

The Public Policy
and Civil Society

S E R I E S

CHARTER SCHOOLS PROGRAM: FEDERAL INVESTMENT IN EDUCATIONAL OPPORTUNITY

by Virginia Gentles



The R Street Institute's Public Policy and Civil Society Series is a collection of case studies that demonstrate how policy can be used to energize non-governmental bodies. Each report will spotlight how government leaders turned to a diverse array of individuals, community-based organizations, nonprofits and/or local businesses to solve a social challenge, which differs from the traditional approach of creating a new centralized initiative run by a government bureaucracy. In total, these studies show how a variety of policy tools—including reduced regulations, new enabling language, tax credits and competitive grant programs—can be used to activate non-governmental bodies, which create an array of solutions tailored to local conditions. We would like to thank the Walton Family Foundation for its support of this series.

FOREWORD

Because this policy series is about close-to-home social entrepreneurialism, nearly all of the reports focus on actions taken by state and local governments. But one federal initiative—the Charter Schools Program (CSP)—deserved special attention. In this paper, longtime school-choice advocate and experienced state and federal policy leader, Virginia Gentles, describes the enormous influence of this relatively small federal program. For nearly a quarter century, the CSP has channeled essential start-up funding to nonprofits starting charter schools. This is a story of how small, time-limited, competitive federal grants can jump-start civil society activity while respecting state policy and local civic leaders. Along the way, Gentles raises important questions about the program’s evolution, especially related to Uncle Sam’s growing investment in large, successful school operators. Despite such questions, the CSP provides a compelling example of how a modest federal program can catalyze non-governmental activity aimed at solving a pressing social challenge.

— Andy Smarick



EXECUTIVE SUMMARY

Soon after the first state charter school law passed in Minnesota in 1991, advocates proposed creating a federal start-up funding source for these new, innovative, autonomous public schools. Members of Congress and staff designed a competitive federal grant program to: (1) provide funding to local charter school developers and (2) incentivize states to pass well-designed charter laws. Since its initial authorization in 1994, the Charter Schools Program (CSP) has provided over \$4 billion in grants to thousands of charter schools in 38 states. The majority of these have been founded by the key actors in civil society: teams of educators, groups of parents and local community-based nonprofits. Over the years, Congress significantly expanded the CSP in scope and funding and added a new focus on replicating proven school models—a somewhat controversial move that marked a departure from the program’s initial purpose.

NOTE: This paper was already in production at the time President Trump’s 2021 budget request was announced.



INTRODUCTION

Currently 45 states, Washington, D.C., Puerto Rico and Guam allow charter schools—public schools that operate mostly or entirely outside of the traditional school-district system. There were approximately 7,000 charter schools operating in 2016-17—7 percent of the total public elementary and secondary schools in the United States.¹ Charter schools have been operating in states such as Minnesota, California and Massachusetts since the early 1990s, and the concept continues to expand, with West Virginia passing a charter school law in 2019. Until 1991, the option did not exist anywhere in the United States.

Current charter school supporters typically cite the need for alternative models to low-performing traditional public schools in order to provide poorly served students with higher-quality educational options. The earliest charter advocates, however, largely focused on expanding freedom for educators and communities to innovate. Decentralizing and deregulating the administration of a school ideally would lead to inventive, effective schools designed to fit the needs of the local community.

¹ "Fast Facts: Charter Schools," National Center for Education Statistics, last accessed Feb. 10, 2020.



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The driving force behind the nation's first charter law in Minnesota was the hope that education transformation would start with small innovations that would then gradually spread to the district system. As Ted Kolderie, one of the Minnesota's charter pioneers, explains: "For its own success the district sector needs a charter sector challenging it with innovations and competing with it for students."² Kolderie and fellow charter pioneers hoped the charters would provide an innovative K-12 education ripple on a previously frozen, district-only pond. Minnesota passed its charter school law in 1991, empowering community members to engage in the vital work of civic activity of K-12 education, and other states soon followed.

Checker Finn of the Thomas B. Fordham Institute described the impetus for charter schools this way:

They invite entrepreneurialism, but that includes teachers who want to design and direct their own schools [...] They empower principals. They give exit visas to poor kids trapped in dire inner-city schools. Because they mostly start from scratch, they sidestep the misery of trying to 'turn around' a failing school. They can function as laboratories of educational innovation in their own right.³

² Ted Kolderie, "How the State Can Deal with the Schools Boards' Inertia," Center for Policy Design, March 2018.

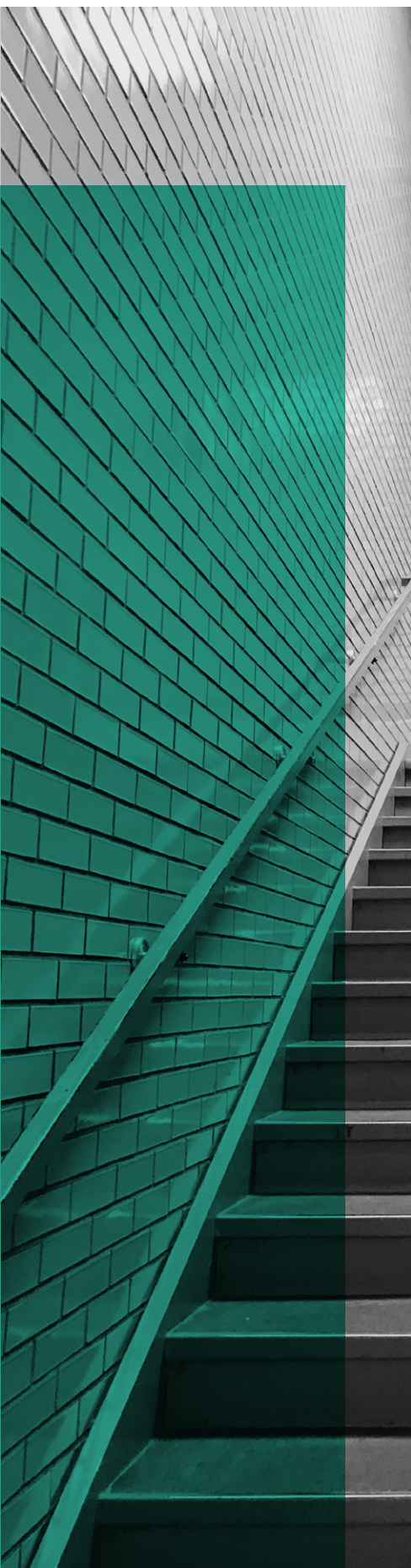
³ Checker Finn, "The federal Charter Schools Program: A short, opinionated history, part I," Thomas B. Fordham Institute, July 17, 2019.



CREATION OF THE CHARTER SCHOOLS PROGRAM

POLICYMAKING PROCESS

Soon after the early charter laws passed, it became clear that a funding source was needed to help social entrepreneurs undertake the time-consuming and expensive work of designing and launching new schools. As compared to the rancor of today's education politics, the Charter Schools Program's (CSP) creation was bipartisan and relatively swift. Minnesota's young charter community explained that their biggest need was "start-up" financial assistance. If small groups of teachers, parents or community members were going to fully implement the charter vision, starting new schools from scratch, they needed access to seed funding to pay for upfront costs related to hiring staff, developing curriculum, purchasing materials and so on. That is, the way charter laws were written, a new charter school would begin receiving government funds once the school started educating students. But prior to students' first day of school, the charter would require a stream of funding to cover set-up costs.



In response, Jon Schroeder, policy advisor to Senator Dave Durenberger (R-Minn.), developed a proposal to provide competitive, time-limited federal grant funding. Sen. Durenberger intended for the proposal to also build awareness of the charter idea among other states' legislators and governors. In 1991, Sen. Durenberger introduced the "Public School Redefinition Act," which authorized \$50 million in annual charter school funding and was co-sponsored by Senator Joe Lieberman (D-Conn.).⁴ In 1992, Representative Dave McCurdy (D-Okla.) introduced a bipartisan House bill.⁵ No national charter advocacy infrastructure existed at the time to promote the bill, but the centrist Democratic Leadership Council (DLC) and its affiliated think tank, the Progressive Policy Institute, worked to expand support for the proposal among Members of Congress and governors.

In contrast to the current union opposition to chartering, Schroeder recalls only one letter from the National Education Association (NEA) commenting on the proposal.⁶ Albert Shanker, the president of the American Federation of Teachers (AFT) at the time, supported charters and is credited with contributing to the original vision for charter schools as a means of empowering educators. Inside Congress, charter advocates found some opposition to expanding the federal government's K-12 policy role, but proponents of the new charter program countered by emphasizing that the proposal was designed to encourage state policy, rather than to create a new, categorical federal program. Under the proposal, federal funding would flow through eligible states, providing an incentive for them to pass charter laws.

The proposal received a significant boost when President Bill Clinton included charter funding in his administration's Elementary and Secondary Education Act (ESEA) reauthorization proposals. After the reauthorization bill passed both the House and Senate, policy disagreements were sorted out in conference committee, which was overseen by charter proponent Senator Ted Kennedy (D-Mass.). The House wanted only state and local boards of education to oversee

⁴ S.1606, Public School Redefinition Act of 1991, 102nd Congress.

⁵ H.R.5781, Public School Redefinition Act of 1992, 102nd Congress.

⁶ Author interview with Jon Schroeder (telephone), May 17, 2019.



charters, but the Senate position that favored allowing states to decide who could authorize charters (i.e. entities beyond the state government and districts) prevailed. The House had proposed five-year grant eligibility, but the final version included the Senate position, which shortened the grant length so that more schools were eligible for funding.

President Clinton signed the federal Public Charter Schools Program into law in 1994 as part of the comprehensive Improving America's Schools Act (IASA) ESEA reauthorization (P.L. 103-382).⁷ One of the "findings" in the act was that "there is a strong documented need for cash-flow assistance to charter schools that are starting up, because State and local operating revenue streams are not immediately available."⁸ At the time of passage, only six states had operating charter schools.

The new Charter Schools Program (CSP) provided grants to state educational agencies (SEAs) in states with charter laws. Under CSP provisions, the U.S. Secretary of Education awarded grants based on selection criteria including, "the degree of flexibility afforded by the State educational agency to charter schools under the State's charter schools law."⁹ IASA authorized \$15 million for the program, but it received a \$6 million appropriation for fiscal year 1995.¹⁰

⁷ [H.R.6, Improving America's Schools Act of 1994, 103rd Congress.](#)

⁸ [Ibid.](#)

⁹ [Ibid.](#)

¹⁰ ["Evaluation of the Public Charter Schools Program: Year One Evaluation Report Executive Summary," U.S. Dept. of Education, December 2000.](#)

CSP REVISIONS

Under the CSP grant process, the SEA awards competitive, time-limited subgrants to charter school developers. Initially, states awarded three-year subgrants to charter school developers, who could use the funds for up to 18 months for planning and program design and two years for initial implementation of a charter school. According to the original CSP law, the grants supported the initial implementation of public charter schools designed by “teachers, administrators and other school staff, parents, or other members of the local community in which a charter school project will be carried out.”¹¹

Over the years, Congress has revised and expanded the Charter Schools Program through legislation, including the Charter School Expansion Act of 1998 and the 2001 No Child Left Behind reauthorization of the federal education law, and various appropriations bills.¹²

One of the more substantive revisions was creating federal grants for nonprofit charter management organizations (CMOs) for the replication of already successful charter school models. That is, instead of limiting the distribution of funding only to organizations planning the development of a first charter school, grants could also go to organizations that had already started and operated one or more successful charter schools. The 2015 passage of the Every Student Succeeds Act (ESSA), the most recent federal education law reauthorization, included this expansion and additional changes.¹³ ESSA revisions include:

- » **Funding for the replication of high-performing charter schools:** ESSA (1) authorizes a stand-alone grant competition for charter school replication (the Obama administration previously created this grant in practice in fiscal year 2010) and (2) allows state grants to be used to replicate existing charter schools.

¹¹ H.R.6, Improving America’s Schools Act of 1994, 103rd Congress.

¹² See, e.g., H.R.2616, Charter School Expansion Act of 1998, 105th Congress.; H.R.1, No Child Left Behind Act of 2001, 107th Congress.; and Rebecca R. Skinner, Charter School Programs Authorized by the Elementary and Secondary Education Act (ESEA Title V-B): A Primer, Congressional Research Service, April 22, 2014.

¹³ ESSA Charter Provisions can be found at: www.publiccharters.org.



- » **Funding for the expansion of high-performing charter schools.** CSP initially was designed to provide charters with start-up funding, but under ESSA, existing charter schools can receive funding for significantly expanding enrollment or adding one or more grades.
- » **Additional state entities as administrators.** Governors, statewide charter authorizing boards and nonprofit charter support organizations can now administer the state grant, rather than just the SEA. In Oklahoma, Idaho and Arkansas, for example, nonprofit charter support organizations currently administer state grants.
- » **Additional spending flexibility.** Grant recipients can use funds for one-time facilities renovations or certain transportation purchases, for example.
- » **Lengthened subgrant award period to five years.**

Under ESSA, the Charter Schools Programs grants are:

- » **Charter Schools Program Grants to State Entities (SE):** Grants to state entities (SEAs, Governors, statewide charter school authorizing boards or charter school support organizations). Recipients award subgrants to charter developers to open, replicate or expand public charter schools.
- » **Charter Schools Program Grants for Replication and Expansion of High-Quality Charter Schools (CMO grant):** Grants to nonprofit CMOs to open one or more new charter schools or expand enrollment.
- » **Developer Grants for the Opening of New Charter Schools and for the Replication and Expansion of High-Quality Charter Schools:** Grants to individual charter school developers in states without a state entity grant to open or expand a charter school.

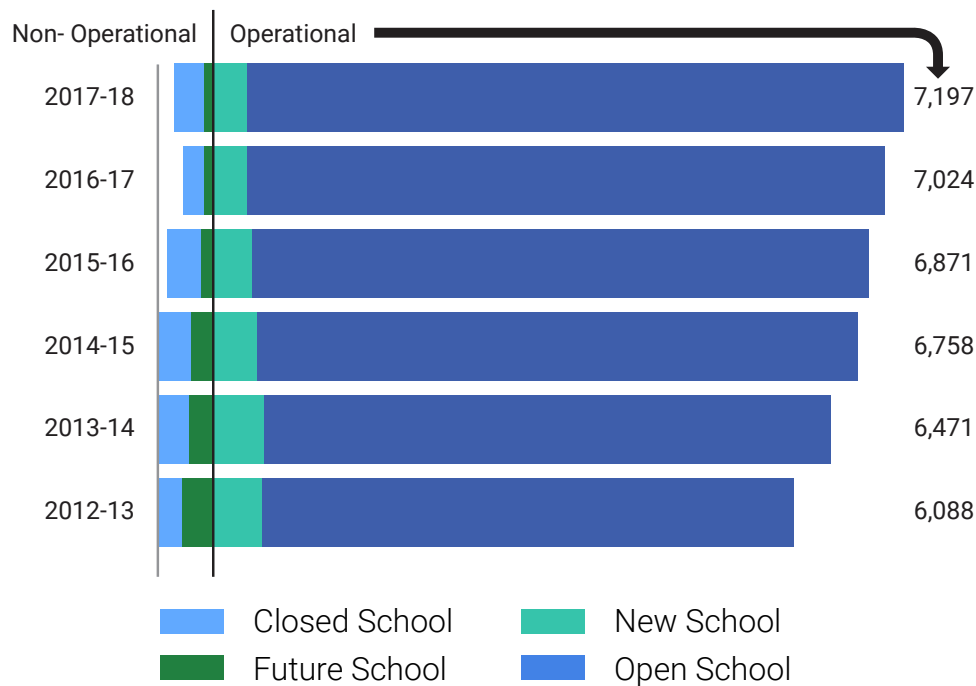
¹⁴ The federal government also awards charter dissemination, national leadership activities, credit enhancement and facilities grants, but those are not discussed in this paper.



ANTICIPATED CHARTER TRENDS

According to the National Center for Education Statistics (NCES), both the number of new charter schools that opened (yellow in Fig. 1 below) and the number of future charter schools expected to open (green in Fig. 1) declined over the last five years of the dataset.¹⁵

FIGURE 1: 6-Year Trends in the Number of Charter Schools by Operational Status



SOURCE: National Center for Education Statistics data.

NOTE: Operational schools include all those providing services at the start of the school year.

With a trend of fewer charter schools opening coinciding with the annual CSP appropriations increases and the increased focus on funding CMO replications and expansions, the individual CSP grants and subgrants to CMO charters could increase significantly. Without a course correction, rather than further mobilizing a diverse array of additional nonprofit organizations to start new charter schools, the federal government could distribute increasingly larger grants for existing organizations to replicate and expand existing schools.

¹⁵ Dataset provided directly to the author (June 2019)



CHARTER SCHOOLS PROGRAM FUNDING

Leaders in the charter sector credit the Charter Schools Program for fueling the growth of charters throughout the country, both by encouraging the passage of state charter laws and providing charter school developers with start-up funding. CSP serves as the primary “kindling for the fire,” according to charter pioneer Sarah Tantillo.¹⁶ And according to the National Alliance for Public Charter Schools (NAPCS): “Starting a new high-quality school takes considerable time, planning, and resources, and CSP funds are critical to this process.”¹⁷

¹⁶ Author interview with Sarah Tantillo author of *Hit the Drum: An Insider's Account of How the Charter School Idea Became a National Movement* (by telephone), July 18, 2019.

¹⁷ “Charter Schools Program,” National Alliance for Public Charter Schools, last accessed Jan. 30, 2020.

FEDERAL GRANT AWARDS

Since its inception, the Charter Schools Program has awarded approximately \$4 billion in charter school start-up funding and related charter school grants. In 1995—its first year of providing funds—the CSP provided \$4,539,548 in grants to nine applicants.¹⁸ For both fiscal years 2019 and 2020, the program received \$440 million annually, a \$40 million annual increase from 2018. The CSP’s annual funding amount is dwarfed by the Department of Education’s large, formula-driven programs, such as the \$16.6 **billion** the Title I (Education for the Disadvantaged) program received in fiscal year 2019 alone.¹⁹ That said, the significant increases to CSP funding over the last 25 years have ensured that the idea of charters became a reality.

When the federal Charter Schools Program office analyzed CSP grants awarded between the 2006-07 and 2016-17 school years, they found that CSP funded nearly 60 percent of charter schools opened during that period. Awards averaged \$499,818 per operational public charter school.²⁰ A review of the grant data previously available on the Charter Schools Program’s website reveals a wide range in the grants awarded over the years.²¹ For the almost 4,800 charter schools in the dataset, grant amounts range from a \$1,300 subgrant to Renaissance Charter School at Central Florida to \$1,855,360 awarded to High Tech High Middle in California.²²

For most of the grants in the federal dataset, state education agencies that had received CSP grants from the Department of Education awarded the funds as subgrants to entities forming charter schools. The dataset identifies the school as the subgrant recipient, and does not include information about nonprofit organizations that submitted the application in order to form a school. So, while that dataset does not enable us to report a precise figure, it can be reasonably inferred that thousands of different nonprofits received CSP funding to launch charter schools.

¹⁸ Office of Elementary and Secondary Education, “Funding and Legislation,” U.S. Dept. of Education, last accessed Jan. 30, 2020.

¹⁹ “Fiscal Year 2019 Congressional Action,” U.S. Dept. of Education, Oct. 9, 2018.

²⁰ “The U.S. Department of Education’s Charter Schools Program Overview,” U.S. Dept. of Education, July 2019.

²¹ The Charter School Program’s website is located at: www2.ed.gov.

²² The lowest grant listed in the dataset was \$57, but should be considered an outlier.



“For its own success the district sector needs a charter sector challenging it with innovations and competing with it for students.”

— Ted Kolderie

The larger grants or subgrants to charter schools are a more recent phenomenon. The creation of a CMO (replication) grant funding stream enabled eligible schools to receive both State Entities (previously SEA) subgrants and CMO (replication) grants, significantly increasing their CSP totals. For example, Carl C. Icahn Bronx North Charter School in New York has received \$525,000 from a state subgrant and \$610,381 from the CMO grant.

CSP grants encouraged the rapid growth of charters in urban areas. In fact, according to a Charter Schools Program office analysis, the majority of CSP-funded schools are located in cities.²³ They determined this by using the charter data indicator collected by the National Center for Education Statistics that identifies the geographic area in which a school is located. The CSP grant office also reported that a significantly higher percentage of CSP-funded schools are in cities as compared to traditional public schools. This has resulted in a high percentage of students attending charter schools in a significant number of urban districts. Analysis by the National Alliance for Public Charter Schools (NAPCS) of urban charters (not just CSP-funded schools) found that: “In 2017-18, 21 districts had 30 percent or more of their students enrolled in charter schools.”²⁴ These districts include cities such as New Orleans, Washington, D.C., Indianapolis and Philadelphia. In the same school year, over 100,000 students attended charters in both New York City and Los Angeles.²⁵

²³ CSP website.

²⁴ “A Growing Movement: America’s Largest Charter Public School Communities,” National Alliance for Public Charter Schools, January 2019.

²⁵ Mará Rose Williams, “It was not fair to the kids’: Here’s why two Kansas City charter schools are closing,” The Kansas City Star, March 28, 2019

²⁶ Michael Q. McShane and Jenn Hatfield, “Measuring Diversity in Charter School Offerings,” American Enterprise Institute, July 21, 2015.

When researchers from the American Enterprise Institute (AEI) analyzed the types of urban charter schools, they found the schools fall evenly into two broad categories: general and specialized charter schools.²⁶ (The AEI study did not address whether the urban charters analyzed received any CSP funding.) AEI researchers describe specialized schools as those created with a particular focus or mission. These include schools with science, technology, engineering and mathematics (STEM) or arts-oriented curriculum; single-sex schools; schools with either a progressive or classical education orientation; online schools; and “no-excuses” charters.²⁷ The breakdown of types of schools vary across cities, revealing that local organizations often launch charters to meet the needs of the local community. In short, CSP funds go primarily to cities, and city charters take many different forms, which supports a vast array of charters and therefore reflects the energy and diversity of civil society, particularly in urban settings.

PHILANTHROPIC ACTIVITY

It should be noted that because of the vast resources necessary, in addition to federal funding, many charter schools have received substantial philanthropic support from organizations such as the Walton Family Foundation and the Bill and Melinda Gates Foundation. According to the Philanthropy Roundtable: “[A]bout a quarter of all current charter schools have received some Walton support.”²⁸ It should be noted, however, that the total \$386 million that the Walton Family Foundation has awarded to charter schools since 1997 is less than the current *annual* CSP federal funding appropriation.

²⁷ Ibid. The “no excuses” charter model is a somewhat controversial method that employs strict disciplinary and academic standards to attempt to close achievement gaps.

²⁸ Ashley May, “A Firm Foundation for Charters,” Philanthropy Roundtable, Spring 2018.



IMPACT OF CSP ON CIVIL SOCIETY ENGAGEMENT

Of particular relevance to the program's impact on civil society is the wide array of nonprofit organizations that utilized federal charter school seed funding to develop and open schools in their communities. For example, CSP has supported very different educational missions, such as schools that were:

- » Established within a juvenile detention facility (Aurora, CO);
- » Designed to support the Hmong community (St. Paul, MN);
- » Created to offer a boarding school option for low-income students (Washington, DC);
- » Developed to provide curriculum designed for dyslexic students (LA, PA, SC, NY);
- » Focused on students on the autism spectrum (AZ, FL, NY);
- » Focused on a particular curriculum, such as language immersion, performing arts, STEM, career and technical education or classical education.

GROWTH OF THE CHARTER MANAGEMENT ORGANIZATIONS

In the early 2000s, charter management organizations began to emerge. CMOs are nonprofit organizations that establish and manage multiple charter schools and provide schools with services such as hiring and curriculum development. The high-performing, high-profile CMOs, such as Achievement First, Great Hearts, Success Academy, KIPP and IDEA, receive a lot of attention from the charter community and beyond. Despite their rapid growth, however, the majority of charter schools are not run by CMOs. In fact, of the charters operating in 2016, 65 percent were independently managed rather than affiliated with a charter management organization.²⁹ Rather, the charter sector continues to be populated by and the CSP continues to fund a wide variety of operators. Also in 2016, 57 percent of enrolled students attended independently managed charters.³⁰

Although grant funding has been shifting in favor of CMOs in recent years, in the years leading up to 2016, CSP was primarily funding a wide variety of small civil-society entities.³¹ This is a policy and funding trend that should be monitored, especially with the recent, significant growth of CSP funding overall and individual grant amounts, and the creation of a CSP grant specifically designed for the replication and expansion of CMOs.

The CSP website provides summaries and details on the grants awarded since 2010 to CMOs.³² Not surprisingly, the grant recipients are typically in urban areas such as New Orleans, New York, Los Angeles, Baltimore and Chicago. The size of the grants awarded to CMOs vary widely and, in some cases, have grown significantly over the years.

²⁹ Ashley LiBetti et al., “The State of the Charter Sector,” Bellwether Education Partners, January 2019.

³⁰ Ibid.

³¹ The U.S. Department of Education has not provided post-2015 grant analysis or a similarly formatted dataset. The most recent grant data would be interesting and useful to review.

³² Office of Elementary and Secondary Education, “Awards,” U.S. Dept. of Education, last accessed Feb. 10, 2020.

FIGURE 2: New CMO Grant Awards (FY 2010 to FY 2018)

Fiscal Year (FY)	Number of New Awards
FY 2018	15
FY 2017	17
FY 2016	15
FY 2015	12
FY 2014	11
FY2013	0
FY 2012	2
FY 2011	9
FY 2010	12

SOURCE: CSP WEBSITE

The federal government's growing investment in CMOs could contribute to an increase in the percentage of CMO-affiliated schools in the future. In March 2019, the U.S. Department of Education awarded grants to 15 CMOs.³³ This number of CMO (or replication) awards is consistent over recent years (see Fig. 2 below). However, the amounts of the awards have increased significantly.

IDEA Public Schools in Texas, for example, have received multiple CMO grant awards, starting with a five-year grant in fiscal year 2010 for \$14,318,838 and most recently, a five-year grant of \$116,755,848 in fiscal year 2018. IDEA plans to use the funds in a large number of schools across multiple cities and states. The fiscal year 2018 grant application outlines IDEA's plans to fund 56 expansion schools and 38 replication schools in Texas (Rio Grande Valley, Austin, San Antonio, El Paso, Fort Worth, Permian Basin and Houston), as well as New Orleans and East Baton Rouge, Louisiana, and Tampa Bay, Florida.³⁴

The high-profile CMO networks often start as small, local nonprofits but then, like IDEA, grow and expand their geographic reach. Although most CMO grants are awarded (sometimes repeatedly) to high-profile CMO networks, such as KIPP, Success Academy, Uncommon Schools and IDEA Public Schools, there are a few examples of smaller, local nonprofits receiving CMO grants. For example, the Rhode Island Mayoral Academy in Cumberland, Rhode Island received a \$2.4 million CMO award in 2014.

³³ Ibid.

³⁴ "CSP Replication and Expansion Abstract," IDEA Public Schools, last accessed Feb. 10, 2020.



FIGURE 3: New State Entities (SE) and State Educational Agencies (SEA) Awards (FY 2009 to 2018)

Smaller, independently managed charter schools typically receive CSP grant funds in the form of subgrants from the large State Entities (previously SEA) grants. Florida, for example, historically has not attracted the high-profile CMOs that receive replication grant funds. The Florida Department of Education (SEA), for example, requested in its 2016 CSP SE application \$70.7 million over five years to allocate subgrants to 200 new charter schools.³⁵ During Florida’s \$104.3 million, five-year grant awarded in 2011, on average annually, the SEA received 90 CSP sub-grant applications and funded 49 new charter schools. It is important to note that not all new charter schools receive CSP start-up funds and not all apply. Florida’s application also reported that, on average, 65 new charters opened annually during the 2011-16 period, a higher number than that of the schools receiving subgrants annually.

Fiscal Year (FY)	Number of New Awards
FY 2018	15
FY 2017	17
FY 2016	15
FY 2015	12
FY 2014	11
FY2013	0
FY 2012	2
FY 2011	9
FY 2010	12

SOURCE: CSP WEBSITE

³⁵ “Charter Schools Program Grant Application,” Florida Dept. of Education, 2016.

A person with short brown hair, wearing a red sweater, is seen from behind, looking out a large window. Bright sunlight is streaming in from the window, creating a strong lens flare effect that partially obscures the person's face and the background. The scene is set in what appears to be an office or a study, with some papers visible on a desk in the lower-left corner.

“

Over the years, Congress significantly expanded the CSP in scope and funding and added a new focus on replicating proven school models—a somewhat controversial move that marked a departure from the program’s initial purpose.



LESSONS LEARNED AND RECOMMENDATIONS

According to CSP federal nonregulatory guidance, the program's primary purpose is: "to expand the number of high-quality charter schools available to students across the Nation by providing Federal financial assistance for charter school planning, program design, and initial implementation."³⁶ The CSP has grown significantly from a \$6 million appropriation in its first year to \$440 million in fiscal year 2020.

In the almost 25 years the program has been in existence, the federal government has provided over \$4 billion in charter school grants. Certainly, CSP has had a substantial impact as the charter movement grew from a small group of charter states and schools in the early 1990s to 45 states with charter laws and over 7,000 charter schools serving 3.2 million students today.

Given such growth, policymakers could explore ways that CSP and similar time-limited, competitive grant programs could be applied to other policy areas. They should, however, be aware of several potential challenges:

³⁶ "Charter Schools Program Title V, Part B of the ESEA Nonregulatory Guidance," U.S. Dept. of Education, updated January 2014.

Replication Risk. CSP's growing replication focus could inadvertently discourage the autonomy and flexibility necessary for civic organizations to launch innovative charters. Starting in the Obama administration, the Charter Schools Program began evolving from simply fostering new types of schools to increasingly replicating favored types of schools. Perhaps policymakers believed that directing funding to certain nonprofits running charter schools in particular ways would be a prudent investment of federal funds. Many of these grantees run high-performing schools that serve high-poverty populations. Replication shifts CSP from its original pluralism-focused but higher-risk R&D design to seemingly safer bets on a smaller number of proven schools. However, such an approach may suppress the efforts of those who want to try something different. And that could mean the CSP ends up funding a thinner and thinner slice of America's diverse civil society.

It should be noted that a recent CSP grant competition issued by the Trump administration reveals the start of a potential course correction and support for independently operated charters. Under the CMO grant's "competitive priorities" classification, applicants can receive additional points if they are single-school operators or novice applicants.³⁷

1

FEDERAL FOCUS.

The Department's nonregulatory guidance reflects the original intent of the Charter Schools Program, stating that CSP "encourages, through statutory funding priorities, the creation of strong State charter school laws that are designed to provide for the establishment of high-quality charter schools."³⁸ The CSP has expanded beyond its original design as a federal incentive grant to inspire good state charter policy. However, with the federal government providing CSP grants directly to CMOs and to schools in states without SEA grants, states are removed from the policy process. The states, therefore, have less of an incentive to improve their charter laws in order to be eligible for the state grants. By focusing on funding CMOs and schools directly, the Charter Schools Program is increasingly inhibited from influencing state charter policy.

³⁷ "Applications for New Awards; Expanding Opportunity Through Quality Charter Schools Program (CSP)-Grants to Charter School Developers for the Opening of New Charter Schools and for the Replication and Expansion of High-Quality Charter Schools," Federal Register, July 3, 2019.

³⁸ "Charter Schools Program Title V, Part B of the ESEA Nonregulatory Guidance."

In addition, there are CSP grant competitions that pick winners and losers at the federal level based on federal definitions of quality, rather than factoring in state laws and preferences. The Department created a competitive grant approval process in which peer reviewers provide numerical rankings for components of the applications that guide approval. Unfortunately, however, the scoring process does not factor in the quality of the state's charter law or the existing quality or quantity of charter schools in the state. Originally, the program was meant to encourage states to develop environments that supported the creation of a variety of schools. Increasingly, the program has Uncle Sam choosing which schools deserve support.

2

INSTITUTIONALIZATION.

Some charter advocates have expressed concern that the program has grown sclerotic. They point to an increasingly prescriptive and bureaucratic program with extensive nonregulatory guidance, lengthy FAQs and an 82-page 2019 CSP grant application package. Implementing the original vision of small groups of teachers or parents launching a school seems less likely when charter developers are faced with such huge bureaucratic burdens.

3

FUNDING ABUNDANCE.

After receiving a steady annual appropriation of \$200 to \$256 million over ten years, CSP funding has increased significantly in recent years. Interestingly, however, the current annual CSP appropriation of \$440 million coincides with a leveling-off of new charters. The federal government often communicates support for a policy initiative by increasing funding. The slowed growth in the number of new schools could indicate that the charter sector does not need significant funding increases at this point.

³⁹ "Department of Education Applications for New Awards; Expanding Opportunity Through Quality Charter Schools Program (CSP)—Grants to State Entities," Federal Register, Dec. 28, 2018.

In addition, CMO-affiliated schools can receive funds from both the state grant and the CMO grant. Perhaps as a result, the federal government awards large sums to charters that qualify based on federal grant criteria. A recent CSP grant competition announcement stated that, “the maximum amount of subgrant funds an SE may award to a subgrantee per new charter school, replicated high-quality charter school, or expanding high-quality charter school over a five-year subgrant period is \$1,500,000.”³⁹ If current funding trends continue, CSP will increasingly invest in a narrower population of CMO-affiliated charter schools, rather than funding a diverse array of nonprofit organizations opening schools.

4

SUCCESS BREEDS CONTEMPT.

The growth of both the CSP and the charter sector have made them a more appealing target to opponents. For example, some have argued that, “it is likely that one billion dollars of federal ‘seed money’ has been wasted on charters that never opened or shut their doors,” that CSP recipients deny access to certain groups of students and that the grant program lacks sufficient oversight.⁴⁰ And, while such assertions have been swiftly countered, the program is likely to receive continued critical attention.⁴¹ In the end, the program’s longevity and positive influence may ensure its survival, but future funding amounts could be at risk, and significantly reduced CSP appropriations could lead fewer nonprofits to open charters in their communities.

³⁹ “Department of Education Applications for New Awards; Expanding Opportunity Through Quality Charter Schools Program (CSP)—Grants to State Entities,” Federal Register, Dec. 28, 2018.

⁴⁰ See, e.g., “Asleep at the Wheel: How the Federal Charter Schools Program Recklessly Takes Taxpayers and Students for a Ride,” Network for Public Education, April 15, 2019.

⁴¹ Christy Wolfe, “Writing Under the Influence: A critique of ‘Asleep at the Wheel,’ the Network for Public Education’s analysis of the federal Charter Schools Program,” Education Next, 06/27/2019.

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We work extensively on both state and national policy, focusing on issues that other groups tend to neglect. Our specialty is tackling issues that are complex, but do not necessarily grab major headlines. These are the areas where we think we can have a real impact. We believe free markets work better than the alternatives. At the same time, we recognize the legislative process calls out for practical responses to current problems. Toward that end, our motto is “Free markets. Real solutions.”

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