



Agency Capacity and Infrastructure

Built for Quality: The Capacity Needed to Oversee Charter Schools

Introduction

The term “authorizer” conveys an imposing sense of size and authority, but in the world of charter schools, the authorizer is often a small-scale office or, more commonly, a single employee for whom chartering is just one among many responsibilities amidst a large institution like a state or local board of education, university, or private nonprofit. Thus, the “blood, sweat, and tears” of authorizing are typically shed inconspicuously from the periphery of an organization that has a much broader focus.

How many people does it take to make an effective “authorizer?” More doesn’t necessarily mean better, but enough is essential.

Yet authorizing demands a range of capacities, some very new to the public-education arena. In this brief, we examine three capacity issues: the kinds of resources needed for effective authorizing; the challenges commonly

encountered in securing these resources; and capacity-building strategies used by some leading authorizers to meet the demands of this work.

Identifying the Capacity Needs

By “authorizing,” we mean: 1) awarding charters to founding groups that demonstrate the capacity to run quality charter schools; 2) establishing clear expectations for performance; 3) gathering the data necessary to ensure

that those expectations are being met; and ultimately, 4) evaluating and taking appropriate action based on a school’s performance in relation to its expectations. While these tasks may sound simple enough, in practice they require *human*, *organizational*, and *financial* resources fit for the job.

Human Resources

How many people does it take to make an effective “authorizer?” More doesn’t necessarily mean better, but *enough* is essential. There’s no guarantee that having scores of staff will produce terrific charter schools—indeed, the charter model argues otherwise—but an *under*-manned authorizer office that lacks capacity for strong oversight can lead to disaster.

Yet skills and attitude are more important than the sheer number of warm bodies. A lean office, with savvy staff supported by systems for managing the workload, can be far more effective than one that’s amply staffed but clueless about its mission and strategy.

The authorizer’s fundamental question (asked in applications, site visits, and renewals) is “How good is good enough?” (Hill et al., 1998; Hassel & Herdman, 2000). Consider the skills needed to answer that question in two domains of oversight: academics and operations.

Knowing whether a school's academic program is "good enough" requires familiarity with curricula; understanding the traits of an effective school leader; ability to distinguish real professional development from show-and-tell; and enough assessment background to read test scores and know whether the school is adding value.

Effective oversight of operational issues requires, at a minimum, the ability to tell a strong business plan from a weak one; a grasp of legal and regulatory issues; understanding of charter schools' compliance requirements; and the capability to support governing boards while keeping an eye on their effectiveness.

What affects an authorizer's capacity to carry out these core responsibilities? Few authorizers are flush with staff, no matter the range of responsibilities, so the office head must be masterful at setting priorities and managing time. Moreover, directors of chartering agencies often have to serve as buffers between a small group of legally-independent schools and an education bureaucracy accustomed to control. They may spend a considerable amount of time brokering, negotiating, and translating as the worlds of traditional hierarchy and charter autonomy collide.

Good authorizers nurture "social capital"—the intangible ties of trust and reliability that facilitate cooperation within families, institutions, and society at large. Despite the presence of a contract that spells out mutual obligations, relations between schools and authorizers can be friendly or confrontational, cooperative or compliance-driven, and building social capital between authorizer and schools is a good way to prevent a charter

school initiative from becoming rule-bound. As historian Francis Fukuyama points out, "[n]o contract can possibly specify every contingency that may arise between the parties; most presuppose a certain amount of goodwill that prevents the parties from taking advantage of unforeseen loopholes."¹

Social capital is earned. It increases when authorizers and schools follow through on commitments and deteriorates when promises are broken. It may be easier to maintain in a community of a few schools, but is just as important in larger systems where authorizers are dealing with scores of charters.

Organizational Capacity

In any organization, staff come and go, and leaders leave—perhaps with even greater frequency in the still-evolving world of charter authorizers. It's not uncommon for a small authorizing agency to be staffed by one or two professionals, with little guidance in the law about how to do their jobs. Under such circumstances, a single departure can mean a significant change in policy and style, a source of potential confusion for schools.

That's why it's important for authorizers, particularly in the early years, to devote time and resources to building organizational infrastructure. Of course this includes tangible equipment and technology such as copy machines and high-speed Internet access, but it centers on the routines and rituals that define an agency's attitude. A citywide authorizer might make a tradition of

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visiting every school by the end of September, so staff can put a friendly face to the name on the letterhead. A larger statewide authorizer might sponsor an online message board as a way of keeping communications open.

Authorizers build their most important organizational capacity by creating processes that promote coherence and quality while reducing static.

Authorizers build their most important organizational capacity by creating *processes* that promote coherence and quality while reducing static. Even the smallest charter authorizer should develop a “policies and procedures” manual that codifies both its organizational routines and its relationship to schools. Application guidelines should be supported by decision rubrics, so that the bases for approval and denial are as clear to subsequent agency staff as they are to current applicants.

Accountability policies and renewal protocols should be supported by consistent methods of generating and reviewing evidence.

Finances

Given the wide diversity of authorizing offices, it’s difficult to create a single standard of what *should* be spent. Yet it’s clear that authorizers themselves are not satisfied with

their current level of resources: In only 8 of 24 states surveyed by the Thomas B. Fordham Institute did authorizers say they are receiving “adequate” funding to support essential staff and activities.² One reason for this apparent under-investment is that authorizer funding is something of an afterthought in charter school law, which focuses almost exclusively on school-level resources and obligations. There is variation in funding sources and resource deployments among authorizers, as indicated in Table 1.³

There are two primary revenue streams for the operational costs of charter school authorizers—per pupil administrative fees and government line items. In 11 of the 24 states surveyed by Fordham, authorizers can charge fees to the schools they sponsor.⁴ For example, in Michigan, Ohio, and Wisconsin, authorizers can charge from one to five percent of a student’s per pupil expenditure as an administrative fee in exchange for providing a set of prescribed services. These fees are generally negotiated between a school and its authorizer; in states with multiple authorizers, there is competition among authorizers over what the market will bear. This approach is appealing in that it provides revenue growth as the charter

Table 1: Authorizer staffing and funding sources

Authorizer	# of Schools Overseen	# of Salaried Staff	Approximate School: Staff Ratio	Funding Sources
Arizona State Board for Charter Schools	341	6	57:1	State appropriation
Central Michigan University	56	35	2:1	3% administrative fee levied to schools; university, state and federal funds
Los Angeles Unified School District	49	4.5	11:1	1.5% to 3% administrative fee levied to schools; district, state, and federal funds
North Carolina State Board of Education	100	5	20:1	State and federal funds
Oakland (CA) Unified School District	15	1.5	10:1	1% of charter school State General Purpose Revenue; State Charter School Categorical Block Grant (for staff)
State University of New York	30	16	2:1	State appropriation

sector scales up. But since the fees cut into charter school budgets, it also imposes on authorizers a solemn obligation to provide services worth their cost.

Many authorizers are also funded through one or more public *line items*. These generally take the form of allocations from state and local boards of education, or directly from municipalities. In states such as Massachusetts and Texas in which the SEA can grant charters directly, the authorizing office is allocated a portion of the state's Department of Education budget. Although data are hard to come by, the same is likely true for the nine out of ten current authorizers housed within school districts or county offices of education.⁵ Line-item funding can provide adequate resources if chartering is a stable priority for states and districts; but since budgets are negotiated annually, line-items can also be cut in lean times or eliminated when there are transitions in political leadership.

Authorizer funding may be especially fragile in school districts that charter only a few schools, since the “authorizer” may be a single staff person devoting less than half time to the task. In many cases, there is no line-item for this work; it's simply part of the Office of Accountability or some other district function.

Little recognized is the funding needed for start-up costs to support the growing number of *new* authorizers. As additional districts, non-profits and higher education institutions embark on chartering, they may need to invest in technology and staff development to get up to speed.⁶

Challenges

Why is it hard for authorizers to build all the capacity they need? Here are a few reasons:

Authorizers Don't Fit the Mold

“Charter authorizers,” says one observer, “are like shacks on the sides of skyscrapers.”⁷ Since the signing of the Elementary and

Secondary Education Act in 1965, federal and state funds (and their accompanying rules and regulations) have been funneled through state and local education agencies. While authorizers can be LEAs or SEAs, they are also non-profit organizations, universities, and mayoral offices that sit outside this traditional structure. Couple this ambiguity with the fact that authorizers are overseeing public schools governed by their own boards of trustees, and that the schools themselves may be district-based or freestanding LEAs, and it's easy to understand why the roles and responsibilities of an authorizer are often murky.

The Playing Field Keeps Growing

Unlike many traditional school districts, where enrollment is relatively stable over time, charter authorizers often deal with a constantly growing playing field. Each new application cycle may produce new schools, and those approved often add grades over a period of time until reaching their full span. Fledgling authorizers may adopt a highly personalized approach (as in the case of one Ohio authorizer who personally delivered each school's allotment check as a way of staying in touch). But when the numbers climb to fifteen or twenty schools, something's got to give—and maintaining personal ties may become a difficult chore. If adding personnel is out of the question, the authorizer may need to shift toward more emphasis on quantitative and easily standardized data, or investigate outsourcing some of the on-site monitoring. Providing accountability and service to a large and diverse portfolio of schools requires nimble management.

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Politics

When a school implodes (not via an orderly process of review, but through financial mismanagement), parents and political leaders need to hold someone accountable. An authorizer that wrote a shaky contract or

failed to monitor the school will find itself a lightning rod for controversy—and rightly so.

But even the most conscientious authorizers can get caught in political wrangling between progressive reformers and those who are comfortable with the *status quo*. Several universities, upon becoming charter authorizers, have been warned by backward-looking superintendents that they would no longer hire their education-college grads. Other authorizers have borne the brunt of resource arguments, with angry district officials asserting that every school they approve will drain needed dollars from the “public-school” treasury.

Expanding Capacity: Build, Buy, or Borrow

Given limited resources and big demands, authorizers must determine which tasks require office staff, and which can be done through contracts or collaboration. Each approach has its benefits and challenges:

- **Building** in-house capacity provides the authorizer a chance to have complete control of the work from conception to delivery. For example, given the sensitive political nature of granting charters, an authorizer might want to own the application process from start to finish. Managing

functions with salaried or part-time staff might be less expensive than hiring consultants over the long haul.

However, hiring full time staff for work that is either very short in duration and/or very specialized in terms of

content knowledge may not be the best use of resources either. In states where the law permits authorizers to set specific calendars for receipt of applications and award of charters, it may not make sense to hire permanent staff for intensely cyclical activities.

- **Buying** services makes sense when the authorizer does not have the in-house skills to deliver on its responsibilities or when it is beneficial to bring third-party credibility into what can be politically contested decisions. For these reasons, many authorizers outsource all or parts of their financial management functions; charter application reviews; school reviews; the development of facilities financing structures; legal reviews of contracts; and special education reviews. However, over-reliance on outsourcing can become expensive, and managing a large number of discrete contracts can be cumbersome. And when authorizers simply collate reports from external sources, the focus can shift from quality to process and distance the authorizers from the real lives of schools they oversee.

- **Cross-Agency Collaborations** are another way to stretch the resources of lean offices. A “free,” but important capacity resource for all authorizers is intra- and inter-governmental support. SEAs, LEAs, and municipal entities can work within their respective government agencies to develop special education review teams, sort through legal challenges, and provide financial or academic reviews. These collaborations not only save the authorizer from re-inventing the wheel, but can also help keep an authorizer’s full-time staff small. However, like “buying” services, such collaborations come with the inherent tradeoff that the authorizer has little control of service delivery and does not directly benefit from the insights gained through doing the work in-house.

Depending on its philosophy, resources, and political context, an authorizer will use some combination of these three strategies, falling somewhere along a continuum that leans toward building infrastructure on one extreme and heavily outsourcing on the other.

For illustrative purposes we have highlighted three authorizers on this continuum (Figure 1). Central Michigan University (CMU) relies

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more on a building approach. The Mayor of Indianapolis' charter office relies heavily on "buying" key resources, at least at this early stage in its development. Arizona's State Board of Charter Schools, an independent, governor-appointed board, relies heavily on maximizing its ability to collaborate with other government agencies.

Central Michigan University, with an annual budget of \$5 million to oversee 56 charter schools, has built a strong internal infrastructure. Currently, CMU has 35 full time staff divided into three major divisions aligned with the sections of the charter contract: education, finance, and governance. Beyond these core functions, CMU has dedicated staff to support charter school advocacy, accountability research and design, and systems development. CMU still outsources much of its financial auditing functions and collaborates with private vendors such as Standard and Poor's to develop a range of technology solutions, but overall, it calls on outside consultants only for one-time tasks that require specific expertise, rather than ongoing authorizer responsibilities.

CMU's approach allows for the authorizer to build its office capacity over time and to dedicate significant time at each school (For example, CMU staff often attend the board meetings of the schools). The size of this office is made possible by Michigan's fee structure, providing authorizers 3% of per-capita student funding. With the revenue generated by the 26,000 students now in CMU-authorized charters, the authorizer is able to fulfill its oversight responsibilities and offer services and training for improving school operations.

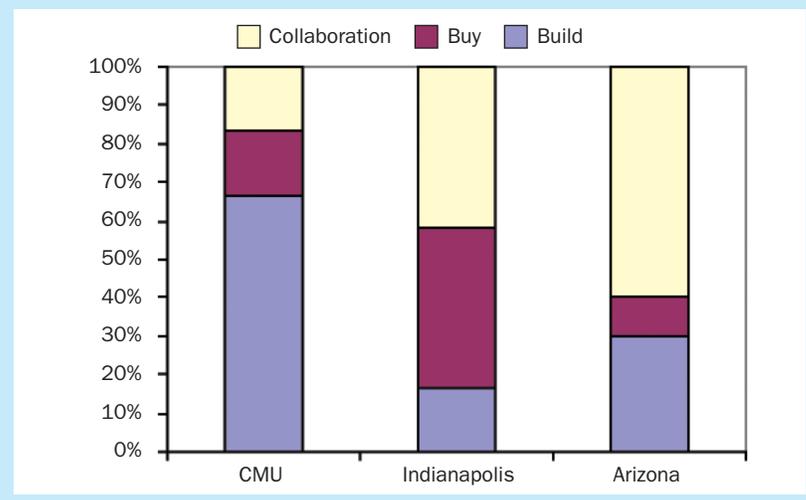
Charter Schools Office of the Mayor of Indianapolis, as a special office within Mayor Bart Peterson's administration, has three staff to manage six schools.⁸ The office, which opened its doors in 2001, consists of a Director, a Assistant Director, and a Special Assistant. With significant start-up support

from the Annie E. Casey Foundation, the Office uses a range of public and private partners to deliver on its responsibilities:

- Application templates and ongoing oversight materials were developed in cooperation with consultants.
- Site visits and parent and staff surveys are coordinated through a partnership with the University of Indianapolis.
- The financial and governance components of charter school applications are evaluated by paid external reviewers.
- Value added analyses of student performance are conducted by consultants.
- The website was designed by the City's technology unit.
- Financial analyses are conducted on a quarterly basis by an outside auditing firm.
- A special education cooperative was established in collaboration with consultants involved in establishing the Washington D.C. cooperative and Indiana special education officials.

Figure 1.
Three approaches to building authorizer capacity.

This figure summarizes in broad strokes how authorizers within Central Michigan University, the Mayor of Indianapolis, and the Arizona State Board of Charter Schools approach building, buying or collaborating with other agencies to address the responsibilities of their respective offices.



Since the Mayor's charter initiative has attracted significant philanthropic support, it is able to build tools and processes with soft money while keeping the core office budget lean. As part of the Mayor's office, the charter staff can access a rich set of internal supports ranging from public relations staff and legal counsel to transportation and building inspectors. As its oversight duties grow and if soft money is less plentiful, the office may need reduce its reliance on consultants and build up its core staff, but at this point, it's a balance that's working.

The **Arizona State Board for Charter Schools**, with eight full-time staff and a budget of \$683,100, oversees over 400 charter school sites. The staff consists of an Executive Director, a Director of Academic Affairs, a Director of Governmental and Financial Affairs, a Governmental and Financial Affairs Specialist, a Research and Statistical Analyst, a Business Affairs Specialist, a Contract Specialist, and a Charter School Specialist. The office stays slim by managing relationships with external agencies and capitalizing on school-level requirements of Arizona law.

ASBCS works closely with state agencies to facilitate data reporting. However, its status as an independent agency enables it to contest any reporting not clearly linked to student achievement. This helps minimize administrative burden on both the Board and schools it oversees.

ASBCS maintains active relationships with municipal and state agencies ranging from local fire marshals to the Auditor General's office. Through active communication with these agencies, the authorizer is able to catch issues early and develop a documentation trail on the relative performance of each school. ASBCS visits to school sites are unannounced, often triggered by complaints from oversight agencies that serve as partners in the Board's accountability process.

The Board monitors compliance issues by requiring that schools' annual audits (required by law) include evidence of special education and other mandated compliance as well as fiscal and operational items.

Through this mix of efficiency measures, ASBCS is able to oversee more charter schools than any other authorizer in the country despite a very lean staff. Although this approach may be inspired by the challenge of overseeing a substantial number of schools scattered across a large state, it can also inform practice for district authorizers working under tight budgetary constraints.

Stretching the Authorizer Dollar

Wherever authorizers fall on the build-or-buy spectrum, they need to finance their plans. A core operating budget is essential, as is a longer term strategy for keeping pace with the growth of the schools it oversees. Some fundamental questions can frame this process.

Regarding current *revenue* streams:

- Are we generating enough revenue to do a quality job?
- Are we fully accessing all federal and state funds for which we are eligible?
- Are we doing cutting edge work that might attract philanthropic support?

Regarding *expenditures*:

- Are we dedicating sufficient resources against each of the core functions of our work?
- Where there are deficiencies, can we collaborate with a quality colleague in another agency or university to get the work done?
- Should we try and address the areas of deficiency with in-house staff or consultants?

Conclusion

The focus of the charter school movement has—and should continue to be—on the schools. However, there is a growing recognition that *authorizer capacity* is also an essential component to creating a supply of quality charter schools.

Since the charter school concept arrived just over a decade ago, and since concerted attention has been paid to charter authorizers only in the past three or four years, there is as yet no magic formula for perfect authorizing. It is quite clear, though, that the job is demanding and requires human, organizational, and financial resources fit for the task. Just like the schools they oversee, our leading authorizers are showing gumption and creativity in getting what they need to do the job right.

Endnotes

- 1 Fukuyama, Francis. "Social Capital and Civil Society." Monograph, IMF Conference on Second-Generation Reforms, Washington, DC, 1999.
- 2 Palmer, Louann Bierlein, and Rebecca Gau. *Charter School Authorizing: Are States Making the Grade?* Thomas B. Fordham Institute, June 2003, p. 19. Note that Bierlein et. al. focused on 24 of the 40 states with charter legislation. They made their selections based on the state's levels of chartering activity and autonomy granted to schools.
- 3 *Building Excellence in Charter Authorizing: Critical Design Issues, Illustrations, and Case Studies*. National Association of Charter School Authorizers; 2003, p. 16.
- 4 Palmer, op. cit., p 19.
- 5 SRI International: *A Decade of Public Charter Schools: Evaluation of the Public Charter Schools Program: 2000-2001 Evaluation Report*. US Department of Education, November 2002. p. 8.
- 6 For example in Ohio, House Bill 364 has stripped the Ohio Department of Education of its role as authorizer or "sponsor" to the state's 156 community charter schools. As a result, the Ohio Charter School Sponsor Institute was created to support the training of new sponsors, many of which are likely to be non-profit organizations.
- 7 Chester E. Finn, President, Thomas B. Fordham Foundation, NACSA conference, 2002.
- 8 The Mayor of Indianapolis' charter school office anticipates that it will be overseeing ten schools by the fall of 2004.

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