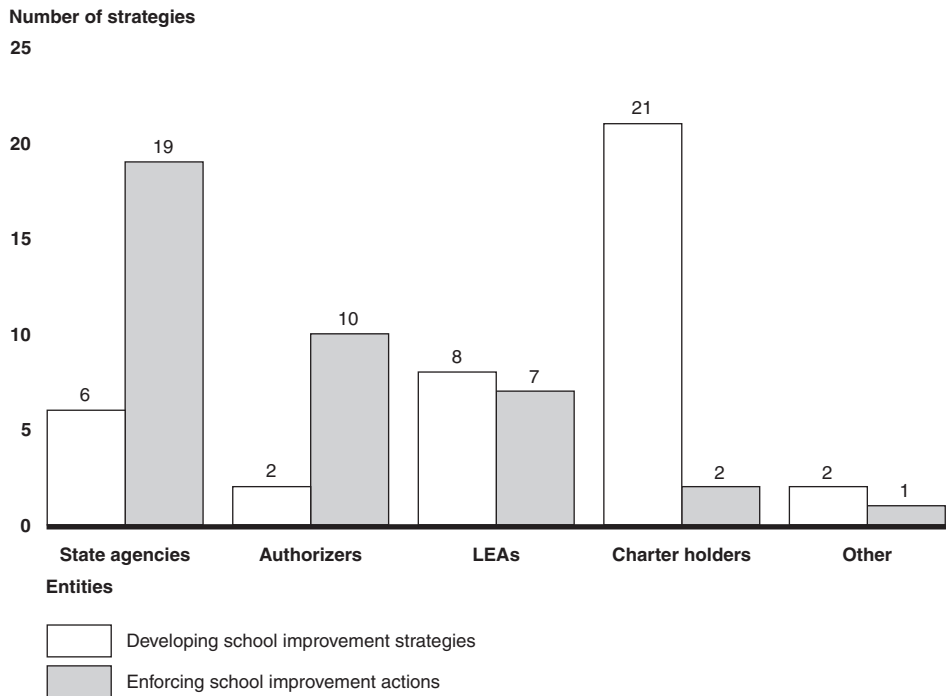
Note: Some percentages are based on small numbers of schools (see table 14 in app. II). Four states did not provide an answer to this question.

As mentioned previously in this report, our survey asked state officials which entity in their state had primary responsibility for NCLBA requirements, and consistent with Education’s guidance, states reported a variety of entities assuming these responsibilities. As shown in figure 6, officials most commonly reported that development of school improvement strategies is primarily the responsibility of the charter holder—the entity granted permission to establish the charter school. The enforcement role was most often seen as the responsibility of the state education agency, either the state department or board of education and, less frequently, authorizers. However, in 9 of the 19 states that identified a state agency as being primarily responsible, the state agency was the only authorizer in the state.¹⁸ In addition, while 7 states reported that

¹⁸In 2 of these states, New Jersey and Rhode Island, officials identified the authorizer as primarily responsible for enforcement. However, state agencies were the only authorizers in New Jersey and Rhode Island in school year 2002-03.

enforcement is primarily an LEA responsibility, LEAs are the only authorizers in 4 of these states.

Figure 6: Entities with Primary Responsibility for Developing School Improvement Strategies and Enforcing School Improvement Actions



Source: GAO analysis of survey data.

Among the first of the improvement actions specified for Title I schools are the school choice transfer option and supplemental services. If a Title I school does not meet the state’s annual school performance goals for 2 consecutive years, it must be designated as in need of improvement. Students attending these schools must be given the option to transfer to another school in the district, and the transfer school offered must not be designated in need of improvement under NCLBA.¹⁹ If a school does not meet the target for a third year, students must be offered supplementary educational services, such as tutoring. Officials in 18 of the 31 states with

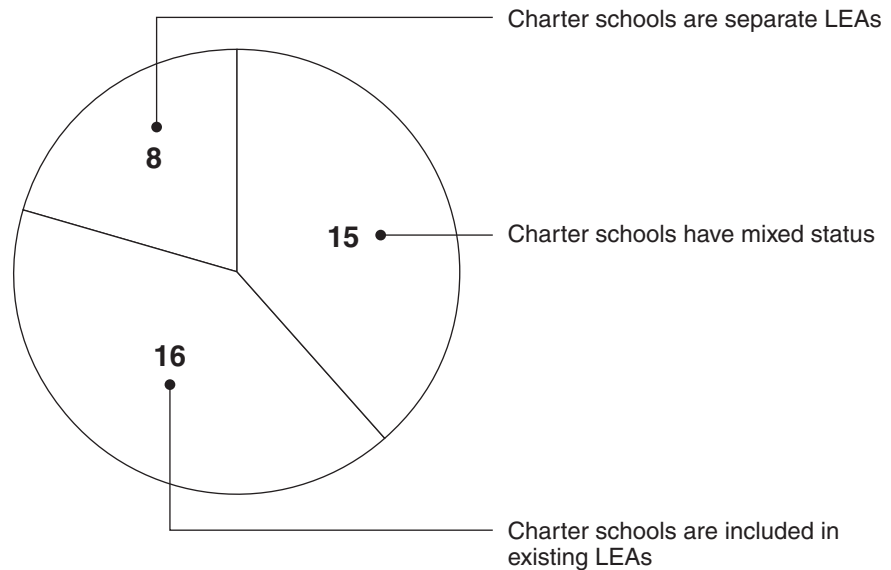
¹⁹Schools that do not receive Title I funds may be offered as transfer schools, even if they fail to meet a state’s annual school performance goals for any number of years, unless the state has decided to identify those schools for improvement under NCLBA’s school improvement requirement.

Title I charter schools reported that at least one charter school in their state had been designated in need of improvement in school year 2002-03—a total of 148 charter schools across the 18 states. Three of the 18 states reported a total of 15 charter schools implementing the school choice transfer option. An additional 5 of the 18 states reported implementing supplemental services rather than choice. Ten states reported that neither choice nor supplemental services was implemented or that they did not know if any school improvement action had been taken. Table 14 in appendix II provides this information for each state.²⁰

One of the possible reasons that states reported relatively few charter schools implementing choice may be that many charter schools are single-school LEAs. In these cases, Education guidance says that to the extent practicable, arrangements should be made with a neighboring LEA to accept transferring students. If such arrangements cannot be made, supplemental services may be offered as an alternative. Officials in 8 of the 39 states we surveyed reported that charter schools were considered LEAs, and in 15 other states, some charter schools were LEAs. (See fig. 7.) However, when charter schools are parts of LEAs under state law, as reported by 16 states, and there are other eligible schools in the LEA to which students could transfer, LEAs are required to offer transfers. Charter school students who accept transfers under these conditions must be provided transportation to the offered school, even if a state's charter law does not require that transportation funds be made available for charter schools.

²⁰Five states—Arizona, Arkansas, Connecticut, New York, and Rhode Island—did not provide us information on whether any charter schools in their state had been designated as needing improvement. In addition, 16 other states reported that none of their charter schools had been designated as needing improvement in 2002-03.

Figure 7: In More Than Half of the States, Charter Schools Can Be Separate LEAs



Source: GAO analysis of survey data.

Note: States reporting “mixed status” included those in which some charter schools are separate districts, while others are included in existing districts, as well as those in which charter schools can be considered separate districts for some purposes but not for others, such as special education.

Those schools, including charter schools, that meet state performance goals may serve as schools of choice for students transferring under NCLBA or may provide supplemental services to students attending schools that did not meet state goals.²¹ Officials in 4 states reported on our survey that at least one charter school in their state received students transferring under the NCLBA school choice provision, and officials in 3 states reported charter schools serving as providers of supplemental services.

A few states reported other reasons that school improvement actions, including school choice transfer, were not implemented in charter schools. In 1 state, timing was reported as a possible reason—that is, school improvement actions may have been planned but not yet taken by the end of school year 2002-03. In 2 states, officials said that charter schools are schools of choice and students may transfer at any time. In another state,

²¹To serve as providers of supplemental services, schools must be included in the state’s list of approved schools.

officials said they believed that in most charter schools needing improvement, parents might have declined to transfer their children—or might not have been offered the transfer option because of a misunderstanding of the law. However, some states did not know what actions were taken in charter schools needing improvement. For example, officials in 3 states, with a total of 78 charter schools needing improvement in 2002-03, were unable to provide information about any school improvement actions that may have been taken in those schools.

NCLBA Allows Certain Flexibilities for Charter Schools

While most accountability provisions of NCLBA are applied in the same way to charter and traditional schools, the law makes a distinction in several areas. For one thing, NCLBA requirements for highly qualified teachers make an exception in the certification requirement for charter school teachers. In general, to be highly qualified under NCLBA, teachers in core academic subjects must have obtained state teacher certification, hold a bachelor's degree, and have demonstrated subject matter knowledge.²² However, the law provides that teachers of core academic subjects in charter schools meet the certification requirement if they meet the requirements set forth in their state's charter school law regarding certification or licensure. Officials in 13 of the 39 states in our survey reported that their state law exempted charter school teachers from certification requirements.

In addition, Education's NCLBA guidance for charter schools modifies the instructions regarding lotteries to give preference to students seeking to transfer to the charter school under the choice provision of NCLBA. Charter schools receiving funds under Education's Charter School Program must use a lottery if they have more applicants than can be served by the school. The NCLBA guidance permits such charter schools to weight the lottery to increase the chances of admitting students seeking to change schools under the law's choice provisions.

Other areas where charter schools have had flexibility do not appear to be affected by NCLBA, such as having additional, unique academic goals and using additional assessments to measure progress for those goals. Officials in 30 of the 39 charter school states we surveyed reported that all charter schools included unique academic goals, not related to the state's annual

²²The core academic subjects are English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography.

school performance goals, in their charters. Officials in 4 other states reported that at least some of the charter schools in their states included their own academic goals in their charters.²³ Twenty-three states reported that charter schools in their states use a test, in addition to the standardized test required by the state, for their own assessment purposes.²⁴

Education Provides Support to Charter Schools Directly and Indirectly through Several Federal Programs and Conducts Research on Charter Schools

As it does for all public schools, Education plays a role in accountability for charter schools through the resources it provides: it administers grant programs that provide funds to charter schools, including a program designed specifically to encourage the development of charter schools, and sponsors research on charter school accountability. In addition, NCLBA reiterated Education's additional responsibility for charter schools' funds. The department must ensure that new and expanding charter schools receive timely payment of federal grant funds for which they are eligible. Education's OIG has reported problems with the timeliness of receipt of Title I funds by charter schools and recommended that Education more closely monitor this situation. Although Education monitors states' oversight systems and visits some school districts and schools, the data collected during these site visits can only be used to determine the timeliness of funds disbursed at the locations visited. Therefore, Education has little information to use in ensuring that charter schools receive their federal funds promptly or to know how well the schools perform. Education is in the process of developing new systems that are expected to provide both performance and financial reports for the department's major grant programs, but the ability of the new systems to provide financial data for charter schools is questionable. Education also sponsors research that provides a better understanding of charter schools.

²³These data do not include responses for the District of Columbia. The respondent for the District of Columbia Board of Education did not know whether that board's charter schools included academic goals other than the District's annual school performance goals in their charters. However, the respondent for the District of Columbia's independent charter school board said that all of the charter schools they authorize did so.

²⁴The District of Columbia is not included in these figures. The respondent for the District of Columbia Board of Education said that that board's charter schools do not use additional tests for their own assessment purposes, while officials of the District of Columbia's independent charter school board said that at least some of the charter schools they authorize do so.

Education Administrators Grant Programs That Provided Funds to Charter Schools but Could Seldom Distinguish Charter Schools from Others in Data Collected

Although charter schools receive funds from a variety of federal programs, Education’s monitoring of these programs provides little information that can help the department fulfill its responsibility under NCLBA to ensure timely payment to charter schools. Table 6 shows selected grant programs from which charter schools commonly receive federal funds. In the case of the larger grant programs, Title I and the Individuals with Disabilities Education Act (IDEA), Education makes grants to the states, which then distribute the money to local education agencies. In such cases, Education monitors state programs, including state systems for monitoring local programs, by reviewing annual performance reports and conducting site visits. As part of its monitoring process, Education visits a selected number of school districts and schools. However, the data collected during these site visits could be used to determine the timeliness only of funds disbursed to the districts and schools visited. These data cannot be used to check timeliness of funds dispersed to all of a state’s charter schools.

Table 6: Selected Grant Programs In Which Charter Schools Participate

Dollars in thousands

Program	Purpose	2003 appropriation	Grantees	Can Education track its funds to school level?
Title I	Educating students from low-income families	\$11,689	SEAs; LEAs are subgrantees	No
IDEA Part B	Educating disabled students	\$9,957	SEAs	No
Impact Aid	Educating federally connected students	\$1,188	LEAs	Yes—only for charter schools that are separate LEAs
Charter School Program	Support for new charter schools	\$198.7	SEAs; schools may apply directly in states without approved grant applications	No—except for those schools that apply directly to Education ^a
Teaching of Traditional American History	Improving instructional quality	\$99.4	LEAs	Yes—only for charter schools that are separate LEAs and apply for program funds as LEAs, not for charter schools that receive funds through LEAs
GEAR UP	Preparing low-income students for college	\$293.0	SEAs; LEAs; other	No

Sources: Interviews with grant program officials; the Catalog of Federal Domestic Assistance Web site; and the President’s 2005 Budget Request as presented on the Department of Education’s Web site.

^aIn recent years, virtually all schools that apply directly have come from one state—Arizona.

NCLBA charges both Education and states with ensuring that new and expanding charter schools receive all federal formula grant funds for which they are eligible within 5 months of opening or expanding. However, Education's OIG reported problems with the timeliness of Title I grant payments to charter schools. In 2003 and 2004, the OIG examined the timeliness of states' Title I payments to charter schools in Arizona, California, and New York and found delays as long as 13 months in New York and 6 months in Arizona. In reporting these findings, the OIG included suggestions for improving Education's monitoring of payment timeliness for charter schools.²⁵ Education has generally accepted the OIG's recommendations and proposes to take certain steps to improve its monitoring of these payments.

Responses to our survey suggested that states varied in their ability to track federal funds flowing to charter schools in their states. For instance, according to our survey, although officials in 36 states reported that they monitored the federal funding that individual charter schools received, just 13 states were able to report the proportion. However, according to officials in at least two of these 13 states—Ohio and Texas—their states have developed the capability to track the flow of state and federal funds to charter schools through their automated financial information systems. The information on funding flows and the timeliness of payments these systems provide can assist state education agencies in Ohio and Texas in ensuring that charter schools receive federal grant funds.

For most grant programs, Education's financial data system does not identify individual schools, nor does it distinguish between charter schools and other schools. Instead, for most programs, funding is provided to, and data are collected on, the grant recipient, which is usually an SEA or LEA. The management information system that Education's grant managers use to track funds and oversee their programs, GAPS, follows the payment and timing of grants according to the fiscal agent, frequently an SEA or LEA.²⁶

²⁵OIG recommended that Education designate the responsible oversight office and enhance its monitoring procedures to ensure that new or expanding charter schools receive timely payment of federal funds. In general, the department agreed with OIG's recommendations and indicated that it intended to provide guidance reminding all covered federal programs to implement the addressed statutory provisions in their monitoring procedures. See Office of the Inspector General, *Final Audit Report: Departmental Actions to Ensure Charter Schools' Access to Title I and IDEA Part B Funds*. ED-OIG/A09-E0014 (Sacramento, California: October 2004).

²⁶GAPS does include information on some charter schools that apply directly for Charter School Program funds.

Only when schools are single-school LEAs can they serve as fiscal agents in some programs. Even then, however, single-school charter school LEAs are not separately identified as charter schools in GAPS. For the programs shown in table 6, GAPS cannot be used to obtain complete information on grant receipt at the charter school level. Furthermore, although there are plans to develop a new management information system to improve grant monitoring, it is unlikely that the new system will have the capability to track Education's grant funds to the school level. Without the capability in its financial information system to track federal funds to charter schools, Education must rely on states for information to perform its responsibility under NCLBA to ensure prompt payment of federal funds to individual charter schools. According to Education's OIG, Education's current monitoring of states does not systematically obtain information about timeliness. While monitoring team members sometimes asked about timely payment on their own initiative, Education's monitoring procedures for Title I funds did not instruct team members to inquire about timely payment of funds to charter schools.

At present, a similar lack of charter school-level information exists for school performance data. Education did not collect information on NCLBA-related annual school performance goal status for any public schools in school year 2002-03, and the performance data Education collected about school improvement status did not allow the department to distinguish charter schools from other public schools without additional analysis and reporting. Education required states to submit a Consolidated State Performance Report by December 2003 on specific aspects of NCLBA implementation for the 2002-03 school year.²⁷ Of the Consolidated State Performance Report's three main sections—student performance, schools needing improvement, and school choice and supplemental educational services—none requested separate data on charter schools.

Education also administers the Charter School Program, a grant program designed specifically to encourage the development and expansion of charter schools. The Charter School Program obligated about \$199 million in grants in fiscal year 2003. Typically, grants are awarded to state agencies, although other entities, including schools, can apply directly if their state does not have an approved application on file. The grant is

²⁷ According to an Education official, a Consolidated State Performance Report will be required each year until an automated process replaces it, in whole or in part. Education also collects information on NCLBA implementation through monitoring and research.

competitive; that is, applications are ranked and awards are made on the basis of the applicant's ability to meet program goals. To monitor this program, Education has collected information on how well the program is meeting its goal of developing and expanding charter schools, using the standard performance report used by most Education programs.²⁸ This report does not require that states receiving Charter School Program grants provide this information in a standardized, uniform way. States provided information about how they are meeting the goal in formats of their own choosing, resulting in data that are not readily aggregated and making determination of overall program success difficult. For example, at least one state reported the number of grant applications received and awarded but did not report on the number of schools actually opened and operated that were funded by those grants, a piece of information critical to assessing the program's goal of developing and expanding charter schools.

In 2003, federal program officials developed a supplementary form that requested more specific indicators of performance; for instance, the form asks specifically for the number of charter schools opened each year. According to an Education official, the information provided on this form has been useful in monitoring the grant, but completing it is voluntary on the part of the states, and not all states choose to provide the information. Having the data from all states on the number of new charter schools started with Charter School Program funds would allow program officials to monitor the program's goal of encouraging the development of charter schools more precisely than the standard performance report permits.

Data System Holds Promise for Tracking School-Level Performance Data; Financial Data Are More Problematic

To support Education's grant management functions and to streamline collection of performance reports across grant programs, Education is in the process of developing the PBDMI. The PBDMI is designed to be a comprehensive system that will integrate information from numerous data sources. The design calls for the system to include both financial and academic performance information. For the academic performance information component, the PBDMI is expected to provide school-level academic performance information for the department's major grant programs, including information on NCLBA implementation. Education officials also hope to use PBDMI's financial information to examine the link between federal grant program resources and program results.

²⁸Form 524-B.

Moreover, the system is designed to produce reports that break out charter schools, but this capability is contingent upon receiving data from states that identify charter schools. Education officials expect to implement the academic performance information component in spring 2005, and the PBDMI's financial information component is in an early stage of implementation.

For academic performance information, the system's school-level data categories will include whether schools have achieved annual state school performance goals under NCLBA, whether or not students from the school have transferred to other schools under school choice, and the number of students receiving supplemental services. Reports covering these categories would allow Education to monitor and analyze charter schools' NCLBA results. In fact, once the PBDMI is fully implemented, according to an Education official, elements of the Consolidated State Performance Report will be replaced, since the new system will allow Education to monitor implementation of NCLBA in all public schools.

Although the academic performance information component is fully developed, the extent to which the PBDMI will provide school-level financial information, including information that could be used to track the timeliness of payments, still is unclear. The PBDMI is expected to draw on the new grant tracking and monitoring system that will replace GAPS, but that system is unlikely to have the capability to track Education's grant funds to the school level, according to Education officials. Consequently, on the basis of our discussions with Education officials, it appears questionable that the PBDMI will be able to track federal funds to schools, either traditional public schools or charter schools, unless other school-level data sources are available, such as information states may be able to provide. However, according to Education officials, states and school districts in some cases may not maintain complete school-level records on federal grant fund disbursements. For instance, Education officials explained that because for some grant programs, federal funds bypass the states and go directly to school districts, states may not record the disbursements. States' records also are incomplete in some cases because states may redistribute the funds for federal grant programs, such as Title I, and record those disbursements, but have no records of the disbursements made by school districts or schools. Thus, Education's plan for collecting school-level financial information for the PBDMI is not yet complete.

Through a separate process, the PBDMI also will make possible the collection of specialized data, which could provide useful information in understanding the performance of charter schools. Surveys will be used to obtain information on schools or subpopulations of schools that is not reported annually by state agencies. For charter schools, the specialized information could include data such as authorizer type. Researchers then would be able to use the PBDMI's information on characteristics of charter school and the type of authorizer that oversees each charter school in the design of charter school studies, such as Education's charter school impact evaluation of the effectiveness of charter schools. Collecting information on the entire charter school population, storing it in the PBDMI, and updating it periodically would avoid the need for researchers to collect basic descriptive information each time a charter school study is conducted. The first survey—which is not currently focused on charter schools—is planned for spring 2005. No surveys of charter schools are planned yet, according to an Education official, although they could be considered in the future.

Education Has Sponsored Research on Charter Schools

To contribute to understanding of the charter school movement and address the department's interest in charter schools as an educational reform, Education has sponsored a range of research projects on charter schools. Some findings of these studies provide useful information related to accountability for school performance and financial integrity. Appendix III shows selected charter school research projects sponsored by Education. For example, the department has conducted a series of studies based on national surveys, published as *The State of Charter Schools* and *A Decade of Public Charter Schools*. These studies provided useful information on the methods authorizers use to hold charter schools responsible for academic performance and financial integrity, but they did not examine states' oversight actions. These studies also have produced valuable information on the flexibilities available to and preferred by charter schools. Although they provided descriptive information on authorizers' oversight methods, these studies were not designed to focus on states' oversight actions and charter school performance. Thus, the studies did not attempt to associate states' approaches to flexibility or oversight actions with charter school results.

At present, Education is undertaking a major study of charter school performance, the charter school impact study shown in appendix III. This study, Education's first evaluation designed to determine whether charter schools can make a difference in the academic achievement of their students, will track about 3,000 students in 50 schools in 10 states. It will

compare the achievement on standardized tests over 3 years for a cohort of students accepted into the 50 charter schools and students who applied to those schools but were not accepted. This approach should result in a methodologically rigorous study design because acceptance into an oversubscribed charter school is supposed to be based on a lottery. Assignment by a lottery would yield a study group and a comparison group that are created from randomly selected students. In order to identify the conditions under which charter schools are most effective in improving student achievement, the study is likely to include a measure of the flexibility states offer charter schools, according to an Education official. As originally designed, the study did not include plans to examine states' approaches to oversight or to associate these approaches with school performance. According to department officials, subsequent revisions were made to the study design to allow Education to examine how various aspects of state and authorizer policy may contribute to student achievement. However, the amended evaluation design does not make clear the extent to which states' accountability practices will be taken into account.

Conclusions

In recent years, charter schools have enjoyed widespread support as vehicles with potential to provide parental choice in education and promote innovation and creativity in the nation's educational system. Flexibility and increased autonomy are thought to be important tools for successful charter schools. However, the many challenges of starting and operating a successful charter school are widely recognized, and these challenges could put charter schools at risk for academic and financial difficulties.

Like the department's role in administering other federal public school programs, Education's oversight responsibility for charter schools seldom extends to individual schools. However, charter schools, as a group, are of particular interest to policy makers because they hold promise as an education reform. Education's inability to disaggregate charter schools in its routine monitoring and analysis activities has limited its ability to provide policy makers information on the academic performance of charter schools, although the department's planned comprehensive data system, PBDMI, is expected to improve this situation soon. However, the department's plans for the financial component of PBDMI are much less developed. Although it appears that the system has the potential to assist the department in its responsibility to ensure timely grant payments to charter schools, critical questions remain about the capability of states to provide complete information on the timing and disbursements of federal

funds. Some states, including Ohio and Texas, have developed financial information systems that include records of school-level disbursements of federal funds. Such improvements enable these states to track the timeliness of federal grant payments to charter schools.

In an area where Education has a more direct monitoring role—oversight of the Charter School Program—program officials have recently taken steps to collect data that give better insight into program performance. For instance, program officials have begun to ask for standardized data on program progress, such as the number of charter schools opened. However, reporting the information is voluntary, and not all states choose to provide it. Without assurance that states will provide the requested information, Education is limited in its ability to gauge the Charter School Program’s accomplishments.

Finally, as it does for other public schools, Education plays an important role in advancing knowledge about charter schools through research efforts it sponsors, and its planned evaluation of achievement in charter schools will further contribute to this knowledge base. The size of this study—about 3000 students in 50 charter schools—could afford an opportunity for researchers to further examine the relationship between states’ approaches to oversight of charter schools and their academic success.

Recommendations for Executive Action

To help the department in carrying out its responsibilities related to monitoring federal funds for charter schools and to provide further information on charter schools as an educational reform, we recommend that the Secretary of Education

1. Support implementation of the PBDMI’s financial performance information component by assisting states in developing automated financial information systems to measure and track the disbursement of funds to the charter school level.
2. Require Charter School Program grantees to include in their annual performance reports standard indicators of program accomplishments, in particular, the number of schools started through use of grant funds.
3. Require that the planned charter school impact evaluation design include an analysis of the effects of accountability practices on charter schools’ performance.

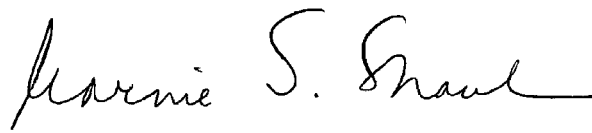
Agency Comments

We provided a draft of this report to the Department of Education for review and comment. Education's comments appear in appendix IV. Recommended technical changes have been incorporated in the report as appropriate.

Education said that the report provides useful information about the application of NCLBA to charter schools, charter school authorizers, and states' oversight of charter schools. Education strongly agreed with our recommendation about reporting requirements for the Charter School Program and indicated its intention to implement that recommendation. In the case of our recommendation that the department support the implementation of PBDMI's financial component by assisting states in making improvements to their financial information systems, Education said that it would look more closely at the systems developed in Ohio and Texas and, if merited, will share this information with other states. Education also will use the review of Ohio and Texas' information systems to assess the degree of burden states might incur in measuring and tracking financial information to the school level. Regarding our recommendation about examining the effects of accountability practices on school performance, Education agreed to examine expanding the impact evaluation to include a review of authorizers' oversight and accountability practices.

We have withdrawn our recommendation that Education collect information on authorizer type through a PBDMI survey. We think that Education's plan to examine the strength of the relationship between authorizers and charter schools' academic performance in the charter school impact evaluation is a good first step. We think using information from a small sample of schools to determine whether authorizer type should be collected for the entire charter school population through a PBDMI survey is a prudent use of resources.

We will send copies of this report to the relevant congressional committees and other interested parties. We also will make copies available to others upon request. In addition, the report will be made available at no charge on GAO's Web site at <http://www.gao.gov>. Please contact me at (202) 512-7215 if you or your staff have any questions about this report. Other contacts and major contributors are listed in appendix V.

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 S. Shaul
Director, Education, Workforce,
and Income Security Issues

Appendix I: Scope and Methodology

This appendix discusses in more detail our methodology for examining states' oversight of their charter school systems and the role the Department of Education (Education) plays in charter school accountability. The study was framed around four questions: (1) how states allow charter schools flexibility in design and operation, (2) how states promote accountability for school performance and financial integrity in their charter school systems, (3) the implications of the No Child Left Behind Act (NCLBA) for charter schools, and (4) the role Education plays in charter school accountability for school performance and financial integrity.

Scope

While individual charter schools often are locally initiated, the state legislature determines the basic structure of a state's charter school system in legislation. Prior research on charter school accountability has focused on the relationship between charter school authorizers and their schools, but few studies examined the flexibility that state laws and agencies grant authorizers and schools or the accountability responsibilities the state exercises. To examine how states allow flexibility and promote accountability, we focused on the approaches all states and other political units with operating charter schools in school year 2002-03 took to managing the accountability relationship with charter school authorizers and schools. We also examined states' NCLBA implementation practices and the role Education played in supporting charter school accountability through federal funds and research.

Methodology

Survey Data Collection and Analysis

The population for this survey included the state charter school agencies in the 37 states, the District of Columbia, and Puerto Rico, all of which had operating charter schools in school year 2002-03. We obtained usable data from all 39. We asked that the person most knowledgeable about the state's charter schools coordinate completion of the data collection instrument and confer with representatives of other offices in the state department of education or other charter school agencies for questions that required more in-depth knowledge of particular areas.

To develop survey questions, we conducted interviews with charter school researchers and reviewed existing studies on the relationship between authorizers and their schools. We also consulted with Education's Charter School Program officials. In addition, we conducted an exploratory site

visit to Ohio charter school organizations to develop an understanding of authorizers' and charter schools' perspectives on state oversight actions. We also discussed their charter school accountability research with representatives of the state legislative oversight agency and state audit agency. The survey included both a primary data collection instrument and a second data collection instrument used to verify state responses to the primary data collection instrument and to collect additional contextual data. In addition to an internal expert technical review by our survey coordination group, we conducted a two-stage pretest of the primary data collection instrument in 6 states to ensure that the data collection instrument was clear and could be answered accurately in a reasonable amount of time. These states were Arizona, Indiana, Louisiana, New Jersey, Oregon, and Texas.¹ We modified the data collection instrument to incorporate findings from the pretest. On the basis of this work, we decided on a two-pronged approach: a primary self-administered survey and a follow-up telephone survey. The primary data collection instrument, used for the self-administered survey, was an electronic instrument that was sent to the state agencies by e-mail.

As intended, state agency respondents completed the data collection instrument electronically and returned the completed instrument to GAO headquarters by e-mail. The second data collection instrument, used for the follow-up survey, was also an electronic document with open-ended questions that collected narrative data. This data collection instrument was administered by telephone by a GAO analyst. The second follow-up survey provided for clarification and verification of responses to the primary data collection instrument to ensure that any variation among charter school state agencies in approaches to flexibility, accountability practices, and organizational structures was in fact due to differences in their approaches. This follow-up interview was conducted with each of the 39 states that returned the primary data collection instrument. Another set of follow-up contacts for data that required inquiries with additional state agency representatives or searches of state agency records also was conducted by e-mail.

Our approach also involved two additional data gathering and verification steps. During the follow-up telephone interview, additional information

¹While Louisiana participated in the first round of pretests, Louisiana's response to an initial mailing of the draft instrument to all pretest states was received too late to be considered in preparing the final data collection instrument.

was obtained from all participating states on survey questions concerning actions state agencies took to oversee authorizers and set statewide policies and procedures for charter schools, and a short supplemental instrument was completed. In addition, the 6 states selected to pretest the data collection instrument were asked to complete a short modification instrument that included only those questions that had changed or been added from the pretest version to the final version of the primary data collection instrument.

To expedite data preparation, responses on the electronic version of the primary data collection instrument were transferred electronically directly into the survey data file. Changes to responses on the electronic version of the instruments originally submitted by state respondents, arising from (1) the follow-up interviews and (2) the supplemental instruments on accountability practices, were recorded manually on a hard copy of the e-mail submission and entered into the survey data file through programming codes. For the pretest states, integrated electronic versions of the original survey responses on the primary data collection instrument, and responses to the second data collection instrument, the supplemental instrument, and changes collected by the modification instrument were transferred to a new instrument, and a 100 percent verification of this information was completed. As with other states' responses, the pretest states' responses on the integrated electronic data collection instrument were then read directly into the survey data file.

Thirty-nine states responded to the survey, yielding a 100 percent response rate. In two instances, we adapted our survey data collection strategy to suit local circumstances. In Arizona, although we initially contacted the state education agency, that agency and the independent charter school board agreed that the independent board would take the lead in completing the survey. However, both entities worked together to provide a completed survey. In the District of Columbia, the Board of Education opted to answer the survey only for the charter schools it authorized. To obtain complete information, we asked the District of Columbia's independent charter school board to complete a separate survey for its charter schools. Where appropriate, we have provided the additional information we obtained from the independent charter school board.

The survey relied on state agency officials' self-reporting of flexibility, accountability, and NCLBA implementation information. To ensure the reliability of the data collected, responses from the follow-up interviews were used to verify survey responses and to make corrections. Changes made to the original survey were verified independently. An independent

analyst compared the programming done to incorporate the corrections arising from the follow-up interview with responses in the survey data file.

The survey data were analyzed using descriptive statistics and cross-tabulations. In collecting and analyzing the financial statement audit data, we employed the following definitions of audit results:

- *Unqualified opinion.* The financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.
- *Qualified opinion.* Except for the effects of the matter to which the qualification relates, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.
- *Disclaimer of opinion.* A disclaimer of opinion states that the auditor does not express an opinion on the financial statements.
- *Going concern.* The entity cannot meet current operating costs without incurring debt or liquidating assets.

However, in analyzing the data on states' financial oversight actions, we did not assess how well the oversight was conducted, that is, whether the required financial audit reports were in fact reviewed by the oversight agencies or whether agency officials had the skills needed to make financial assessments.

Because the school performance data reported were incomplete or not comparable with data reported by other states, we excluded data on charter schools' performance in achieving state performance goals in school year 2002-03 reported by 5 states from our state performance summary:

- *Arkansas.* All seven of Arkansas' charter schools were assessed, but all seven were not rated because the charter schools had not all been in operation for 3 years. Arkansas uses a 3-year model to determine student proficiency.
- *Connecticut.* The designated contact disclosed that the state tested charter schools in the fall of 2003 and attributed the results to spring 2003. Thus,

the Connecticut charter school performance data did not reflect the same time period as data for other states.

- *Indiana*. Because test results for the 2002-03 school year were not yet available, Indiana reported results from the test administered in school year 2001-02. Indiana had no operating charter schools in 2001-02.
- *New York*. New York's charter school performance data were incomplete. The designated contact reported results for 5 of the state's 38 charter schools.
- *Wisconsin*. Wisconsin's charter school performance data were incomplete. The designated contact reported results for the charter schools authorized by the state agency, a small proportion of the state's 128 charter schools.

Interviews with Education Officials

To determine Education's role in charter school flexibility and accountability, we conducted interviews with representatives of the Charter School Program, Title I, the Individuals with Disabilities Education Act (IDEA), selected other formula and discretionary grant programs, the Grant Administration and Payment System (GAPS) financial information system, the Office of Inspector General, and Education's research offices. We also interviewed charter school experts, including Bryan Hassel, Public Impact; Katrina Bulkley, Rutgers University; Mark Cannon, National Association of Charter School Authorizers; Louann Bierlein-Palmer, Western Michigan University; and Anna Varghese, Center for Education Reform. We identified grant programs for inclusion in our assessment on the basis of program size and nomination by Education officials, and we asked Education officials to identify grant programs in which charter schools were likely to participate. We also reviewed documentation for the grant programs, the Performance-Based Data Management Initiative (PBDMI), GAPS, and the charter school impact study design.

We also used findings from the interviews and document review to determine the implications of NCLBA for charter schools.

**Review of Existing Charter
School Accountability
Studies**

To examine Education’s role in sponsoring charter school research, we reviewed existing studies of charter school accountability for school performance and financial integrity. This review was designed to identify the research sponsored by Education and other policy research organizations that assessed some aspect of charter school accountability. We framed our search for existing research broadly enough to identify studies that focused on the oversight relationship between authorizers and charter schools. We included research sponsored by Education and other organizations to identify the range and quality of research evidence on charter school accountability available to charter school state agencies and authorizers.

To identify a potential population of studies, we consulted with knowledgeable Education officials and conducted a search of automated bibliographic data bases for studies of charter schools focused, in whole or in part, on any aspect of charter school accountability for school performance and financial integrity. We gave priority to studies that covered all or multiple states with operating charter schools or had highly salient findings. Appendix III lists the studies identified.

Appendix II: Selected Data Tables from Survey

Table 7: Types of Authorizers in States with a Mix of Authorizers in School Year 2002-03

State	Choice among authorizers allowed	Department of education (DOE)	Board of education (BOE)	Local school district local education agencies (LEAs)	Other LEAs
Arizona	Yes		1	9	
California	Yes		1	180	18
District of Columbia	Yes		1		
Delaware	Yes ^a	1		1	
Florida	No			38	
Georgia	No		1	35	
Idaho	^b		0	11	
Illinois	No		1	7	
Indiana	Yes ^a			2	
Louisiana	No		1	6	
Maryland	No		0	1	
Michigan	Yes			4	11
Minnesota	Yes	1		17	2
Missouri	Yes		1	2	
New York	Yes		1	1	
Ohio	Yes ^{a,c}		1	13	1
Oregon	No		0	18	
Texas	^d		1	5	
Utah	No		1	4	
Wisconsin	Yes ^a			66	
Total		2	11	420	32

Source: GAO survey.

Note: The state agencies in Idaho, Maryland, Missouri and Oregon were overseeing no operating charter schools in school year 2002-03.

^aChoice is restricted to some locations or circumstances.

^bDid not respond.

^cLaw changed April 2003 to further expand choices available.

^dThe respondent from Texas chose not to answer this question. However, the respondent acknowledged that when the legislation was passed, the intent was to have both state and LEA authorizers.

Appendix II: Selected Data Tables from Survey

Independent charter school boards	Municipal governments	Public colleges and universities	Private colleges and universities	Nonprofit organizations
1				
1				
		1		
	1	1		
		11		
		4	9	6
		6		
1				
			1	0
	5	6		
3	6	29	10	6

Table 8: Responsibility for NCLBA School Improvement Actions by State and Authorizer Structure

Authorized structure	State	Number of charter schools in need of improvement, 2002-03	Primary responsibility for developing improvement strategy	Primary responsibility for enforcing improvement strategy	Does the state monitor enforcement?
State only	AR	No response	LEA	State BOE	Yes
	CT	No response	State DOE	State DOE	Yes
	HI	0	Charter holders	State BOE	Yes
	KS	0	Charter holders	LEA	Yes
	MA	9	Charter holders	State DOE	No
	MS	0	Charter holders	State DOE	Yes
	NC	1	Charter holders	State DOE	Yes
	NJ	0	Charter holders	Authorizers	^a
	PR	4	State DOE	State DOE	Yes
	RI	No response	State DOE	Authorizers	Yes
State and LEA	CA	25	Other	Other	Yes
	DE	0	Charter holders	State DOE	Yes
	GA	2	Charter holders	LEA	Yes
	ID	0	State DOE	State DOE	Yes
	IL	7	Charter holders	Authorizers	Yes
	LA	0	Charter holders	Authorizers	Yes
	MD	0	LEA	LEA	Yes
	OR	0	Authorizers	Authorizers	Yes
	TX	7	Charter holders	Charter holders	Yes
	UT	0	Charter holders	State DOE	Yes
State, LEA, and independent board	AZ	No response	Charter holders	State DOE	Yes
	NY	No response	Charter holders	Authorizers	No
State and independent board	DC	0	Charter holders	Authorizers	No ^b
State and other	MN	2	Other	Authorizers	Yes
	MO	1	Charter holders	Authorizers	No
	OH	15	Charter holders	State DOE	Yes
LEA only	AK	1	LEA	State DOE	Yes
	CO	1	LEA	LEA	Yes
	NM	0	State DOE	State DOE	Yes
	NV	0	LEA	LEA	Yes
	OK	2	Charter holders	Charter holders	Yes

Appendix II: Selected Data Tables from Survey

Authorized structure	State	Number of charter schools in need of improvement, 2002-03	Primary responsibility for developing improvement strategy	Primary responsibility for enforcing improvement strategy	Does the state monitor enforcement?
	PA	38	Charter holders	State DOE	Yes
	SC	0	LEA	LEA	Yes
	VA	1	LEA	State DOE	Yes
	WY	0	LEA	LEA	Yes
LEA and other	FL	3	Charter holders	State DOE	Yes
	IN	0	State DOE	State DOE	No response
	MI	28	Charter holders	State DOE	Yes
	WI	1	Authorizers	Authorizers	Yes

Source: GAO survey.

^aThis state reported that there were no charter schools in need of improvement in 2002-03.

^bAlthough the District of Columbia Board of Education responded that the District does not monitor the enforcement of school improvement actions, the District of Columbia Public Charter School Board (DCPCSB) responded that for DCPCSB schools, the state does monitor enforcement.

Table 9: Oversight Of Charter Schools’ Achievement of the Academic Goals Not Related To NCLBA Academic Performance Goals, by Authorizer Type

Authorizer structure	State	Does the state collect information on the extent to which charter schools achieve the academic goals not related to NCLBA academic performance goals in their charters?	What entity has primary oversight responsibility for ensuring that charter schools achieve the academic goals not related to NCLBA academic performance goals specified in their charters?
State only	AR	Yes for all charter schools	State department of education
	CT	Yes for all charter schools	State department of education
	HI	No	State board of education
	KS	Yes for all charter schools	Charter holders
	MA	Yes for all charter schools	Charter holders
	MS	Yes for all charter schools	State board of education
	NC	Yes for all charter schools	Charter holders
	NJ	Yes for all charter schools	State department of education
	PR	Yes for all charter schools	State department of education
	RI	Yes for charter schools authorized by the state	State department of education
State and LEA	CA	Yes for charter schools authorized by the state	Authorizers
	DE	Yes for charter schools authorized by the state	Authorizers
	GA	Yes for all charter schools	Charter holders
	ID	No	Authorizers
	IL	Yes for charter schools authorized by the state	Authorizers
	LA	Yes for all charter schools	Authorizers
	MD	No	Authorizers
	OR	No	Authorizers
	TX	No	Charter holders
	UT	Yes for charter schools authorized by the state	Charter holders
State, LEA, and independent board	AZ	Yes for charter schools authorized by the state	Authorizers
	NY	Yes for all charter schools	Charter holders
State and independent board	DC	Yes for all charter schools	Authorizers
State and other	MN	Yes for all charter schools	Authorizers
	MO	No	Authorizers
	OH	Yes for all charter schools	Authorizers
LEA only	AK	Yes for all charter schools	Authorizers
	CO	No	Authorizers
	NM	Yes for all charter schools	Both the state DOE and authorizers

Appendix II: Selected Data Tables from Survey

Authorizer structure	State	Does the state collect information on the extent to which charter schools achieve the academic goals not related to NCLBA academic performance goals in their charters?	What entity has primary oversight responsibility for ensuring that charter schools achieve the academic goals not related to NCLBA academic performance goals specified in their charters?
	NV	Yes for all charter schools	Authorizers
	OK	Yes for all charter schools	Authorizers
	PA	Yes for all charter schools	Authorizers
	SC	Yes for all charter schools	Authorizers
	VA	Yes for all charter schools	Authorizers
	WY	No	Authorizers
LEA and other	FL	Yes for all charter schools	Authorizers
	IN	No	Authorizers
	MI	No	Authorizers
	WI	No	Authorizers

Source: GAO survey.

Table 10: Entities Monitoring Charter Schools' Financial Condition, by Authorizer Type

Authorizer structure	State	State department of education	State board of education	State charter school office	Authorizers	State audit organization	Local audit organization	Charter holders
State only	AR	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	CT	Yes	Yes	Yes	Yes	Yes	No	No
	HI	No	Yes	No	Yes	Yes	Yes	Yes
	KS	Yes	Yes	No	Yes	Yes	Yes	Yes
	MA	Yes	Yes	Yes	Yes	Yes	No	Yes
	MS	Yes	Yes	No	Yes	Yes	No	Yes
	NC	Yes	Yes	Yes	Yes	Yes	No	Yes
	NJ	Yes	No	Yes	No	Yes	No	Yes
	PR	Yes	No	No	No	No	No	No
RI	Yes	Yes	Yes	No	Yes	No	Yes	
State and LEA	CA	Yes	No	No	Yes	No	No	No
	DE	Yes	No	No	Yes	Yes	No	Yes
	GA	Yes	Yes	Yes	Yes	No response	No response	Yes
	ID	No	No	No	Yes	No response	No response	Yes
	IL	No	No	No	Yes	No	Yes	Yes
	LA	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	MD	No	No	No	Yes	Yes	Yes	Yes
	OR	No	No	No	Yes	No	No	Yes
	TX	Yes	No	No	Yes	Yes	No	Yes
	UT	Yes	Yes	No	No	Yes	Don't know	Yes
State and LEA and independent board	AZ	No	No	No	No	No	No	Yes
	NY	Yes	Yes	Yes	Yes	No	No	Yes
State and independent board	DC	No	No	No	Yes	No	No	Yes
State and other	MN	Yes	No	No	Yes	No	No	No
	MO	No	No	No	Yes	No	No	Yes
	OH	Yes	No	No	Yes	Yes	No	Yes

Appendix II: Selected Data Tables from Survey

Authorizer structure	State	State department of education	State board of education	State charter school office	Authorizers	State audit organization	Local audit organization	Charter holders
LEA only	AK	Yes	No	Yes	Yes	Yes	Yes	No
	CO	No	No	No	Yes	No	No	Yes
	NM	Yes	No	No	Yes	Yes	No	Yes
	NV	No	No	No	Yes	No	No	Yes
	OK	No	No	No	Yes	No	No	Yes
	PA	Yes	No	No	Yes	Yes	No	Yes
	SC	No	No	No	Yes	No	No	Yes
	VA	No	No	No	Yes	No	No	Yes
	WY	Yes	Yes	No	Yes	No	No	Yes
LEA and other	FL	Yes	No	No	Yes	Yes	No	Yes
	IN	No	No	No	Don't know	Yes	No	No
	MI	Yes	No	No	Yes	No	No	Yes
	WI	No	No	No	Yes	No	No	No response

Source: GAO survey.

Table 11: Entities with Primary Oversight Responsibility for Monitoring the Financial Condition of Charter Schools, by Authorizer Type

Authorizer structure	State	Monitoring the financial condition of charter schools	Conducting audit follow-up
State only	AR	Charter holders	Charter holders
	CT	State department of education	State department of education
	HI	Other entities	Other entities
	KS	Charter holders	Charter holders
	MA	State charter school office	State charter school office
	MS	State audit organization	State audit organization
	NC	State board of education	State board of education
	NJ	State department of education	State department of education
	PR	State department of education	State department of education
	RI	State audit organization	State audit organization
State and LEA	CA	Authorizers	Authorizers
	DE	State department of education	State audit organization
	GA	Local audit organization	Local audit organization
	ID	Authorizers	Authorizers
	IL	Authorizers	Authorizers
	LA	Charter holders	Charter holders
	MD	Authorizers	Authorizers
	OR	Authorizers	Authorizers
	TX	State department of education	State department of education
	UT	Charter holders	Charter holders
State and LEA and independent board	AZ	Charter holders	Authorizers
	NY	Authorizers	Authorizers
State and independent board	DC	Authorizers	Authorizers
State and other	MN	Authorizers	State department of education
	MO	Authorizers	State department of education
	OH	Authorizers	Charter holders
LEA only	AK	Authorizers	Authorizers
	CO	Authorizers	Authorizers
	NM	State department of education	Authorizers
	NV	Authorizers	Authorizers

Appendix II: Selected Data Tables from Survey

Authorizer structure	State	Monitoring the financial condition of charter schools	Conducting audit follow-up
	OK	State department of education	State department of education
	PA	Authorizers	Authorizers
	SC	Authorizers	Authorizers
	VA	Authorizers	Authorizers
	WY	Authorizers	State department of education
LEA and other	FL	Authorizers	State audit organization
	IN	State audit organization	State audit organization
	MI	State department of education	State department of education
	WI	Authorizers	Authorizers

Source: GAO survey.

Appendix II: Selected Data Tables from Survey

Table 12: Charter School Closures during 2002-03

State	Voluntary closures	Not renewed			Revoked/terminated			Total closures
		Financial reasons	Academic reasons	Other reasons	Financial reasons	Academic reasons	Other reasons	
AR	1							1
AZ	7				1			8
CA	22						12	34
CO					1		1	2
CT			1					1
FL	4				1		3	8
GA	5							5
IL	2			1				3
KS							1	1
LA	2				1			3
MI	1			1			2	4
MN	1							1
NC	1							1
NJ	1				2			3
NV							1	1
OR	1	1						2
PA							1	1
TX	7							7
WI	6				1			7

Source: GAO survey.

Appendix II: Selected Data Tables from Survey

Table 13: Actions Taken by States to Address Authorizers Not Performing Their Responsibilities, by Authorizer Type

Authorizer structure	State	Provide notification to authorizers of potential noncompliance by charter schools regarding <i>educational</i> requirements	Provide notification to authorizers of potential noncompliance by charter schools regarding <i>financial</i> requirements	Withhold state funds from authorizers for any reason	Overturn authorizer decisions to renew or not renew
State and LEA	CA	Yes	Yes		Yes
	DE	Yes	Yes		
	GA				
	ID		Yes		Yes
	IL	Yes	Yes		
	LA	Yes	Yes		
	MD				
	OR				
	TX				
	UT	Yes	Yes		
State and LEA and independent board	AZ	Yes	Yes	Yes	
	NY	Yes	Yes		Yes
State and independent board	DC				
State and other	MN	Yes	Yes		
	MO	Yes	Yes		
	OH	Yes	Yes		
LEA only	AK	Yes	Yes		
	CO	Yes	Yes		Yes
	NM	Yes	Yes	Yes	
	NV	Yes	Yes		
	OK	Yes	Yes	Yes	
	PA	Yes	Yes	Yes	
	SC	Yes	Yes		
	VA				
	WY	Yes	Yes		
LEA and other	FL	Yes			Yes
	IN				
	MI	Yes	Yes		
	WI	Yes			

Source: GAO survey.

Table 14: Charter Schools Achieving Annual State Performance Goals and Taking School Improvement Actions under NCLBA, by State, in School Year 2002-03

State	Year charter school operation began	Operating charter schools	Percentage of charter schools receiving Title I funds	Charter schools achieving annual state performance goals	Percentage of charter schools achieving annual state performance goals	Title I charter schools needing improvement	Title I charter schools implementing school choice transfer	Title I charter schools offering supplemental services
Alaska	1996-97	16	100	10	63	1	0	1
Arizona	1994-95	460	>50 ^a	279	69	No response	No response	No response
Arkansas	2000-01	7	71	No schools rated	No schools rated	No response	0	0
California	1993-94	385	32	153	42	25	0	0
Colorado	1993-94	91	22	127	83	1	No response	No response
Connecticut	1997-98	13	62	Not comparable	Not comparable	No response	0	0
Delaware	1996-97	11	82	7	64	0	0	0
District of Columbia ^b	1997-98	35	100	9	30	0	0	0
Florida	1996-97	222	29	63	33	3	0	0
Georgia	1995-96	36	No response	21	78	2	0	0
Hawaii	1996-97	25	32	10	43	0	0	0
Idaho	1998-99	13	23	10	77	0	0	0
Illinois	1996-97	22	No response	8	38	7	7	1
Indiana	2002-03	11	0	No schools rated	No schools rated	0	0	0
Kansas	1997-98	12	33	4	33	0	0	No response
Louisiana	1996-97	20	100	8	73	0	0	0
Maryland	2002-03	1	0	1	100	0	0	0
Massachusetts	1995-96	46	91	30	75	9	0	No response
Michigan	1994-95	Not comparable ^c	>50 ^a	88	62	28	7	1
Minnesota	1992-93	75	69	32	73	2	0	0
Mississippi	1998-99	1	0	1	100	0	0	0
Missouri	1999-00	25	100	2	8	1	0	Don't know
Nevada	1998-99	13	8	7	54	0	0	0
New Jersey	1997-98	50	94	6	50	0	0	0
New Mexico	1993-94	27	67	No schools rated	No schools rated	0	0	0

Appendix II: Selected Data Tables from Survey

State	Year charter school operation began	Operating charter schools	Percentage of charter schools receiving Title I funds	Charter schools achieving annual state performance goals	Percentage of charter schools achieving annual state performance goals	Title I charter schools needing improvement	Title I charter schools implementing school choice transfer	Title I charter schools offering supplemental services
New York	1999-00	38	95	Incomplete response	Incomplete response	No response	0	0
North Carolina	1997-98	93	61	49	54	1	No response	1
Ohio	1998-99	137	88	42	48	15	No response	No response
Oklahoma	1999-00	10	60	4	40	2	0	0
Oregon	1999-00	24	8	8	62	0	0	0
Pennsylvania	1997-98	91	100	12	16	38	No response	Incomplete ^d
Puerto Rico	1996-97	121	No response	59	49	4	0	4
Rhode Island	1997-98	9	89	8	89	No response	0	0
South Carolina	1997-98	13	23	3	38	0	0	2 ^e
Texas	1997-98	260 ^f	>50 ^a	141	68	7	0	3
Utah	1999-00	13	62	13	100	0	0	0
Virginia	2000-01	8	No response	2	67	1	0	0
Wisconsin	1994-95	128	30	Incomplete response	Incomplete response	1	1	1
Wyoming	2002-03	1	0	1	100	0	0	0

Source: GAO survey.

^aThese figures represent conservative estimates based on data provided by the respondents, who answered in terms of charter holders, not individual schools.

^bTable reflects combined data for both entities that completed the survey for the District of Columbia.

^cRespondent answered in terms of charter holders, which may operate more than one school, and not in terms of individual charter schools.

^dRespondent indicated that supplemental services were provided to charter schools but left the number of schools blank.

^eSupplemental services were provided to two charter schools that had not met state annual school performance goals for 1 year but were not yet designated as needing improvement.

^fRespondents for Texas indicated that they answered the survey only for the 260 charter schools authorized by the state in 2002-03 and did not include the approximately 30 charter schools operated by five LEAs.

Appendix III: Summary of Selected Charter School Research Projects Sponsored by the Department of Education

Study	Sponsoring Education office	Study objectives	Study design
RPP International, The State of Charter Schools: National Study of Charter Schools, Fourth Year Report, 2000	Office of Educational Research and Improvement	Examine how charter schools have been implemented Identify under what conditions, if any, charter schools have improved student achievement Determine the impact charter schools have had on public education	Descriptive study design in the sections that focused on charter school accountability Employed annual surveys of all charter schools, operating in school years 1995-96 to 1998-99. Conducted descriptive statistical analysis of survey data
SRI International, A Decade of Public Charter Schools. Evaluation of the Public Charter Schools Program: 2000-2001 Evaluation Report, 2002	Policy and Program Studies Service	Evaluate the Public Charter School Program Document the evolution of the charter school movement begun under the National Study of Charter Schools	Descriptive study design in the sections that focused on charter school accountability Employed random sample telephone surveys of charter schools and charter school authorizers Conducted site visits to seven charter schools in six states Analyzed data collected by the National Study of Charter Schools Conducted descriptive statistical analysis of survey data. Qualitative data are used to help explain some of the quantitative findings and provide examples.
University of Washington, A Study of Charter School Accountability: National Charter School Accountability Study, 2001	Office of Educational Research and Improvement	Examine how the need to be responsive to authorizers and others affects charter schools Determine how charter school leaders balance competing demands Examine how authorizers and others influence charter schools Identify lessons public agencies have learned about charter schools	Exploratory study design Interviewed government and education association officials, reviewed documents and conducted case studies of 17 charter schools in six states Surveyed a sample of authorizers and added questions to RPP's survey of charter schools Synthesized findings of qualitative data
Mathematica Policy Research, Charter School Impact Study, in design	Institute of Education Sciences	Identify the conditions under which charter schools are most likely to be effective	Experimental study design Students on charter school waiting lists who are accepted will be assigned to the treatment group. Students not selected will be assigned to control groups.

Source: GAO analysis.

Appendix IV: Comments from the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

December 17, 2004

Ms. Marnie S. Shaul
Director
Education, Workforce, and Income Security Issues
Government Accountability Office
Washington, DC 20548

Dear Ms. Shaul:

Thank you for the opportunity to comment on GAO's draft report entitled, "Charter Schools: To Enhance Education's Monitoring and Research, More Charter School-Level Data are Needed" (GAO-05-5). I believe this report provides useful information about the operation of the Department's Charter Schools Program (CSP). In particular, the report provides helpful discussion of how the requirements of the No Child Left Behind Act apply to charter schools, the types of authorizers States use for their charter schools, and States' oversight responsibilities for charter schools.

Before I respond directly to GAO's recommendations, I would like to clarify the design of the impact study referenced in the GAO report and point out that ED has recently released another study that contains information on several topics for which GAO recommends additional data collection.

The draft report represents two aspects of the impact study, *The Evaluation of the Impact of Charter School Strategies*, in a manner that is not quite consistent with the actual design. First, the report describes the study as tracking about 3,000 students in 25 schools in 5 or 6 States. (See page 37.) However, that earlier design was amended to involve 3,000 students in 50 schools in 10 States (dropping the data collection of two cohorts of students in favor of only one). This change was made specifically to allow ED to examine how different aspects of State and authorizer policy may contribute to student achievement.

Also in the discussion on page 37, the report notes that the evaluation will compare achievement on standardized tests for "...cohorts of students accepted into the 25 charter schools and students who applied to those schools but were not accepted." This description leaves out a key component of the evaluation design. Decisions about whom to accept for enrollment will be based on a lottery of all applicants who are eligible; a random draw will ensure that those who are accepted and not accepted are equivalent in terms of motivation and other important characteristics that can affect student outcomes. Thus, any difference between the two groups in the follow-up years will definitively be attributable to the charter schools' impacts. Lotteries of students are already used by most charter schools with waiting lists, but no published or large-scale studies of charter schools have so far used the groups formed by these lotteries to examine

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Page 2

the effects on students. This “random assignment” of students into participant and non-participant groups is consistent with the strongest methods of scientifically based research, and thus, the evaluation represents an important contribution to the evidence on charter schools.

Additionally, the draft report does not include information on the Department’s recently released study of charter schools, *Evaluation of Public Charter Schools Program* (<http://www.ed.gov/about/offices/list/ods/ppss/reports.html#charter>).¹ This study contains information on several topics on which your draft report recommends additional data collection. For example, the draft report notes the need for ED to collect basic indicator information, such as on the number of charter schools started with program funds and the types of authorizers that oversee charter schools. Although the Department does not collect that information annually, our recent study addresses both topics. States reported that CSP funds are the most prevalent source of start-up funds available to charter schools, and Chapter 4 of this study discusses the role of authorizers in charter school accountability. Among its findings are the following: (a) although 91 percent of authorizers are local educational agencies, State authorizers, on average, grant the largest number of charters; (b) multiple groups are involved in the process of monitoring charter schools, resulting in a complex system of accountability for charter schools in which more than half of all authorizers reported difficulty in closing a school that is having problems; and (c) the charter contract, with its tailored outcomes, may have diminished importance in the current high-stakes accountability environment.

The remainder of this letter responds more directly to the recommendations that you make to the Secretary.

Your first two recommendations request that ED help States track Federal funds to charter schools and include information on authorizer type in any Performance-Based Data Management Initiative (PBDMI) survey that includes charter schools. You also recommend that ED require CSP grantees to report the number of schools started with program funds and that we include accountability as a variable in the charter school impact study.

We agree that States would be better able to monitor and report on the timeliness of receipt of Federal funds by charter schools if the States had in place automated financial and information systems to measure and track the disbursement of Federal funds to the school level. We will look more closely at the systems used by Ohio and Texas and mentioned in your report and if merited, will share information on these systems with other CSP State grantees. That review will help us determine if tracking of financial information to the individual school level can be carried out without imposition of an undue burden on States and charter schools.

We also believe that it is important to have a better understanding of the relationship between authorizers and charter schools’ academic performance. We plan to look at that specific issue through our current charter school impact study, as explained below. While we are not sure that

¹ Although the interim study report, *Evaluation of the Public Charter Schools Program: Year One Evaluation Report*, was available at the time GAO conducted its research, this data source was not cited in the report.

Page 3

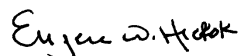
we would learn much by collecting that information through PBDMI, we will give the recommendation careful consideration.

I strongly agree that the annual reporting instructions to CSP State grantees should include standard indicators of program accomplishments, including the number of schools started through the use of grant funds. Although we have been able to gather similar information through our evaluations of the CSP, this approach would ensure that we receive this information annually from each State receiving CSP funds. The Department will, thus, implement this recommendation.

Finally, you recommend that the impact study evaluation design include an analysis of the impact of accountability practices on charter schools' performance. We agree that strong charter school authorizing and accountability are critical to the success of the charter school movement, which is why the Department has been supporting the technical assistance work of the National Association of Charter School Authorizers to help State and local boards and other charter school sponsors carry out their responsibilities more effectively. The evaluation plan already calls for the collection of various State and authorizer policies; the study will examine the influence on charter school effectiveness of such factors as State and local funding, the autonomy of charter schools to deviate from State or district rules, and the role of authorizers. In response to your recommendation, we will examine expanding the study to include a review of the stringency with which authorizers oversee charter school performance and the types of school accountability reporting they require.

Thank you again for taking the time to analyze and report on these issues. We will use the findings and recommendations in this report to improve our monitoring, research, and data collection efforts regarding charter schools.

Sincerely,



Eugene W. Hickok

Appendix V: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Related GAO Products

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