

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

Recommendation Summary Text:

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

Fiscal Detail

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

Package Description:

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

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

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

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

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

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expenditure and revenue calculations and assumptions

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

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

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

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

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

Agency: 359 WA Charter School Commission
Decision Package Code/Title: 90 Maintenance Level Revenue
Budget Period: 2015-17
Budget Level: M1 - Mandatory Caseload and Enrollment Changes

Recommendation Summary Text:

Estimated revenue from 4% oversight fee charged to authorized charter schools.

Fiscal Detail

Operating Expenditures	<u>Total</u>
Total Cost	

Revenue

<u>Fund</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
19L Charter School OA	0299 Other Licenses Permi	186,142	436,754	622,896
Total Revenue		186,142	436,754	622,896

Package Description:

Estimated revenue from 4% oversight fee charged to authorized charter schools.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

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

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

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

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

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

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

None.

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

None.

Expenditure and revenue calculations and assumptions

Currently seven public charter schools are authorized. It is assumed the agency will authorize two new schools per year that will be subject to the oversight fee.

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

This is expected to be ongoing revenue.

Agency: 359 WA Charter School Commission
Decision Package Code/Title: N0 Restore 15% Reduction
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

The Washington State Charter School Commission (CSC) authorizes and provides oversight of public charter schools throughout Washington State (RCW 28A.710.070). The CSC is a new state agency in need of maintaining current maintenance level spending authority. The CSC is funded by the general fund and an oversight fund sourced by a fee charged to CSC authorized charter schools. Increasing the CSC's spending authority in the oversight fund will allow the CSC to absorb the 15% maintenance level reductions and buy-back essential services that will increase the likelihood of overall student success, and the legal compliance and financial viability of authorized public charter schools.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
19L-1 Charter Schools Oversight Account-State	106,000	100,000	206,000
Total Cost	106,000	100,000	206,000
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	.2	.0	.1

Package Description:

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

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

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

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

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

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

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

The Washington State Charter School Commission's mission is to authorize high-quality public charter schools and provide effective oversight and transparent accountability to improve educational outcomes for at-risk students. The CSC has a vision to foster innovation and ensure excellence so that every student has access to and thrives in a high-quality public school. This Decision Package funds the CSC's Strategic Plan to move the CSC closer to solidifying its operational structure. Without approval of this buy-back funding, the CSC's ability to function as a whole agency, responsible for both authorization and oversight of charter schools, will be in jeopardy.

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

The Governor's strategic framework identifies a goal that all Washingtonians have access to education that prepares them to transition from elementary, middle, high school, postsecondary, career and lifelong learning opportunities. Further, the K-12 Access component of this goal is to increase the percentage of schools rated exemplary or very good on the Washington School Achievement Index by 10% by 2017. The CSC views public charter schools as a critical component of this goal. With high-quality authorizing and oversight of public charter schools, the percentage of schools rated exemplary will increase as they will consistently be held to a high bar. Charter schools are part of an effective K-12 educational system and they provide viable options for families throughout Washington State. In order for the CSC to provide high-quality authorizing and oversight, it must be provided with adequate financial resources.

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

When the voters of Washington State passed Initiative No. 1240, charter schools became part of the public trust. Charter school proponents, opponents and operators support this decision package because of their strong belief that, in order for charter schools to become and remain options for families across Washington State, charter schools must be held to highest standards and provided high-quality oversight. In order for charter school to be held to these high standards, at a minimum, the CSC must be allowed to maintain its current maintenance level budget.

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

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

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

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

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

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

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

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

This funding will support the CSC's stewardship responsibility: From contracting through monitoring to renewing charter contracts and public reporting of results. The last paragraph below details the fiscal conditions that no account was established that would allow the CSC to receive the oversight fee that authorized schools must provide the CSC. Without funding this package, the state and legislature run the risk of charter schools failing, at-risk student populations continuing to be underserved and the tax payer being fleeced by dishonest charter school operators due to a lack of oversight. In Michigan, tax payers pour nearly \$1 billion a year into charter schools' coffers, but state laws regulating Michigan charter schools are among the nation's weakest resulting in rampant fraud and waste. In Ohio, \$187 million has been spent on closing underperforming charter schools. Because of a lack of adequate state oversight, these monies have not and will likely never be retrieved. Additionally, Ohio's charter schools have a 29% failure rate as compared to 8% nationally, and this gap of performance can be directly attributed to a lack of oversight. Oregon is currently litigating against a charter school operator accused of racketeering to the tune of \$20 million. Finally, there are cases from Oakland to Miami of charter school operators engaging in fraudulent practices and manipulating the pool of students in charter schools for personal gain. Without adequate resources, charter school authorizers cannot develop and enforce processes for transparency and oversight that prevent the misuse or outright embezzlement of public funds as detailed above. Thus, oversight presumes the ability to look closely at the records and practices of charter schools, an intricate process that requires an adequate and well trained staff in numbers commensurate to national best practices.

However, while these monetary risks elicit negative public opinion, at the end of the day it is the at-risk student populations that are most vulnerable and most adversely effected by not funding this package. Washington State's charter school law is one strongest and was written explicitly to support at-risk youth. Without adequate funding, the students this law was designed to serve would continue to be disenfranchised and marginalized, ultimately robbing the individuals who already suffer the greatest inequities of an opportunity to be successful in school and ultimately in life.

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

This decision package does not impact the state's capital budget. The CSC's oversight fee that is charged to the charter schools it authorizes will pay for this buy-back package.

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

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

Expenditure and revenue calculations and assumptions

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

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

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

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

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

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

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

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

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	20,500		20,500
B Employee Benefits	6,500		6,500
E Goods\Other Services	70,000	91,000	161,000
G Travel	9,000	9,000	18,000
Total Objects	106,000	100,000	206,000

Agency: 359 WA Charter School Commission
Decision Package Code/Title: N1 Attorney General Services
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

The Washington State Charter School Commission (CSC) requests \$71,000 per year to access ongoing legal services from the AGO Education Division relating to the education of children and legal advice concerning general government compliance issues.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	41,000	0	41,000
19L-1 Charter Schools Oversight Account-State	30,000	71,000	101,000
Total Cost	71,000	71,000	142,000

Package Description:

The CSC requests \$71,000 for the services of 0.35 FTE of an Assistant Attorney General and 0.1 FTE of a Legal Assistant in FY2016 and FY2017. This request is for ongoing legal services in support of the CSC. CSC was created in 2013 by Initiative 1240 and no funding was provided for legal services. In the first two years of CSC's operation, AAG legal services have been provided through an interagency agreement.

The CSC is charged with regulating the establishment of charter schools in the State of Washington. Its work involves rulemaking, contracting procurement, and regulatory oversight. The charter school system in Washington State is still developing with more contract procurement, review and authorizing activities to come. The CSC will begin to exercise its regulatory oversight function beginning fall 2014. This function will grow over into the 2015-17 biennium and will likely entail litigation once the CSC exercises its enforcement authority. The charter schools are established as just one component of the public school system and therefore the CSC is expected to face many legal interpretation issues concerning the interplay of state and federal education laws. CSC also faces the need for ongoing advice on general governmental issues common to all state boards and commissions.

The CSC contact for this request is Joshua Halsey, Executive Director, (360) 584-9272.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This request is for spending authority that is needed for essential legal services relating to the education of children and legal advice concerning general government compliance issues. Without this access to legal support, the CSC will be less apt to avoid legal issues that may result in expensive and time-consuming litigation.

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

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

This budget request implements goal #1 of the CSC Strategic Plan-"Solidify the CSC's operational structure".

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

This request supports the Governor's priority of Budget Priorities. This request allows the CSC to operate more effectively and efficiently within available resources. It prevents the CSC from engaging in the onerous process of developing an interagency agreement, offering a more transparent and streamlined solution to the CSC's ongoing need for legal assistance in the upcoming biennium.

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

The AGO has no option but to provide legal services to state agencies as the need arises; it is legally obligated to do so. Until charter schools become well-integrated into the state public schools system, the CSC will continue to face many legal questions in a unique and unchartered context beyond the legal capacity of the CSC staff.

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

There is no reasonable alternative to providing legal services as required without increasing state legal and financial liability

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

Funding this request provides resources to ensure that legal issues are timely and efficiently resolved and that the CSC is able to carry out its statutorily mandated mission.

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

None

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

None

Expenditure and revenue calculations and assumptions

In the 2013-15 biennium, the CSC paid for legal services through an interagency agreement. We assume these costs do not quantify the true ongoing legal services needs of the CSC. We assume stabilized use in FY2015-17 biennium and thereafter the assumption is 0.35 AAG and 0.1 LA.

Revenue estimate for the Charter School Oversight Account (19L) is estimated at \$186,142 in Fiscal Year 2016. That is not enough to cover the current spending authority in the account (\$22,000) plus the buyback package (\$106,000) and be able to fully fund this legal services package (\$71,000). Therefore, it is requested that a portion of the legal services package be funded from the general fund.

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

These costs are ongoing and will carry forward into future biennia.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods\Other Services	71,000	71,000	142,000

Agency: 359 WA Charter School Commission
Decision Package Code/Title: N2 Increase Oversight Capability
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

The Washington State Charter School Commission (CSC) authorizes and provides oversight of public charter schools throughout Washington State (RCW 28A.710.070). The scope of work and responsibilities requires additional staff. The CSC is funded by the general fund and an oversight fund sourced by a fee charged to CSC authorized charter schools. Increasing the number of staff and the CSC's spending authority in the oversight fund will increase the likelihood of overall student success, and the legal compliance and financial viability of authorized public charter schools.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State		(105,000)	(105,000)
19L-1 Charter Schools Oversight Account-State		180,000	180,000
Total Cost		75,000	75,000
 Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	1.0	2.0	1.5

Package Description:

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

RCW28A.710.100 stipulates that the CSC through its authorization process will solicit, evaluate, and approve or deny charter applications. Further, the decision to approve charter applications leads to the development of contracts, the negotiation each contract on an individual basis for its customized features related to its target students, and establishment and implementation of contract monitoring standards to assess the educational performance and legal compliance each school's ongoing viability. An approved applicant will be awarded a five year contract with ongoing five year renewal opportunities based on performance reports.

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

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

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

Furthermore, no account was established that would allow the CSC to receive the oversight fee that authorized schools must provide to the CSC. During the 2014 Legislative Session, the Oversight Account, 19L, was established. However, the spending authority of this account was limited to \$21,000/fiscal year. The CSC has explored hiring consultants to perform the oversight tasks, limiting our spending authority to align with the maintenance level budget, and limit our spending authority in the Oversight Account to the current \$21,000/fiscal year. However, the state has a need for state agencies to identify ways in which the agencies' General Fund requirements can be reduced. The CSC by statute (RCW 28A.710.110) has access to oversight fee funds that reduce the CSC's need to access General Funds.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This funding will help make the CSC financially "whole" to carry out its mission. In order for the CSC to effectively manage the charter school authorization process, as well as supervise and enforce the provisions of charter school contracts and the public common school system, the CSC requires increased personnel capacity. . At its establishment in April 2013, the CSC was apportioned 1.5FTE with the expectation that all statutory requirements would be met within this limitation. This expectation was unrealistic and undermined the public trust by placing the full burden of statewide charter school oversight on less than two employees, a trust that the public granted the state when the voters passed Initiative No. 1240.

The charter school law has a primary focus on at-risk students. Specific school outcomes will be focused on student academic achievement goals, charter school organizational goals, charter school compliance with applicable state and federal laws, and charter school financial reporting and control expectations. Specific CSC outcomes will assess: 1) annual solicitation of promising applicants; 2) effective application review leading to mission-focused, feasible and sustainable schools; 3) contracts that focus on core and measurable school /outcome expectations; 4) school accountability with collaborative monitoring process & results, valid and reliable performance reports aggregated at the school and state level, and publication of school and CSC performance.

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

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

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

The CSC's mission is to authorize high-quality public charter schools and provide effective oversight and transparent accountability to improve educational outcomes for at-risk students. The CSC has a vision to foster innovation and ensure excellence so that every student has access to and thrives in a high-quality public school. This Decision Package funds the CSC's Strategic Plan to solidify the CSC's operational structure.

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

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

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

The Governor's strategic framework identifies a goal that all Washingtonians have access to education that prepares them to transition

from elementary, middle, high school, postsecondary, career and lifelong learning opportunities. Further, the K-12 Access component of this goal is to increase the percentage of schools rated exemplary or very good on the Washington School Achievement Index by 10% by 2017. The CSC views public charter schools as a critical component of this goal. With high-quality authorizing and oversight of public charter schools, the percentage of schools rated exemplary will increase as they will consistently be held to a high bar. Charter schools are part of an effective K-12 educational system and they provide viable options for families throughout Washington State. In order for the CSC to provide high-quality authorizing and oversight, it must have adequate resources in terms of staff and spending authority.

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

When the voters of Washington State passed Initiative No. 1240, charter schools became part of the public trust. Charter school proponents, opponents and operators support this decision package because of their strong belief that, in order for charter schools to become and remain options for families across Washington State, charter schools must be held to highest standards and provided high-quality oversight. In order for charter school to be held to these high standards, the CSC must increase its capacity through the hiring of specialized staff with expertise in charter school oversight and accountability.

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

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

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

The CSC has explored hiring consultants to perform the oversight tasks; however, effective oversight is a combination of effective practices and seasoned staff with strong relationships and continuity with schools and the CSC, especially during a school's first 5-year contract. Consultants, while at times fiscally prudent, are by nature short-term and not an effective means of building the strong relationships required to provide effective oversight and accountability in a transparent and predictable manner. Further, the process of identifying and establishing contractors is cumbersome and lengthy. Instead, full-time CSC employees, once hired, have a strong likelihood of remaining with the CSC for several if not many years and providing high quality oversight for the schools they are assigned.

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

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

This funding will support the CSC's stewardship responsibility, from contracting, through monitoring, to renewing charter contracts and public reporting of results. The last paragraph below details the fiscal conditions if no account was established that would allow the CSC to receive the oversight fee that authorized schools must provide the CSC. Without funding this package, the state and legislature run the risk of the CSC continuing to request additional General State Funds in order to operate, charter schools failing, at-risk student populations continuing to be underserved and the tax payer being fleeced by dishonest charter school operators due to a lack of oversight. In Michigan, tax payers pour nearly \$1 billion a year into charter schools' coffers, but state laws regulating Michigan charter schools are among the nation's weakest resulting in rampant fraud and waste. In Ohio, \$187 million has been spent on closing underperforming charter schools. Because of a lack of adequate state oversight, these monies have not and will likely never be retrieved. Additionally, Ohio's charter schools have a 29% failure rate as compared to 8% nationally, and this gap of performance can be directly attributed to a lack of oversight. Closer to home, Oregon is currently litigating against a charter school operator accused of

racketeering to the tune of \$20 million. Finally, there are cases from Oakland to Miami of charter school operators engaging in fraudulent practices and manipulating the pool of students in charter schools for personal gain. Without adequate resources, charter school authorizers cannot develop and enforce processes for transparency and oversight that prevent the misuse or outright embezzlement of public funds as detailed above. Thus, oversight presumes the ability to look closely at the records and practices of charter schools, an intricate process that requires an adequate and well trained staff in numbers commensurate to national best practices.

However, while these monetary risks elicit negative public opinion, at the end of the day it is the at-risk student populations that are most vulnerable and most adversely effected by not funding this package. Washington State's charter school law is one strongest and was written explicitly to support at-risk youth. Without adequate funding, the students this law was designed to serve would continue to be disenfranchised and marginalized, ultimately robbing the individuals who already suffer the greatest inequities of an opportunity to be successful in school and ultimately in life.

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

This decision package does not impact the state's capital budget. The CSC's oversight fee that is charged to the charter schools it authorizes will pay for the increase in staff.

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

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

Expenditure and revenue calculations and assumptions

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

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

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

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages		56,250	56,250
B Employee Benefits		18,750	18,750
Total Objects		75,000	75,000