

Chapter Four

Charter School Start-Up: Resources and Challenges

One of the assumptions 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 Appeals Board, to which charter applicants may appeal charter denials. The third section discusses the characteristics of founding coalitions. The chapter’s fourth section considers the characteristics of charter schools’ host districts in order to determine whether certain types of districts provide more fertile ground for charters than others. The fifth section takes a brief digression to consider some of the reasons behind the concentration of charter schools in Philadelphia.

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 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

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 to 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 the production of the outcome in question. Thus, we cannot make causal inferences based on these data.

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 present 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.

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 the time of 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:

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

Relative to many other states, the Pennsylvania Department of Education has been very successful in obtaining federal and state start-up funds and distributing these funds more quickly to schools. 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 249 planning grants over the past 5 years. The median grant amount is \$23,150.² Some 66 percent of those applying have received planning grants,³ 28 percent

² The median estimate is based on 55 grants for which we know the amounts. Data were gathered from lists of planning grant recipients provided by the Office of Educational Initiatives.

³ Personal correspondence with Gregg Spadafore, Pennsylvania Department of Education, August 29, 2000.

of those receiving grants eventually received charters.⁴ In addition, all approved charter schools automatically receive a start-up grant of \$825 per student, which includes both federal and state monies. 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 (LEAs) may sponsor charter schools. This distinguishes Act 22 from “stronger” or “more permissive” charter laws—such as those in Minnesota, Michigan, North Carolina, 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 LEA. 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.⁵ The Charter Appeals Board (CAB), however, has pointed out that Act 22 permits charter schools to draw students from more than one district, whether they hold regional or single district charters.⁶ In so ruling, the CAB may have taken away much of the incentive for founding coalitions to apply for regional charters. Indeed, of the 70 charters approved as of Summer 2000, only 5 (7 percent) have been regional charters. Of these, the number of sponsoring districts has ranged from 2 to 13. In most of these cases, it appears that the sponsoring districts were involved in the early planning stages of the charter application and expressed early support. In at least one case, a sponsoring district was among the group sponsoring the charter application. Table 4:1 lists the regional charter schools and the number of sponsoring districts.

Table 4:1 Regional Charter Schools, Summer 2000

Name of School	Number of Districts	Year Opened
Northeast Charter School	13	1998-99
Lehigh Valley Charter School	4	1999-00
Centre Learning Community	3	1998-99
SUSQ-CYBER Charter School	3	1998-99
Keystone Education Center	2	1997-98

Once they receive charter applications, Act 22 directs LEAs 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

⁴ Office of Educational Initiative lists of planning grants (see note #3).

⁵ Personal correspondence with Ron Cowell, former chair of the Pennsylvania House of Representatives Committee on Education, May 11, 2000.

⁶ In re Collegium Charter School, CAB 1999-9; in re Hills Academy Charter School, CAB 1999-12; in re Phoenix, CAB 1999-10.

support for the particular school in question, not just the charter concept.⁷ 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 only show that there is *support* for the charter school 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.⁸ 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.⁹

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 recently ruled that the economic feasibility of a charter innovation for a district should have no bearing on whether the charter is approved.¹⁰

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.

The CAB was in many ways the result of a political compromise between those who wished to give LEAs sole authority to approve, oversee, and renew charters and those who wished to spread such authority among a number of actors.¹¹ 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

⁷ In re Shenango Valley Regional Charter School, CAB 1999-11.

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

⁹ In re William Bradford Academy Charter School, CAB 1999-8

¹⁰ In re Vitalistic Therapeutic Center Charter School, CAB 1999-6.

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

governor and confirmed by the Senate.¹² The six include one individual 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 LEAs. These can include denials of original applications, denials of applications resubmitted after an initial denial, and revocation of a charter.¹³

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

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 LEA must grant (or reinstate) the charter within 10 days of receiving the notice. If the LEA fails to grant the charter within this period, the charter is signed by the Chair of the CAB.

¹² Descriptive information on the CAB and its procedures is taken from PDE's web site: <http://www.pde.psu.edu/charter.html>.

¹³ As of Summer 2000, only one charter had been revoked, that of Creative Education Concepts. The charter school appealed the revocation to the CAB, which upheld the district's position in a unanimous vote

As of July 31, 2000, the CAB had issued decisions on 23 appeals. Of those decisions, 10 overturned the district's denial of a charter. Thus, charter schools have prevailed in 43 percent of the cases appealed to the CAB. In all but one of those cases, the LEA failed to grant the charter within the prescribed 10 days, requiring the chair of the CAB to sign the charter.¹⁴

Act 22 provides judicial review of CAB decisions by the Commonwealth Court. As of April 2000, five CAB decisions had been so appealed. Four of those appeals came from a district whose initial denial was overturned by the CAB.¹⁵ The remaining appeal came from a charter school appealing the CAB's rejection of an earlier appeal.

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

As the CAB concludes its first year of operation, 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 note 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.¹⁶ Second, some stakeholders worry that the burdens of the appeals process favors districts, which generally have more legal and financial resources 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 a wrong estimate of the Board's proclivities. Moreover, some stakeholders note the fact that all but one of the appeals of CAB decisions have come from districts as further evidence

¹⁴ 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 44 percent chance of success. Indeed, the charter school success rate might be lower if more cases were appealed.

¹⁵ Duquesne Charter Schools Project, "Pennsylvania's Charter Appeal Board: A First Look at its Impact on Charter Approval." April 2000.

¹⁶ "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 by criticisms and defenses of the CAB. The panelists were Amos Goodall, Esq., Scott Etter, Esq., and Connie H. Davis.

that charter schools are less able to bear the procedural burdens. 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 the CAB's control, including when LEAs 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 LEA environment. Because much of this report focuses on the charter schools open as of the 1998/99 school year, we cannot provide an empirically grounded answer to this important question. We hope that subsequent evaluations and scholarly research will explore this matter. Nevertheless, it is difficult to imagine that charters approved on appeal will have smooth relationships with their LEAs.

4.3 Founders' Goals

The previous section described the legal and administrative context 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. Given restrictions in the scope of the study, this examination is limited to schools in operation during the 1998/99 school year.

Charter school founders are examples of what is known in the policy literature as “policy entrepreneurs” (see, e.g., Scheider and 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 had fairly clear goals when they set out to development their applications. Among these were

- Provide choice for poor children.
- Provide a venue for the realization of good ideas in a district that were reportedly hindered by bureaucratic encumbrances.
- Promote change in the host district and surrounding districts.
- 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 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 in order 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 and racial groups, or other nonprofit organizations. Such organizational resources have included:

- Preexisting schools converted to charter schools, which often provide personnel and institutional wisdom from years of running schools
- Preexisting 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 from a legal point view many of Pennsylvania’s charter schools are new start-ups, 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. In the Chapter 10 on school organization and governance, we will examine in greater detail the role and contribution of nonprofit and for-profit organizations in the charter school initiative.

Other charter schools maintain relationships with for-profit companies. During the 1998-99 school year, 2 of the 31 school in operations were involved with for-profit educational management organizations (EMOs). In the 1999-00 school year, 5 of the 47 schools were operated a total of 4 different EMOs, which altogether enrolled approximately 1,800 students. In most of these instances, the EMO not only manages the charter school but also helped write the charter application and proposal. For the 2000-01 school year, there will be 5 EMOs operating 8 schools with more than 4,000 students enrolled in them. 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 72 percent of charter schools are operated by EMOs (Horn & Miron, 2000).

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 distinguish schools that have clear connections to community and other nongovernmental organizations from those that do not. As we can see from the table, most Pennsylvania charter schools (78 percent) have a clear relationship with a nongovernmental organization. The vertical axis distinguishes schools that were developed from preexisting schools from those that were started from scratch. Here there is a more even split, with 46 percent of charter schools built on the foundations of preexisting schools and 53 percent with no such foundation.

Table 4:2 Organizational Bases of Pennsylvania Charter Schools

	Nongovernmental Organization Base	No Organizational Base
Based on preexisting school	39%	7%
Start-up school	39%	14%

Source: Analysis by The Evaluation Center

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.

A second group of individuals found among charter school founding coalitions is university academics. 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 university education professor 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 either helped create the initial vision for a charter school or 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.

A group conspicuously absent from many founding coalitions is parents. 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 of the criteria on which LEAs 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. 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, Pennsylvania school districts had, as of Summer 2000, approved 70 charters. 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 were under the impression that, under the law, they didn’t have a choice to deny charter applications. When the appeals board started reviewing cases, however, districts obviously became aware that they had a choice of denying the charter application.

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, many 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. Indeed, the analysis below simply compares districts with *approved* charters with districts without approved charters.¹⁷ We have no systematic way of knowing how many of the districts without approved charter schools rejected a charter proposal. Unlike the previous sections, the analysis in this section includes all 70 charter schools approved as of Summer 2000.

¹⁷ 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 (Poisson regression), which allows for such complex correlations. With the exception of the per-pupil expenditures variable, all of the reported bivariate relationships stood up in the multivariate analysis. The effect sizes, however, did change in the multivariate analysis. Readers are invited to contact the authors for details on this analysis.

We began our analysis by investigating differences in the number of potential charter school students in a district. In many ways, this is very 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 come from PDE databases for the 1998/99 school year, the most recent year for which such data are available. 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 2,076 students enrolled, the median chartering district enrolls 3,480 students. 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.

Table 4:3 Chartering and Nonchartering Districts Compared

Variable	Nonchartering	Chartering
Median total district enrollment (1998/99)	2,076	3,480
Median per-pupil expenditure (1997/98)	6,470	6,654
Mean PSSA score (1998/99)	1310	1293
Median % low income students (1998/99)	23.8	63.5
Median % nonwhite students (1990)	7.4	53.0
Median % adults with BA or more (1990)	16.7	16.2

Source: PDE databases and U.S. census files

Note: Mann-Whitney rank sum tests show that all group differences are statistically discernible at the .07 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.

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 \$184 higher than the same figure for nonchartering districts. Hence, it appears that districts with higher expenditures are more likely to receive and approve charter applications. However, the relationship reverses (but remains small) once we control for student achievement, race, and other demographic factors (see footnote #21). Another limitation to this analysis derives from the fact that we lacked reliable data

on failed charter applications. Hence, it is possible that many districts with low subsidies attract and then reject charter applications.

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 lower performing districts would be more likely to attract and approve charter schools than high performing districts. In order to test this, we calculated for each district a mean 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. Indeed, the average chartering district reported a combined PSSA score of 1293 for 1998/99 (the most recent year for which such data are available). The average nonchartering district, by contrast, reported a combined PSSA score of 1310.

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 on the percentage of students eligible for free or reduced-price lunch.¹⁸ Unfortunately, we were unable to locate race variables in PDE files, forcing us to rely on 1990 U.S. census data.¹⁹ Table 4:3 provides evidence for both hypotheses. In the average chartering district, 64 percent of the students qualify for free or reduced-price lunch, compared with only 23.8 percent in nonchartering districts. In addition, approximately 53 percent of students in chartering districts were nonwhite, compared with 7.4 percent in nonchartering districts.

Finally, as discussed above, submitting and working for the approval of a charter application takes a tremendous amount of fiscal and human resources. While we had no way to observe the supply of fiscal resources of would-be founding coalitions across districts, we can use adult education level as a proxy for social capital. Once again, data limitations forced us to rely on 1990 U.S. census data. Table 4:3 shows that, as expected, chartering districts have slightly higher levels of adult education than 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. And while chartering districts generally have lower performing schools than others, they also tend to have adults with a little more education.

¹⁸ 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."

¹⁹ While we recognize the obvious limitations of these data, we judged them sufficiently useful to include in the analysis. Data were extracted from the Pennsylvania Education Policy Studies database, compiled by Professor Emeritus William Cooley of the University of Pittsburgh.

4.8 A Digression on the “Philadelphia Question”

Many observers have noted the high concentration of charter schools in Philadelphia. Indeed, of the 70 charter schools approved as of Summer 2000, 36 (51 percent) were in Philadelphia. Moreover, as of 1999, 69 percent of charter school students attended Philadelphia charter schools. By comparison, Philadelphia enrolls only 11 percent of all public school students in Pennsylvania. In this section we attempt to offer some preliminary explanations for this concentration.

One possible explanation is that there is something inherent in Act 22 that favors Philadelphia charter schools. We find no evidence of this, a conclusion confirmed by a member of the legislative committee that worked on Act 22.²⁰

Another possible explanation is that Philadelphia possesses many of the resources and factors that, based on the literature and observation, would seem conducive to the development of charter schools. For example, the Philadelphia school district has a large “supply” of potential charter school students. Indeed, whereas the median Pennsylvania school district enrolls 2,045 students, as of 1999 the Philadelphia public schools enrolled 192,284. Philadelphia also possesses in abundance many of the “risk factors” discussed above. First, 82.6 percent of Philadelphia students are eligible for free or reduced-price lunch, compared with a median of 25.1 percent statewide. Second, 78.1 percent of Philadelphia students are nonwhite, compared with a median of 2.5 percent statewide. Not surprisingly, Philadelphia students also tend to do relatively poorly on the PSSA. Indeed, the combined district average PSSA score for the 1998/99 school year was 1135, compared with a median of 1310 statewide. In addition to demographic factors, there is evidence that Philadelphia also has many of the social capital resources discussed above in its relatively dense network of nonprofit community, church, and ethnic associations. Finally, the Philadelphia Board of School Directors appears to be quite supportive of charter schools, even if the district office has a reputation for opposing them.

4.9 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 (LEAs). 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 an LEA has wrongly chosen not to renew a charter.

²⁰ Personal correspondence with Ron Cowell, former chair of the Pennsylvania House of Representatives Committee on Education. May 11, 2000.

Because of its short history, 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 LEA 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 nearly half their appeals. We do not know, however, how many denied applicants were dissuaded from pursuing an appeal by the costs. 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 LEAs 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 LEA. The first such schools just recently began operation and, therefore, remain beyond the scope of this study. However, it seems likely that these schools will have unusually strained relations with their host districts. We urge policymakers and other stakeholders to monitor this process closely.

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 preexisting schools, community development groups, ethnic/cultural groups, and other 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 resources. 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. Indeed, 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 first 30 charter schools.