

Hopes, Fears, & Reality

A decorative L-shaped graphic consisting of a vertical orange line and a horizontal teal line meeting at a corner.

A BALANCED LOOK AT AMERICAN
CHARTER SCHOOLS IN 2006

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About NCSR

The National Charter School Research Project (NCSR) brings rigor, evidence, and balance to the national charter school debate.

NCSR seeks to facilitate the fair assessment of the value-added effects of U.S. charter schools and to provide the charter school and broader public education communities with research and information for ongoing improvement.

NCSR:

- Identifies high-priority research questions.
- Conducts and commissions original research to fill gaps in current knowledge or to illuminate existing debates.
- Helps policymakers and the general public interpret charter school research.

The Project is an initiative of the Center on Reinventing Public Education.

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CHAPTER 5

Charter Authorizing: It's a Dirty Job, But Somebody's Got to Do It

Katharine Destler

In writing this chapter, the author has drawn on the insights of an ongoing Center on Reinventing Public Education working group on authorizing that includes Bryan Hassel, Emily Hassel, Paul T. Hill, Robin J. Lake, Stephen Page, and Lydia Rainey.

It is rare to find bureaucrats or politicians eager to divest themselves of authority, but in 2006 the D.C. Board of Education concluded that oversight of charter schools was just too hard. The school board, whose members are elected, asked to be relieved of all responsibility for approving charter school applications and monitoring performance.¹ The D.C. board frankly admitted that it did not know how to tell the difference between a good charter school proposal and a bad one, much less how to monitor performance of existing charter schools. The school board members and the D.C. administrators in the superintendent's office were far more comfortable with their traditional role—namely, ensuring that the K-12 system was in compliance with district and federal mandates—than with evaluating the performance of autonomous schools.

Other school boards have been less candid but have expressed much the same sentiments about charter schools. Nationwide, only 8 percent of the almost 9,000 school districts with authority to charter schools have ever done so.² And only a few large school districts, like Chicago and New York, have embraced charter schools wholeheartedly.

Over the past 15 years, charter school authorization has emerged as an underappreciated and critical determinant of school success.³ This chapter explains why charter authorizing is rarely done well and offers preliminary lessons on how it might be improved.

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THE CHALLENGES OF CHARTER SCHOOL AUTHORIZING

From the time charter school laws were first enacted, the public was promised that charter schools would be held accountable for results—based in part on government enforcement of the student achievement goals set in schools’ charter proposals. But charter school oversight has largely been thrust upon local government and school districts that neither sought nor were appropriately trained for the job. From this standpoint, the D.C. Board’s reluctance to engage in chartering is understandable.

Charter authorizing, like charter school operation, has evolved and improved over time. Some charter school authorizers have embraced their new responsibilities, and many have raised their standards. Authorizers in public universities, state departments of education, and select districts have worked hard to hold schools responsible for their performance. But good authorizing remains elusive in most places, for two primary reasons. First, there is not full consensus on the appropriate measures of charter school performance. Educators, parents, community members, and even authorizers themselves disagree about the importance of non-academic measures, such as a school’s fiscal soundness or community support. Debates also continue over “value-added” measures of student achievement and what constitutes a “good enough” school.

The reticence to assess and judge may be beginning to fade, due in part to many provisions in the *No Child Left Behind* law (NCLB) that compel district officials to hold schools accountable. However, school boards and district central offices, traditionally organized to oversee schools on the basis of compliance, face particular challenges in adopting performance oversight. For school board members and district administrators, judging the performance of individual schools—and closing down the poor performers—is an unfamiliar and thankless task. Virtually all authorizers struggle to balance the need for accountability with the political and real costs of school closures, and there is a growing consensus that charter authorization requires a specialized set of skills.

A NEW RELATIONSHIP WITH SCHOOLS

Before the advent of charter schools, public schools were run by school districts that owned all the buildings, hired all the employees, made all the decisions about leadership, instructional methods, and materials, and listened (or not) to families’ aspirations and

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complaints. School districts tried hard to serve students well and many did a good job. But the districts held a secure monopoly—and thus were not likely to lose many students or much funding if a few schools performed poorly.

Public school districts, in other words, have long been classic examples of “vertically integrated” organizations. They are modeled, in effect, on Henry Ford’s famed River Rouge plant, where raw materials (steel, rubber, glass, cloth) went in at one end and finished cars came out the other. By contrast, chartering is a whole new approach to public education, more analogous to Toyota’s production methods. Rather than produce each component itself, Toyota relies on a group of highly qualified independent companies who supply necessary parts, which Toyota assembles into cars. Toyota oversees its suppliers carefully—choosing the most capable providers and investing in improved production and management practices at each plant. And Toyota resists the cutthroat practices of some parent companies, such as setting unreasonable production quotas or repeatedly re-bidding contracts to reduce the companies’ own costs. Yet ultimately, each supplier is responsible for meeting its own bottom line.

In some respects, charter school authorizers face problems similar to those of both private firms like Toyota and other government entities that use outsourcing and privatization. In recent decades, many government organizations, from the Department of Defense to state and city social service agencies, have learned to work through third parties. Yet chartering is a new phenomenon, and schools are much more complex than the food services and commodity items that most agencies get from third parties. The work of a charter school also goes to the heart of a school district’s mission, not its periphery. No wonder chartering makes school districts nervous.

In public schools, as in other areas of public service and private business, reliance on third parties does not absolve school board members and administrators of their responsibilities. Agencies and firms that accomplish critical work via contracts with independent parties need to identify and cultivate capable suppliers, understand their work, monitor progress, and identify improvements—all without creating confusion about who is responsible for what.

To date, the record of charter authorizers in fulfilling these roles has been decidedly mixed. While a number of competent authorizers thrive, many chartering bodies have shortcomings that tend to fit into one of several patterns. Some authorizers have been lax in their up-front review, allowing unqualified groups to start schools; others

have been overbearing, re-imposing regulatory and reporting structures that charter autonomy was supposed to eliminate. In a number of well-publicized fiascoes, charter authorizers have failed to catch egregious behavior, such as inflated enrollment numbers, mishandled funds, or shoddy teaching. And while some authorizers have closed low-performing charter schools, many with poor student achievement remain open.

In part, one can chalk up these struggles to growing pains. Fortunately, there is a growing bank of “craft knowledge” of effective authorizer practices, exchanged first informally among authorizers and now more formally through the National Association of Charter School Authorizers (NACSA) and its *Principles and Standards for Quality Charter School Authorizing*.⁴ Yet while charter authorizers have gained some expertise through NACSA and informally through trial and error, they still have significantly less experience than other public and private sector entities that have obtained important services from independent providers for years.

PROMISING MODELS FOR CHARTER SCHOOL OVERSIGHT

In 2005, the National Charter School Research Project (NCSRP) set out to identify lessons from other third-party providers that might be applied to charter authorizing. In addition to studying the most experienced charter school authorizers, NCSRP studied other public sector organizations that obtain essential services through contracting (such as the U.S. Armed Services and the English public school system, which now provides most of its high schools through charter-like independent provider arrangements) and private companies like Toyota that use third parties for many functions that traditional manufacturers performed internally. NCSRP researchers interviewed charter school authorizers, American school district personnel, and English officials with the Education Ministry and Specialist Schools Trust. Public and private management literature was also reviewed to glean relevant lessons. NCSRP researchers asked these questions:

- What capacities does an organization need to contract out for core services?
- Is it better for an authorizer to be picky about what groups are hired, or to establish a relatively low screen and winnow out weak providers after the fact?
- How much should authorizers engage into day-to-day oversight of schools, and how should they respond to poor performance? Does dictating what a struggling school must do to improve prevent an authorizer from withdrawing the contract if performance continues to lag?

- Must an authorizer cancel the charter of any contractor whose results are disappointing—or should it sustain a contract if alternate options are scarce?
- How can authorizers cultivate a healthy supply of providers?
- And finally, should authorizers themselves be held accountable for their own performance?

PRELIMINARY LESSONS FOR CHARTER AUTHORIZERS

The fieldwork for NCSRP’s study of authorizing organizations began in 2006 and will eventually expand beyond the research agenda outlined above. At this stage, the research is still too preliminary to draw firm conclusions about charter schools. But several tentative, early lessons about good and bad practices among authorizers have begun to emerge. Examining some of the key questions in order, NCSRP has found:

QUALITY AUTHORIZERS INVEST RESOURCES TO KNOW THEIR SCHOOLS WELL.

Contracting and oversight require investment—and third-party provision should therefore not be seen as a money-saving ploy. Oversight of schools requires not only knowledge about how schools work, but also access to rich academic and financial data, including both student performance measures and leading indicators like staff turnover, parent feedback, and fiscal management (which can foretell performance problems before they occur). At minimum, a school authorizer should have enough knowledgeable staff to know all its providers. Put more simply, successful authorizers invest in people and sophisticated systems. When NCSRP’s fieldwork is complete, researchers hope to be able to show how experienced agencies and firms bolster their authorizing capabilities, delineate the specific skills they require, and place a price tag on the costs of charter oversight.

AUTHORIZERS SHOULD SET HIGH STANDARDS FOR APPLICANT SCHOOLS. Private sector firms and the military typically set clear requirements for providers and scrutinize initial proposals and capabilities closely. Business and military leaders’ rationale for fine initial screens is straightforward: If a product or service is vital to the success of the organization, it cannot be entrusted to just anybody.

Some charter authorizers take the opposite approach, endorsing virtually any provider that shows enthusiasm, potential, or community support. Local forces, such as a school’s

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popularity among parents and constituents or its support by politicians and well-connected private citizens, may cause district leaders to overlook shortcomings in performance. Such was the case at the Bexley Business Academy in East London, touted by Prime Minister Tony Blair and the Specialist Schools Trust despite disappointing test scores and outside reviews.

Seeking to implement large-scale reform quickly can lead authorizers to reduce the rigors of screening. Arizona's history with charter schools is a case in point: the state initially sought to charter large numbers of schools with minimal application and renewal standards. The challenge of balancing quality and quantity is now keenly felt in Chicago, too, as the Renaissance 2010 Foundation seeks to open a hundred new schools in the next four years. Critics claim that the school district has lowered its expectations for incoming schools, though defenders claim the reduction in requirements will help scale up reform.

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NCSR's interviews support other researchers' findings that authorizers have upped the rigor of the initial screen.⁵ Experienced authorizers report that better oversight at the beginning leads to better performance, while lax oversight risks poor performance and crises of legitimacy. Thus, many authorizers have raised entry standards, asking prospective applicants to submit detailed educational plans and looking for sound fiscal management and governance in addition to missionary zeal. In order to facilitate better school planning and preserve access for promising yet untested models, some authorizers now provide specific application support, and many have extended the time between charter approval and opening day. These approaches can both help providers meet higher standards and compensate for what are sometimes, by necessity, less rigorous screens.

AUTHORIZERS CAN WORK CLOSELY WITH SCHOOLS WITHOUT BECOMING BEHOLDEN TO THEM. Many public agencies and private firms that contract for complex, mission-specific products have found arms-length relationships lead to disappointing results. When products are mission-essential, the risks of shut-down and slow-down are particularly high. Furthermore, close collaboration may be necessary to ensure high quality, especially when products or services are complex.

Yet close relationships also involve risks. An overly cozy relationship between a parent company and its provider leaves each open to exploitation by the other. And even with

the best of will, long-term partnerships risk breeding complacency and slowing innovation.⁶

Authorizers need to know their schools well. They cannot be afraid to point out problems, threaten consequences, and insist that changes be made when failure is imminent. As both private firms and public agencies have also discovered, authorizers may need to invest their own resources to improve schools' performance, particularly when providers are scarce. Authorizers can also carry good ideas from one school to another. Both Central Michigan University and the Specialist Schools Trust have taken a proactive approach to school improvement, encouraging their most successful schools to share lessons learned and to mentor less successful schools facing similar challenges.

Firms like Honda have learned to help struggling suppliers up to a point, and then cancel their contracts if they fail to improve. In contrast, many government agencies struggle to balance performance and fairness. Some charter authorizers have been reluctant to advise struggling schools or demand specific changes for fear that intervention might make the authorizer, rather than the school, responsible for substandard results. Recognizing this tension, England's Department for Education and Skills (DfES) has tried to know its schools well without losing the freedom to close the worst performers. DfES accomplished these dual aims in part by hiring an independent expert organization to inspect its schools. The national schools inspectorate (OFSTED) visits schools, writes reports about their strengths and weaknesses, and suggests remedies. In effect, DfES outsources some monitoring. Nonetheless, schools decide how to respond to OFSTED recommendations, and DfES can choose to implement, amend, or ignore the inspectorate's recommendations. Some of the most experienced charter authorizers (such as Massachusetts and Chicago) are experimenting with similar approaches.

Both England and Chicago have also explored the use of third parties to boost schools' performance. This gives schools needed help without implying that the authorizer is taking responsibility for the results. Each has worked closely with nonprofit partners (like Leadership for Quality Schools in Chicago) to offer technical support and professional guidance to schools as they develop. England's nonprofit Specialist Schools Trust goes one step further, offering advice and support to all schools, whether new or long established. Being independent of a larger government agency frees the Trust to act as friendly critics for the schools they serve.

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Whether on their own or through outside providers, public authorizers need to both invest in their schools and hold them accountable for results. NCSR is continuing to study how authorizers in education and other fields maintain close working relationships without compromising their ultimate responsibility for oversight.

AUTHORIZERS MUST CONSIDER BOTH INDIVIDUAL SCHOOL AND SYSTEM PERFORMANCE WHEN DECIDING WHETHER TO CANCEL A CONTRACT. Deciding to end a contract is a high-stakes and costly decision in the public and private sector alike.

Canceling a contract is even tougher for government than for business. Private firms, unlike charter school authorizers, can stop providing a product or service when faced with a shortage of quality providers. School districts, by contrast, are legally responsible to ensure that every child in a locality has a school to attend. That civic obligation can force districts to be more lenient with providers than they might otherwise—if, say, the best available option for a group of children is a charter school with disappointing results.

Charter school authorizers other than school districts—for example, state universities and nonprofits—face fewer constraints. Their mission is to create a portfolio of quality school providers, but they do not have to offer schooling for all the children in a locality. Such special-purpose authorizers can cancel charters that fail to meet their standards without having to arrange alternative placements for students. As a consequence, they are more likely to run demanding selection processes and close poorly performing charter schools than school districts are. At the same time, they risk closing schools prematurely.

Unlike private businesses and traditional school districts, special-purpose charter authorizers are not responsible for the final product—education of all students in a district—but for one constituent part of it. The more limited scope of special-purpose authorizers also reduces the costs of shifting providers. Unlike authorizers who need to replace or reform dozens or perhaps several hundred schools (as in large districts like Chicago or Los Angeles), specialist authorizers—particularly those such as the State University of New York (SUNY) that have reached their state-mandated cap for charters—may need to find no more than one or two new schools a year. They can afford to let a charter slot go unfilled, or to extend the incubation period to ensure that a promising school starts on a more secure footing. The closure decision is made more complex when authorizes

consider the question of whether students have a better option than the school that is being closed.

AUTHORIZERS MUST ACTIVELY RECRUIT A DIVERSE SET OF PROVIDERS. Authorizers have learned that the Field-of-Dreams management theory—if you build it they will come—is inadequate. Charter authorizers often must actively seek out providers and support formation of new school operators. One approach is to replicate successful programs from other cities, as Chicago has done, or to reach out to local cultural and youth organizations that have related expertise, as in Philadelphia. In each case, part of the authorizer’s job is to sell the opportunity of running a school, and convince potential providers that they will be successful. Another approach is to encourage successful schools to expand or to open up multiple branches. Building a provider base serves two important purposes for districts and school boards: it maintains diverse educational options and it enables districts to avoid having to choose between a bad provider and none at all.

Still, recruiting a robust base of charter providers is no simple task. Private executives frequently complain that government regulation is so onerous that it is not worth the price of doing business with the government—and many charter school founders voice similar sentiments about school districts. The longstanding private sector distrust of government bureaucracy is a deterrent to developing a healthy market of providers—which authorizers can counter by offering fair terms to competent and committed organizations willing to develop charters.

Any entity that establishes an uninviting or hostile environment, or that subjects providers to regulatory roadblocks and political interference, will drive away promising providers. NCSRP’s research will continue to explore how school authorizers can demand high quality yet develop a robust supply of strong school providers.

Charter school authorizers should be held accountable for their performance. Unflinching accountability for outcomes, which is a given in many private sector firms, represents a revolution in thinking for school districts. In the past, many districts have accepted effort and procedural compliance for school performance. Now the performance requirements set by NCLB, plus competition from private schools, suburban schools, and charters, are finally forcing school districts to begin adopting real performance expectations for everyone, including their central office units.

Authorizers vary considerably in their understanding of and commitment to charter school oversight and accountability. Furthermore, even the most dedicated school overseers disagree about how to maximize school effectiveness. Given the essential yet contested nature of authorizer practice, to what standards should government hold charter authorizers accountable?

In a recent white paper, NCSRP proposed several ways to hold charter authorizers accountable.⁷ Among other reforms, it recommends greater transparency about charter authorizers' assessment process and the performance of the schools they oversee, formal state performance management reviews, and the creation of multiple competing authorizers in the same geographic area.

Greater accountability for charter school authorization can provide an incentive for authorizers to share their successes and improve on their practice. The ongoing NCSRP study will build on earlier findings and seek out new authorizer accountability measures.

THE FUTURE OF THE CHARTER SCHOOL AUTHORIZER

Chartering does not guarantee better educational outcomes. But it can inject new people and new ideas into the K-12 sector, and it can increase competitive pressures on local schools. And that makes authorization all the more crucial.

Even as school boards like the District of Columbia's seek to divest themselves of the burden of charter authorization, many other districts are trying to abandon traditional compliance-based modes of school oversight and address school performance. Some districts, including Chicago, Philadelphia, Denver, New York, Oakland, and the state agency responsible for most schools in New Orleans, openly characterize themselves as portfolio managers. They run some schools directly and charter others. NCLB is accelerating this groundbreaking shift, creating what British Prime Minister Tony Blair has dubbed a covenant of "contingent provision"—meaning that districts will work with schools and school providers so long as they benefit children and no longer.

The charter school New Deal—freedom of action in return for accountability—seems straightforward. But it is one thing for districts to say they will hold schools accountable for performance and quite another thing to do it. Some special-purpose authorizers and

a few school districts have successfully managed this transition. But most charter authorizers lack the resources and expertise necessary for quality oversight.

In this chapter, and in NACSA's recommendations, charter school authorizers can begin to find guideposts for the challenging task of assessing charter schools. Ultimately, the promise of the charter school New Deal—and the charter school movement itself—will not be fulfilled until charter authorizers commit to the hard work of recruiting highly capable staff, building a stable set of capable providers, and getting serious about consequences for schools that cannot demonstrate results.

NOTES

1. V. Dion Haynes, "Charter Schools' Oversight May Shift: D.C. Board Weighs Relinquishing Role," *Washington Post*, Monday, June 19, 2006; http://www.washingtonpost.com/wp-dyn/content/article/2006/06/18/AR2006061800956_pf.html.
2. These statistics are based on Public Impact's directory of charter school authorizers and the National Center for Educational Statistics' count of local education authorities in relevant states.
3. See Paul T. Hill and Chester E. Finn, Jr., "Authorizing: The Missing Link," in Paul T. Hill, ed., *Charter Schools Against the Odds: An Assessment of the Koret Task Force on K-12 Education* (Stanford, CA: Hoover Institution Press, October 2006).
4. See NACSA's website, www.charterauthorizers.org, for links to the *Principles and Standards* and related resources.
5. Rebecca Gau, Chester E. Finn, Jr., Michael J. Petrilli, *Trends in Charter School Authorizing* (Washington, DC: Thomas B. Fordham Institute, May 2006).
6. For more on private sector contracting relationships, see Gary Gereffi, John Humphrey, and Timothy Sturgeon, "The Governance of Global Value Chains," *Review of International Political Economy* 12, no. 1 (February 2005): 78-104; Erin Anderson and Sandy D. Jap, "The Dark Side of Close Relationships," *MIT Sloan Management Review* 46, no. 3 (Spring 2005): 75-82.
7. Robin J. Lake, *Holding Charter Authorizers Accountable: Why It Is Important and How It Might Be Done*, National Charter School Research Project White Paper Series, No. 1 (Seattle: Center on Reinventing Public Education, 2006).

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