

**(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): Ensuring Successful Conditions for High-Performing Charter Schools and Other Innovative Schools**

Arizona is nationally recognized as a leader in the development and success of high performing charter schools. Arizona's role in the charter school movement is consistent with the spirit of innovation and independence that Americans have long associated with the Grand Canyon State.

Arizona's charter school statutes have received national acclaim for their role in promoting charter school education. For example, according to a 2010 report<sup>27</sup> by the National Alliance for Public Charter Schools, Arizona ranks among the highest states for 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.

With respect to charter school autonomy, Arizona also scored favorably in a Thomas B. Fordham Institute report issued April 28, 2010.<sup>28</sup>

### ***(F)(2)(i): Arizona's charter school law restricts neither charter school growth nor enrollment.***

Arizona charter schools have flourished for a number of reasons, including the favorable provisions of A.R.S. § 15-181 *et seq.*, which recognize that charter schools provide “additional

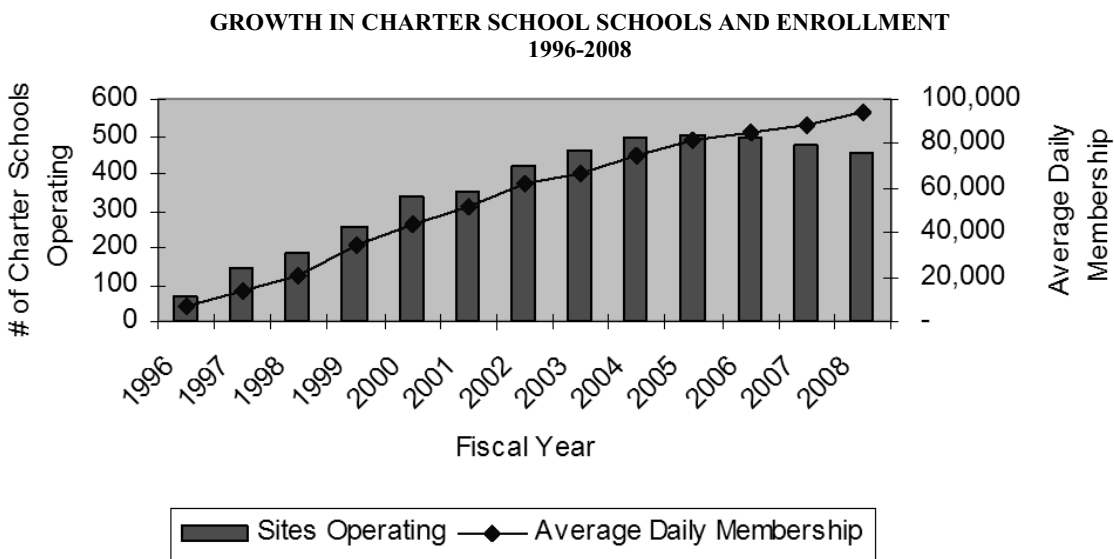
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<sup>27</sup> “How State Charter Laws Rank against the New Model Public Charter School Law,” January 13, 2010

<sup>28</sup> View the report at [www.edexcellence.net/doc/201004\\_CharterAutonomyReport.pdf](http://www.edexcellence.net/doc/201004_CharterAutonomyReport.pdf)

academic choices for parents and pupils” and “a learning environment that [improves] pupil achievement.” State law imposes no caps on the number of charter schools and does not restrict charter school enrollment where capacity exists.

In the current (2009-2010) school year, more than 101,000 Arizona students attend charter schools. That total represents over 9% of Arizona’s public school enrollment, a percentage that ranks second nationally only to Washington, D.C. Arizona charter school enrollment has grown every year since the first charter was issued, at a rate that exceeds the growth in the number of charter schools. Further, charter school enrollment is growing at a faster rate than district school enrollment; in FY 2009, while district elementary schools experienced an overall decrease in enrollment, charter school elementary enrollment grew by 7%.



At the time of this report, 385 charter holders operate 502 charter schools in 14 of Arizona’s 15 counties, comprising over 25% of the total public schools. While just 15% of Arizona’s population resides in rural areas, approximately 26% of the State’s charter schools are in rural counties. In addition, 17 charter schools (including 10 located on reservation land) specifically serve Native American students.

Overall, the portfolio of high-quality charters is expected to grow, as Arizona recently awarded \$14 million over two years and an anticipated \$53 million over five years as part of the

Arizona Charter School Incentive Program (AZCSIP). The program's mission includes serving at-risk students in both urban and rural settings.

About 50% of Arizona charter schools serve students only in grades K-8; 34% serve students only in grades 9-12; and 16% serve students in a combination of grades between kindergarten and grade 12. The demographic composition of the charter school population is comparable to that of district schools.

Further, the Arizona School Improvement Act of 1994<sup>29</sup> (amended in 1995) gave parents and guardians the freedom of choice in school selection by providing open enrollment opportunities for students attending public school districts and by establishing charter schools. Charter schools are also subject to flexible enrollment policies that are not strictly tied to geographic boundaries.

***(F)(2)(ii): Arizona has statutes, regulations and guidelines for how charter school authorizers approve, monitor, hold accountable, reauthorize and close charter schools.***

Charter schools enter into a contract with a charter authorizer to operate in accordance with academic and fiscal standards established in federal and State law, and the schools are held accountable to their charter contract. Arizona charter schools also function according to a business plan that guides their overall governance and operational structure.

Arizona statutes empower the Arizona State Board for Charter Schools (ASBCS), State Board of Education (SBE) and local school districts to authorize and oversee the charter schools they sponsor. The ASBCS sponsors 356 of the charter holders (459 sites) and has oversight responsibility for the 23 charter holders (37 sites) chartered by the SBE. The SBE no longer grants new charters. The ASBCS provides oversight of the SBE sponsored charters in the same manner it monitors its own charters. The remaining five charter holders (six sites) are sponsored by local school districts.

A.R.S. § 15-182 established the ASBCS as an independent State agency to authorize and

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<sup>29</sup> A.R.S. §§ 15-184 and 15-816.01(A)

oversee charter schools. The ASBCS reports annually to the Governor and the Legislature. For State Fiscal Year (FY) 2010, the ASBCS has 8.0 FTE staff and an appropriated budget of \$823,900.

The 11-member ASBCS consists of the State Superintendent of Public Instruction (or the Superintendent's designee) and 10 members who are appointed by the Governor: six members of the general public, two members of the business community, a charter school classroom teacher, and a charter school operator. Three Legislators who are appointed jointly by the Senate President and the Speaker of the House of Representatives serve as advisory members.

The ASBCS's role includes:

- evaluating applications and granting new charters,
- providing technical assistance and guidance to stakeholders,
- conducting ongoing academic and financial evaluations, and
- taking appropriate disciplinary action against schools that fail to comply with local, State and federal laws or the terms of their charter contract.

With respect to charter approval, A.R.S. § 15-183 governs the process for approving new charters and charter requirements. Arizona Administrative Code, Title 7, Chapter 5, Article 2 provides additional guidance for those seeking charter approval through the ASBCS. Title 15, Chapter 1, Article 8 of the Arizona Revised Statutes sets forth the responsibilities and regulations concerning charter schools, provides for periodic review and evaluation during the contract period, and outlines the requirements for reauthorizing a charter.

Since its inception, the ASBCS has received 609 new charter applications and 22 replication applications, and has approved 413 total applications, granting more charters than any other authorizer in the United States. The ASBCS continues to approve high-quality applications for new charter schools each year and supports the continued expansion of existing high quality charters. Each year an average of 15 new charters are approved. Newly approved charters combined with new sites being added to existing charters account for a 2.5% increase in the number of charter schools opening each year.

At the same time, consistent with its commitment to school accountability, the ASBCS has revoked the contracts for 12 charter schools that failed to meet the requirements of the law and their charter contracts. Additional closures can be attributed to charter holders that surrender their contracts when faced with a pending revocation and those for which the market has not supported a school's continuation.

All authorized charter school sponsors have the authority to pursue charter revocation for charter schools that receive a failing academic label or are found to have breached one or more provisions of their charters.<sup>30</sup>

<b>Arizona Charter School Applications, Approvals, Denials and Closings</b>						
FY 2005-2010						
Fiscal Year		SBE	ASBCS	School Districts	Total in Operation	% Change from Previous FY Year
2005	Holders	34	317	16	367	1.4%
	Sites	52	416	34	502	1.4%
2006	Holders	31	333	11	375	2.2%
	Sites	49	429	22	500	-0.4%
**2007	Holders	26	328	7	361	-3.7%
	Sites	39	429	7	475	-5.0%
2008	Holders	26	322	6	354	-1.9%
	Sites	39	412	6	457	-3.8%
2009	Holders	26	335	5	366	3.4%
	Sites	39	436	5	480	5.0%
2010	Holders	23	356	6	385	5.2%
	Sites	37	459	6	502	4.6%

\*\*FY 2007-present, sponsor data is based on counts at the beginning of the fiscal year

<b>Arizona State Board for Charter Schools (ASBCS) Activity</b>					
FY 2005-2010					
Fiscal Year	Charter Contract Applications Made	Charter Contract Applications Approved*	Charter Contract Applications Denied* **	Charter Schools Opened	Charter Schools Closed
2005	27	12	2	17	16
2006	31	14	3	18	43
2007	40	25	2	21	24
2008	39	18	3	15	21
2009	39	23	3	35	17

<sup>30</sup> A.R.S. §§ 15-183(I)(3) and 15-241(U)

2010	43	18	6	44	TBD
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\* Remaining charter school applications were incomplete or withdrew from the process.

\*\* Reasons for denial were failure to demonstrate a comprehensive program of instruction and/or failure to provide a comprehensive business plan.



Charter Contracts Terminated										
FY	Number Revoked	Reason Revoked <sup>31</sup>			Number Surrendered	Reason Surrendered <sup>32</sup>				
		Financial	Contractual	Academic		V <sup>33</sup>	E <sup>34</sup>	F <sup>35</sup>	R <sup>36</sup>	S <sup>37</sup>
2005	1			1	4	2	2			1
2006	4	2	4	1	19	7	10	3	1	
2007	0				12		3	1	6	2
2008	2	1	1		10	3	4			3
2009	2		2	1	8	3	3			2
2010	1		1	1						

**Monitoring and General Oversight.** Multiple provisions of Arizona law give charter schools authorizers oversight and administrative responsibility for the charter schools they sponsor.

*Five-Year Review.* A.R.S. § 15 -183(I) requires that “a sponsor shall review a charter at five-year intervals.” In addition to the statutory requirements, the ASBCS has established a policy for the process and the components of a comprehensive review that includes examination of academic performance as well as appraisal of fiscal and legal compliance. Schools not meeting the ASBCS level of adequate academic performance are subject to a Performance Management Plan. Performance Management Plans are intended to assist schools in addressing academic performance deficiencies with a plan that clearly articulates the academic achievement area in need of improvement, the tools intended to measure improvement, and the degree of improvement to be achieved. The plan will also include identified strategies linked to desired outcomes and designed for meeting identified targets. The ASBCS collaborates with and regularly receives monitoring information from the ADE.

*Annual Independent Audit.* A.R.S. §§ 15 -183(E)(6) and 15 -914 require each charter school to conduct an annual financial audit by an independent certified public accountant. A

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<sup>31</sup> More than one reason may apply to a single revocation

<sup>32</sup> More than one reason may apply to a single surrender

<sup>33</sup> Voluntary, no reason given

<sup>34</sup> Lack of enrollment

<sup>35</sup> Facilities

<sup>36</sup> Retirement of key corporate officers

<sup>37</sup> Surrendered under duress, pending revocation

copy of the annual audit is submitted to the sponsor. The sponsor reviews each audit received, and may require the submission of corrective action plans when appropriate.

*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 to parents an annual performance report. The school must 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 the 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 the ASBCS, Arizona Administrative Code, Title 7, Chapter 5, Article 3 provides for charter accountability, including general supervision; oversight and responsibility (R7-5-301); site visits, records, and notices of violation (R7-5-303); a corrective action plan (R7-5-302); and disciplinary action (R7-5-304).

A.R.S. § 15-241(U) provides that, if a charter school is designated as a school failing to meet academic standards, the charter school's sponsor is to either (a) take action to restore the charter school to acceptable performance or (b) revoke the school's charter.

Two recent U.S. Department of Education Office of Innovation grants, totaling \$60,000, have allowed the ASBCS to increase charter school accountability. The first grant supports development, adoption and implementation of State policies that lead to more high-quality public charter schools, while the second grant aims to improve student achievement by helping charter school operators and authorizers strengthen their performance management practices.

*Renewal.* Contracts between authorized public chartering agencies (ASBCS, SBE and School Districts) and the charters they sponsor have 15-year durations, per A.R.S. § 15-183(I). In addition to annual and five-year reviews, Arizona is preparing to renew the first generation of charters that are completing the initial 15-year cycle.

Since the first charters will not expire until July 2011, schools have only recently begun the renewal process. A.R.S. § 15-183(I) states in part that "the sponsor may deny the request for renewal if, in its judgment, the charter school has failed to complete the obligations of the con-

tract 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 on “Arizona’s Instrument to Measure Standards” (AIMS) test and a school’s success in the development and implementation of any required Performance Management Plan.

***(F)(2)(iii): The State’s charter schools receive equitable funding compared to district schools and a commensurate share of local, State and federal revenues.***

In Arizona, both charter schools and traditional school districts are allocated taxpayer dollars through the State’s base level funding formula.<sup>38</sup> Arizona’s equalized funding system ensures that charter schools and district schools are funded equitably and competitively.

According to the ADE, in FY 2009 (the most recent fiscal year for which full-year data are available), charter schools educated over 9% of Arizona students and received approximately 14% of the State’s \$676.3 million General Fund appropriation for K-12 education. During that fiscal year, the State’s funding formula yielded an average of \$6,396.40 per charter student and \$5,435.25 per district student.<sup>39</sup>

Overall, public schools are funded based on the number of students they enroll:<sup>40</sup>

- 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*.<sup>41</sup>
- The sum of the schools’ enrollment – known as *average daily membership* (ADM) – is increased by factors that reflect the higher costs of educating certain

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<sup>38</sup> A.R.S. §§ 15-185(B)(4), 15-901 and 15-943

<sup>39</sup> See compilation of APOR-55 Reports and CHAR-55 Reports found at the Arizona Department of Education 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*

<sup>40</sup> A.R.S. §§ 15-901, 15-902 and 15-943

<sup>41</sup> A.R.S. §§ 15-185, 15-901 and 15-943

types of students, such as students that have learning disabilities, limited English proficiency, and/or live in remote and rural areas.<sup>42</sup> Those students receive the same additional funding “weight,” regardless of whether they attend a charter school or district school.

The base funding to charter schools and school districts is supplemented with additional funding:

- Charter schools receive \$1,588.44 per K-8 student and \$1,851.30 per student in grades 9-12. The additional funding may be spent at the school’s discretion.<sup>43</sup>
- For school districts, additional funding is dedicated to specific purposes, such as capital facilities and “soft” capital items (e.g., text books and computers).<sup>44</sup>

**Federal Funding.** Arizona law does not prohibit charter schools from applying for or receiving funding from the federal government, and charter schools receive significant federal funding in addition to their State appropriation.

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 receive an allocation.

In 2009, Arizona charter schools received more than \$64.1 million (approximately 6%) of the more than \$1.1 billion in federal funds (including food service allocations) that flowed into Arizona in support of K-12 public education.<sup>45</sup> Charter schools received 7% of the Federal Title One Assistance awarded to Arizona public schools, an equitable share in light of the 9% of Arizona students whom they educate.

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<sup>42</sup> A.R.S. §§ 15-901 and 15-943

<sup>43</sup> A.R.S. §§ 15-185(B)(4), 15-185(F)

<sup>44</sup> A.R.S. §§ 15-947 and 15-962

<sup>45</sup> *Annual Report of the Arizona Superintendent of Public Instruction, Fiscal Year 2008-2009*

***(F)(2)(iv): Arizona provides funding to charter schools for facilities, assistance with facilities acquisition, access to public facilities, and the ability to share in bonds and mill levies. The State does not impose any facility-related requirements on charter schools that are stricter than those applied to traditional public schools.***

As evidence of Arizona's commitment to equitable facility support of charter schools, in the last year the Arizona Legislature has enacted two key bills to help charter schools acquire facilities:

- ***Zoning:*** A.R.S. § 15-189.01 was amended to specify that charter schools be classified as public schools for the purposes of municipal and county zoning. The amendment also requires municipalities and counties to allow charter schools to operate at locations or in facilities that would be permissible for district schools.
- ***Property Tax Relief:*** A.R.S. § 42-11132 was amended to provide significant financial relief from burdensome property taxes for non-profit charter schools that lease their facilities. By classifying the property leased by a non-profit charter schools as Class 9 and assessing the property at 1%, the property taxes on facilities leased by non-profit charter schools will be reduced by 90% to 95%.

***(F)(2)(v): Arizona enables LEAs to operate innovative, autonomous public schools other than charter schools.***

In Arizona, local educational agencies (LEAs) have the flexibility and authority to operate innovative, autonomous public schools in addition to charter schools. As a result, Arizona LEAs have accumulated a robust portfolio of “traditional,” alternative, extended-year, focus, magnet and virtual schools.

More than 170 alternative schools provide a diverse array of options for elementary, middle and high school students with special needs or extenuating circumstances. These schools follow distinct educational philosophies and generally offer self-paced curricula, small classes and a focus on social and emotional development. Several alternative schools specifically serve

pregnant and parenting teenagers; others offer community resource centers that bring together health and education services for children and their families.

A.R.S. § 15-881 requires each school district to make extended school year services available to all pupils with disabilities for whom such services are necessary. One LEA, Balsz Elementary School District, has adopted an innovative 200-day school year to add focused instructional time for all students and increase professional development time for staff. The addition of 20 school days equates to a full year of instruction by the time students reach high school.

Arizona's focus and magnet schools provide yet another option for students and parents. These schools offer specialized curricula with high academic standards in areas such as aviation/aerospace, business and finance, communication arts, international studies, law-related studies, marine science, medical arts and health, performing and visual arts, STEM and world languages. Several magnet schools mix grade levels within one classroom and operate on a year-round schedule. Innovative LEA examples include Mesa Public and Deer Valley Unified School Districts, supporting 10 focus schools each; Phoenix Union High School District, with 11 magnet schools; and Tucson Unified School District, supporting 19 magnet schools.

Nearly all of Arizona's large high school and unified districts offer online learning options or support distance learning academies. Students do coursework at any time of day and need only a computer with a high-speed Internet connection. These programs also include interactive online practice activities, tutorials, discussion groups, and instructor contact via e-mail. Notable examples include Deer Valley eSchool, with 70 courses for grades 9-12; Glendale Union Online, with 24 courses for grades 9-12; Mesa Distance Learning Program, serving all the district's K-12 students; Peoria eCampus Virtual High School; and Tempe Union Online Learning, offering standard courses in nine content areas and credit recovery courses in English, mathematics and social studies.