

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
STATE BOARD FOR CHARTER SCHOOLS**

**GENERAL FUND**

**FY 2010 General Fund Budget      823,900**

**AGENCY REDUCTION TARGET - GENERAL FUND      \$123,585**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
1	Returned Vacated Facilities to ADOA	\$27,000
2	Reduction in FTE	\$96,585
<b>Issue Total</b>		<b>\$123,585</b>

Fund Total as a Percentage of General Fund Reduction Target      100%

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**State Board for Charter Schools**

**Issue Title:** Return Vacated Facilities to ADOA

**Issue Priority:** 1

**Reduction Amounts:**

General Fund: \$27,000

**Total:** \$27,000

**Issue Description and Statement of Effects**

In 2004, the Board leased additional space from ADOA in the basement of the Executive Tower for the purpose of conducting its meetings and providing technical assistance to the schools that it sponsors through various workshops and trainings.

In exploring ways to reduce its operational expenses, the Board began discussions in March 2009 with the State Board of Education ("SBE") to utilize SBE meeting space available at the Arizona Department of Education. Upon confirmation that regularly scheduled Board meetings could be held in the SBE meeting room and the potential to use the SBE meeting room for other Board purposes, the Board began working with the General Manager of ADOA's Building and Planning Services in April 2009 in an effort to relinquish facilities no longer needed by the Board.

The reduction in rent for the space in the basement would result in a \$27,000 reduction in the Board's operational expenditures. On June 29, 2009, the Board alerted ADOA that "Per our previous conversations and as this Office has stated in its budget reduction efforts both to the Legislature and the Governor's Office, the State Board for Charter Schools has vacated room B-56 for FY 2010."

In accordance with A.R.S. § 41-792.01, until such time as the space is utilized by another agency, the Board remains responsible for the COSF rent for the unused facility. A legislative change, relieving agencies of rent obligations for space returned to ADOA for other State use, could occur with minimal impact to the Charter Board operations. However, such a change would further impact ADOA's budget directly and may impact the COSF rent for all agencies if the total cost is then redistributed to agencies continuing to utilize space.

October 9, 2009

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**State Board for Charter Schools**

**Issue Title:** Reduction in FTE

**Issue Priority: 2**

**Reduction Amounts:**

General Fund: \$96,585

**Total: \$96,585**

**Issue Description and Statement of Effects**

The primary functions of the State Board for Charter Schools ("Board") are to exercise general supervision over the schools that it sponsors and to grant charter status to hqualifying applicants (A.R.S. §15-182.E).

The Board's sole source of funding is its appropriation from the General Fund. Seventy-eight percent of the Board's appropriation is allocated to Personnel and ERE for the purpose of carrying out its primary functions. Thirteen percent of the Board's appropriation is allocated to contracts and services provided by ADOA, including facilities, technology and financial services. This leaves 9% of the appropriation for other operating expenses including in-state travel, legal services, copies, administrative costs, and other miscellaneous expenses for which the Board depends for its operations.

The Board's oversight responsibilities have increased over time with the continuous authorization of additional charter schools, the introduction and recent expansion of on-line instruction and, in 2010, the consideration of renewal for charter contracts whose 15 year terms are coming to an end. However, the Board's appropriation has not increased sufficiently to support its increased responsibilities. In 2000, the Board was appropriated funds to support 5 FTE to oversee 180 charter schools. Now, 10 years later, the Board has oversight of over 525 schools, almost 3 times as many schools, with current funding to support 8 FTE. With the reductions in FY 2009, the Board reduced the technical assistance provided to charter schools and charter school applicants, limited travel to rural areas, asked for the Board's cooperation in funding their own travel expenses to Board meetings, laid off one FTE, and operated with vacancies for part of FY 2009.

These reductions, especially in staffing and the provision of technical assistance, have had an adverse affect on the Board's ability to meet its authorization and oversight

October 9, 2009

responsibilities. First, the reduction in prospective applicant workshops (technical assistance to charter school applicants) limited opportunities to provide a consistent source of information and a single point of contact for applicants. This forced applicants to seek outside assistance which led to the receipt of inconsistent information and additional challenges for staff in processing applications. Second, the continuous increase in the Board's caseload without additional resources has resulted in an inability to timely process all work within its regulatory time-frames, and thereby further exacerbating the caseload.

Although it was the intent of the Legislature and Governor to increase the Board's FY 2009 appropriation by \$262,400 and 3 FTE positions to process charter renewals and assist with the caseload growth in other areas resulting from increases in the number of charter schools, subsequent budget reductions eliminated the additional funds and the positions and further reduced the Board's appropriation.

At the same time that the Board struggled to meet its statutory requirements with reduced funding, during the 2009 Legislative Session, the Board's workload increased with the addition of two new requirements for the Board:

- 1) The opportunity for charter holders to apply for early renewal (SB 1386, Laws 2009, Chapter 117), and
- 2) The changes in the Technology Assisted Project Based Instruction, now Arizona Online Instruction (SB 1196, Laws 2009, Chapter 95), which removed the cap on the number of charter schools that could participate in the program and also added the opportunity for charter holders to participate as online course providers.

Although the Board's FY 2010 appropriation was restored to its FY 2008 levels, both legislative changes increase the work of the Board without providing additional resources to complete the work.

The Board cannot maintain an appropriate level of oversight for the schools it currently sponsors with a reduction in its appropriation. Any reduction will have policy implications, requiring relief from statutory mandates and a revision to the Board's current oversight policies. The following are provided for your consideration:

1. Relief from implementing the new mandates;
  - a. to consider charters for early renewal, and
  - b. to increase the number of charter schools participating in the Arizona Online Instruction program as online schools and online course providers,neither of which can be implemented by the Board with its current FTE, and certainly not with a further reduction in FTE.
2. Immediate relief from its requirement to sponsor new charter schools, thereby holding its oversight responsibility to those schools currently chartered.

In addition to relief from its statutory mandates stated above, a reduction in FTE will also require redesigning the means by which the Board exercises general supervision over the charter schools that it sponsors (A.R.S. §15-182.E.1) and for which it has oversight and administrative responsibility (A.R.S. § 15-183.R) by:

3. Eliminating the Constituent Services position, which will:
  - a. Limit the Board's ability to track, evaluate and respond to complaints and allegations of violations of law that require investigation by staff, including matters of health, safety, fiscal mismanagement, and implementation of academic programs.
  - b. Delay responses to public records requests from all stakeholders including access to student records, locating charter school options for parents, and responding to media, legislative, and other constituent requests.
4. Restructuring and eliminating site visits.

Site visits provide the Board with a visual confirmation of the implementation of an academic program that is delivered in a safe environment and in a fiscally responsible manner. The Board is currently scheduled to visit 145 schools in FY 2010. This number increases to 168 visits in 2011 and continues to increase over the next 5 years. With a reduction in FTE, following the Board's current monitoring procedures will not be possible.

  - a. First year site visits are conducted in part to provide technical assistance and in part as initial monitoring, both of which are intended to support the Board's fiduciary responsibilities to the State and its stakeholders.
  - b. Targeted site visits are conducted when information is available that suggests further academic, financial, or health and safety review may be warranted. These visits provide an essential means of gathering evidence necessary to correct or close non-compliant schools. Site visits can provide opportunities to gather evidence which can be used to support revocation of the charter (A.R.S. § 15-183.I). Thirty-nine charter holders have either had their charter revoked or voluntarily surrendered their charter while under review by the Board. Site visits provide further assurance that quality options are available for parents and students.
  - c. Five year interval review (A.R.S. §15-183.H.3) site visits provide the Board with qualitative reviews of the charter school operations.
5. Delaying charter school modification and expansion. A reduction in staff will delay the Board's ability to consider amendments to charter contracts that change the entity structure and evaluate materials for charter expansion, limiting additional educational options for parents and students.
6. Exploring other funding sources. The Board does not currently have a fee associated with the application process or issuance of a charter. Nor does the

Board charge an annual administrative fee as authorizers in other states have implemented. While it does not recommend such an option at this time, the Board has submitted a grant proposal that, if funded, would provide resources for the Board to review such options for Arizona to consider, if and when appropriate.

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