

The amount of equalization assistance provided to each district varies inversely with a district's taxable property valuation per student. For example, districts with lower property valuations per student receive higher levels of state equalization funding. However, if the qualifying tax rate would raise more money than the calculated district support level the district would receive no state equalization funds. It is important to note that even in this case the spending limit for the district could not exceed the calculated district support level.

Arizona's equalized funding system therefore provides equitable funding to Arizona school districts. The formula not only provides significant increases in state funding for districts with limited taxable property but the system also limits the ability of districts with very high amounts of taxable property from generating additional dollars beyond the calculated district support level.

**(F)(2) Ensuring successful conditions for high-performing charter schools and other innovative schools (40 points)**

The extent to which—

- (i) The State has a charter school law that does not prohibit or effectively inhibit increasing the number of high-performing charter schools (as defined in this notice) in the State, measured (as set forth in Appendix B) by the percentage of total schools in the State that are allowed to be charter schools or otherwise restrict student enrollment in charter schools;
- (ii) The State has laws, statutes, regulations, or guidelines regarding how charter school authorizers approve, monitor, hold accountable, reauthorize, and close charter schools; in particular, whether authorizers require that student achievement (as defined in this notice) be one significant factor, among others, in authorization or renewal; encourage charter schools that serve student populations that are similar to local district student populations, especially relative to high-need students (as defined in this notice); and have closed or not renewed ineffective charter schools;
- (iii) The State's charter schools receive (as set forth in Appendix B) equitable funding compared to traditional public schools, and a commensurate share of local, State, and Federal revenues;

(iv) The State provides charter schools with funding for facilities (for leasing facilities, purchasing facilities, or making tenant improvements), assistance with facilities acquisition, access to public facilities, the ability to share in bonds and mill levies, or other supports; and the extent to which the State does not impose any facility-related requirements on charter schools that are stricter than those applied to traditional public schools; and

(v) The State enables LEAs to operate innovative, autonomous public schools (as defined in this notice) other than charter schools.

*In the text box below, the State shall describe its current status in meeting the criterion. The narrative or attachments shall also include, at a minimum, the evidence listed below, and how each piece of evidence demonstrates the State's success in meeting the criterion. The narrative and attachments may also include any additional information the State believes will be helpful to peer reviewers. For attachments included in the Appendix, note in the narrative the location where the attachments can be found.*

Evidence for (F)(2)(i):

- A description of the State's applicable laws, statutes, regulations, or other relevant legal documents.
- The number of charter schools allowed under State law and the percentage this represents of the total number of schools in the State.
- The number and types of charter schools currently operating in the State.

Evidence for (F)(2)(ii):

- A description of the State's approach to charter school accountability and authorization, and a description of the State's applicable laws, statutes, regulations, or other relevant legal documents.
- For each of the last five years:
  - The number of charter school applications made in the State.
  - The number of charter school applications approved.
  - The number of charter school applications denied and reasons for the denials (academic, financial, low enrollment, other).
  - The number of charter schools closed (including charter schools that were not reauthorized to operate).

Evidence for (F)(2)(iii):

- A description of the State's applicable statutes, regulations, or other relevant legal documents.
- A description of the State's approach to charter school funding, the amount of funding passed through to charter schools per student, and how those amounts compare with traditional public school per-student funding allocations.

Evidence for (F)(2)(iv):

- A description of the State's applicable statutes, regulations, or other relevant legal documents.
- A description of the statewide facilities supports provided to charter schools, if any.

Evidence for (F)(2)(v):

- A description of how the State enables LEAs to operate innovative, autonomous public schools (as defined in this notice) other than charter schools.

*Recommended maximum response length: Six pages*

(F)(2)(i)

Arizona's robust Charter law passed in 1994 (A.R.S §15-181 et. Seq.) and is recognized as one of the most vibrant laws enacted nationwide. In fact, according to a report released on January 13, 2010 by the National Alliance for Public Charter Schools entitled "*How State Charter Laws Rank Against The New Model Public Charter School Law*," Arizona ranks #10 when evaluated on its commitment to the full range of values in the public charter school movement: quality and accountability, funding equity, facilities support, autonomy, growth and choice. Arizona's law does not limit the number of charter schools that may be authorized nor does it prescribe types of schools that may charter. The statute provides for three charter authorizers: School Districts, the SBE, and the Arizona State Board for Charter Schools (ASBCS). Currently 43% of Arizona charters are in rural counties, 17 charter schools specifically serve the Native American students in our state with 10 of 17 schools located on reservation land. The bulk of Arizona's 502 charter schools are overseen and regulated by the ASBCS. The SBE is no longer granting new charters, but continues to sponsor 37 charter schools, and through an intergovernmental agreement, utilizes the ASBCS for oversight and monitoring of those schools. Six school districts authorize, oversee and monitor a total of 6 charter schools.

In the 2009-2010 school year there are over 100,000 students attending charter schools in Arizona. Since the state does not limit the type or numbers of schools we have a rich and diverse mix of charter schools in our state that address the diversity of our students as well as the interests including the arts, math and science, advanced placement, distance learning, liberal arts and others.

Through its own innovation, the ASBCS instituted a unique process by which existing charters schools that have met achievement, fiscal and compliance with state, local and federal laws have the opportunity to replicate their strong schools quickly through an expedited application process. Over the past two years 10 replicated charter schools have opened or are in the process of opening in rural and urban communities and on the Davis-Monthan Air Force Base. The curriculum varies to meet the needs or challenges within the specific communities where they are housed.

The ASBCS continues to approve high quality applications for new charter schools each year and supports the continued expansion of existing high quality charters. Thirty-four new charter schools opened for the 2008-2009 school year.

Annually, the ASBCS grants an average of 15 new charters. Charter contracts are legislatively mandated for a 15 year contract and are comprehensively reviewed every five years. In fact, the ASBCS just had new rules approved for the 15 year renewal contract that will include mandated student achievement requirements based on AZLEARNs.

The Arizona School Improvement Act of 1994 (amended in 1995) mandates that all public schools provide open enrollment opportunities throughout Arizona and since charter schools are considered public schools they abide by the same legislation. The law was passed to allow parents/guardians the freedom of choice. See A.R.S. §§ 15-184 and 15-816.01 (A).

**(F)(2)(ii)**

Title 15, Chapter 1, Article 8 of the Arizona Revised Statutes covers the responsibilities and regulations concerning charter schools, provides for periodic review and evaluation during the contract period, and outlines the requirements for reauthorization, or renewal, of a charter. Charter schools authorizers have oversight and administrative responsibility for the charter schools they sponsor (A.R.S. § 15-183.R.)

**Charter Approval:**

Arizona Statutes and Rules govern the process for approving new charters and charter requirements (A.R.S. § 15-183, Title 7, Chapter 5, Article 2 of the Arizona Administrative Code.

**Monitoring and General Oversight:**

- A.R.S. § 15-183.I. includes the requirement that “a sponsor shall review a charter at five year intervals.” In addition to the statutory requirements, the ASBCS, an independent chartering board and the major sponsor of the majority of charter schools in Arizona, has established a policy for the process and the components of a comprehensive review. The same policy is applied to the reviews of charter schools sponsored by the SBE through an interagency agreement (IGA), which gives oversight responsibilities for the SBE charters to the ASBCS. The ASBCS policy stipulates that a five year interval comprehensive charter review includes an examination of a charter school’s academic performance as well as an appraisal of the fiscal and legal compliance of the charter during the previous five years of operation. The ASBCS collaborates with and regularly receives monitoring information from the ADE.
- *Annual Independent Audit:* Arizona law further requires each charter school to conduct an annual financial audit by an independent certified public accountant (A.R.S. §§ 15-183.E.6 and 15-914). A copy of the annual audit is then submitted to the sponsor and to ADE.
- *Annual Performance Report:* In accordance with A.R.S. § 15-183.E.4., every charter school is required, in the same manner as district schools, to complete and distribute an annual performance report to parents of pupils enrolled at the school, and to submit that information to ADE for the purpose of compiling an annual achievement profile and school report card that is made available to the public.

**Accountability:** A.R.S. § 15-183.I provides for revocation of a charter at any time if said charter holder is found in breach of one or more provisions of the charter contract. The statute includes all the provisions for revocation. Moreover for charter schools sponsored by ASBCS, Arizona Administrative Code, Title 7, Chapter 5, Article 3 provides for charter accountability, including

general supervision, oversight and responsibility (R7-5-301), corrective action plan (R7-5-302), site visits, records, and notice of violation (R7-5-303), and disciplinary action (R7-5-304). If a charter school is designated as a school failing to meet academic standards, A.R.S. § 15-241.U provides for the charter school's sponsor to either take action to restore the charter school to acceptable performance or revoke the school's charter.

**Renewal:** In Arizona, contracts between authorized public chartering agencies (ASBCS, SBE and School Districts) and the charters they sponsor have 15 year durations. (A.R.S. § 15-183.I). Since the first charters will not expire until July, 2011, none have been required to complete the renewal process. No charters have been eligible for renewal since we have none that have existed for the 15 year term. The first charters will not expire until July 2011. A.R.S. § 15-183.I states that *"the sponsor may deny the request for renewal if, in its judgment, the charter school has failed to complete the obligations of the contract or has failed to comply with this article."* The ASBCS has adopted a renewal process that includes a focus on student achievement and student growth based upon AIMS as a consideration for renewal.

	Charter School Applications Made	Charter School Applications Approved*	Charter School Applications Denied**	Charter Schools Closed
FY 2005	27	12	1	16
FY 2006	26	12	2	43
FY 2007	31	14	3	24
FY 2008	31	17	2	21
FY 2009	34	13	3	17

\* Remaining charter school applications were incomplete or withdrew from the process.

\*\* Reasons for denial were comprehensive program of instruction and/or business plan deficiencies.

**(F)(2)(iii)**

1. Arizona's Equalized Funding System

Charter schools receive equitable funding commensurate with traditional district schools. According to ADE, in fiscal year 2009, Arizona charter schools received \$676,322,958.00 in Arizona taxpayer funding. Both charter schools and traditional school districts are allocated taxpayer dollars through the State's base level funding formula. A.R.S. §§ 15-185 and 15-943. Charter schools educated a little over 9% of Arizona students and received approximately 14% of the State's education funding. In 2009, the State's funding formula resulted in traditional district schools receiving an average of \$5,435.25 per student, while charter schools received an average of \$6,396.40 per student. *See* compilation of APOR-55 Reports and CHAR-55 Reports found on ADE's Website: [www.ade.az.gov/districts](http://www.ade.az.gov/districts); *see also* Annual Report of the Arizona Superintendent of Public Instruction, Fiscal Year 2008-2009.

Arizona utilizes an equalized funding system for all its public schools, which includes charter schools. A.R.S. §§ 15-185.B.4, 15-901 and 15-943. In Arizona, public schools are funded based on the number of students they enroll. A.R.S. §§ 15-901, 15-902 and 15-943. The principal component of the funding formula is the base level amount that the Legislature appropriates for each student (currently \$3,267.72). The base level amount is then multiplied by each public school's student enrollment, commonly known as the school's student count. A.R.S. §§ 15-185, 15-901 and 15-943. That sum – known as average daily membership (ADM) – is then increased by factors that reflect the higher costs of educating certain types of students, such as students with learning disabilities, limited English proficient students, and students that live in remote and rural areas. A.R.S. §§ 15-901 and 15-943. These students will receive the same additional funding "weight" regardless of whether the student attends a charter school or traditional district school.

2. All Public Schools Receive Commensurate Supplemental Funding From the State

Arizona also supplements the base funding amount to school districts and charter schools with commensurate additional programmatic funding. For school districts, Arizona allocates additional funding for certain specific purposes such as capital facilities and soft capital items (e.g. text books and computers), which must be spent in those delineated categories.<sup>7</sup> A.R.S. §§ 15-947 and 15-962. For charter schools, Arizona allocates “additional assistance” of \$1,588.44 per student in kindergarten programs and grades 1 through 8 and \$1,851.30 per student in grades 9 through 12, which may be spent in whatever manner the school chooses. A.R.S. § 15-185(B)(4), (F).

In addition to State appropriations, charter schools also receive significant federal funding. There are no Arizona laws that prohibit charter schools from applying for and receiving federal dollars. In 2009, Arizona school districts and charter schools applied for and received \$1,115,176,511.00 in federal education funding, including food service allocations. Charter schools received \$64,149,261.00 of that funding equaling approximately six percent of the total amount awarded.<sup>8</sup> See Annual Report of the Arizona Superintendent of Public Instruction, Fiscal Year 2008-2009. While Arizona charter schools educate a little over nine percent of Arizona students, they account for seven percent of the Federal Title One Assistance awarded. Arizona and ADE comply fully with the Charter School Expansion Action 34 C.F.R § 76.785. Accordingly, all charter schools that are eligible for federal funding receives an allocation and very few of those schools choose not to apply for the funding. ADE Website: [www.ade.az.gov/asb](http://www.ade.az.gov/asb). This is proportionate share of the federal funding awarded.

(F)(2)(iv)

<sup>7</sup> School districts may also increase their revenue through passing local property tax overrides and capital facilities bonding. A.R.S. §§ 15-481 and 15-491.

<sup>8</sup> Federal regulation prohibits Arizona’s for-profit charter schools from applying for and receiving federal funding under the Individuals with Disabilities Education Act and the Elementary and Secondary Education Act. 20 USC §§ 1401(6),(27), 7801(18)(38).



Arizona passed two key pieces of legislation this past year to provide assistance charter schools with facilities acquisition.

- Further clarification was made to ensure equitable zoning requirements. A.R.S. § 15-189.01 was revised to specify that charter schools be classified as public schools for the purposes of municipal and county zoning. It also requires municipalities and counties to allow charter schools to operate at a location or in a facility where a school in a school district would be allowed to operate.
- A.R.S. § 42-11132 was revised to provide significant financial relief from burdensome property taxes for non-profit charter schools who lease their facilities. By classifying the property leased by a non-profit charter schools as class nine and assessing the property at one percent, the property taxes of non-profit charter schools leasing facilities will be reduced by 90% to 95%.

**(F)(2)(v)**

In Arizona LEAs are free to operate innovative, autonomous public schools other than charter schools and are not hindered by any existing state statute. Currently LEAs in Arizona have opened a number of alternative sites which are not charter schools including “traditional schools”, extended year schools, virtual schools, magnet schools and technology based schools.

**(F)(3) Demonstrating other significant reform conditions (5 points)**

The extent to which the State, in addition to information provided under other State Reform Conditions Criteria, has created, through law, regulation, or policy, other conditions favorable to education reform or innovation that have increased student achievement or graduation rates, narrowed achievement gaps, or resulted in other important outcomes.