

Clearing the Air

An Analysis of the Federal Charter Schools Program



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Executive Summary

The nation's first public charter school opened its doors to students in Minnesota in 1992.¹ Since then, the number of charter schools has grown to 7,500 nationwide. These schools enroll more than 3 million students and serve some of the nation's most underserved families and communities. However, charter schools operate at a significant funding disadvantage compared to district schools. On average, charter schools receive \$5,828 less in per-pupil funding than district schools.² But before charter schools even open their doors, they struggle to access funding to support them in their start-up phases. The federal Charter Schools Program (CSP) plays a vital role in addressing this need. Enacted in 1994, the CSP is a federal discretionary program run by the U.S. Department of Education (USED) that targets resources to launch, expand, replicate, and support high-quality charter schools.

The CSP has enjoyed strong bipartisan support over the last 25 years that has enabled it to invest \$5.3 billion in federal resources into the charter school sector. An estimated half of all charter schools open during the 2016-17 school year have benefited from CSP funding, representing schools in 43 states, the District of Columbia, and Puerto Rico.³ The CSP has also enabled more than 750 charter schools nationwide to access financing for facilities, and supported the dissemination of best practices related to pressing needs facing the sector, such as high-quality charter school authorizing.

The CSP has evolved substantially since its enactment in 1994. Today, it consists of six distinct subprograms aimed at addressing different needs in the sector, as summarized in the table below. As the CSP has grown larger and more complex, however, it has also attracted considerable criticism and become more politicized. Some of this criticism is a reflection of growing attacks on charter schools in general. Multiple subprograms with varying goals have also contributed to confusing or incomplete narratives. As the program enters a new decade, it is important for federal policymakers to better understand the CSP and its structure as well as its impact.

Overview of the CSP’s Six Subprograms

Program	Overview	Eligible Applicants
State Entities Grants	Provides grants to states, which then make subgrants to eligible applicants to open new high-quality charter schools or expand or replicate existing schools	State education agencies, state charter school boards, a governor’s office, or a nonprofit charter school support organization
CMO Replication and Expansion Grants	Provides grants to high-quality CMOs to open new schools or expand enrollment in existing schools	Nonprofit charter management organizations
Non-State Entities/ Developer Grants	Provides grants to charter school developers in states without a current State Entities grant to enable them to open a new school or expand or replicate an existing high-quality charter school	Developers that have applied to an authorized public chartering entity to operate a charter school in their state
Credit Enhancement for Charter School Facilities	Provides grants to eligible entities to enable those entities to enhance the credit of charter schools so that charter schools can access private-sector and other non-federal capital to purchase, construct, or renovate a school facility	Public and private nonprofit entities
State Charter School Facilities Incentive Grants	Provides competitive grants to help states establish and enhance or administer per-pupil facilities aid programs for charter schools	States that have existing laws that provide annual, per-pupil facilities financing to charter schools
National Dissemination Grants	Provides grants to eligible entities to improve the quality of charter schools by providing technical assistance or other types of support on issues of national significance and scope	State educational agencies; authorized public chartering agencies; public and private nonprofit organizations that operate, support, or manage charter schools

This report provides an overview of the CSP and how it has evolved to meet the growing needs of charter schools and the families and communities they serve. It includes detailed information about each of the six subprograms, as well as an analysis of its evolution over time and recommendations to ensure the CSP continues to be a catalyst for the growth of a vibrant, high-quality charter school sector.

A look back at the CSP's evolution surfaced six key themes:

- **The CSP has benefited from both Democratic and Republican leadership:** Since 1994, the scope of the CSP has expanded considerably. So too have the funds allocated to it. This growth has occurred under both Democratic and Republican administrations with the support of key policymakers from both parties.
- **The CSP has evolved over time to meet the needs of families and communities:** Changes to the program reflect direct responses to challenges and changes in the charter school sector, including charter schools' limited access to facilities, a need for stronger authorizing practices and accountability, and the growth of high-quality charter management organizations (CMOs) capable of replicating their models to meet families' demand.
- **The CSP has maintained its focus on high-need students:** The CSP has targeted resources to high-need groups of students since its inception. Over time, both Congress (through amendments to the CSP's authorizing legislation) and secretaries of education under both Democratic and Republican administrations (through their discretionary use of absolute, competitive, and invitational priorities) have continued to drive resources to high-need groups of students, including low-income students, rural students, Native American students, and students at risk of not graduating from high school.
- **USED's oversight of CSP grantees has increased significantly:** In addition to the reporting requirements required of all USED grantees, CSP grantees are required to participate in an annual data collection process and a site visit monitoring process, as much if not more oversight than that required of other federal discretionary grants. Additionally, the charter schools that benefit from CSP funds are accountable to the families who choose them and to the authorizers that oversee them.
- **The CSP has incentivized changes in state-level policy:** State entities have been a primary grantee of CSP funds. Over the years, CSP applications have required state entities to demonstrate that their states have in place policies to support a high-quality charter school sector. States without applicable policies were thus incentivized to adopt them to be eligible for CSP funds.
- **The CSP has sought to balance proven models and innovation, with limited success:** Two of the CSP's statutory goals focus on supporting innovation in public education and increasing the number of high-quality charter schools. The CSP has sought to achieve both of these goals, first and foremost, by supporting high-quality CMOs in expanding and replicating their schools while also prioritizing single-site schools that have not previously received CSP funding in its application criteria. This is a necessary but insufficient approach to encouraging innovation.

The CSP has had a significant impact on students and families. It has evolved with the charter sector, focused resources on high-need students, shored up its oversight of federal dollars, and incentivized state policy changes. As policymakers look to the future of the CSP, there are several opportunities for them to ensure it maintains and expands its ability to support the growth of charter schools and the families and communities those schools serve:

- 1 Continue to support charter schools' access to facilities, with an emphasis on incentivizing per-pupil or other facilities allocations at the state level.** Charter schools continue to have unequal access to facilities. Policymakers should increase the annual appropriation to the two subprograms that support charter school facilities, Credit Enhancement and the State Charter School Facilities Incentive Grant. Policymakers should also address key programmatic challenges in order to expand access to more schools.
- 2 Continue to support charter school models that serve high-need student populations.** The CSP already supports some of the nation's highest-need students. Federal policymakers should retain this focus on low-income students, especially Black and Hispanic students in urban schools, as well as those in rural areas and Native American students. At the same time, federal policymakers should find new ways to prioritize other high-need students, including those experiencing homelessness or in foster care, as well as students with disabilities.
- 3 Find new ways to address barriers to equitable access, including enrollment processes and transportation.** Federal policymakers should incentivize applications for the State Entities and National Dissemination grant programs to address barriers to access, including enrollment policies and transportation.
- 4 Assert and protect innovation as a central goal of the CSP.** Policymakers must consider whether fostering innovation is truly a central aim of the CSP and, if it is, make a compelling case for why. This includes considering how innovation informs the design of various programs and establishing a tolerance for the risk of failure inherent to new ideas.
- 5 Better measure, capture, and communicate the CSP's impact.** Policymakers should strengthen the CSP's data collection processes by articulating goals for the CSP that are linked directly to the data and processes needed to help assess its impact.

In addition to this report, readers can find accompanying documents on our [website](#), including two policy briefs, one describing the CSP's design and impact, and one summarizing recommendations for strengthening the CSP.

Introduction

Since 1994, the CSP has driven \$5.3 billion in federal resources to help create, replicate, and support charter schools.

The expansion of the public charter school sector, which now includes 7,500 schools serving 3.3 million K-12 students,⁴ has required significant investment from school leaders and educators doing the work to launch new schools and sustain their success. It has also required policymakers willing to create the necessary policy conditions and foundations providing startup funding. Alongside these investments in the charter sector, the federal Charter Schools Program (CSP) has been a major catalyst for charter school growth. Since 1994, it has driven \$5.3 billion in federal resources to help create, replicate, and support charter schools.⁵

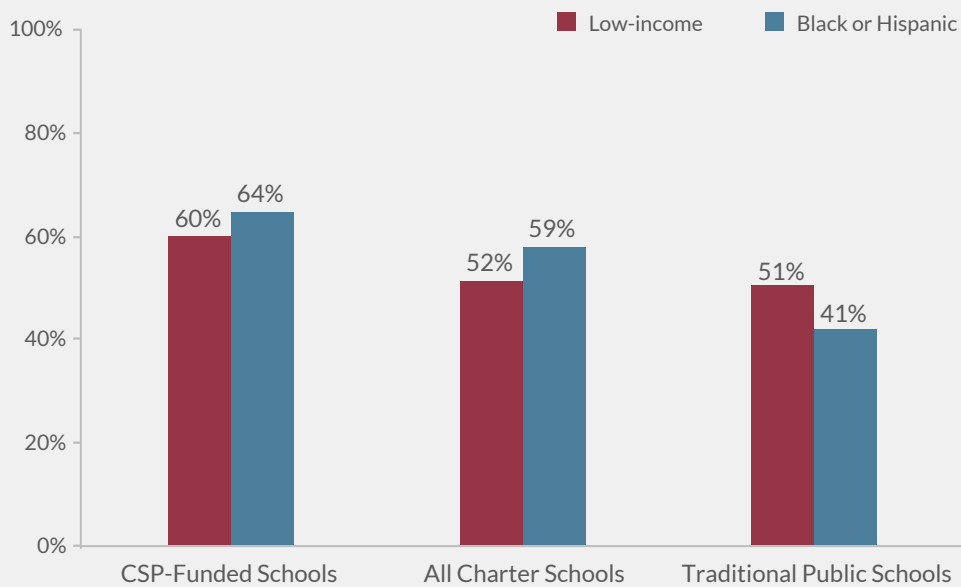
The CSP has concentrated federal resources in schools dedicated to serving high-need students. As of 2016-17, among schools that have received funding from the CSP, 60% of students were low-income and 64% were Black or Hispanic⁶ – surpassing averages within the charter sector as a whole as well as those of traditional public schools.⁷

Also as of the 2016-17 school year, the CSP has provided an average of nearly \$500,000 in funding for the startup, expansion, or replication to an estimated half of charter schools across the country, including schools from 43 states, the District of Columbia, and Puerto Rico.⁸

Moreover, alongside its investments in the startup, replication, and expansion of new charter schools, the CSP has supported more than 750 charter schools in accessing financing for facilities.⁹ CSP funds have helped build a special education talent ecosystem for charter schools in New Orleans,¹⁰ launched a nationwide charter school facility technical assistance center,¹¹ supported charter school authorizers to strengthen their practices related to alternative schools,¹² enabled the dissemination of best practices for charter schools,¹³ and incentivized collaboration between the traditional district and charter school sectors.¹⁴

Figure 1

Student Populations



Source: Data for CSP-funded and traditional public schools obtained from the [U.S. Department of Education](#) and NCES CCD

These investments have resulted in hundreds of thousands of high-quality seats that wouldn't exist otherwise. A calculation based on 2011-12 CSP grantees indicates that the schools the CSP funded that year alone created nearly 70,000 high-quality seats.¹⁵ While charter performance varies across the country, those serving high-need students in urban centers tend to outperform traditional public schools serving similar students.¹⁶ Moreover, charter school performance in comparison to traditional public schools is improving with time.¹⁷ Even still, there is unmet demand from families on charter school waitlists across the country.¹⁸

The CSP's contributions to the growth and quality of the charter school sector are numerous and varied, and they illustrate the complexity of a program that has evolved substantially over 25 years. It now includes six subprograms aimed at addressing various needs within the sector. Perhaps because of its complexity, the CSP is often poorly understood. As the charter school sector has become increasingly politicized, moreover, the CSP has come under increased criticism.

It is more important than ever for federal policymakers, the media, and education advocates to understand what the CSP is, how it has evolved over time, and its current state. This report aims to provide a thorough picture of what the CSP is, to correct the record on common misunderstandings, and to suggest some ways in which the CSP program can continue to evolve to ensure the continued availability of high-quality options for families and communities.

Charter School Startup Funding

It is well-documented that charter schools receive less ongoing operational per-pupil funding than district schools — \$5,828 less on average.¹⁹ In addition, charter schools are at a funding disadvantage before they even open their doors. Unlike school districts, which have the legal authority to issue bonds and levy taxes to raise money to cover the costs associated with opening a new school, charter schools do not have access to reliable sources of startup funding. Instead, they must cobble together funding from a variety of sources, including:

1 State funds. Fewer than half of states with a charter school law provide startup or planning grants to charter schools (19 states and D.C. as of 2018).²⁰ These programs and policies vary widely. Some, like the Louisiana Charter School Start-up Loan Fund, provide zero-interest startup loans of up to \$100,000 for new and existing charter schools.²¹ Others, such as New York's Charter School Stimulus Fund or Colorado's Building Excellent Schools Today (BEST) program, help new-start charter schools access facilities.²²

Charter schools opening in states like Florida or Massachusetts have no access to state startup funding.²³ Moreover, the funding that is provided through state programs is often insufficient to cover the full cost of launching a new charter school.

2 Philanthropic funds. Foundations have played a particularly important role in funding the startup costs of new charter schools. The Walton Family Foundation, for example, operates a grant program that provides startup funding to new charter schools; the Charter School Growth Fund also aggregates philanthropic funding from Walton and many others to help leaders open new schools.²⁴ However, demand for philanthropic funding for school startup, expansion, and replication is much higher than what these and other foundations are able to provide. In fact, one-third of charter schools receive 95% of all philanthropic support and 34% of charter schools don't receive any philanthropic support at all.²⁵

3 Federal funds. The federal Charter Schools Program (CSP) provides startup funds to charter schools during their first three years of operation. Charter schools operating in any state with a charter school law can access CSP funds through one or more of its subprograms (described at length in this report). This funding dwarfs that which is available from state or philanthropic programs, and is an incredibly important source of support in closing the funding gap between charter schools and district schools.

What is the CSP?

The CSP is a discretionary grant program that started in 1994, was most recently reauthorized in 2015 by the Every Student Succeeds Act (ESSA), and is administered by the U.S. Department of Education (USED). It includes six subprograms aimed at addressing eight goals codified in its authorizing statute:

- 1 Improve the nation's education system by supporting innovation in public education
- 2 Provide financial assistance for the planning, program design, and initial implementation of charter schools
- 3 Increase the number of high-quality charter schools
- 4 Evaluate the impact of charter schools on student achievement, families, and communities and share best practices between charter schools and other public schools
- 5 Encourage states to provide support to charter schools for facilities financing
- 6 Expand opportunities for children with disabilities, English language learners, and other traditionally underserved students
- 7 Support efforts to strengthen the charter school authorizing process
- 8 Support quality, accountability, and transparency in operational performance of charter school authorizers²⁶

How Discretionary Grant Programs Work

The U.S. Department of Education (USED) administers two types of grant programs: formula and discretionary. Formula grant programs do not have competitive application processes. Instead, USED provides funds to eligible entities through a formula determined by Congress.²⁷ Discretionary grant programs, on the other hand, award funds through a competitive application process. Discretionary grants are sometimes referred to as “competitive” grants as a result. The CSP is a discretionary grant program.

For all of its discretionary grant programs, USED publishes an invitation to apply on its website and through the Federal Register describing the selection criteria for applications. Each **selection criterion** is associated with a certain number of possible points. External peer reviewers (not USED staff) review and score applications and, based on those scores, USED awards the grants.

In addition to the selection criteria, USED uses absolute, competitive, and invitational priorities to focus applicants’ work on specific policies, communities, or groups of students. Absolute and competitive priorities are usually provided by statute or developed through the regulatory process, whereas nonbinding invitational priorities can be developed at the discretion of USED without promulgating a rule.

Absolute priorities are priorities that all applicants must meet. For example, the most recent round of the CSP’s charter management organization (CMO) program funding included two absolute priorities: rural communities and low-income students.²⁸ In order to be eligible for funding, CMOs had to demonstrate how their plans to use CSP funding would focus on one or both of these groups of communities and students.

In addition, some discretionary grants include **competitive priorities**. Competitive priorities are optional but enable applicants to earn additional points. The most recent CSP State Entities funding round included seven competitive priorities, including equitable financing for charter schools, serving at-risk students, and the use of best practices for charter school authorizing.²⁹ Applicants may choose which, if any, competitive priorities they wish to address in their applications.

Invitational priorities are not required and applicants do not receive additional points for them, but USED can use them to encourage applicants to focus on a particular policy, community, or other factor.

Of the six CSP subprograms, three support charter schools in the startup phases (their first three years of operation), providing funds for activities related to the planning and design of a school’s educational program (e.g., professional development for teachers) or activities related to the initial implementation of the charter school (e.g., acquiring or developing a curriculum).³⁰ These programs are described in detail below and summarized in Table 1 and Figure 2.

State Entities Grants

When the CSP was enacted in 1994, the only entities eligible to apply for funding were state education agencies (SEAs) and charter school developers in states whose SEAs chose not to apply for CSP funds. Over the years, federal legislation created new avenues for the CSP to support charter schools, and what was originally the entirety of the CSP program became one among several subprograms. Today, in addition to SEAs, any eligible state entity, including governor's offices, nonprofit charter support organizations, and statewide charter school authorizing boards, are eligible to apply for funding. The entities that win awards design processes to subgrant CSP funding (up to \$1.5 million per subgrant) to eligible charter schools in their states to support the opening of new charter schools and the replication or expansion of existing high-quality charter schools, as well as the provision of technical assistance to charter schools.³¹

Since 1994, 43 states have received grants from the State Entities subprogram.³² Grantees include both SEAs, such as the Wisconsin Department of Public Instruction, and nonprofit charter school support organizations, such as [New Schools for Alabama](#). These entities make subgrants to schools like [Milwaukee Excellence](#) in Wisconsin, to support them during their first three years of operation by providing funding for teacher professional development and the purchase of curricular materials to support a high-quality educational program.

Federal policymakers appropriated \$214.5 million to the State Entities program in FY 2020, approximately 49% of total CSP funding.³³

CMO/Charter School Replication and Expansion Grants

The charter school replication and expansion program, often referred to as the charter management organization (CMO) grants program, provides funds to nonprofit CMOs to enable them to replicate or expand one or more high-quality charter schools within their networks. CMO grantees may use grant funds to either expand enrollment of one or more existing high-quality charter schools or replicate one or more charter schools based on an existing high-quality school model.³⁴

Since 2010, USED has made a total of 106 awards through the CMO program.³⁵ These awards are often associated with large CMOs like KIPP and Achievement First, but the CMO grant program has also supported many smaller CMOs like [Citizens of the World](#) in Los Angeles (CWC LA). In 2020, for example, CWC LA received a five-year grant totaling more than \$4.1 million. These funds will support CWC LA to replicate its model, creating three new high-performing schools and almost doubling its enrollment to 5,500 across Los Angeles.³⁶

In FY 2020, the federal government appropriated \$140 million to the CMO program, representing 32% of total CSP funds.³⁷

Non-SE/Developer Grants

The Developer grant subprogram is available to applicants in states that do not have an active State Entities grant (it is sometimes also referred to as the “Non-SE grant” as a result). This subprogram provides financial assistance to individuals or groups who want to open, expand, or replicate a charter school, including nonprofit organizations, teachers, parents, or other members of a local community.³⁸ In other words, the Developer grant provides access to federal CSP funding to those who do not otherwise have access, such as those who are ineligible for the CMO program and those whose states do not have an active State Entities grant to apply to.

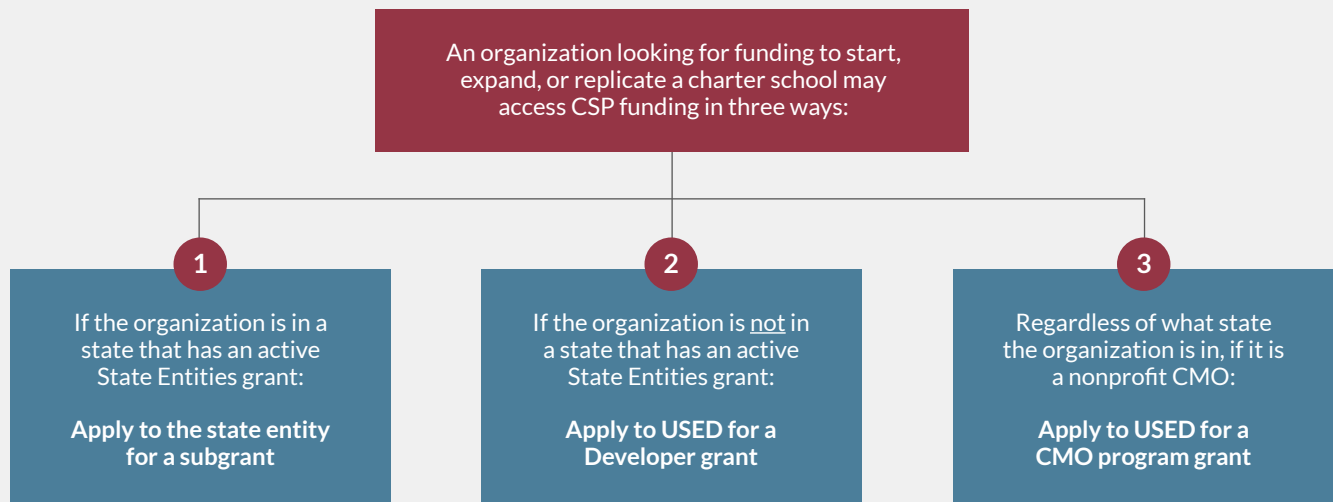
Between 2009 and 2019, USED awarded funds to 152 developers.³⁹ These funds have supported schools in more than 30 states across the country, including, importantly, in nascent charter school sectors such as Alabama and Puerto Rico. For example, in 2019, the Boys & Girls Clubs of Puerto Rico Inc. received a four-year grant totaling just over \$1.2 million. As part of the grant, the Boys & Girls Clubs will open the Vimenti Charter School, which will serve 200 students in grades K-5. The school will adopt a research-based, dual language curriculum and offer professional development that supports teachers in implementing strong pedagogical practices.⁴⁰

In FY 2020, the federal government appropriated \$10 million to this program, slightly more than 2% of total CSP funding.⁴¹

Table 1 Summary of CSP Subprograms to Support Charter Startup

Program	Overview	Eligible Applicants	Funding Recipients	FY 2020 Funding
State Entities Grants	Provides grants to states, which then make subgrants to eligible applicants to open new high-quality charter schools or expand or replicate existing schools	State education agencies, state charter school boards, a governor’s office, or a nonprofit charter school support organization	Charter schools in the applicant’s state that apply to the State Entity for subgrants to open a new school or replicate or expand an existing school,	\$214.5M 49% of CSP funds
CMO/ Replication and Expansion Grants	Provides grants to high-quality CMOs to open new schools or expand enrollment in existing schools	Nonprofit charter management organizations	Charter school subrecipients within the CMO’s network that the CMO is using funds to launch or expand	\$140M 32% of CSP funds
Non-State Entities/ Developer Grants	Provides grants to charter school developers in states without a current State Entities grant to enable them to open a new school or expand or replicate an existing high-quality charter school	Developers that have applied to an authorized public chartering entity to operate a charter school in their state	The charter school that the developer is opening or expanding	\$10M 2% of CSP funds

Figure 2 > CSP Startup Funding Program Eligibility



CSP includes two subprograms that specifically address the challenges that charter schools face in accessing facilities.

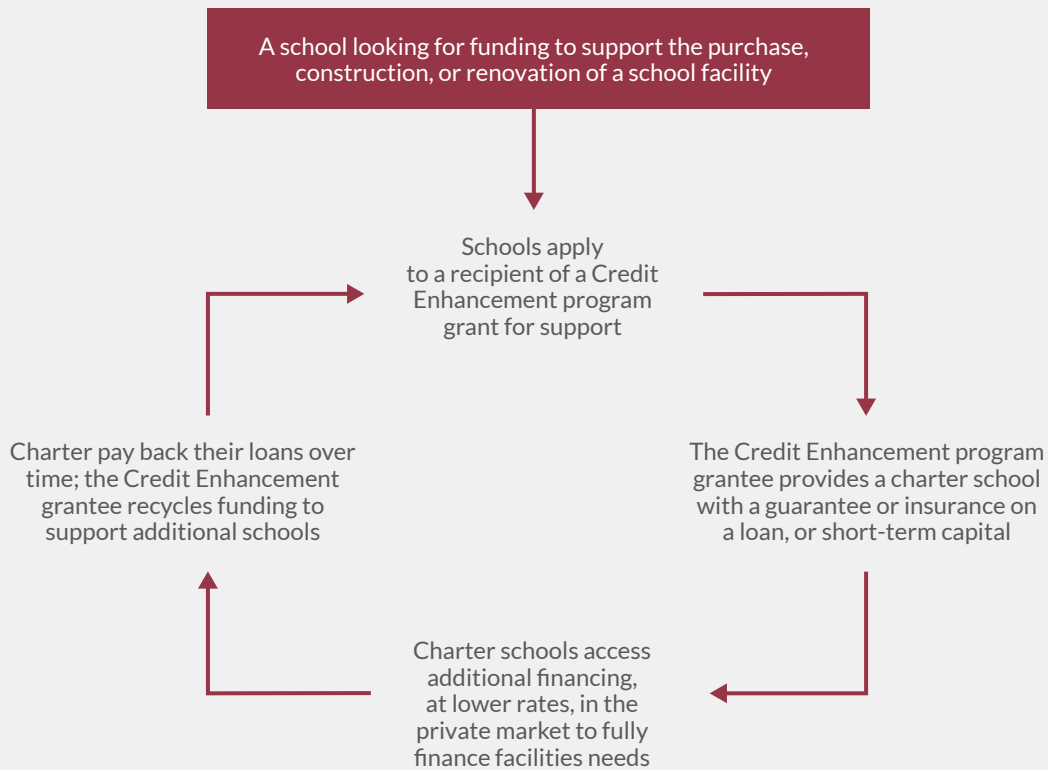
The three programs described above provide startup funding to charter schools during their early phases, but they do not address all barriers to charter school growth. Funding for school facilities is a major challenge for charter schools and frequently causes them to delay opening,⁴² but schools cannot use funding from the State Entities, CMO, or Developer subprograms to support major facilities purchases. To specifically address the challenges that charter schools face in accessing facilities, CSP includes two other subprograms: the Credit Enhancement subprogram and the State Charter School Facilities Incentive Grant (SFIG) subprogram. Both are discussed in detail below and summarized in Table 2.

Credit Enhancement

The Credit Enhancement program, created by the Consolidated Appropriations Act of 2001⁴³ and made permanent by the No Child Left Behind Act (NCLB), awards grants to help charter schools address the cost of acquiring, constructing, and renovating facilities by enhancing the availability of loans and bond financing.⁴⁴ Public entities such as state or local governmental agencies or private, nonprofit entities are eligible to apply. Grantees are typically state or national nonprofit lenders such as community development financial institutions (CDFIs). Grantees do not use these funds to pay for charter school facilities directly. Instead, they use credit enhancement funds to reduce the risk profile of charter

Figure 3

How CSP's Credit Enhancement Program Works



schools so traditional lenders, like banks, are more willing to provide loans to charter schools. Grantees insure loans or leases, for example, or provide third-party guarantees. These actions reduce the risk of default in the eyes of traditional, private-sector lenders, which increases the charter school's credit rating.⁴⁵ With a higher credit rating, charter schools can access private financing for facilities at lower interest rates, making the long-term financing that charter schools need to build, buy, or renovate facilities more affordable (see Figure 3 above).⁴⁶ This program is analogous to a person with a low credit score "getting a co-signer with a better credit score to help them qualify for a lower interest rate on a mortgage or car loan."⁴⁷

For each \$1 of federal guarantee through the Credit Enhancement program, charter schools are able to attract more than \$11 of private sector financing.⁴⁸ Since the program started in 2001, Credit Enhancement grantees have used their awards to enable approximately \$5.3 billion in financing for facilities for more than 750 charter schools.⁴⁹

In FY 2020, the federal government appropriated \$54.9 million to this program, approximately 12% of total CSP funds.⁵⁰

State Charter School Facilities Incentive Grant (SFIG)

The State Charter School Facilities Incentive Grant (SFIG) program, created by NCLB in 2002, provides competitive grants to help states establish and administer per-pupil facilities aid for charter schools.⁵¹ In order to be eligible, states must have in place a program that provides additional per-pupil funding to charter schools specifically to cover costs related to facilities. The CSP funds then provide a federal “match” for a percentage of the state funding. Over the course of the five-year grant period, the percentage of facilities funding reimbursed by federal funds decreases, from 90% of program costs in the first year to 20% in the fifth year.⁵² After the grant period ends, states take on the full cost of administering the program.⁵³

Just four states — California, Indiana, Minnesota, and Utah — and the District of Columbia have received SFIG funding since the program’s inception.⁵⁴ In FY 2020 the federal government appropriated \$5 million to SFIG, representing approximately 1% of total CSP funds.⁵⁵

Table 2 Summary of CSP Subprograms to Support Charter School Facilities Access

Subprogram	Overview	Eligible Entities	FY 2020 Funding
Credit Enhancement for Charter School Facilities	Provides grants to eligible entities to enable those entities to enhance the credit of charter schools so that charter schools can access private-sector and other non-federal capital to purchase, construct, or renovate a school facility	Public and private nonprofit entities	\$54.9 million 12% of CSP funds
State Charter School Facilities Incentive Grants	Provides competitive grants to help states establish and enhance or administer per-pupil facilities aid programs for charter schools	States that have existing laws to provide annual, per-pupil facilities financing to charter schools	\$5 million 1% of CSP funds

The sixth and final CSP subprogram allocates funds to address some of the broader goals outlined in the legislation, including improving authorizing practices and sharing best practices among public district and charter schools. This program is described in detail below and summarized in Table 3.

National Dissemination Grants

The secretary of education has discretion to set aside a portion of CSP funds to address issues of national significance.⁵⁶ Most recently, this has taken the shape of the National Dissemination Grants program (replacing the National Leadership Activities program that existed under NCLB).

The goal of the National Dissemination grant competition is to increase the number of high-quality charter schools nationwide by evaluating the impact of the CSP and disseminating best practices.⁵⁷ Entities eligible to apply for and receive National Dissemination grants include state education agencies, charter school authorizers, and nonprofit organizations that operate, support, or manage charter schools. USED has considerable discretion over the topics addressed through this program, and secretaries of education under many administrations have leveraged it to meet a variety of sector needs over the years. Since the program was revised under ESSA, however, USED has only hosted one national dissemination grant competition (in 2018), which invited proposals to strengthen charter school oversight or improve charter school access to facilities and facilities financing.⁵⁸

Eight entities received grants through that competition, four of which focused on authorizing best practices and four on facilities access and financing.⁵⁹ For example, the California Charter Schools Association received a three-year grant totaling nearly \$2.4 million to, in part, develop a fiscal, operational, and governance accountability framework for ensuring charter school and authorizer accountability.⁶⁰ The National Alliance for Public Charter Schools also received a three-year grant totaling nearly \$2.4 million. Those funds supported the creation and launch of the Charter School Facility Center, an entity solely focused on helping charter schools access facilities.⁶¹

In FY 2020, \$15 million was appropriated to this program, approximately 3% of total CSP funding.⁶²

Table 3 Summary of CSP Subprograms to Support Best Practices

Subprogram	Overview	Eligible Entities	FY 2020 Funding
National Dissemination Grants	Provides grants to eligible entities to improve the quality of charter schools by providing technical assistance or other types of support on issues of national significance and scope	State educational agencies; authorized public chartering agencies; public and private nonprofit organizations that operate, support, or manage charter schools	\$15 million 3% of total CSP funds

These programs are complex and their goals are lofty — certainly far beyond the reach of the original CSP. When the CSP first began in 1994, its total appropriation was \$6 million (approximately \$10.2 million in 2020 dollars),⁶³ fewer than ten states had charter school laws, and just 36 charter schools were operating nationwide.⁶⁴ The charter school sector has grown and evolved considerably since then, and so has the CSP.

Sidebar 3

How USED Distributes CSP Dollars

Grantees of the State Entities, CMO, and Developer grant programs receive their awards in yearly increments, with each subsequent year's funding dependent on the grantee demonstrating substantial progress toward the project's objectives. The funds themselves act as reimbursements for costs incurred by the grantee. The result is that a grantee must demonstrate annual progress to receive its remaining award and, further, make purchases aligned to the plans laid out in its application and consistent with expenses allowed by statute. Grantees are then reimbursed for those purchases by the federal government. This process helps hold grantees accountable for annual progress and the funds they receive, and ensures that funds are only spent on allowable uses. Grantees of the National Dissemination program must also draw down on their grant award as they incur expenses related to the activities outline in their applications.

Credit Enhancement and SFIG funds act differently. Credit Enhancement funds are designed to support the financing of charter school facilities, including assisting with debt or bond issuance, guaranteeing leases, or facilitating financing by potential lenders (the funds are not used to directly support schools' capital or operational expenses). As such, grantees receive their funds in a lump sum that must be placed in a reserve account. Grantees cannot use those funds until they have in place a fully executed performance agreement with USED that outlines expectations for the use of funds.⁶⁵ SFIG grantees receive their awards annually over the five-year term of the grant, according to a predetermined proportion of state funding for charter school facilities.⁶⁶

Looking Back: The CSP's First 25 Years

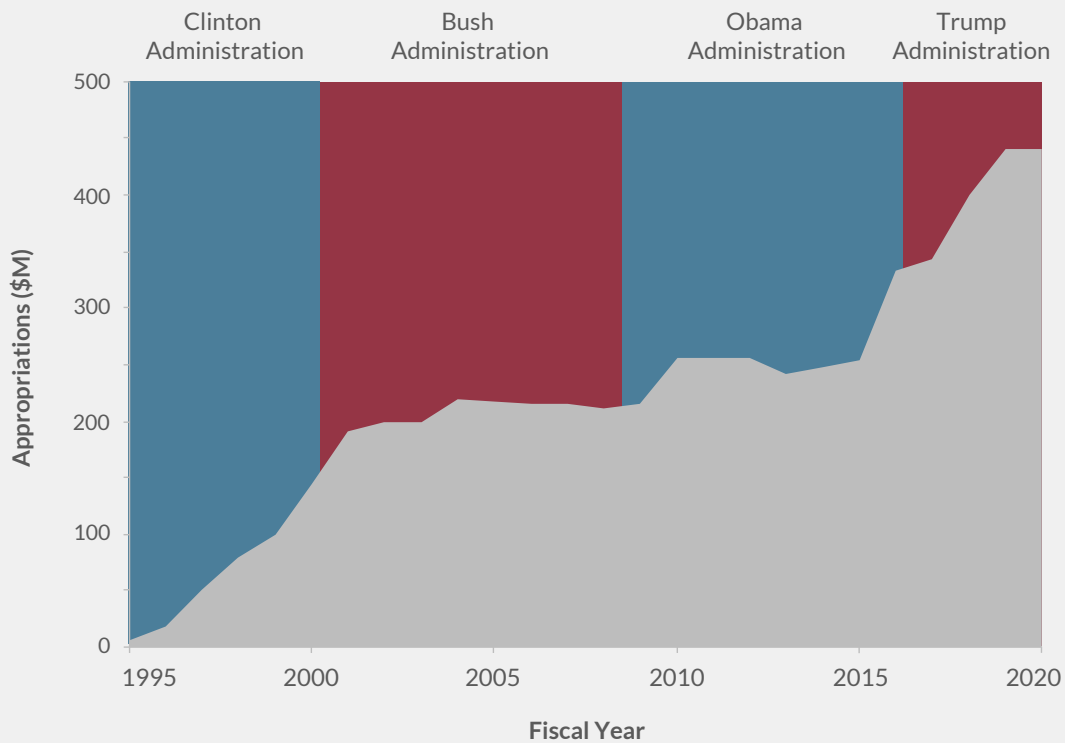
President Bill Clinton proposed creation of the CSP as part of the 1994 reauthorization of the Elementary and Secondary Education Act, known as Improving America's Schools Act or IASA.⁶⁷ The program had two goals: provide financial assistance to charter schools in their early phases, including for their design and initial implementation, and study the impact of these schools on students, staff, and parents.⁶⁸

The original CSP was a discretionary grant program, as it is today. The application process was straightforward, requiring only that the state have a charter school law and that grantees adhered to the federal definition of a charter school.⁶⁹ Most early grantees were SEAs, but authorized public chartering agencies, in partnership with a developer, could apply for CSP funding if their SEAs chose not to.⁷⁰ Like they do today, SEA grantees developed processes to subgrant funds to eligible charter schools in their states. In the first round of CSP grants, USED awarded ten grants averaging \$500,000.⁷¹

Since then, the program has played an important role in supporting the growth of the charter school sector, addressing new barriers as they emerge, and encouraging a supportive state policy landscape. The program has also grown to \$440 million as of FY 2020.⁷²

Since its inception, the CSP has played an important role in supporting the growth of the charter school sector, addressing new barriers as they emerge, and encouraging a supportive state policy landscape.

Figure 4 > Appropriations for the CSP, 1995-2020



Source: Annual U.S. Department of Education Budget Summaries

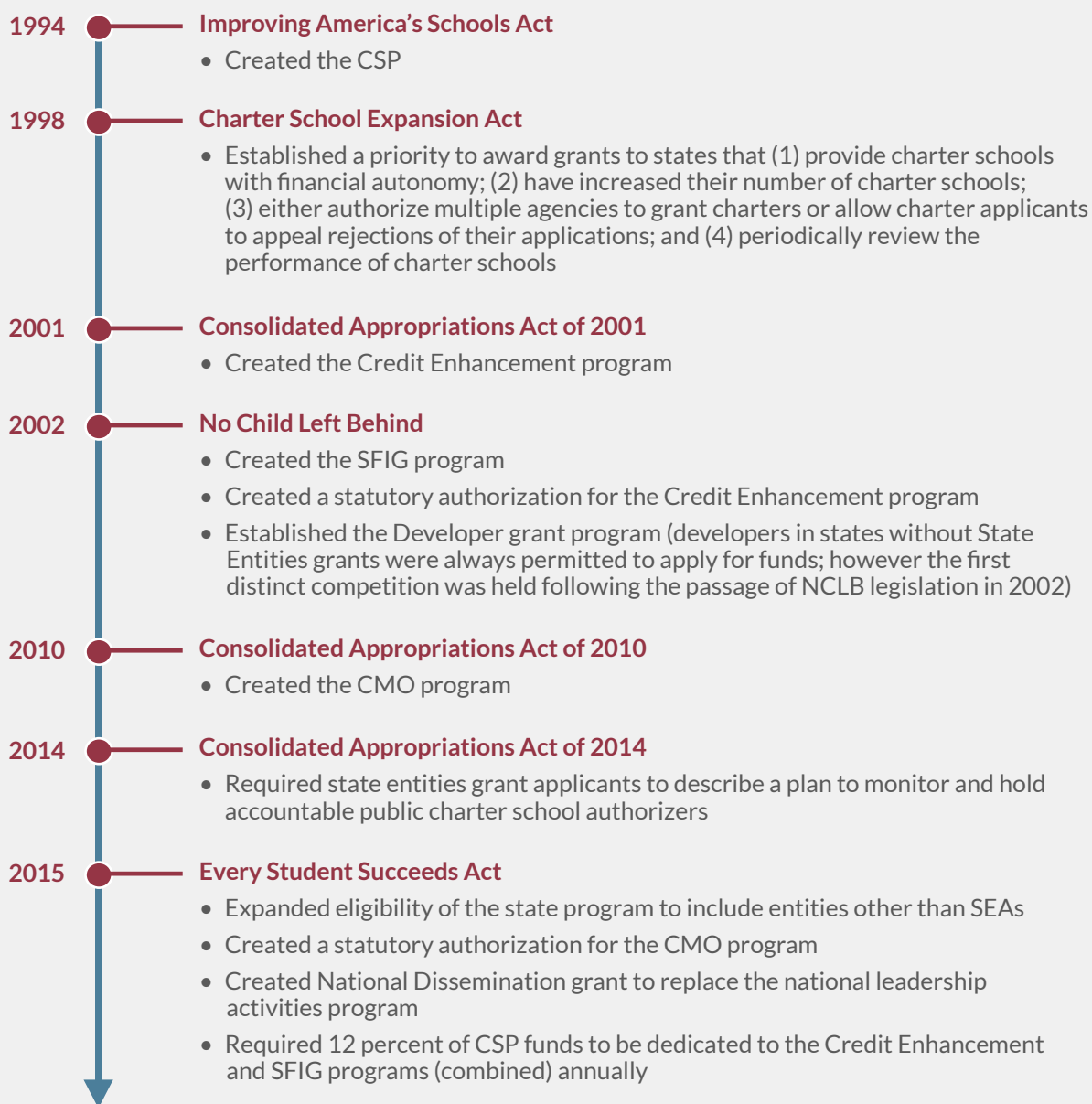
The CSP has Benefited from both Democratic and Republican leadership

The CSP has expanded substantially and over the course of several decades, as Congress and USED officials under both Democratic and Republican administrations have sought to meet the needs of a changing and expanding charter school sector (see Figures 4 and 5).

Speaking at a charter school in Washington, D.C., in 2006, President George W. Bush noted that “charter schools work, and they can make a difference in the lives of our children.”⁷³ His administration oversaw moderate increases in funding for the CSP, from \$190 million in FY 2001 to \$211 million in FY 2008,⁷⁴ and also helped launch the Credit Enhancement and SFIG subprograms under No Child Left Behind.

President Obama also supported charter schools. In 2016, he said his administration’s “commitment of resources to the growth of charter schools has enabled a significant expansion of educational opportunity, enabling tens of thousands of children to attend high-quality public charter schools.”⁷⁵ The Obama administration oversaw the highest annual percent increase in appropriations since Clinton — 32% — between fiscal years 2015 and 2016.⁷⁶

Figure 5 > Key Changes to the CSP Over Time



The CSP has Evolved Over Time to Meet the Needs of Families and Communities

Many of the changes to the CSP have been direct responses to challenges in the charter school sector. For example, charter schools do not have access to facilities the same way district schools do; they face significant barriers to finding suitable and affordable facilities, which frequently causes them to delay opening.⁷⁷ The buildings that charter schools do

find tend to be small, often lack ideal amenities like gymnasiums, and yet require significant resources (an average of \$748 per student on rent and/or financing payments, even after accounting for state facilities assistance).⁷⁸ Congress created the Credit Enhancement and SFIG programs in the early 2000s to help address that challenge.

In addition, several changes were made in response to low-performing charter schools and some authorizers' reluctance to close them. In 2009, for instance, the Center for Research on Education Outcomes (CREDO) at Stanford noted in an assessment of charter school performance in 16 states that "[T]here appears to be an authorizing crisis in the charter school sector. For a number of reasons ... authorizers find it difficult to close poorly performing schools."⁷⁹ Policymakers responded to this sector-wide issue by adopting several key changes to the CSP. In the Consolidated Appropriations Act of 2014, Congress imposed a requirement that State Entities grant applicants develop plans to oversee authorizers and to support the development of high-quality authorizing practices.⁸⁰ And in both 2010 and 2015, USED officials set aside funds under the National Leadership Activities Grant (now the National Dissemination Grant) to support sector-wide needs, including strengthening authorizing and accountability for charter schools.⁸¹ Also in 2015, ESSA began requiring State Entities program grantees to use at least 7% of their awards to provide technical assistance to authorizers, specifically to "improve authorizing quality, including developing capacity for, and conducting, fiscal oversight and auditing of charter schools."⁸² Most recently, in 2020, the State Entities application included a competitive priority based on the extent to which an applicant "has taken steps to ensure that all authorized public chartering agencies implement best practices for charter school authorizing."⁸³

Moreover, Congress has made several other adjustments to the CSP that address more granular issues. For instance, ESSA made it possible for schools receiving CSP grants to automatically enroll students attending the previous grade in affiliated schools (so-called feeder schools). This change allows students who enroll in an elementary charter school to be automatically enrolled into the network's middle school, if one exists, creating greater continuity for students across transitional grades.⁸⁴ ESSA also expanded the allowable uses of CSP funds to provide grantees with greater flexibility. Grantees can now use award funds to hire and pay teachers, leaders, and staff during the school's planning period; acquire equipment and technology; make minor facilities repairs; cover one-time transportation startup costs like purchasing a school bus; and recruit teachers and students.⁸⁵

These adjustments to the CSP's application criteria and priorities demonstrate how it has evolved over time to meet the needs of charter schools, and the families and communities they serve.

The CSP has evolved over time to meet the needs of charter schools, and the families and communities they serve.

The CSP has Maintained its Focus on High-need Students

Since its inception, the CSP has been a lever to drive federal funds to the nation's neediest students and communities.

Since its inception, the CSP has been a lever to drive federal funds to the nation's neediest students and communities.⁸⁶ This focus is based on the requirements laid out in the program's authorizing statute, as well as priorities from the secretary of education's supplemental priorities regulation, which establishes priorities for use across USED discretionary grant programs.⁸⁷ Secretaries of education under both Democratic and Republican administrations have used the absolute, competitive, and invitational priorities included in CSP subprogram applications to maintain this focus.

In the early years of the CMO program, the absolute and competitive priorities targeted funding to high-need students.⁸⁸ For example, in 2010, the CMO program prioritized applicants serving low-income students; in 2012, the program prioritized applicants who actively promoted diversity (e.g., those with a demonstrated record of promoting racial and ethnic diversity and/or serving students with disabilities or English language learners);⁸⁹ and, in 2015, it prioritized applicants focused on high-need students including those who are members of federally recognized Native American tribes or those living in federally designated Promise Zones (high-poverty communities designated for additional investment and support).⁹⁰

When the CSP was reauthorized as part of ESSA, Congress codified this focus on high-need students into statute, directing the secretary of education to prioritize applicants to the CMO program that:

- operate or manage schools with racially and socioeconomically diverse student bodies
- demonstrate success working with schools in need of substantial support and improvement
- propose to use funds to expand or replicate schools serving high school students
- propose to operate schools that focus on dropout recovery and academic reentry⁹¹

In addition to the priorities laid out in statute, the secretary of education has included priorities based on the most recent supplemental priorities regulation.⁹² In 2018 and 2019, for example, the secretary required CMO program applicants to address one of two absolute priorities: rural community or low-income demographic.⁹³ In 2019, the secretary further included competitive priorities for schools serving students who live in Qualified Opportunity Zones and Native American students.⁹⁴

A similar focus on high-need students is evident in the Developer program over the years, for which Congress and the secretary of education have prioritized applicants that serve:

- secondary schools serving students at risk of not completing high school⁹⁵
- students living in poverty and specific groups of high-need students (rural, students with disabilities, and/or English language learners, and students who are members of federally recognized Native American tribes)⁹⁶
- rural communities and specific groups of high-need students (those living in Qualified Opportunity Zones and Native American students)⁹⁷

The priorities for the State Entities program tend to focus on states' policy environments (e.g., providing for multiple authorizers or equitable financing compared to district schools).⁹⁸ In addition to these priorities, however, secretaries of education have also emphasized high-need students by including priorities on geographic areas with large numbers of schools identified for improvement and/or large numbers of students not scoring proficient on statewide assessments, as well as priorities focused on both urban and rural communities.⁹⁹

Finally, ESSA made two important changes to the CSP statute to strengthen its ability to serve high-need students. First, ESSA permits CSP grantee schools to use weighted lotteries to give “slightly better chances for admission” to educationally disadvantaged students, unless prohibited by state law.¹⁰⁰ Charter schools use lotteries as an equitable process through which students get admitted to the school when there are more applicants than seats. A weighted lottery increases the odds that certain types of students, such as low-income students or English language learners, get selected. Second, ESSA requires State Entities grantees to support their subgrantees to strengthen recruitment and enrollment practices that “promote inclusion of all students, including by eliminating any barriers to enrollment for educationally disadvantaged students (who include youth in foster care and those who are experiencing homelessness).”¹⁰¹

Calculating the CSP's Role in Creating High-quality Seats

The federal government has invested more than \$5.3 billion into the charter sector through the CSP since 1994. While a substantially smaller amount of money than many other programs — it's less than 2% of funding for Title I over the same time period, for example — it is important for both policymakers and the public to understand what they're getting for that investment. After all, one of the main goals of the CSP is to create more seats in high-quality schools by supporting the development and expansion of charter schools.

Measuring the CSP's impact, however, is an incredibly complex endeavor, due to the many facets of the program, how it has changed over time, and the many other variables that affect school quality. It would also require a robust analysis of student-level data, which we do not have access to. However, the data that do exist allowed us to do two descriptive, exploratory analyses to try to understand the quality of the schools that receive CSP funds. A full description of our methodology is included in the Appendix, but it is worth noting up front that our analysis is for one year of CSP funding and that we measure "seat quality" by each school's average proficiency rate (which does not reflect student growth but is the only data available across states).

To provide a sense of the CSP's impact, we asked two key questions:

- How many high-quality seats has the CSP helped create?
- What relationship is there between CSP funding and school quality?

For the first question, we analyzed math and reading performance data for all public schools for school years 2012–13 through 2017–18 and estimated a school-level fixed effects model of combined math and reading proficiency. We then compared the fixed effect of each charter school that received a State Entities, CMO, or Developer grant during school year 2011–12 to the mean school fixed effect for all public schools. We considered CSP grantee schools (and all of the seats in those schools) to be "high quality" if their fixed effect is both statistically significant and is at least one standard deviation above the mean fixed effect for all public schools (see Appendix for more detail).

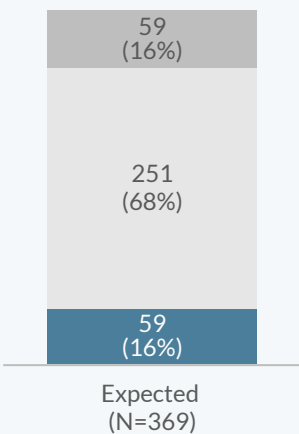
As of the 2017-18 school year, 369 of the 460 charter schools that received CSP grants in school year 2011-12 were still open. Because the distribution of fixed effects for all public schools is roughly normal, we would expect that the distribution of CSP grantee schools' fixed effects would also be roughly normal. This would mean that 16% of CSP grantee schools would meet our definition of high quality, 68% would fall within one standard deviation of the mean, and 16% would fall one standard deviation or more below the mean (see "Expected" bar in the chart below). **What our analysis found, however, is that more than twice the expected rate of CSP grantees meet our definition of high-quality** by reaching at least one standard deviation above the mean (see "Actual" bar in the chart below).

Combined, these high-quality schools enroll nearly 70,000 students, 65% of whom are Hispanic, 25% of whom are Black, and 71% of whom qualify for free or reduced-price lunch. With 2011–12 CSP grant awards totaling approximately \$199 million, each high-quality seat cost approximately \$2,848.

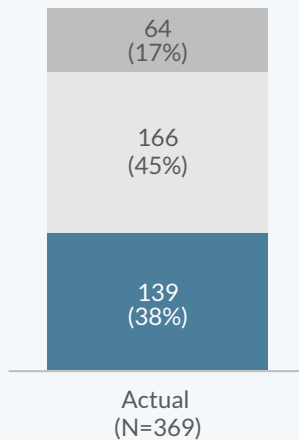
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■ Low Quality ■ Medium Quality ■ High Quality

In a normal distribution, we would expect 16% of CSP grantees to be high quality.



Instead, as of 2017-18, 38% of schools that received CSP awards in 2011-12 were high quality.



More than twice as many 2011-12 CSP grantee schools were high quality than would be expected based on a normal distribution.

These high-quality CSP-funded schools enroll ~70k students:

18k BLACK STUDENTS

46k HISPANIC STUDENTS

50k LOW-INCOME STUDENTS

Note: 91 schools that were awarded CSP grants in 2011-12 were no longer operating as of the 2017-18 school year, representing an annual closure rate of approximately 4.0% – slightly higher than the annual closure rate of district schools (3.4%). This is to be expected given the role of school closure in charter school accountability. See Appendix for more on the methodology.

For the second question, we compared student proficiency rates between charter schools that did and did not receive CSP funding. For this analysis, we looked at all charter schools that opened between 2009 and 2012 and controlled for student demographics and geography. Based on this analysis, **CSP-funded charter schools perform, on average, 2.5 percentage points higher in math and 1.4 percentage points higher in ELA compared to new-start charter schools that did not receive CSP funds.**

These analyses suggest a positive relationship between CSP funding and school quality. These analyses are exploratory. More research is needed to understand whether there is a causal relationship between CSP funding and school quality, whether these trends are consistent over time, and whether there are unobserved differences between schools that did/did not receive CSP funding that can shed additional light on these findings. Stronger data collection and transparency, as recommended elsewhere in this report, is an important step toward fully understanding the CSP's impact.

USED's Oversight of CSP Grantees has Increased Significantly

Since the CSP was created in 1994, USED has significantly enhanced how it monitors grantees' progress against the activities and goals outlined in their grant applications.

Since the CSP was created in 1994, USED has significantly enhanced how it monitors grantees' progress against the activities and goals outlined in their grant applications. Prior to 2006, for instance, USED had limited processes in place to track or monitor how State Entities grantees were sub-granting their CSP funds to schools; they lacked information on which schools had received funding and how many dollars they received.¹⁰² Administrative officials, policymakers, and taxpayers had only a limited sense of how grantees used CSP dollars.

Since then, USED has increased both its data collection processes and its oversight of grantees. To support these processes, USED contracts with a nonprofit, nonpartisan research and development organization to implement a data collection process, conduct site visits, and produce monitoring reports for individual grantees as well as for CSP grantees overall.

Grantees have a variety of reporting requirements, depending on what program they are funded through, but all grantees, including grantees of the Credit Enhancement and SFIG programs, must submit annual performance reports, as well as a final performance report at the end of the grant term. These reports must include updates on project objectives and performance measures as well as a detailed budget narrative.¹⁰³

Twice per year, State Entities, CMO, and Developer grantees must report information on the schools that receive funds, including award amount, the project timeline, and the purpose of the award (e.g., planning, implementation, replication).¹⁰⁴ In addition, each State Entity, CMO, and Developer grantee is visited by USED's contractor at least one time per grant cycle to assess the degree to which grantees are meeting indicators aligned to three categories:

- School and application fidelity (e.g., program and management plan implementation)
- Administrative and fiscal responsibilities (e.g., use of funds, records management)
- Grantee quality and performance assessment (e.g., assessment of performance measure data)¹⁰⁵

For State Entities and CMO grantees, which may use funds to support the startup, expansion, or replication of numerous schools, the contractor visits up to 10 of the schools receiving support to gather additional information about how the grantee is administering funds and supporting implementation. The information that the contractor collects informs a report on the implementation progress of each grantee, as well as a comprehensive annual report that summarizes the data across all grantees. The individual grantee reports identify grantees that may be in need of additional support, while the comprehensive report highlights overall progress toward key indicators as well as common challenges grantees are facing.

Finally, for a grantee of any USED program, including CSP, that is having difficulty or is unable to comply with USED's requirements, USED has a continuum of interventions in place to provide support, administer closer oversight, and, ultimately, enforce the requirements of federal law (see Figure 6).¹⁰⁶ These interventions are actions that USED can take while a grant is still active. If issues arise in a grantee's final performance report, USED has other enforcement mechanisms, including the authority to recover any misspent funds, even after the original federal funds have been spent.

Figure 6 Cascade of Interventions for Grantees



The charter schools that CSP funds support have additional accountability mechanisms in place that do not exist for traditional district schools.

The reporting and monitoring processes that are in place for CSP grantees are comparable, if not more substantial, to those in place for other USED grantees (see sidebar below). However, the charter schools that CSP funds support have additional accountability mechanisms in place that do not exist for traditional district schools.

First, as schools of choice, charter schools are accountable to the families that have chosen to send their children to that school. If a charter school fails to meet the needs and expectations of its students and families, families can leave and take their child's per-pupil funding with them. Unlike traditional district schools, this kind of market-based accountability is inherent in the charter school model. Second, charter schools are accountable to their authorizers, which approve them to operate and hold them to performance goals in a charter school contract. If a charter school fails to meet these goals, its authorizer can put in place interventions up to and including closure.

Ultimately, USED holds CSP grantees accountable for how they leverage grant dollars to achieve the goals promised in their applications. Authorizers and families hold charter schools accountable for how well they educate their children. Both forms of accountability help ensure that taxpayer dollars are used to support high-quality schools.

Sidebar 5

How CSP Accountability Compares to That of Other USED Grant Programs

To understand how the accountability for the CSP compares to what USED does for other programs, we compared it to two other USED grant programs: the Magnet Schools Assistance Program (MSAP) and the School Improvement Grants (SIG) program. MSAP provides grants directly to school districts to enable those districts to establish and operate magnet schools as part of a court-ordered or federally approved voluntary desegregation plan.¹⁰⁷ SIG provided grants to state education agencies (SEAs), which in turn used those funds to make competitive subgrants to low-performing schools and districts to help them improve student outcomes.¹⁰⁸

Like CSP grantees, recipients of MSAP funds are required to submit annual and final performance reports¹⁰⁹ and undergo regular compliance monitoring, including site visits.¹¹⁰ In addition, MSAP grantees can opt to include an evaluation of their project as part of their applications; those that do must also submit that final evaluation report to USED at the end of the grant period.¹¹¹

SIG grantees were required to report data similar to that required of the CSP, such as a list of school districts receiving subgrants and the amount of the grant, a list of schools served within each district that received a subgrant and the amount of funds or value of services each school received, and school-level data on which intervention type the school used.

Like the CSP, USED also had in place a monitoring process for SIG recipients that included onsite and desk reviews “that help SEAs build capacity to improve student achievement and ensure program compliance.”¹¹² However, unlike CSP's

Continued on next page

monitoring process, which conducts site visits to every grantee at least once during each grant period, the SIG grantees that underwent monitoring visits were chosen on the basis of a risk analysis.¹¹³

SIG grantees must also report scale scores on state ELA and math assessments for students by subgroup, percentage of high school students who completed advanced coursework, and teacher attendance rates, for the year prior to implementing the intervention as well as for each year the SEA allocated SIG funds.¹¹⁴ The same data is not required of CSP grantees or subgrantees, perhaps because CSP funds support *new* schools, often before they open, that often do not have meaningful state assessment data available before the grant ends.

The table below summarizes the different reporting, monitoring, and accountability mechanisms in place across the CSP, MSAP, and SIG programs.

	CSP Grantees	MSAP Grantees	SIG Grantees
Annual performance reports	X	X	X
Final performance reports	X	X	X
Annual data collection	X		X
Monitoring site visits for all grantees	X	X	(only some grantees)
Family accountability	X		
Authorizer accountability	X		
State accountability systems	X	X	X

This table suggests that there’s at least as much if not more reporting and accountability in place for CSP funds compared to other USED programs, even programs responsible for allocating significantly more resources. The funds that have gone to charter schools through the CSP since its inception in 1994 are less than 2% of the funds that have gone to schools through the Title I formula over the same time period. Moreover, between 2009 and 2014, Congress appropriated nearly \$6.2 *billion* to SIG – more than four times the appropriations made to the CSP during that same period. While there was some variation within and across states, on the whole research shows SIG had little to no impact on student achievement.¹¹⁵ During that same time period, Congress appropriated to MSAP 10 times the appropriations made to the CSP, and there is very little research on MSAP’s impact.¹¹⁶

The CSP isn’t one of USED’s largest programs, but its grantees are subject to just as much if not more rigorous oversight and accountability.

The CSP has played an important role in influencing and strengthening state policy related to charter schools.

The CSP has Incentivized Changes in State-level Policy

The CSP has played an important role in influencing and strengthening state policy related to charter schools. In its early days, the CSP application required that states have laws that supported the growth of the charter school sector. States that wanted CSP funds had an incentive to adopt charter school laws and align them to CSP application requirements, so that SEAs and other eligible applicants from their states would have a competitive edge.

As the program evolved, policymakers added criteria to grant application requirements that incentivized states to adopt other policy features. For example, the Charter Schools Expansion Act of 1998 incentivized states to increase both flexibility and accountability for charter schools by giving priority for funds to states that had policies in place providing charter schools with financial autonomy, allowing for multiple authorizers (or an appeals process), and requiring charter schools to be reviewed and evaluated at least once every five years.¹¹⁷

Today, the State Entities program application includes seven competitive preference priorities, four of which are aimed directly at influencing state policy in ways that address key needs in the sector:

- Existence of at least one non-district authorizer: Incentivizes states to ensure that charter schools are not required to seek a charter from an entity that may see them as unwelcome competition
- Equitable financing for charter schools: Incentivizes states to provide more equitable funding for charter schools (which, on average, receive 30% less per-pupil funding than district schools¹¹⁸)
- Access to facilities and/or financing for facilities: Incentivizes states to support charter schools in accessing and financing facilities, the lack of which is a major barrier to charter school growth
- Best practices for charter school authorizing: Incentivizes states to establish high-quality authorizing practices so that charter schools are accountable for student outcomes¹¹⁹

These priorities are all codified in ESSA,¹²⁰ and will continue to guide the priorities that the secretary of education includes in State Entities program application requirements until the CSP is reauthorized. State policymakers who want their constituents to benefit from the State Entities program will have an extra incentive to ensure their state's laws meet these priority criteria.

The CSP has Sought to Balance Proven Models and Innovation, with Limited Success

One of the eight statutory goals of ESSA is to “improve the nation’s education system by supporting innovation in public education”; another is to “increase the number of high-quality charter schools.”¹²¹ The CSP has sought to achieve both goals primarily by supporting high-quality CMOs in expanding and replicating their schools while also prioritizing in its application criteria single-site schools that have not previously received CSP funding.

Specifically, in 2010, appropriations legislation created the CMO program, which is a dedicated stream of funding for high-quality CMOs that want to replicate their program and open new schools or expand existing schools to serve more students or grade levels. In 2015, ESSA incorporated this program in the CSP provisions of the law. The CMO program accounted for about 20% of total CSP appropriations when it launched in 2010.¹²² Today, it accounts for closer to one-third of CSP appropriations. In addition, replication and expansion grants are available to schools through both the State Entities and Developer competitions.¹²³ Meanwhile, however, the State Entities and Developer programs also prioritize applicants from novice and single-site applicants. In 2017, for example, 61% of State Entities subgrants went to freestanding charter schools¹²⁴ — an acknowledgment that new single-site charter schools are an essential part of the charter sector.

Unfortunately, this balancing act has not adequately encouraged innovation. First, single-site schools are not all innovative, and some CMOs are innovative. Encouraging new entrants into the market is a necessary but insufficient strategy for fostering the kind of innovation envisioned for the charter sector 25 years ago. Second, the goal of innovation is not consistently embedded within CSP subprograms. For example, elements in the Credit Enhancement program encourage grantees to pursue high ratios of CSP funds to private capital in order to make as many loans as possible. Operators with established track records tend to have lower risk profiles than new operators, and so are best able to access private capital with lower ratios of CSP funding. The result is an incentive for credit enhancement grantees to over-index on less risky schools in their lending portfolios.

A program aimed at catalyzing innovation requires a certain risk tolerance for failure, since innovation is, by definition, new and untested.

Finally, a program aimed at catalyzing innovation requires a certain risk tolerance for failure, since innovation is, by definition, new and untested. This suggests that innovative models may require a different approach to oversight, as well as goals and expectations that are distinct from efforts to replicate or expand proven models. Despite strong criticism of the CSP for a small percentage of grantees that have fallen short of their promises, however, neither Congress nor USED has sufficiently articulated the importance of innovation or the risk tolerance that innovation necessitates, nor have they ensured that the conditions for innovation are carried through to the design of the CSP subprograms.

The CSP has had a significant impact on students and families. It has evolved with the charter sector, focused resources on high-need students, shored up its oversight of federal dollars, and incentivized state policy changes. It has sought to balance competing priorities in an increasingly partisan sector with divergent political interests of those who shape, fund, and implement it. Over the past 25 years, the CSP has become an incredibly complex program, with six subprograms aimed at meeting eight statutory goals.

As policymakers look to the future of the CSP, there are several opportunities for them to ensure the CSP maintains and expands its ability to support the growth of charter schools and the families and communities those schools serve.

Looking Ahead: The CSP's Next 25 Years

The CSP can and should continue to support charter schools' access to facilities, target funding to high-need students, and address sector-wide challenges.

Shaping the CSP over the next five, ten, and 25 years will require Congress to assess the current state of the charter sector, the challenges it faces, and how a federal grant program like the CSP can help address them. In some aspects of the CSP, Congress would do well to stay the course. For instance, the CSP can and should continue to support charter schools' access to facilities and target funding to high-need students. And it should seek to address sector-wide challenges that can hinder students' and families' access to high-quality schools, such as transportation and enrollment processes.

In other aspects of the CSP, further adjustments are warranted. Congress must clarify and articulate the CSP's role in fostering innovation, and align USED's oversight and the public's expectations accordingly. Across all programs and goals, moreover, USED must review its data collection and monitoring processes to better promote transparency and accountability. Doing so will help policymakers and other stakeholders more accurately and readily understand the goals and impact of the CSP and inform future efforts to continuously improve it.

Continue to support charter schools' access to facilities, with an emphasis on incentivizing per-pupil or other facilities allocations at the state level

Access to facilities continues to be a pressing area of concern for charter schools. Both the Credit Enhancement and SFIG programs have helped address some of this need by providing direct grants to charter schools and increasing access to capital markets.¹²⁵ However, the funding allocated to both these programs is insufficient to meet the demands of the sector. Charter schools in all states continue to face significant barriers related to facilities access.

In order to strengthen facilities funding through the CSP, Congress should increase the annual allocation to both the Credit Enhancement and SFIG programs. In addition, Congress should work to address key challenges in both programs to expand the number and type of entities that are eligible for those funds. Specifically, analysis of the Credit Enhancement program suggests that new-start, independent, and rural charter schools may find it more challenging to access Credit Enhancement funds compared to more established schools and those operated by CMOs.¹²⁶ These types of schools have limited track records and are higher-risk investments. Congress should incentivize Credit Enhancement grantees to work with higher-risk charter schools by creating a guaranty fund, through which the federal government refunds a certain percentage of losses, or by creating an accountability mechanism for Credit Enhancement grantees that accounts for the risk profiles of the schools they support.¹²⁷

Strengthening the Credit Enhancement program is helpful, but it does not address the underlying problem, which is that many state policies still fail to provide facilities support to charter schools. SFIG incentivizes states to adopt supportive policies and is a necessary supplement to the Credit Enhancement program. In its current form, however, SFIG isn't effective. Just four states and D.C. have benefited from SFIG funding over the past 19 years. Lawmakers should adjust the program to address two key challenges. First, SFIG grants awards based on states' enacting per-pupil facilities funding but, because USED does not run an SFIG competition each year, states have little certainty about if and when they will receive federal funding. This dilutes the incentive to enact eligible programs. Congress should make SFIG funds available on an annual basis, to ensure states have access to program funds immediately upon adoption of a qualifying state policy. Second, while there are several ways that states can support charter schools in accessing facilities, SFIG incentivizes only one approach — a per-pupil facilities program. Lawmakers could redesign SFIG by broadening the set of facilities policies for which states could become eligible for funding by, for instance, providing matching funds to state facilities loan or grant programs or funding a portion of the cost of charter schools utilizing district-owned facilities.¹²⁸

Continue to support charter school models that serve high-need student populations

Congress and USED have successfully targeted CSP resources to charter schools serving some of the nation's highest-need students.

Congress and USED have successfully targeted CSP resources to charter schools serving some of the nation's highest-need students. Most recently, this has included a focus on Native American students and rural communities, incentivized in particular through the absolute and competitive priorities included in the CMO and Developer program applications. These priorities ensure funds are directed to some of the nation's most underserved students and families, and that should continue especially in light of the current public health and economic challenges.

In addition, USED ought to consider how it could incentivize applicants to serve other populations of high-need students. Charter schools have more flexibility and autonomy than district schools, which they can use to find new solutions to the challenges that some student populations face and which are currently being insufficiently addressed by either charter schools or district schools, such as those who are experiencing homelessness or are in foster care. In addition, the degree to which charter schools recruit and enroll students with disabilities has long been a point of contention in the sector. There are some signs that charter schools are increasingly serving students with disabilities,¹²⁹ but the CSP is a powerful lever that Congress and USED could use to encourage charter schools to better serve more of these students.

Congress and USED should offer absolute or competitive priority to the charter school startup grant programs focused on these student populations. In addition, USED should consider running a National Dissemination grant competition to learn from charter schools that are doing a good job serving them, in order to share best practices with the field.

Find new ways to address barriers to equitable access, including enrollment processes and transportation

CSP can be a lever for surfacing and incentivizing solutions to potential barriers to access, such as enrollment processes and transportation.

In addition to encouraging charter schools to serve high-need populations of students, the CSP can be a lever for surfacing and incentivizing solutions to potential barriers to access, such as enrollment processes and transportation.

Most charter schools' enrollment processes are separate from those that a family would use to enroll their child in the local school district. Typically, charter schools develop their own enrollment processes, which may require families to complete forms or an online application, or go into the school in person. If more students wish to enroll than there are seats in a school, charters typically implement lotteries and waitlists. In communities with many charter schools, this can mean that families must navigate several different application and lottery processes.

Cities with dozens of charter schools, like Indianapolis, Newark, New Orleans, and Washington, D.C., have implemented universal enrollment systems that enable families to complete a single application and rank their school choices in an effort to streamline the enrollment process and facilitate families' access to schools. Most communities lack these streamlined enrollment systems, however.

Transportation can be another major barrier for families who wish to access charter schools, especially when those schools are outside of their neighborhood. A family cannot choose a school if they are unable to get their child to that school. While some urban communities have adequate public transportation options, this is not the case in all cities nor is it appropriate for students of all ages. Many suburban or rural communities lack public transit entirely. Not all states require charter schools to provide students with transportation to and from school, or require districts to provide that transportation.¹³⁰ But transportation is an expensive, ongoing cost that many charter schools — already operating with 30% less funding than district schools — simply cannot afford.¹³¹ Recent changes to the CSP allow charter schools to use CSP funds to cover one-time transportation costs, such as to purchase a school bus, but the funds cannot be used to sustain the ongoing costs of transportation.¹³²

To address both of these challenges, USED should run a National Dissemination grant competition to help the field identify, disseminate, and implement new solutions and promising practices related to enrollment practices and transportation. Congress or USED should also update the competitive priorities for the State Entities program to incentivize state policies to address one or both of these challenges.

Assert and protect innovation as a central goal of the CSP

In the host of changes to the CSP since its creation, the goal of fostering innovation has become muddled. Policymakers must consider whether fostering innovation is truly a central aim of the CSP and, if it is, make a compelling case for why. Doing so requires several changes.

First, policymakers should ensure that each subprogram is designed with innovation in mind. For instance, Congress should permit USED to set aside a portion of funding for the State Entities, CMO, and Developer programs to support schools with unproven models. This funding should be tied to oversight practices and goals that are tailored to an explicit tolerance for risk and failure, distinct from those for the replication or expansion of established models. For the Credit Enhancement program, Congress should set aside a portion of funding to support grantees with higher risk profiles. CSP legislation requires Credit Enhancement grantees to “leverage the maximum amount of private-sector financing capital relative to the amount of government funding.”¹³³ This incentivizes grantees to prioritize support for schools with established track records, which are able to access more private capital with less CSP funding. By setting aside a portion of funding and

Policymakers must consider whether fostering innovation is truly a central aim of the CSP and, if it is, make a compelling case for why.

recalibrating the funding ratio to allow for higher-risk grantees, policymakers can ensure that the Credit Enhancement program is better aligned to the goal of fostering innovation.

Second, policymakers should distinguish between how National Dissemination grants support the development of innovative practices and how they support the replication of proven school models. Dissemination grants aimed at fostering innovative practices, for instance, may seek to evaluate the impact of those practices using rigorous research and tailored program evaluations to understand the elements that drive success. They may then disseminate lessons learned to the broader field or foster collaboration between entities. Dissemination grants aimed at expanding or replicating proven school models, however, may focus more on strengthening accountability to ensure authorizers are holding them to the high standards of excellence they promise.

Third, Congress and USED must make the case for innovation to CSP stakeholders, including other policymakers, grantees, families, and taxpayers. Due to the autonomy from state education laws and regulations, charter schools have the potential to surface fresh ideas and approaches that do more than advance incremental improvement, but create significant and lasting progress. Policymakers must continuously remind CSP stakeholders of the promise and process of innovation.

In the absence of policymakers making a full-throated case for innovation, it is far too easy for stakeholders to misinterpret charter school closures as a waste, rather than as an investment in the process of innovation that the sector overall can learn from.

They must also remind stakeholders that truly innovative schools are by definition new and untested. They are inherently risky; sometimes they fail to produce the expected outcomes. Policymakers should be transparent in articulating their tolerance for risk and persuade and remind stakeholders that encouraging innovation requires failure. They must also counter claims that charter schools that close are a wasted investment. About 4% of charter schools close each year (compared to about 3% of district schools),¹³⁴ sometimes because a school cannot financially sustain itself or because an authorizer has decided the school has failed to meet academic expectations. Accountability via closure remains a fundamental feature of the public charter school model, not a flaw. However, in the absence of policymakers making a full-throated case for innovation, it is far too easy for stakeholders to misinterpret charter school closures as a waste, rather than as an investment in the process of innovation that the sector overall can learn from.

Better measure, capture, and communicate the CSP's impact

USED collects annual reports from all grantees of all six subprograms that provide measures of progress against the goals laid out in grantees' applications. It has also done a great deal to strengthen the data collection and monitoring processes specifically for recipients of State Entities, CMO, and Developer funds. This information allows USED to better understand how funds are being used and ensure they are used as intended. However, policymakers still lack the data they need to quantify and articulate the CSP's positive impact on students and families.

First and foremost, the data that USED collects must be tailored to the goals of the program overall. For example, to expand the sector through replicating and expanding proven school models, policymakers would want to align CSP activities to ensure high-performing CMOs have both the funding and state policy environments necessary to support their expansion and replication. To encourage innovation, policymakers would need to align CSP activities to support that – prioritizing new operators and new school models, allowing for some degree of risk and failure, and capturing and disseminating lessons learned.

While USED's data collection processes are substantial, they are not effectively tailored to support the evaluation of the overall success (or failure) of the CSP or its individual subprograms.

Unfortunately, while USED's data collection processes are substantial, they are not effectively tailored to support the evaluation of the overall success (or failure) of the CSP or its individual subprograms. This challenge is not unique to the CSP; most federal grant programs lack the data necessary to clearly demonstrate their impact. However, it is particularly important for the CSP, which receives a disproportionate amount of criticism.

To address these issues, USED should work to strengthen how it uses data to measure the program's impact. It must start by codifying its vision for the CSP and quantifying the impact it hopes to have on schools and students, identifying the data and measures necessary to help them assess that impact compared to other public schools serving similar populations, and putting in place processes to collect and analyze those data. Importantly, USED must also consider what data it currently collects and doesn't use or need – and make commensurate reductions in the reporting requirements for grantees. A data reporting process similar to that of the 21st Century Community Learning Centers (CCLC) database (which allows users to access recent data on grantees for any year of funding) would do a great deal to demystify the program and counter false or incomplete narratives.¹³⁵

Having a robust, high-quality data collection and analysis process in place will also help Congress and USED track the impact of changes to the CSP. As the CSP continues to evolve to meet the changing needs of schools, families, and communities, it's essential that policymakers have data to understand what has worked and what hasn't, in order to ensure the CSP is designed in a way that positions it for maximum impact on charter schools, families, and communities.

Conclusion

Given the dearth of other startup funding sources, many charter schools would simply not exist if not for CSP funds.

The CSP has been critical to the creation and growth of charter schools nationwide, which serve nearly 1.3 million high-need students across 43 states and the District of Columbia.¹³⁶ Given the dearth of other startup funding sources, many of these charter schools – and hundreds of thousands of high-quality seats they have created – would simply not exist if not for CSP funds.

Over 25 years of existence, Congress has added new programs to the CSP and amended existing programs to meet needs in the charter school sector as they have arisen. Despite these changes, Congress has sought to address major barriers to charter school expansion and maintained the CSP’s focus on high-need students. And USED has implemented new and stronger data collection and monitoring processes that add to policymakers’ understanding of how many schools are being served and how funds are being used.

Despite the fact that the CSP has been a highly successful bipartisan program, federal policymakers can do more to ensure the CSP continues to meet the needs of families and communities by ensuring its various subprograms are working in concert toward an aligned set of goals. In addition, policymakers can take more granular steps to position the CSP to meet the needs of schools and communities by:

- **Supporting charter schools’ access to facilities** by increasing the annual appropriation to the Credit Enhancement and SFIG programs and by addressing key challenges in these programs that will enable them to support more schools

- **Supporting schools that serve high-need student populations** by retaining the CSP's current focus on low-income students and other underserved groups, including those in rural communities and Native American students, and by finding new ways to prioritize other high-need groups of students such as those with disabilities or those who are experiencing homelessness or are in foster care
- **Finding new ways to address barriers to equitable access**, especially enrollment processes and transportation
- **Asserting and protecting innovation as a central goal of the CSP** by articulating the role that innovation plays in developing a high-quality charter sector and ensuring that the design of CSP subprograms supports that goal
- **Better measuring, capturing, and communicating the CSP's impact** by articulating a clear vision for the CSP overall and aligning data collection and analysis processes to that vision

These activities will help position the CSP to continue to play an important role in the growth of the charter sector over the next 25 years and ensure that more students across the country have access to a high-quality education.



Appendix

High-quality seats analysis methodology

Determining the extent to which the CSP supports the growth of high-quality charter schools that outperform other public schools in their communities requires a robust analysis of student-level data. Unfortunately, the publicly available data on CSP recipients limits our ability to do this kind of analysis. The data that do exist allow us to do two descriptive, exploratory analyses to try to understand the quality of the schools that receive CSP funds.

To that end, our analysis sought to answer two distinct questions. The first question was, “How many high-quality seats has the CSP created?” To answer this question, we used three sets of publicly available data: (1) data on the schools awarded grants in the 2011-12 school year and the amount of those grants from the U.S. Department of Education’s CSP data collection, (2) school performance data from EdFacts, and (3) school-level enrollment and demographic information from the Common Core of Data.

We then gathered and combined math and reading proficiency data from EdFacts for all public schools for the 2012-13 through 2017-18 school years. We estimated a school-level fixed effects model of combined math and reading proficiency. (Each school’s “fixed effect” is a measure of that school’s outcomes relative to the outcomes of all other public schools.) We controlled for student demographics, school locale, and school grade level(s) as well as time-varying student demographics. (We were able to control for locale and level because so many of the schools in the analysis moved locations and expanded the grade levels they served.) To ease interpretation of results, we standardized the fixed effects for all public schools so that the mean of those scores is zero with a standard deviation of one.

To understand whether CSP grantee schools were high quality, we compared each CSP grantee school’s fixed effect to the mean fixed effect of all public schools. We consider a CSP grantee school to be high quality if its fixed effect is statistically significant and is at least one standard deviation above the mean fixed effect for all public schools. We consider schools that satisfy this definition to be high-quality schools, and all of the seats in those schools to be high-quality seats.

Because the distribution of the fixed effects estimates for all public schools is roughly normal, we would also expect the distribution of CSP grantee schools’ fixed effects to be roughly normal. That would mean that 16% of CSP grantee schools would satisfy our definition of high quality, 68% of CSP grantee schools would fall within one standard deviation of the mean, and 16% of CSP grantee schools would fall one standard deviation or more below the mean. However, our analysis finds that of the schools receiving CSP funds during the 2011-12 school year, 139 meet our definition of high quality as of the 2017-18

school year. (Note that while 460 schools received CSP funds during school year 2011-12, only the 369 schools that were still open as of the 2017-18 school year are included in this analysis.) This represents 38% of CSP grantee schools, more than double the 16% we would expect. All told, these 139 high-quality schools comprise nearly 70,000 high-quality seats. Of the students occupying these seats, 65% are Hispanic, 26% are Black, and 71% qualify for free or reduced-price lunch.

Table A below provides the output of the model. Table B summarizes the data on the number of high-quality seats resulting from CSP investment in 2011-12 and the breakdown of those seats by race/ethnicity and free or reduced-price lunch status in the 2017-18 school year.

Table A.
School Proficiency Estimates Using School-Level Fixed Effects

	Combined Proficiency
Asian Percent	0.224*** (0.046)
Black Percent	-0.955*** (0.033)
Hispanic Percent	-2.560*** (0.030)
White Percent	3.077*** (0.024)
FRPL Percent	-0.510*** (0.007)
Urban	-0.057*** (0.004)
Suburban	-0.143*** (0.004)
Elementary School	-0.005 (0.014)
Elementary/Middle School	-0.063*** (0.011)
Middle School	-0.092*** (0.010)
High School	0.009 (0.009)
Constant	-0.833*** (0.023)
R ²	0.67
Observations	768,689
Number of Schools	58,935

Table B.
CSP Seats

- 460 schools were awarded grants totaling \$199,345,744 in school year 2011–12
- 452 CSP schools have available CCD data, suggesting 8 CSP schools never opened
- 369 CSP schools have available 2017-18 CCD data, suggesting that 83 CSP schools closed by that academic year
- 139 CSP schools open in 2017-18 perform at least one standard deviation above the average school’s fixed effect and provide a total of 69,992 high-quality seats
- It costs roughly \$2,848 per high-quality seat

	2017-18 CSP Schools (n=369)	2017-18 High-Quality CSP Schools (n=139)
Total Enrollment	178,025	69,992
Asian Enrollment	6,346	1,795
Black Enrollment	60,890	17,824
Hispanic Enrollment	65,085	45,738
White Enrollment	39,093	4,635
FRPL Enrollment	100,015	49,760

The second analysis sought to answer the question, “How do CSP-funded charter schools perform compared to charter schools without CSP funds?” To perform this analysis, we used the set of schools receiving their first installment of a CSP grant at any point between 2009 and 2012 and compared it to the set of charter schools that opened during these years but did not receive CSP funds. Because not all charter schools open the same year they receive CSP funds (for instance, some schools receive planning grants that support activities during the 12-18 months leading up to actually opening the school), we included schools receiving grants between 2009 and 2012 to allow us to compare schools to one another at the same point in their implementation. That way, the performance of a school receiving a CSP grant in 2009 but not opening until 2011 is compared to the performance of other schools opening in 2011, not in 2009.

Table C presents the descriptive statistics of the two sets of schools. Table D presents the descriptive regressions of CSP effects on closure and academic proficiency when controlling for student population and location.

Table C.

Descriptive Statistics of CSP and Non-CSP Recipients Opening between 2009 and 2012

Panel A: Closure and Academic Achievement						
Years Since Opening	Closure Percent		Math Proficiency		ELA Proficiency	
	CSP	Non-CSP	CSP	Non-CSP	CSP	Non-CSP
Year 1	2.1%	4.1%	52.3%	50.6%	58.5%	58.5%
Year 2	3.1%	5.1%	52.6%	53.7%	58.0%	62.9%
Year 3	4.5%	3.3%	52.2%	54.0%	57.7%	63.4%
Year 4	4.5%	4.3%	48.6%	50.7%	54.4%	59.6%
Year 5	6.9%	5.5%	45.6%	47.9%	50.8%	55.7%
Overall	4.2%	4.4%	50.2%	51.5%	55.8%	60.2%

Panel B: Demographics				
	CSP N=6,429		Non-CSP N=3,283	
	Mean	Std. Dev.	Mean	Std. Dev.
Percent Asian Enrollment	2.9%	7.5%	2.8%	6.8%
Percent Black Enrollment	32.8%	35.3%	30.1%	36.2%
Percent Hispanic Enrollment	27.3%	29.5%	31.9%	31.7%
Percent White Enrollment	32.7%	32.9%	30.8%	31.7%
Percent FRPL Enrollment	57.3%	30.5%	58.0%	32.7%
Urban Location	56.7%	49.6%	56.4%	49.6%
Suburban Location	26.6%	44.2%	20.7%	40.5%
Rural/Town Location	16.1%	36.8%	22.6%	41.8%

Table D.
Descriptive Regressions of CSP Effects on Closure and Academic Proficiency

	Closed First Year	Closed Any Year	Math Proficiency	ELA Proficiency
CSP Recipient	-0.034*** (0.009)	-0.004 (0.005)	2.548*** (0.591)	1.390*** (0.514)
Percent Asian Enrollment	-0.040 (0.069)	-0.019 (0.039)	60.472*** (4.714)	38.718*** (4.085)
Percent Black Enrollment	0.081* (0.042)	0.071*** (0.025)	-4.045 (3.160)	-6.440** (2.730)
Percent Hispanic Enrollment	0.052 (0.041)	0.020 (0.025)	11.907*** (3.100)	5.050* (2.678)
Percent White Enrollment	0.037 (0.042)	0.028 (0.025)	17.011*** (3.196)	18.392*** (2.759)
Percent FRPL Enrollment	-0.029* (0.015)	0.006 (0.009)	-12.247*** (1.089)	-14.854*** (0.942)
School in Urban Location	0.010 (0.012)	-0.006 (0.007)	1.924** (0.807)	2.200*** (0.699)
School in Suburban Location	-0.002 (0.013) (0.044)	-0.008 (0.007) (0.023)	2.989*** (0.837) (2.508)	3.653*** (0.725) (2.226)
Constant	-0.001 (0.041)	0.004 (0.025)	47.047*** (3.107)	58.090*** (2.681)
Observations	1,925	9,042	7,254	7,316
Number of Unique Schools	414	1,463	1,100	1,108

Results from this analysis suggest that charter schools that received CSP-funding in 2011–12 perform, on average, 2.5 percentage points higher in math and 1.4 percentage points higher in ELA compared to new-start charter schools that did not receive CSP funds. They are also less likely to close during their first year of operation. In addition, for every one percentage point increase in Hispanic student enrollment, CSP schools’ math achievement increases nearly 12 percentage points and math achievement increases 5 percentage points in ELA. For low-income students, every percentage point increase in student enrollment is associated with a 12-point decrease in proficiency in ELA and a 15-point decrease in math.

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A note on transparency: Bellwether brings deep resident expertise to these questions because our organization works with charter schools and charter school networks, including some that are recipients of CSP grants. This work includes grant writing, strategic planning, and evaluation work. A full list of Bellwether's clients is available on our website.

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About Bellwether Education Partners

Bellwether Education Partners is a national nonprofit focused on dramatically changing education and life outcomes for underserved children. We do this by helping education organizations accelerate their impact and by working to improve policy and practice.

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