

Chapter Four

Charter School Start-Up: Resources and Challenges

One assumption of charter school laws is that there will be individuals and groups with the resources, will, and expertise to set up and successfully run charter schools. Without these individuals, charter school choice would be an empty abstraction. This chapter provides descriptions of the types of individuals and groups (which we shall call “founding coalitions”) that have successfully started charter schools in Pennsylvania, including their goals and their organizational, fiscal, and political resources. The first section describes the legal and administrative context of charter school start-up. In the second section we examine the Charter School Appeal Board, to which charter applicants may appeal charter denials. The third section discusses the goals of founding coalitions, and the chapter’s fourth considers founders’ organizational resources. The fifth section takes a look at the types of individuals involved in founding coalitions. The sixth section examines the political constraints and opportunities facing charter school founders. The final section looks at the characteristics of charter schools’ host districts to determine whether certain types of districts provide more fertile ground for charters than others.

During our initial study of Pennsylvania charter schools (Miron & Nelson, 2000), one of the key issues we examined was charter school start-up. This chapter, therefore, builds on our findings from the 2000 report. We have updated data and statistics where needed and when possible. We have also either further elaborated the discussion or supplemented our findings with new materials based on data collection from the 2001-02 school year.

The scope of the project prevented us from gathering data on all charter applicants. Thus, most of our discussion draws upon the characteristics of successful founding coalitions. Unfortunately, such data cannot help us determine whether these characteristics were important causes or driving factors in whether a given charter proposal was successful or unsuccessful.¹ This issue deserves

¹ In the language of causal inference, data on successes can at best identify a set of *sufficient* conditions of success (i.e., factors that *can* bring about an application’s success). Such data cannot, however, help us assess whether these factors are also *necessary* conditions of success (i.e., applications that do not have these factors fail). Demonstrating causality requires evaluators to show that a given factor (or set of factors) is both necessary *and* sufficient to produce the outcome in question.

further examination, since application success determines the range of choices available to parents and students and because the application and approval process is the first accountability hurdle charter schools must face. Thus, it is the first point at which public authorities can seek to ensure that charter schools use their autonomy in ways consistent with the public interest.

4.1 Legal and Administrative Context

In order to assess the legal requirements and restrictions on charter school start-up, we must address three questions: (1) Who may apply for charters? (2) What resources are provided for founding coalitions? and (3) Who may grant charters and according to what criteria? Each question is addressed in the paragraphs that follow.

Act 22 is relatively permissive on the question of who may apply for charters and on founders' ability to build upon preexisting schools. First, the law allows virtually any individual or group to apply for charters, except sectarian and for-profit organizations. Among the types of organizations and individuals specifically mentioned in the statute are teachers, parents and guardians, nonsectarian colleges and universities, not-for-profit corporations, associations, or any combination of the aforementioned categories. Second, Act 22 places few restrictions on founders' ability to build upon preexisting schools. In addition to new start-ups, the law allows founders to convert both public and private schools to charter schools. This distinguishes it from charter laws like Georgia's, which only allows for public conversions. Applications for public conversions, however, must include a petition with the signatures of 50 percent of the parents and 50 percent of teaching staff. Finally, unlike many state charter school laws, Act 22 places no caps on the number of charter schools (see chapter 3 for more on Act 22).

Starting a new school is a very resource-intensive activity. Before opening a charter school, its founders must spend a considerable amount of time planning and drafting the charter application. This requires time from individuals with skill and experience in education, finance, and organizational design. Founders must also begin to find physical facilities. Below we include a list of the topics and issues that charter applications must address:

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|---|--|
| <input type="checkbox"/> Identification of charter applicant | <input type="checkbox"/> Complaint procedures |
| <input type="checkbox"/> Name of school | <input type="checkbox"/> Description and address of physical facility |
| <input type="checkbox"/> Grade or age served | <input type="checkbox"/> Proposed school calendar |
| <input type="checkbox"/> Proposed governance structure | <input type="checkbox"/> Proposed faculty and professional development plan |
| <input type="checkbox"/> Mission and education goals, including curriculum and assessment methods | <input type="checkbox"/> Plans for student participation in school district extracurricular activities |
| <input type="checkbox"/> Admission policy | <input type="checkbox"/> Report of criminal history records for employees |
| <input type="checkbox"/> Criteria for student evaluation | <input type="checkbox"/> Official child abuse clearance statements |
| <input type="checkbox"/> Suspension and expulsion policy | <input type="checkbox"/> Plan for liability and insurance coverage |
| <input type="checkbox"/> Involvement of community groups | |
| <input type="checkbox"/> Financial and audit plans | |

Compared with many other states, the Pennsylvania Department of Education has been quite successful in obtaining federal and state start-up funds and distributing these funds to schools more quickly. This includes a pool of funds for planning grants to facilitate the development of charter applications. According to official records, the Pennsylvania Department of Education's Office of Educational Initiatives has awarded 273 planning grants over the past 7 years. The median grant amount is \$20,000. We shall have more to say about charter schools' fiscal resources in the next chapter.

Compared with other charter school laws, Act 22 is fairly restrictive in its requirements for chartering agencies. According to Act 22, only districts may sponsor charter schools. This distinguishes Act 22 from "stronger" or "more permissive" charter laws—such as those in Minnesota, Michigan, New York, and elsewhere—that allow universities, state agencies, and other public bodies to grant charters and oversee the schools. Charter applicants, however, may apply for "regional charters." Regional charters are granted and overseen by more than one school district. The idea behind regional charters was to encourage institutions that serve more than one school district—museums, universities, etc.—to propose and operate charter schools.² The Charter Appeals Board (CAB), however, pointed out that Act 22 permits charter schools to draw students from more than one district, whether they hold regional or single district charters.³ The effect of CAB's decision may have removed some of the incentive for founding coalitions to apply for regional charters. Indeed, of the 90 charter schools operating as of Fall 2002, only 8 are regional charters. Three of these 8 are cyber charter schools.⁴ Of these, the number of sponsoring districts has ranged from 2 to 18. In most of these cases, the sponsoring districts were involved in the early planning stages of the charter application and expressed early support. Table 4:1 lists the regional charter schools and the number of sponsoring districts.

Once they receive charter applications, Act 22 directs school districts to judge them in light of four criteria. First, applications must demonstrate sustainable support for the charter school plan. The issue of how precisely to gauge community support has come up in a number of cases heard by the Charter Appeals Board. In these cases, the Board has made it clear that applications must demonstrate support for the particular school in question, not just the charter concept.⁵ The remainder of the cases, however, make it clear that the Board prefers a fairly liberal interpretation of the term "support." Indeed, the Board has held that applications must show only that there is support for the charter school

² Personal correspondence with Ron Cowell, former chair of the Pennsylvania House of Representatives Committee on Education, May 11, 2000.

³ Collegium Charter School, CAB 1999-9; Hills Academy Charter School, CAB 1999-12; Phoenix, CAB 1999-10.

⁴ Two other cyber schools (Midwestern Regional Virtual and 21st Century) were each chartered by just one district, though each school's board includes representatives from several local school districts.

⁵ Shenango Valley Regional Charter School, CAB 1999-11.

and that evidence of opposition to the school is irrelevant. Moreover, the CAB has held that lack of support from any particular stakeholder group (e.g., district teachers) is not necessarily fatal to the application.⁶ The Board has also held that the requirement that applications provide evidence of community support does not imply that charters must show why stakeholder groups support the charter. Moreover, it has held that support for a district in no way diminishes a charter application.⁷

Table 4:1 Regional Charter Schools, Fall 2002

<i>Name of School</i>	<i>Number of Districts</i>	<i>School Year Opened</i>
Central PA Digital	18	2002-03
Northeast Charter School	14	1998-99
PA Learners Online	10	2001-02
Centre Learning Community	3	1998-99
SUSQ-CYBER Charter School	3	1998-99
Lehigh Valley Academy	2	2002-03
Vitalistic Therapeutic	2	2000-01
Keystone Education Center	2	1997-98

The second requirement is that applications must demonstrate that the charter is capable of providing a “comprehensive learning experience” to its students. Third, charter applications must provide information on a number of issues listed in the statute, including governance structure, admissions policies, discipline policies, and many others (sec. 1719-A). Finally, charter applications must demonstrate that the proposed charter school has the potential to serve as a model for other schools. However, the Charter Appeals Board has ruled that the economic feasibility of a charter innovation for a district should have no bearing on whether the charter is approved.⁸

4.2 The Charter Appeals Board

The Charter Appeals Board (CAB) plays a critical role in the charter application process. It is beyond the scope of this report to provide an extensive evaluation of the CAB and its processes. We can, however, provide an overview of its processes and some of the policy issues raised by its role in the start-up process.

⁶ Souderton Charter School Collaborative, CAB 1999-2; Ronald H. Brown Charter School, CAB 1999-1; Shenango; Hills Academy Charter School, CAB 1999-12; Phoenix Academy Charter School, CAB 1999-10; William Bradford Academy Charter School, CAB 1999-8.

⁷ William Bradford Academy Charter School, CAB 1999-8

⁸ Vitalistic Therapeutic Center Charter School, CAB 1999-6.

The CAB was in many ways the result of a political compromise between those who wished to give school districts sole authority to approve, oversee, and renew charters and those who wished to spread such authority among a number of actors.⁹ As part of the compromise, the CAB was not formally constituted until July 1, 1999—some two years after the effective date of Act 22. The CAB is composed of seven members, including the Secretary of Education and six others appointed by the governor and confirmed by the Senate.¹⁰ Among the six appointed members, one individual is to come from each of the following categories:

- parent of a school-aged child
- local school board member
- public school teacher
- faculty member or administrator in higher education
- businessperson
- member of the State Board of Education

The CAB's primary function is to hear the appeals of charter schools and their founding coalitions whose applications for charters have been denied by school districts. These can include denials of original applications, denials of applications resubmitted after an initial denial, and revocation of a charter.¹¹

The CAB employs a quasi-judicial process in considering appeals, complete with hearings, records, and counsel for both sides. In order to certify an appeal, applicants must gather signatures from 2 percent of the adults in the community or 1,000 adults, whichever is less. The petition for appeal and the signatures are then presented to the local Court of Common Pleas for a hearing on the "sufficiency" of the petition. Provided the petition is in order, the Court of Common Pleas forwards it to the CAB. Having received a certified appeal, the CAB provides written notice of acceptance, assigns a docket number, and requests that the district provide a certified record of the charter denial proceedings. The official record of the appeal includes the following:

- charter application
- supplemental materials submitted by the charter applicants
- transcripts of testimony taken by the district
- exhibits offered in conjunction with testimony before the district
- any other documents the district relied upon in making its decision
- the district's written decision to deny the charter

⁹ Personal correspondence with Ron Cowell, former chair of the Pennsylvania House of Representatives Committee on Education, May 11, 2000.

¹⁰ Descriptive information on the CAB and its procedures is taken from PDE's Web site: <http://www.pde.psu.edu/charter.html>.

¹¹ As of Fall 2002, only two charters had been revoked. Both schools appealed the revocations to the CAB, which upheld the district's position in each case.

With the record in hand, the CAB must assign a hearing officer to the case and meet within 30 days of receiving the materials. This officer holds prehearing conferences with counsel for both the district and the charter school. After a formal hearing, the CAB renders a written decision. If it upholds the denial or revocation of a charter, it simply notifies both parties of its decision. If the CAB overturns district denial or revocation, the school district must grant (or reinstate) the charter within 10 days of receiving the notice. If the school district fails to grant the charter within this period, the charter is signed by the Chair of the CAB.

As of October 10, 2002, the CAB had issued decisions on 37 appeals. Of those decisions, 15 overturned the district's denial of a charter. Thus, charter schools have prevailed in 41 percent of the cases appealed to the CAB. In all but one of those cases, the school district failed to grant the charter within the prescribed 10 days, requiring the chair of the CAB to sign the charter.¹² State courts have issued decisions on at least 12 appeals of CAB decisions. In 10 of these appeals the state courts affirmed the CAB's decision. One appeal was dismissed, which meant the CAB decision stood, and one appealed was remanded to the CAB.¹³

Along with providing a "second chance" for founding coalitions frustrated by school districts' denials or inaction, through its written decisions the CAB also provides interpretations of Act 22. We have referred to these precedents when expounding on relevant sections of the Act.

Some stakeholders have raised concerns about the CAB's processes and its role in charter approval. While it is well beyond the scope of this report to provide a complete evaluation of the CAB, we mention three such concerns. It is important to note that this evaluation makes no claims about the veracity of these claims. They are merely offered as issues for further consideration.

First, some stakeholders have questioned whether CAB members have the time and resources to fully consider the appeals, especially in light of the fact that most or all members have other full-time jobs, and given the extensive written records associated with some of the appeals. One appeal record, for instance, was approximately 12 inches thick. Defenders of the process counter that board members have a staff that can summarize documents and otherwise ease the burden.¹⁴ Second, some stakeholders worry that the burdens of the appeals process favor districts, which generally have more legal and financial resources

¹² Unfortunately, we could not determine how many denials were *not* appealed or whether those that were appealed are distinctive in some way. For instance, it is possible that only the strongest applications are appealed. Hence, we cannot say with any confidence that any given appeal has a 41 percent chance of success. Indeed, the charter school success rate might be lower if more cases were appealed.

¹³ In the remanded case the Commonwealth Court sent the case back to the CAB to review a finalized management agreement between a charter school and its EMO. The CAB issued its previous ruling based on a "model" agreement (Lincoln-Edison Charter School CAB 2000-11).

¹⁴ "The Charter Schools Appeals Board," a panel discussion on the Charter Appeals Board at the Pennsylvania State Charter School Conference, State College, PA, April 2000. The discussion included criticisms and defenses of the CAB. The panelists were Amos Goodall, Esq., Scott Etter, Esq., and Connie H. Davis.

to draw upon than charter schools. As we have seen, charter schools have won just about as often as they have lost CAB decisions (Duquesne Charter School Project, 2000). With no way of observing the denials that were not appealed, however, it is possible that a great number of denied founding coalitions balked at the costs of appeal and decided *ex ante* not to pursue an appeal. Thus, looking at charter schools' "batting average" before the CAB without understanding the factors that determine how and whether they "come to the plate" in the first place might provide an incorrect estimate of the Board's proclivities. Finally, some stakeholders point out that because many decisions are rendered close to the beginning of the school year, this creates an intolerable amount of uncertainty for charter school personnel (Duquesne Charter School Project, 2000). It is important to note, however, that the timing of CAB decisions depends in part on factors outside its control, including when school districts deny charters and when founding coalitions petition the CAB.

A final issue, and one that reaches beyond CAB processes, concerns how charter schools approved on appeal will fare in what is likely to be a hostile school district environment. Because many of the schools with charters from the CAB are new, we cannot provide an empirically grounded answer to this important question. We will explore this issue in the next and final year of our contract. Nevertheless, preliminary indications are that charters approved on appeal will not have smooth relationships with their school districts.

Ten of the schools operating during the 2001-02 academic year were granted charters solely by the CAB.¹⁵ Only one of these, Collegium, has had its charter renewed by its host district. In this case the major point of contention between the district and the charter school was the presence of an EMO, Mosaica Education Inc. When the school severed its relationship with Mosaica, relations with the district improved and a five-year renewal was granted in March 2002.

Since the other nine schools have charters expiring in 2003, 2004, and 2005, charter renewal is not yet an issue. However, at least three of these schools have been involved in litigation with their host districts since the CAB granted the charters.

4.3 Founders' Goals

Earlier in the chapter, we described the legal and administrative contexts of charter development and approval. Statutory provisions and administrative structures, however, tell us only what is legally and institutionally permissible. In order to ascertain what is practically possible, we must look further to the resources, constraints, and opportunities that would-be founding coalitions face in seeking to found charter schools. We begin by examining some of the personal characteristics of those who have successfully founded charter schools in Pennsylvania.

¹⁵ One other school, Vitalistic Therapeutic Charter School, was granted a charter by the CAB in an appeal of Bethlehem's denial. Vitalistic was also granted a charter by the Allentown school district.

Charter school founders are examples of what is known in the policy literature as “policy entrepreneurs” (see, e.g., Scheider & Teske, 1992; Mintrom, 2000). Policy entrepreneurs are those who look for and seize upon opportunities to bring about new policies, institutional structures, and organizational forms. Whether a given individual or organization is a policy entrepreneur, therefore, depends both on personal characteristics (vision, ambition, charisma) and on the types of opportunities afforded by their environments. While it is difficult to observe vision and ambition in large groups of individuals, we can offer observations on the identities and goals of successful charter founders.

Interviews and document analysis suggest that charter school founders in Pennsylvania have had fairly clear goals when they set out to develop their applications. Among these were to

- Provide choice for low-income children.
- Provide a venue for the realization of good ideas in districts that were reportedly hindered by bureaucratic encumbrances.
- Promote change in the host district and surrounding districts.
- Provide students with a local school after a district closes or consolidates a school.
- Inculcate a particular cultural or ethnic perspective.
- In the case of conversion schools, continue and extend previous services. In some cases, this involves extending preschool services into lower elementary levels. In other cases, it involves providing services at the same grade levels but to a broader population of students. In a number of cases, the desire to procure a more reliable revenue stream was an important motive for converting a private school into a charter school.

4.4 Founders’ Organizational Resources

Actualizing these goals, however, can often be a very costly and time-consuming undertaking. First, and perhaps most obviously, developing a charter school and shepherding it through the approval process takes money. Fiscal resources might be necessary to buy materials or to compensate people who take time off from jobs and other remunerative activities to develop the charter. Second, founders are more likely to succeed if they can draw upon individuals with certain technical skills related to education. Other things being equal, charter applications are more likely to persuade authorizing bodies if the founders appear to know what they are talking about. Many founding coalitions have included current and former teachers and administrators who bring such expertise to the table. In addition, applicants must assure authorizing bodies that they know how to manage personnel, plan, budget, and account for expenditures. Third, charter applicants must have a stock of what social scientists call “social capital.” Social capital is what allows individuals, each with their own preferences and plans, to come together to work toward shared goals. Social capital is often developed through longstanding relationships among individuals. The importance of such resources

is underscored by the fact that, under the terms of Act 22, charter applicants must show that they have the capacity to provide a comprehensive educational experience for their students and that they could provide a model for emulation by other schools.

Preexisting organizations can provide all three types of resources. Not surprisingly, therefore, the first and most notable common characteristic of successful charter school founding coalitions is that most included personnel from either preexisting schools, community development organizations, ethnic-based organizations, or other nonprofit organizations. Such organizational resources have included the following:

- ❑ Preexisting schools converted to charter schools often provide personnel and institutional wisdom from years of operation.
- ❑ Preexisting, nonprofit, community-based social service organizations provide both administrative expertise and access to funding sources (both within the organization and through longstanding relationships with external funders).
- ❑ Relationships with universities often bring the technical expertise of education school faculty.
- ❑ Ties to business leaders often bring access to funders and other influential members of the community.

Thus, while many of Pennsylvania's charter schools are new start-ups from a legal point view, even these schools often draw upon rather impressive organizational and social networks.

Nonprofit community-based organizations are extensively involved in the founding and start-up of charter schools in Pennsylvania. This is a rather unique feature of the Pennsylvania initiative that makes it different from other states. Partnerships with nonprofit community organizations have long been considered a potential source of support for public schools, particularly in urban areas. There are likely a number of reasons to explain why community organizations are involved in only a limited way in our public schools. Charter schools in Pennsylvania, however, have been effective in working with these organizations. Likewise, community organizations have come to see charter schools as a means of promoting their own goals by supplementing the services they already provide.

Other charter schools were opened with assistance from for-profit companies. Two of the 31 schools opened in the first 2 years under Act 22 were involved with for-profit educational management organizations (EMOs). In the 1999-00 school year, 3 of the 17 new charter schools were operated by EMOs. EMOs operated 6 of the 19 new schools in the 2000-01 school year and 3 of the 11 new schools for 2001-02. This represents a big jump; but compared with other states, the involvement of EMOs is still quite limited. The low profile of EMOs in Pennsylvania's charter school reform sets it apart from a number of other states. In Michigan, for instance, some three-quarters of charter schools are operated by EMOs (Miron & Nelson, 2002).

We close this section by offering a simple typology that summarizes the role of organizations in the charter school start-up process (see Table 4:2). On the

horizontal axis we identify the number of schools that have clear connections to community and other nongovernmental organizations, EMOs, and Intermediate Units (IU) or school districts. This latter group of schools includes cyber schools that operate out of IU offices and other schools that act as an extension of their chartering district(s) or as a complement to the services they provide. The vertical axis distinguishes schools that developed from preexisting schools (either public or private) from those that were started from scratch.

Table 4:2 Organizational Bases of Pennsylvania Charter Schools

	<i>For-Profit EMO</i>	<i>Community-Based Organization</i>	<i>IU/School District</i>	<i>None</i>
Based on preexisting school	(1) 1.3%	(1) 1.3%	(1) 1.3%	(8) 10.5%
Start-up school	(13) 17.1%	(24) 31.6%	(5) 6.6%	(23) 30.3%
Total	(14) 18.4%	(25) 32.9%	(6) 7.9%	(31) 40.8%

Source: Analysis by The Evaluation Center based on 76 schools operating in 2001-02.

The data in Table 4:2 and illustrated in Figure 4:1 clearly illustrate the extensive organizational base behind the charter schools. Sixty percent of the schools had a nongovernmental organization behind them or were supported by the school district(s) or the Intermediate Unit. Altogether, 14 percent of the schools were conversion schools and 86 percent were new start-ups. The group of schools most challenged is likely to be the 23 start-up schools with no organizational base behind them.

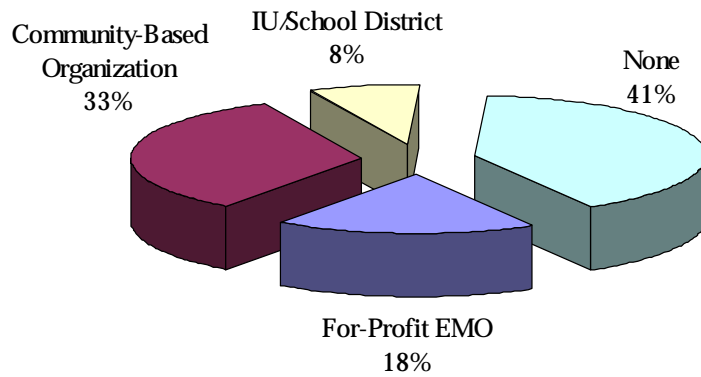


Figure 4:1 Distribution of Charter Schools by Presence and Nature of Organizational Base

4.5 Types of Individuals Involved in Charter Founding Coalitions

Some individuals found among the ranks of charter school founders are former public school teachers and administrators. In most cases these individuals are in some way dissatisfied with public schools. Interviews with charter school chief administrative officers (CAOs) suggest that many members of founding coalitions

are quite pessimistic about the current system of public education. For at least one founding coalition, the public school system was so bad that just about any alternative, including but not limited to charter schools, “had to be better.” Other founders, by contrast, were less strident in their criticisms of public education. Indeed, a founder of another charter school remarked that his school’s founding coalition believed that public schools and their staffs are full of good ideas, but that talented individuals have too few opportunities to innovate in most public schools. Indeed, many charter school founders report that they maintain friendships and professional relationships with officials in their former schools. A few (though not many) report exchanging ideas with district personnel.

University academics make up a second group of individuals among charter school founding coalitions. Such individuals often view charter schools as a venue in which to try out new and innovative ideas about education. The level of such individuals’ involvement in charter schools ranges from central to merely advisory. One charter school, for instance, was founded by a professor of education and graduate students. In other cases, committees formed to draft charter documents have included university faculty. In still other cases, academicians have advised founding coalitions without formally participating in the drafting of charter documents.

Members of the business community make up a third group represented in founding coalitions. In at least a few cases, leaders from local businesses have helped create the initial vision for a charter school or have served on committees created to draft charter applications. Often, business involvement comes through participation on boards that oversee nonprofit organizations.

In a small number of cases, charter proposals were tendered by groups formed specifically for charter development. In one case, the group that developed and submitted the charter application had come together initially to sue the local district for providing an inferior education to many students.

In the previous section, we emphasized that community-based nonprofit organizations as well as for-profit EMOs have been involved in starting and operating charter schools. These groups, of course, have been very critical in the initial founding group. In a few cases, however, the involvement of the EMO or the community-based organization came after the charter school was started.

While local districts have been generally opposed to charter schools, we found 6 schools in which either local district officials or the Intermediate Unit were involved in starting or promoting the start of a charter school. These schools typically have been designed to provide complementary services not already provided by the local districts. Most often this involves the cyber schools.

Parents were conspicuously absent from many founding coalitions during the first two years of charter schools in Pennsylvania. However, parents have been heavily involved in the founding coalitions of a few charter schools opened in the past few years. There is evidence that parents become involved in the later stages of charter school development and operation (see chapter 9). However, our interviews produced little mention of parents as direct and driving forces in charter development. This does not rule out the possibility that parents indirectly influence charter development. Indeed, one might argue that the need to attract

students (and their parents) in order to obtain funding means that founding coalitions must anticipate parents' preferences when deciding whether to write a charter application and in designing the charter document. Indeed, some CAOs indicated as much during interviews. Nonetheless, we found little evidence that parents are taking the lead in instigating the charter development process in Pennsylvania.

4.6 Political Constraints and Opportunities

The charter approval process is far from a narrowly technical one. The authority to approve or deny charters is given to school districts through local school boards. As democratically elected bodies, school boards respond at least in part to their constituencies. Consequently, the decision to approve or deny a charter is at least partially a political process. Indeed, one criterion on which school districts must evaluate charter applications is the level of sustainable community support. Thus, we must add local political climate to the list of factors that influence the founding of charter schools. As policy entrepreneurs, successful founding coalitions must not only provide resources, goals, and vision, they must also be able to read and exploit opportunities created by the constellation of local political forces.

Generally, school boards have considerable incentives to deny charters. First, because students who leave district schools to attend charters take with them most of their per-pupil financial allotment, districts stand to lose considerable sums of money.¹⁶ In the extreme, this could force districts to lay off teachers and staff, cut back on programs, or even close schools. Second, and less tangibly, approving a charter might be seen as an admission by the district that it has failed to provide a high quality education for all its students. With this might come a diminution of public prestige and a decline in district staff morale.

In spite of these considerable incentives, as of Fall 2002, Pennsylvania school districts had approved 81 of 94 charters; the remaining 13 were approved on appeal by the CAB.¹⁷ It is important to note that 43 of these 81 district-approved charters were approved by School District of Philadelphia.¹⁸ While the scope of the study prevented us from conducting a complete political analysis of charter approval, we asked charter school CAOs to identify the reasons they thought districts supported their charter schools. In many instances charter school CAOs reported that denying the charter would have subjected the local school board to a political backlash. In the words of one CAO, the district approved the charter "because they felt they had to." A few informants indicated that the local boards

¹⁶ Last year, Act 88 provided for partial reimbursement from the state for a percentage of the money districts sent to charter schools. However, the legislation applied only to the 2001-02 school year, not to future years.

¹⁷ Ninety charter schools are operating as of Fall 2002. Four others have been approved, but these schools are not yet operating.

¹⁸ We have no data on the number of charter applications that school districts have denied.

were under the impression that, under the law, they didn't have the choice of denying charter applications. When the appeals board started reviewing cases, however, districts obviously became aware that they had such a choice.

Political support for charter applications often comes from two sources. First, charter schools often tap into general skepticism about "big government" and educational "bureaucracies." Indeed, many charter applicants are no doubt helped by the public perception that they are dynamic and entrepreneurial Davids fighting entrenched and ossified district Goliaths. Second, founding coalitions can often draw upon their ties with powerful community leaders. Ties with community organizations often align charter applicants with highly visible community figures, including business leaders, foundation program officers, prominent academics and, in some cases, mayors and other elected officials.

Not all charter applicants assume the role of David fighting Goliath, however. One CAO, for instance, said that his founding coalition was successful in part because it was "upbeat about public education." By emphasizing that public schools already have a great deal of talent and potential for innovation, this coalition sought to frame its efforts as a form of cooperation with the district.

Indeed, not all charter approvals come about as the result of political muscle and tactics. Some districts apparently think they have something to gain from approving charters. First, a number of Pennsylvania charter schools target at-risk populations and other students who are likely to create heavy burdens for district schools. Indeed, it is not unusual for districts to actively support and even cosponsor such charter schools. The CAO of one such charter school speculates, however, that his founding coalition would have faced rough sledding had its charter concept targeted mainstream or gifted students. Second, several charter school CAOs speculated that charter schools provide a convenient whipping boy for districts. For instance, several CAOs reported that district personnel had cited funding losses due to charter schools to justify poor performance on standardized tests and cutbacks in programs. Finally, in at least one instance, a charter school and its host district jointly procured a multi-million-dollar foundation grant. The CAO of the charter school speculates that funders might not have given the grant to the district without the presence of the charter school. To some, therefore, approving a charter appears not as an admission of failure but as an indication that the district is working hard to improve its programs.

We must emphasize, however, that our inability to examine the attributes of unsuccessful charter school applications and founding coalitions leaves us unable to assess whether the aforementioned resources and conditions have any causal importance. Indeed, it may be nothing more than coincidence that most successful founding coalitions, for instance, have strong ties to preexisting community organizations and schools. We hope that others will examine this issue in greater detail.

4.7 Characteristics of Chartering Districts

Having examined some of the attributes of the founding coalitions that develop and present charter applications, we now examine the characteristics of chartering districts. Indeed, founding coalitions, like all policy entrepreneurs, must draw

upon the fiscal, human, and political resources they find in their communities. The analysis, therefore, begins to shed light on whether districts with certain types of characteristics are more fertile ground for charter schools than others. Once, again, however, we are limited by the fact that we did not have good data on the incidence of charter proposals. The analysis below simply compares districts with approved charters with districts without approved charters.¹⁹ We have no systematic way of knowing how many districts without approved charter schools rejected a charter proposal. The analysis in this section includes all 76 charter schools completing the 2001-02 academic year.

We began our analysis by investigating differences in the number of potential charter school students in a district. In many ways, this is difficult to estimate, since it is a function of not only the number of students in a district, but also the number of others in surrounding districts who might be interested in an alternative to their districts' offerings. Moreover, the population must include both public and private school students. Given the limits of the study, we simply compared the public school enrollment for chartering and nonchartering districts. Data came from PDE school profiles for the 2001-02 school year. Table 4:3 presents the median total district enrollment for both chartering and nonchartering districts. Chartering districts tend to have significantly higher enrollments than nonchartering districts. Indeed, where the median nonchartering district has 1,749 students enrolled, the median chartering district enrolls 3,446 students (this number is reduced to 3,377 if Philadelphia is excluded). In order to test whether charter schools are more likely to be proposed and approved in districts with concentrations of students at certain grade levels, we performed the same analysis for elementary, middle school, and high school grades. We found, however, that the same pattern persists across all levels.

Under Act 22, charter school students come with per-pupil subsidies. Thus, we might hypothesize that districts with higher per-pupil expenditures will be more likely to attract charter applications. As Table 4:3 shows, the median per-pupil expenditures of chartering districts is actually \$15 lower than the same figure for nonchartering districts.

As discussed above, charter applications can be assisted by public support for charter schools. Since it is widely believed that charter schools are in part a response to public dissatisfaction with public schools, we might hypothesize that

¹⁹ The analysis in this section reports bivariate relationships—relationships between any one of a number of district attributes and whether the district sponsors a charter school. Such analyses, however, can often be deceiving. Apparent correlations between two variables can be “spurious.” That is, they can falsely assign to one variable the influence of another. For instance, it is well known that the relationship between expenditure levels and test scores often “disappears” once we “control for” family income. In order to account for this possibility, we confirmed the bivariate analyses with multivariate analysis (logistic regression), which allows for such complex correlations. While the chartering-nonchartering differences continued to be statistically discernible in the multivariate analysis ($p < 0.05$), the other differences were not. Similarly, the effect sizes changed in the multivariate analysis. Readers are invited to contact the authors for details on this analysis.

lower performing districts would be more likely to attract and approve charter schools than high performing districts. In order to test this, for each district we calculated a median aggregate PSSA (Pennsylvania System of School Assessment) score for all grades. Table 4:3 shows that, as expected, chartering districts tend to have lower overall PSSA scores than nonchartering districts. The average chartering district reported a combined PSSA score of 1,222 for 2001-02. The average nonchartering district, by contrast, reported a combined PSSA score of 1,341.

Table 4:3 Chartering and Nonchartering Districts Compared

<i>Variable</i>	<i>Nonchartering</i>	<i>Chartering</i>
Median total district enrollment (2001-02)	1,749	3,446
Median per-pupil expenditure (2000-01)	\$8,319	\$8,304
Median aggregate PSSA score (2001-02)	1341	1221
Median % low income students (2001-02)	20.3	63.9
Median % nonwhite students (2001-02)	4.9	67.0

Source: PDE school profiles

Note: Mann-Whitney rank sum tests show that all group differences are statistically discernible at the .01 level or lower. PSSA scores are averages across all grades and for both the math and reading portions. Averages are weighted by test participation rates. Writing scores are omitted from the averages because not all schools administered the exam. The income, race, and educational variables are all weighted by total district enrollment.

Because low achievement is correlated with demographic factors, we might also expect that charter schools are more likely to be located in districts with high concentrations of low income and nonwhite students. To test the income hypothesis, we examined data gathered by PDE school profiles on the percentage of students eligible for free or reduced-price lunch.²⁰ Table 4:3 provides evidence for both hypotheses. In the average chartering district, 63.9 percent of the students qualify for free or reduced-price lunch, compared with only 20.3 percent in nonchartering districts. In addition, approximately 67 percent of students in chartering districts were nonwhite, compared with 4.9 percent in nonchartering districts.

The foregoing analysis is subject to important limitations. First, it is difficult to measure many of the factors that might lead to charter applications and approvals across districts. Moreover, there are many other factors, such as district political environment, that remain unaccounted for. Nonetheless, these data provide a useful general profile of chartering districts. Demographically, the average chartering district is larger, poorer, and less white though the differences

²⁰ Readers should bear in mind that free/reduced-price lunch status is a function of both student need and schools' diligence in registering students for lunch programs. Thus, the indicator likely includes a considerable amount of "noise."

between chartering and nonchartering districts have been narrowing over the last five years (chapter 6 contains more details about the demographic background of students enrolled in charter schools and host districts over time).

4.8 Summary

This chapter explored the process by which founding coalitions develop charter applications and by which they are considered and ultimately approved or denied by districts. We began with an overview of the legal and administrative context of charter start-up, including a discussion of who may apply for and grant charters. Under Act 22 virtually any individual or group may apply for a charter, with the exception of for-profit and sectarian groups. Act 22 is somewhat more restrictive, however, in defining who may grant charters. Act 22 grants primary authority to consider and approve (or deny) charters to local districts. Since July 1999, however, the Charter Appeals Board (CAB) has heard appeals from denied applicants, those who believe their charter has been unjustly revoked, and those who believe that a school district has wrongly chosen not to renew a charter.

It is difficult to assess the appeals process and its role in the charter start-up process. While the scope of this report prevents a full evaluation of the CAB, the process does raise a number of concerns that policymakers might wish to address. The appeals process can be quite complex, time-consuming, and expensive. Thus, some observers doubt that it is a feasible avenue for some charter applicants. If this is true, then the appeals process might not provide the counterbalance to school district sovereignty that it was designed to. The resource requirements of appeals might also have tilted the process in favor of districts, which tend to have more legal expertise and other resources than charter schools. In spite of this, charter schools have won more than 40 percent of their appeals. We do not know, however, how many denied applicants were dissuaded by the costs of pursuing an appeal. While it is not our place to judge whether the process is too onerous, policymakers should consider whether its complexities and costs to charter schools are consistent with the balance of power Act 22 sought to create between school districts and other outside actors in the charter approval process.

Another issue raised by the appeals process concerns the fate of schools whose charters are approved when the CAB overrules the school district. Most such schools are a few years away from seeking renewal of their respective charters. However, preliminary indications are that these schools have unusually strained relations with their host districts.

Finally, we considered the resources required to start a charter school and the types of district conditions that appear to provide fertile ground for charters. Not surprisingly, charter schools appear to be born of dissatisfaction with district public schools, evidenced by low PSSA scores. These districts, in turn, tend to have higher concentrations of poor and nonwhite students. The chapter's most striking finding, however, is the extent to which successful founding coalitions appear to have relied on ties with community-based nonprofit organizations. These organizational ties are a key strength of Pennsylvania's charter schools. Founding any new institution, not least a school, takes a tremendous amount of

resources—fiscal, human, and political. Pennsylvania charter schools are no doubt stronger and more viable because of these long-existing links with community groups. Moreover, some might argue that charter schools should not be approved unless their prospects for long-term survival are enhanced by these resources.

From another point of view, such dependence on external groups casts some doubt on the scalability of the charter school reform in Pennsylvania. One might imagine that there are only so many organizations willing and able to undertake the burden of supporting charter schools. If Pennsylvania's charter school law is designed to provide viable educational choices for a large proportion of its students, such organizational dependence might in the long run limit many students' access to these choices. Nevertheless, the evidence suggests that Pennsylvania's charter movement continues to grow apace. However, policymakers should closely monitor the start-up process in the coming years.

In the end, the charter school start-up process is a part of Act 22's accountability design. Approval, after all, is the first point at which public authorities and their constituents can seek to ensure that charter schools are likely to use their autonomy in ways consistent with the public interest. As policymakers consider the start-up process, they may decide that it is better to approve fewer schools in order to minimize the risks associated with letting some bad schools come into existence. Or, they may decide to liberalize the start-up process in order to minimize the opportunity costs associated with failing to approve some potentially strong and innovative schools.

In the next chapter we return to the issue of charter school resources by examining the operating finances of the Commonwealth's charter schools.