

April 1998

CHARTER SCHOOLS

Federal Funding Available but Barriers Exist



**Health, Education, and
Human Services Division**

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Congressional Requesters

The number of charter schools is growing rapidly, offering a new model for public schools. This model is intended to address concerns about our educational system, including unresponsive school district bureaucracies, restrictive rules, and a lack of accountability for student performance. In addition, charter schools provide opportunities for parents and others to create schools that reflect their visions for their children's education, including design, governance, and delivery features. Charter schools are generally designed to operate with more autonomy from state and local rules and regulations than are other public schools. In exchange for this autonomy, charter schools are held accountable for meeting the terms of their charters, which may include achieving stipulated academic outcomes. Schools that do not meet the terms of their charters face revocation of their charters.

Although state and local revenues primarily finance public schools, the federal government provides several billion dollars annually to help public schools educate our children. For example, during fiscal year 1998, the federal government will provide over \$7 billion under title I of the Elementary and Secondary Education Act (ESEA) to help schools provide additional services to educationally disadvantaged children. In addition, under the Individuals With Disabilities Education Act (IDEA), the federal government will provide about \$4.2 billion to help schools pay for providing a free appropriate public education to children with disabilities.

Although the title I and IDEA programs are designed to help public schools, concerns were raised during 1997 congressional hearings about whether public charter schools receive the share of these funds for which they are eligible. Because of these concerns, you requested that we study this issue. On September 16, 1997, and again on March 31, 1998, we testified on our ongoing work on this study.¹ This report augments the information we provided in our testimonies and is based on the final results of our study. In particular, you requested that we provide information on

- the way selected states allocate title I and IDEA funds to charter and other public schools,

¹Charter Schools: Issues Affecting Access to Federal Funds ([GAO/T-HEHS-97-216](#), Sept. 16, 1997) and Charter Schools: Recent Experiences in Accessing Federal Funds ([GAO/T-HEHS-98-129](#), Mar. 31, 1998).

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- factors that help and hinder charter schools in accessing title I and IDEA funds, and
 - whether factors that help or hinder charter schools to access federal funds vary by the funding path used in selected states.

In addition to this information, we are providing information on current state and federal efforts designed to help charter schools access federal funds.

In conducting our work, we interviewed nationally recognized charter school experts as well as officials representing national- and state-level charter school advocacy and technical assistance organizations. We also identified and reviewed research on operational and financial issues affecting charter schools nationwide. To determine the extent to which federal laws and regulations affected the allocation of federal funds to charter schools, we reviewed ESEA's and IDEA's statutory funding allocation requirements and the Department of Education's program regulations.

We chose seven states that collectively included 91 percent of the 480 charter schools reportedly operating in school year 1996-97.² We conducted case studies for these states, which varied in the way they allocate federal funds to charter schools. For each state, we reviewed charter school authorizing legislation and state title I and IDEA state plans on file with the Department of Education. We also interviewed by telephone or in site visits officials of each state's department of education to collect information on charter school title I and IDEA allocation procedures. We discussed with officials the factors that helped or hindered charter schools' access to federal funds. In addition, we visited several charter school operators in four states to discuss these same issues.

Finally, we surveyed by telephone a representative sample of charter schools in our seven case study states. Two schools in our 50-school sample were later discovered to be ineligible for our survey—1 school had been operating as a traditional public school in the 1996-97 school year, and 1 school had its charter revoked before the 1996-97 school year. Officials from seven charter schools declined to participate in our survey. We completed interviews with officials of the 41 remaining schools in our sample for an 85-percent response rate.³ These interviews included

²The states are Arizona, California, Colorado, Massachusetts, Michigan, Minnesota, and Texas.

³App. I shows the number of schools (1) operating in each of the selected states, (2) included in our sample, and (3) responding to our survey.

discussions about their experiences in accessing federal funds. Because of our sampling methodology, our results apply to the charter schools operating in our sample states. Information we obtained from charter school operators was self-reported and unverified. Whenever possible, however, we obtained documents from the operators pertaining to the matters they discussed with us. We did our work between May 1997 and March 1998 in accordance with generally accepted government auditing standards.

Results in Brief

In general, states either allocate funds to charter schools (1) directly, considering them to be independent school districts or local educational agencies (LEA) or (2) indirectly through a parent school district, considering a charter school to be a member of an existing school district. In some cases, states use both approaches depending on the particular chartering authority or program. For example, Massachusetts and Minnesota consider all charter schools to be LEAs and allocate funds directly to charter schools. On the other hand, charter schools in California and Colorado receive federal funds through a parent school district. In Arizona, Michigan, and Texas, charter schools receive their funds directly or indirectly depending on a variety of factors, including the particular program involved, the chartering authority, or other circumstances. Overall, about two-fifths of the charter schools we surveyed received title I funds, and slightly more than half of them received IDEA funds or IDEA-funded special education services. Most charter schools that did not receive funds did not apply for them.⁴ Two-thirds of charter school operators whom we surveyed and who expressed an opinion believed that they received a fair share of title I or IDEA funds or IDEA-funded special education services.

A variety of barriers, according to our review, have made it difficult for charter schools to access title I and IDEA funds. These barriers include, for example, a lack of enrollment and student eligibility data to submit to states before funding allocation decisions are made and the time required and costs involved in applying for such funds. Studies conducted by the Department of Education⁵ and the Hudson Institute,⁶ a private, nonprofit

⁴Although schools dependent on an LEA do not technically apply for federal funds, we use the term to describe the process by which charter schools must provide the necessary data to the LEA so the LEA may apply for funds as well as charter school operators' expectations about receiving funds.

⁵A Study of Charter Schools, First Year Report, U.S. Department of Education, Office of Educational Research and Improvement (Washington, D.C.: May 1997).

⁶Charter Schools in Action, Hudson Institute (Washington D.C.: July 1997).

public policy research organization, identified similar barriers facing charter schools. On the other hand, charter school operators most often cited training and technical assistance and notification of their eligibility for federal funds as factors that helped them access title I and IDEA funds.

Many factors that helped or hindered charter schools access federal funds had no relation to the schools' receiving their funds directly from the state or indirectly through a parent school district. Time and resource constraints, for example, affected charter schools in much the same way regardless of how they received their funds. Some factors, however, did relate to the funding path. For example, the working relationship between a charter school and its sponsoring district could either help or hinder the school's access to federal funds. In contrast, charter schools treated as LEAS and receiving federal funds directly from the state were largely unaffected by their relationships with local school districts.

Several states and the Department of Education have begun initiatives to help charter schools access federal funds. Some states, for example, are revising or developing alternative allocation policies and procedures to improve charter schools' access to federal funds and providing training and technical assistance to charter school operators. The Department recently issued guidance to states and LEAS on allocating federal title I funds to charter schools. In addition, the Department has funded the development of an Internet web site with information on federal programs, charter school operational issues, a charter school resource directory as well as profiles of charter school states and charter schools.

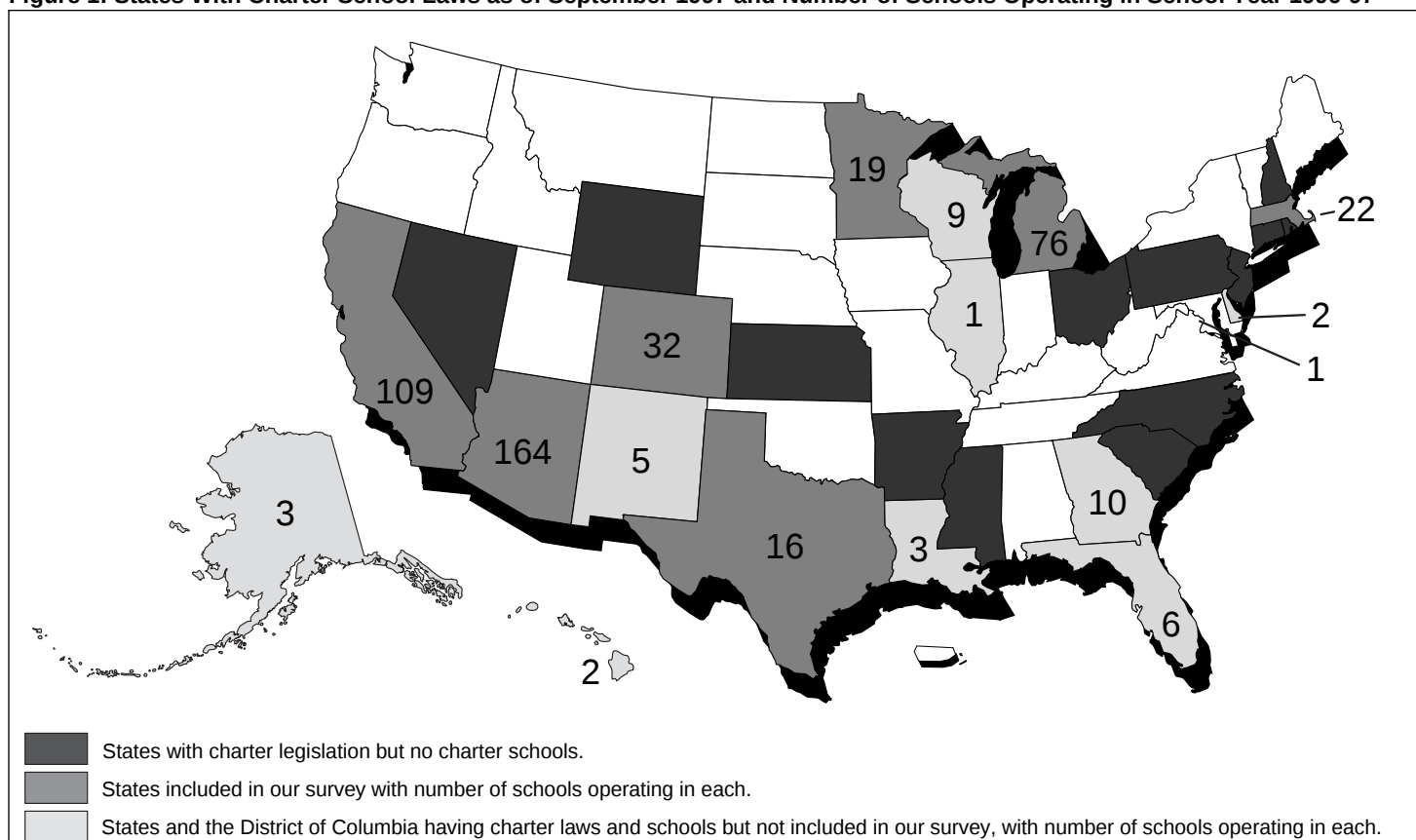
Background

Charter schools are public schools that operate under charters (or contracts) specifying the terms by which they may operate. In general, they are established under state law, charge no tuition, and are nonsectarian. State charter school laws and policies vary widely regarding the degree of autonomy the schools have, the number of charter schools that may be established, the qualifications of charter school applicants and teachers, and the accountability criteria that charter schools must meet.

As of September 1997, 29 states and the District of Columbia had enacted laws authorizing charter schools, according to the Center for Education Reform. In school year 1996-97, over 100,000 students were enrolled in nearly 500 charter schools in 16 states and the District of Columbia. Most charter schools are newly created; about 33 percent were converted from existing public schools, and about 11 percent were converted from

existing private schools, according to the Department of Education.⁷ Figure 1 shows the states with charter school laws as of September 1997 and the number of charter schools operating in the 1996-97 school year by state.

Figure 1: States With Charter School Laws as of September 1997 and Number of Schools Operating in School Year 1996-97



Source: Center for Education Reform, Washington, D.C.

Both the Congress and the administration have supported charter schools. For example, in amending ESEA in 1994, the Congress established a grant program to support the design and implementation of charter schools. In addition, under the Goals 2000: Educate America Act, states may use federal funds to promote charter schools. The administration proposed

⁷Not all states allow private schools to convert to charter schools.

doubling the roughly \$50 million made available under the new ESEA charter school grant program in fiscal year 1997 to \$100 million for fiscal year 1998; the Congress ultimately increased funding for the program to \$80 million. Finally, in his 1997 State of the Union Address, the President called for the establishment of 3,000 charter schools nationwide by the next century.⁸

To explore the effects of education reform efforts, in January 1997, the Congress began holding hearings in Washington, D.C., and around the country. The Congress has focused on developing charter schools, among other reform efforts. Charter school operators and others at the hearings raised concerns about charter schools' receiving the share of federal title I and IDEA grant funds for which they are eligible. Recent research conducted by the Department of Education and the Hudson Institute raised similar concerns. Although dozens of financial aid programs exist for public elementary and secondary schools, two programs, title I and IDEA, are by far the largest federal programs.

Title I Program

Title I is the largest federal elementary and secondary education aid program. The Department of Education administers title I, which received about \$7.4 billion in federal funding in fiscal year 1998. The program provides grants to school districts—or LEAs, as defined in federal statute and regulations—to help them educate disadvantaged children—those with low academic achievement attending schools serving high-poverty areas. Nationwide, the Department makes about \$800 available on average to LEAs for each child counted in the title I allocation formula.

Under title I, the federal government awards grants to LEAs through state educational agencies (SEA), which administer the grants and distribute the funds to LEAs. About 90 percent of the funds the Congress appropriates are distributed as basic grants; about 10 percent are distributed as concentration grants, awarded to LEAs serving relatively higher numbers or percentages of children from low-income families.

To receive title I funds, SEAs must submit title I plans to the Department of Education. SEAs may submit these plans to Education separately or as part of a consolidated plan incorporating several federal education programs.⁹

⁸The President referred to this goal again in his 1998 State of the Union Address.

⁹These other programs include, among others, the title II Eisenhower Professional Development program; title III educational technology programs; title IV Safe and Drug-Free Schools and Communities—state and local formula grants—program; title VI Innovative Education Strategies program; and the Goals 2000: Educate America Act.

Title I plans must explain how a SEA will operate its title I programs and demonstrate that a state has established or is developing state content and student performance standards as well as describe assessment systems used to measure schools' progress in meeting state standards. Moreover, state plans must describe how the SEA will help each LEA and school affected by the title I plan develop the capacity to comply with state standards. Once the plan is approved, the SEA is eligible to receive title I funds, and the plan remains in effect as long as a state participates in the program. SEAs must periodically update plans, however, to reflect substantive changes or as required by the Department of Education.

To be eligible for title I funds received by the state, federal statutory and regulatory guidelines require LEAs to meet minimum poverty thresholds. To be eligible for basic grants, an LEA generally must have enrolled at least 10 children from low-income families, and low-income children must constitute more than 2 percent of its school-aged population. To be eligible for concentration grants, LEAs generally must have enrolled more than 6,500 children from low-income families, or more than 15 percent of their students must be from low-income families.¹⁰

LEAs that receive title I funds and have more than one school in their district have some discretion in allocating these funds to individual schools. LEAs must rank their schools¹¹ according to the percentage of children from low-income families enrolled in each school. LEAs must use the same poverty measure in ranking all their schools, but the title I statute provides four measures from which LEAs may choose. LEAs must serve, in order of poverty, their schools that have more than 75 percent of their students from low-income families. After serving these schools, LEAs may then serve additional title I-eligible schools, in order of poverty, with remaining funds. LEAs do not have to allocate the same per poverty student amount to each school in the district. LEAs must allocate, however, a higher or equal per poverty student amount to schools with higher poverty rates than they allocate to schools with lower poverty rates. (See app. II for more details about the title I program.)

¹⁰In 1994, the Congress amended title I to provide LEAs a third grant type—"targeted assistance" grants. Should the Congress appropriate funds for these grants in the future, eligible LEAs must have enrolled at least 10 low-income children, and these children must constitute more than 5 percent of the children served by an LEA.

¹¹We use the term "school" to include school attendance areas. School attendance areas may be designated by an LEA for ranking schools in allocating title I funds.

IDEA Program

The IDEA part B program is a federal grant program for helping states pay the costs of providing a free appropriate public education to all eligible children with disabilities between the ages of 3 and 21 living in the state, depending on state law or practice. The act requires, among other things, that states make such education available to all eligible children with disabilities in the least restrictive environment. The Congress appropriated approximately \$4.2 billion for the program for fiscal year 1998. According to Department of Education officials, these funds are expected to provide, on average, about \$639 per student for services provided to the nearly 5,951,000 eligible students aged 3 through 21, plus an additional \$650 per student to provide services for approximately 575,800 eligible preschool children aged 3 through 5.

Under the current formula, the Department of Education annually allocates funds to SEAS on the basis of their reported numbers of eligible children receiving special education and related services for the preceding fiscal year,¹² the national average per pupil expenditure, and the amount the Congress appropriates for the program. The most funding that a state may receive for any fiscal year is capped at 40 percent of the national average per pupil expenditure multiplied by the number of eligible children with disabilities in the state who receive special education and related services.¹³ The IDEA Amendments of 1997 provide that each state will receive its prior fiscal year allocation when the Congress appropriates more than \$4,924,672,200 for IDEA part B; 85 percent of the remaining funds will be allocated to states on the basis of each state's relative population of children aged 3 through 21 who are the same age as children with disabilities for whom the state ensures the availability of a free appropriate public education; the remaining 15 percent of these funds will be allocated on the basis of each state's relative population of these children living in poverty.

To receive funds, a state must demonstrate to the satisfaction of the Secretary of Education that it has in effect policies and procedures to ensure that it meets certain specified conditions.¹⁴ The conditions that states must meet include, among others, the availability of a free appropriate public education to all children with disabilities living in the state. In reauthorizing IDEA, the Congress added additional provisions

¹²This number may not exceed 12 percent of all school-aged children in the state during the same time period.

¹³This cap has not affected the allocation of funds because the amount appropriated has not exceeded the cap.

¹⁴Such demonstration replaces the state IDEA plans required before the 1997 IDEA amendments.

specifically for charter schools. In particular, LEAS must now demonstrate to their SEAs that they serve children with disabilities attending charter schools in the same way they serve children with disabilities in their other schools and that they provide IDEA part B funds to charter schools in the same way they do to their other schools.

Under the current formula, states must distribute at least 75 percent of the IDEA funds they receive from the Department to LEAS and may reserve the rest for state-level activities.¹⁵ In general, SEAs allocate IDEA funds to eligible LEAS on the basis of their relative share of their state's total number of eligible children receiving special education and related services. When the Congress appropriates more than \$4,924,672,200 for IDEA part B, allocations to LEAS are modified as allocations to states are modified according to the 1997 IDEA amendments.

States may allocate IDEA funds to LEAS or other agencies included in the act's definition of LEAS. These other agencies include, for example, regional educational service agencies authorized by state law to develop, manage, and provide services or programs to LEAS. Some states allocate IDEA funds to regional educational service agencies for providing special education and related services to children with disabilities enrolled in the schools of one or more LEAS, including charter schools. Other states allocate IDEA funds directly to school districts, which then develop, manage, and provide their own such services to children with disabilities. (See app. II for more details on the IDEA program.)

Federal Funds Flow to Charter Schools Directly From State SEAs or Indirectly Through Local Channels

States use several arrangements to provide funds to charter schools. In general, states allocate title I and IDEA funds or IDEA-funded special education services to charter schools using one of three approaches. The seven states in our review used all three.

The first approach involves states allocating title I and IDEA funds directly to charter schools; Massachusetts and Minnesota use this approach. The second approach involves states allocating title I and IDEA funds to charter schools through existing parent LEAS; California and Colorado use this approach. Charter schools, along with other public schools in the district, then receive their share of funds or services from their parent LEAS. The third approach for allocating funds to charter schools involves a mixture

¹⁵The 1997 IDEA amendments capped the amount SEAs may retain for state-level activities. In the future, SEAs may retain an amount that is 25 percent of the amount of IDEA part B funds that the SEA received in fiscal year 1997, cumulatively adjusted by the lesser of (1) the percentage increase, if any, in the state's allocation of IDEA part B funds from the preceding fiscal year or (2) the inflation rate.

of the first and second approaches. In general, a charter school in a state using this approach receives federal funds directly from the SEA—and thus is treated as an LEA—if the school was chartered by a state agency or through a parent LEA—if the school was chartered by a district or substate agency. States using this model include Arizona, Michigan, and Texas.¹⁶ (App. III provides more details on the seven states' federal funding allocation procedures.)

Under these three approaches, individual charter schools are generally allocated funds on the basis of their treatment as either (1) an independent LEA or school district (called the independent model) or as (2) a dependent of an LEA—that is, as a public school part of an existing school district (called the dependent model). Throughout our report, we refer to these two models of allocating funds to charter schools as the independent or the dependent model, respectively.

Charter Schools' LEA Status Dictates Minimum Criteria Used to Determine Funding Eligibility

Under title I and IDEA, the Department of Education allocates funds to SEAs, which then allocate funds to LEAs. LEAs, in turn, allocate funds to individual schools in their districts.

To be eligible for title I funds, LEAs—including charter schools operating under the independent model—must meet the minimum statutory eligibility criteria of enrolling at least 10 children from low-income families with these children constituting more than 2 percent of their school-aged population.

LEAs that have more than one school—including charter schools operating under the dependent model—allocate title I funds to their schools. The federal statute and regulations specify complex criteria and conditions that LEAs use in deciding how to allocate funds to their schools, which results in shifting title I funds received by LEAs to individual schools with relatively higher percentages of students from low-income families. An individual school that is part of an LEA in a high-poverty area therefore might have to have enrolled a higher percentage of low-income children to receive title I funds than it would need if the school were treated as an independent LEA. In this case, a charter school that would have received title I funds as an independent LEA may not receive title I funds under the

¹⁶In Michigan, the only state-level agencies that grant charters to schools are state universities. Other chartering authorities include local school boards, regional intermediate school districts, and community colleges. In allocating federal funds, the state considers all charter schools to be LEAs. However, charter schools receive funds or services through their chartering authority or other intermediary. We, therefore, consider Michigan as using the third approach.

dependent model because other schools in the LEA might serve higher percentages of low-income children.

The benefits that individual schools may receive from IDEA funds vary by state. Two states in our survey—California and Michigan—allocate IDEA funds to regional educational service agencies. In California, children with disabilities enrolled in charter schools receive special education services through its regional agencies known as “special education local plan areas.” Michigan’s regional educational agencies may help charter schools by providing special education services to children with disabilities enrolled in the charter school or provide funds to reimburse charter schools for eligible expenses.

Other states in our survey operated somewhat differently. For example, Colorado allocates IDEA funds to LEAs. Charter schools in that state negotiate individually with their parent LEAs the terms under which the school will receive IDEA funds or special education and related services for children with disabilities enrolled in the school. Arizona, Massachusetts, Minnesota, and Texas, on the other hand, allocate IDEA funds directly to charter schools in those cases where the states consider charter schools independent LEAs. In Arizona and Texas, charter schools considered dependent members of a parent LEA receive IDEA funds or special education services through the parent LEA.

Early Data Suggest That Charter Schools Have Not Been Systematically Denied Access to Federal Funds

Although no centralized repository of data exists for determining the extent to which charter schools have received federal funds nationwide, our research suggests that charter schools in the seven states we surveyed have not been systematically denied access to title I and IDEA funds. Despite the concerns about funding issues raised during the 1997 congressional hearings as well as in response to studies conducted by the Hudson Institute, our survey revealed that most charter school operators who applied for title I and IDEA funds received them. Moreover, most charter school operators who expressed an opinion told us that they believed that these federal funds are fairly allocated to charter schools.

Charter Schools Report Mixed Results in Receiving Federal Funds

Overall, about two-fifths of the charter schools we surveyed received title I funds for the 1996-97 school year. Of our survey respondents, slightly more than one-third of charter schools operating under the independent model and almost one-half of the schools operating under the dependent model

received title I funds. Table 1 shows the number of charter schools surveyed that received title I funds by funding model.

Table 1: Number of Surveyed Charter Schools That Received or Did Not Receive Title I Funds for the 1996-97 School Year by Funding Model

	Independent	Dependent	Total
Received title I funds	9	7	16
Did not receive title I funds ^a	16	9	25

^aOperators of 16 of these schools told us they did not apply for title I funds. We could not determine whether they would have received title I funds had they applied.

About two-fifths of the charter schools we surveyed did not apply for title I funds. Charter school officials who did not apply cited reasons such as (1) a lack of time to do so, (2) their school was ineligible for funds and therefore did not apply, or (3) they found that applying for these funds would cost more than the funding would provide. Of those schools that applied for title I funds, two-thirds, or 16 of 25, reported receiving funds. Title I funding for these schools ranged from \$96 to \$941 per poverty student; the average school value was \$466 per poverty student, and the median value was \$413. The difference in per student funding relates to the allocation formulas, which account for the number and proportion of low-income children in the school, district, and county. Title I funds received by these schools represented between 0.5 and 10.0 percent of their total operating budgets.¹⁷ For all but four of these schools, funds received represented 5 percent or less of the schools' total operating budgets.

Regarding the IDEA program, slightly more than one-half of our survey respondents received funds or IDEA-funded special education services. Of all charter schools surveyed, two-fifths operating under the independent model received funds or IDEA-funded special education services; three-quarters of those operating under the dependent model received funds or services. Table 2 shows the number of charter schools surveyed receiving IDEA funds or IDEA-funded special education services by funding model.

¹⁷This is for the 14 schools reporting a 1996-97 operating budget and receiving title I funds.

Table 2: Number of Surveyed Charter Schools That Received or Did Not Receive IDEA Funds or IDEA-Funded Special Education Services for the 1996-97 School Year by Funding Model

	Independent	Dependent	Total
Received IDEA funds or funded services	10	12	22
Did not receive IDEA funds or funded services ^a	15	4	19

^aOperators of 14 of these schools told us they did not apply for IDEA funds or IDEA-funded special education services. We could not determine whether they would have received funds or services had they applied.

Overall, about a third of the charter schools we surveyed did not apply for IDEA funds or IDEA-funded special education services. Charter school officials who did not apply cited reasons similar to those who did not apply for title I funds such as (1) a lack of time to do so, (2) they were not eligible for funds, (3) they did not know about the availability of IDEA funds, or (4) they found that applying for these funds would cost more than the funding would provide. Four-fifths of the charter school officials who told us that they applied for IDEA funds or IDEA-funded special education services reported that they received funds or services for the 1996-97 school year. For schools that obtained IDEA funds, rather than services, amounts received ranged from \$30 to \$1,208 per eligible student; the average school value was \$421 per eligible student, and the median value was \$206. IDEA funds received by schools represented between 0.08 and 2.50 percent of their total operating budgets.¹⁸

Most Charter School Operators Believe That Their Share of Title I and IDEA Funds Is Fair

Regardless of funding model, two-thirds of the charter school operators expressing an opinion believed that they received a fair share of title I and IDEA funding. About one-fifth of the charter school operators we surveyed had no opinion or did not answer the question. (See tables 3 and 4.)

Table 3: Charter School Operators' Opinions About Whether They Received a Fair Share of Title I Funding by Funding Model

	Independent	Dependent	Total
Received fair share	13	10	23
Did not receive fair share	6	4	10
Have no opinion ^a	6	2	8

^a"Have no opinion" includes nonrespondents and respondents who said they had no basis on which to form an opinion.

¹⁸This is for the six schools reporting a 1996-97 operating budget and receiving IDEA funds.

Table 4: Charter School Operators' Opinions About Whether They Received a Fair Share of IDEA Funding or IDEA-Funded Special Education Services by Funding Model

	Independent	Dependent	Total
Received fair share	9	12	21
Did not receive fair share	8	3	11
Have no opinion ^a	8	1	9

^a"Have no opinion" includes nonrespondents and respondents who said they had no basis on which to form an opinion.

Regarding IDEA funding or IDEA-funded special education services, however, about as many survey respondents under the independent funding model believed that they received a fair share as believed otherwise. For charter schools under the dependent model, on the other hand, about four times as many survey respondents believed that their schools received a fair share of IDEA funds or IDEA-funded special education services than believed otherwise. (See table 4.)

Some Barriers Hinder Charter Schools in Accessing Title I and IDEA Funds

According to our interviews with charter school operators we surveyed, charter schools do not appear disadvantaged in accessing federal funds. Nonetheless, these operators, as well as state officials, technical assistance providers, and studies conducted by the Hudson Institute and others have identified barriers that have hindered charter schools in accessing title I and IDEA funds. Reported barriers include (1) difficulties in establishing program eligibility, (2) workload demands that prohibited schools from pursuing program funds or made doing so too costly, (3) charter school operators' and district and state administrators' lack of program and administrative experience, and (4) ineffective working relationships with state or local program administrators.

Difficulty Demonstrating Program Eligibility

Charter school officials we spoke with reported barriers to establishing their eligibility for federal funds, especially regarding the title I program. A variety of factors caused these barriers, including (1) a lack of prior year's enrollment data, (2) problems collecting student eligibility data, and (3) the timing involved for a school's charter being issued and deadlines for submitting student eligibility and enrollment data. These barriers particularly troubled newly created charter schools. Charter schools converted from traditional public schools generally did not have these problems when current enrollment was at or near full capacity and title I eligibility had already been established.

In its July 1997 report, the Hudson Institute noted that states typically allotted title I funds to schools on the basis of the previous year's enrollment of title I-eligible students, which resulted in "leaving start-up charters completely stranded for their first year." In our survey of charter school officials, three officials told us that because they had no prior year's enrollment or student eligibility data, state guidelines made their schools ineligible for federal funds. Two of the three respondents that had this problem were officials of newly created schools; the third respondent represented a charter school that had been converted from a private institution. Department of Education officials told us that they believe most of the problems "start-up" charter schools had in accessing federal program funds were due to not having such enrollment data to submit to state officials.

Other such start-up eligibility problems also presented some barriers to schools. For example, some officials noted that their schools are incrementally increasing the number of grades served as the original student body progresses. One school official told us that, while the school now serves grades 9 and 10, it will eventually serve grades 9 through 12. In addition, officials we surveyed at other schools were implementing a similar growth strategy. In these cases, a 1-year lag in reported enrollment data—reflecting past rather than current enrollment—may significantly affect the amount of federal funding for which a school may be eligible. For example, one charter school official we spoke with told us that next year she will receive title I funds on the basis of this year's enrollment of about 100 students. She anticipates, however, that enrollment will increase almost 50 percent next year and that the school will be eligible for additional title I funding for about 40 newly enrolled students. But because of the time lag in reporting data, the school will have to wait until the following year for the additional funds. Over time, as enrollment stabilizes, these problems will lessen for schools.

In addition, charter school officials reported difficulty in collecting student eligibility data required to receive title I funds. In some states, school officials must collect data on students' family incomes to establish eligibility for federal funds. Some officials told us that because of privacy concerns, some families hesitate to return surveys sent home with students that ask for household income levels. One official told us that he believed parents may not understand that such data are used to establish the school's eligibility for federal grant funds.

In another case, a charter school official told us that verifying student eligibility data was a barrier in accessing funds because the process was time consuming. In this case, charter school officials had to manually match their student enrollment records with state and local Temporary Assistance to Needy Families (TANF)¹⁹ records to verify student eligibility. The business administrator for the school told us that it took him and another staff person approximately 2 full days to manually match the records for the approximately 1,000 students enrolled in his charter school.

Another charter school official told us that timing issues prevented her from accessing federal funds: She said that her school's charter was approved after the deadline had passed for the state allocation of title I funds to LEAS.

Charter School Operator Workload Demands

Even though researchers at the Hudson Institute and the Department of Education found that financing issues were a significant concern for charter schools, several charter school officials told us that the time and cost involved in accessing federal funds and complying with program requirements exceeded the benefits that could be obtained; therefore, they did not pursue these funds. Regarding federal funds, the Hudson Institute noted, “[charter] schools themselves are seldom equipped—in human terms—to maximize their aid.”

In our survey of charter schools, several school officials emphasized that they had little time and resources to devote to accessing title I and IDEA funds given their other administrative and educational responsibilities. These officials often played multiple roles at their schools, including principal, office manager, nurse, and janitor. One operator told us that even if all he had to do was to sign on a dotted line and stuff an envelope, he would not have time to do so. Another said that if she receives anything in the mail with the words “title I” on it, she throws it away because she has so little time to attend to such matters.

Although a majority of the charter school operators who expressed an opinion in our survey believed that the title I and IDEA application processes were only somewhat or not at all difficult, some operators told us that, nonetheless, it was not worth their while to pursue these funds. Two operators, for example, told us that the amount of title I funds their

¹⁹This program was formerly known as the Aid to Families With Dependent Children (AFDC) program. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced AFDC with TANF block grants to the states.

schools would be eligible for was simply not worth the effort to obtain them. In addition, charter school officials in four states told us that IDEA program requirements were cumbersome and involved too much paperwork.

Lack of Program and Administrative Experience

We spoke with technical assistance providers and consultants who had worked with charter schools who said that charter school operators are often dedicated educators but lack business and administrative experience in general or experience with federal categorical programs in particular. They told us that such inexperience may possibly discourage individuals from pursuing federal funding available to their schools. In addition, according to the Hudson Institute, charter school operators were often unaccustomed to the business and administrative aspects of running a charter school and with filling out forms for state and federal categorical programs. Moreover, because charter schools represent new and additional responsibilities for districts and state agencies that oversee and administer federal programs, according to state and district officials, it has taken some time to develop new policies and procedures to accommodate charter schools; therefore, these policies and procedures may not have been available when charter schools were authorized.

In our interviews with charter school operators, some cited their lack of experience with the title I and IDEA programs as a barrier to accessing these funds. One operator told us that she did not know that IDEA funds may be available to her school to help pay for the costs of educating the school's students with disabilities. According to another operator, although the state had mailed her information and application materials for the title I program, the amount of information was overwhelming and appeared designed for large, traditional school districts and thus discouraged her from reviewing the materials and applying for funds. She told us that, eventually, her school accessed these funds because a friend who operated his own charter school convinced her that she was forgoing a significant amount of funding. According to other operators we spoke with, they found title I and IDEA application procedures difficult but that having completed the process once, they expected to encounter fewer difficulties when they applied for such funding again.

One of our site visits revealed that a lack of established allocation policies and procedures created barriers for charter schools. For example, the business administrator at a charter school we visited told us that accessing funds required many visits and phone calls to district officials to

understand the allocation processes and procedures as well as to negotiate a fair share of federal funding for his school. According to district officials we spoke with, because their school district had approved and issued several charters to individual schools with varying degrees of fiscal autonomy, working out allocation issues has taken some time. These officials noted that they have limited time and resources for developing new policies and procedures for charter schools, especially because the number of charter schools and their student populations constitute a small portion of their overall operations.

In addition, some state officials said that charter schools presented them with new administrative responsibilities and that they had to reexamine title I laws and regulations to determine the extent of their administrative flexibility under the program. According to one state official, for example, she was uncertain whether a state could reserve title I funds from her state's allotment specifically to provide funding for charter schools during their first year of operation. An education official in Arizona told us that because most charter schools in that state are considered independent districts, the state's education department's workload has significantly increased. He noted that for over 50 years, the department was used to working with about 200 traditional school districts. Now that Arizona has authorized about 200 charter schools, the department is essentially working with over 400 school districts. Therefore, the department has had to change its focus, which this official called "conceptually challenging." The department is now spending proportionally more time with charter schools than with traditional school districts, according to this official. In adapting to these changes, the state education department has consequently changed and revised policies as it has gained experience in administering charter schools. As a result, he said, state application and allocation procedures for charter schools differ from procedures used only 1 year ago.

Ineffective Working Relationships

Schools operating under the dependent funding model may face more barriers than schools operating under the independent funding model because the former schools must go through an intermediary—or school district—in accessing federal funds, rather than receive funds directly from the state. According to one charter school operator, her school's parent LEA unfairly used its discretion in allocating funds to schools in its district. She said that all of the district's federal title I funding went to one school. Even though state officials told her that it was within the LEA's discretion to allocate funds the way it did, she believes that her charter

school and other district public schools eligible for funds should have shared in at least some of the funding. According to another charter school operator, uncooperative district officials hindered her school's accessing federal funds because the officials did not provide assistance in obtaining funding for her school.

In the Department of Education's 1997 report on charter schools, the Department found that charter schools' relationships with local district staff, local boards, and state boards or departments varied widely. The Department noted that in conducting field visits to charter schools, it found examples of local district boards or superintendents playing an active role in initiating and supporting the development of charter schools. In other cases, however, it found that local district staff or boards resisted charter schools and the school developers often had to face intense or hostile discussions and negotiations. In some of these cases, according to the study, the relationship between the school and the district has remained sour; in others, such differences have dissipated over time.

Charter School Officials Report a Variety of Factors Help Them Access Federal Funds

Charter school operators reported that outreach and technical assistance were key factors that helped them access federal funds. In addition, according to other operators, state and local program officials' flexibility helped them access funds. Other factors cited by school officials include the use of consolidated program applications, use of computerized application forms and processes, and the ability to rely on sponsoring district offices for grants administration.

Charter school officials most often cited receiving information about the availability of federal funds and the amount their schools would be eligible for as factors helping them in accessing title I and IDEA funds. Officials cited several sources from which they had obtained such information, including their own states' departments of education and local school district officials. Receiving information about federal programs addresses the lack of awareness cited by some operators as a barrier. Moreover, receiving information on the possible funding amount for which a charter school may qualify enables operators to make better judgments about whether pursuing such funding is worth their time and effort and enables them to better prioritize their administrative responsibilities.

Charter school officials also credited training and technical assistance provided by states, school districts, and consultants with helping them access federal funds. Charter school operators in Arizona were

particularly pleased with the amount and availability of assistance that the state's department of education offered them. They noted that the state informed them of funding opportunities and offered them technical assistance on many occasions. According to another survey respondent, being able to rely on his charter school's parent LEA for federal grants administration relieved him of having to apply for and administer the grant funds, which helped his school access these funds. Finally, some respondents told us that their schools employed consultants to help in applying for federal and state funds, which enabled them to focus their time and effort elsewhere.

A respondent in another state cited the use of consolidated applications as a help in accessing funds. As discussed earlier, SEAS may submit consolidated applications for several federal education programs. In turn, SEAS may also allow LEAs to submit one application for these same programs. One respondent told us that her state's use of technology helped her access federal funds: Her state used the Internet to allow schools to obtain and submit title I applications.

Factors That Help or Hinder Schools in Accessing Federal Funds Do Not Vary Significantly by Funding Path

Many of the factors that helped or hindered charter schools in accessing federal funds, according to our work, had no relation to whether schools received their funds directly from the state or indirectly through a parent school district. For example, both independent and dependent charter schools can have difficulty demonstrating title I eligibility. Dependent charter schools required to submit student eligibility data to their parent LEAs may find it just as difficult to collect such data as independent charter schools, which must submit the same data to SEAS. Similarly, both independent and dependent charter school operators we interviewed frequently cited a lack of time and inexperience with administrative program requirements as barriers to accessing funds. One factor, however, that hindered dependent but not independent charter schools in accessing funds was the working relationship between a charter school and its sponsoring district. Because LEAs have some discretion in allocating title I funds to schools in their districts, an ineffective working relationship can hinder the allocation of funds to dependent charter schools.

In addition, factors that helped charter schools access funds had no relation to the path that funding took. Both independent and dependent charter school officials cited that notification of program eligibility helped them in accessing funds. Although both independent and dependent charter schools also cited that training and technical assistance provided

by states, local districts, or consultants were helpful, independent charter school operators more frequently said so. On the other hand, several charter school operators in California and Colorado—states that consider most charter schools dependent members of existing school districts—reported that receiving IDEA-funded special education services, rather than funds, from their local school districts helped them access federal funds.

State and Federal Efforts to Help Charter Schools Access Federal Funds

Several states and the Department of Education have begun initiatives to help charter schools access federal funds. Some states, for example, are revising or developing alternative allocation policies and procedures to better accommodate charter schools' access to federal funds and providing training and technical assistance to charter school operators. The Department of Education recently issued guidance to states and school districts about allocations of title I funds to charter schools. The Department is also using funds provided to them under the ESEA Public Charter School Grant Program to study and support the establishment of charter schools.

State Efforts to Help Charter Schools Access Federal Funds

Some states in our review had developed or were devising strategies to support charter schools as part of their overall education reform efforts. Chief among these strategies were efforts designed to reduce barriers to charter schools' demonstrating their eligibility for federal programs and addressing their inexperience with federal programs by offering training and technical assistance.

Some states had used their administrative flexibility under the title I program to develop creative solutions to overcome some charter schools' barriers to accessing federal funds. Some states, for example, have decided to allow charter schools to use comparable—and more easily obtainable—data to establish the income levels of students' families. One state has developed a way to estimate a proxy for the number of title I-eligible students attending charter schools. This has allowed newly created charter schools in the state to demonstrate eligibility for title I funds without having a prior year's enrollment history. Once these charter schools have established eligibility for title I funds, states have provided funds to these schools in their first year of operation. To do so, states have

used their own title I administrative reserve funds and funds available to the SEA for reallocation to LEAS.²⁰

In some cases, states have continually refined their allocation policies and procedures as the states and charter schools have gained more experience. For example, Arizona officials reported they have significantly changed their state's title I allocation procedures for the third time in as many years to better accommodate charter schools in distributing federal funds. According to state officials, their policies and procedures have been evolving as the number of charter schools in the state has increased and as the state and charter schools have gained administrative experience.

In developing their most recent allocation policies and procedures, Arizona officials reported they used the state's "title I committee of practitioners." This committee, required by federal statute, advises the state and reviews proposed or final state title I rules or regulations. By law, these committees consist of school district officials, administrators, teachers, parents, board of education members, pupil services personnel, and representatives of private school children. According to Arizona education officials, they added charter school representatives (a charter school teacher as well as a parent of a charter school student) to their state committee. The committee spent 6 to 8 months developing and considering alternative methods for allocating title I funds to charter schools before deciding on the current procedures. State officials said that as a result, they believe the state has developed a better approach to allocating title I funds to charter schools.

These officials reported that adding charter school representation to the title I committee of practitioners was not only important for ensuring charter schools' fair consideration in developing allocation procedures, but also underscored the state's commitment to charter schools as a part of its overall education reform efforts. Of the seven states in our review, only Arizona had added charter school representation to its state title I committee of practitioners. Officials in other states in our review acknowledged that adding charter school representation to title I committees of practitioners was a practical approach for ensuring that charter schools' needs were considered when developing or changing state regulations and procedures. Under the IDEA program, state advisory boards serve similar purposes as do title I committees of practitioners. In

²⁰Reallocation funds include title I funds from an LEA that is eligible for an allocation but chooses not to participate in the program or has carryover funds from a prior fiscal year that exceed limitations. Reallocation funds also include funds that an SEA has recovered from an LEA that failed to spend funds in accordance with the law.

reauthorizing the program, the Congress required that states include charter school representatives on these boards. The title I program has no similar requirement.

Besides developing alternative allocation policies and procedures, some states have actively sought to inform charter school operators about their possible eligibility for federal funding and have provided them with training and technical assistance in applying for and administering federal funds. For example, Minnesota and California officials reported they send the same information to charter school officials as to officials of traditional school districts. In addition, Colorado officials have developed guidance for charter school officials and have posted it on the Internet. Arizona officials have developed cross-programmatic teams of state department officials and assigned specific charter schools to each of the teams. In doing so, the state has provided charter schools with a single point of contact for obtaining information about and technical assistance for all federal and state programs.

Although our study was not designed to compare states, Arizona appeared to be making the most comprehensive effort to help charter schools access federal funds. (Arizona also has, by far, more charter schools than any other state). Arizona state officials attributed the overwhelmingly positive responses we received from charter school officials there to the state's extensive planning efforts and the technical assistance they provide. Arizona officials noted that planning was a difficult and time-consuming process yet crucial in carrying out its education reform initiatives. In applying to the Department of Education for title I funding, Arizona's title I plan recognized that charter schools would require such training and technical assistance if all school children in the state were expected to attain the state's academic standards and goals.

In addition, other state officials recognized that charter schools require training and technical assistance to, among other things, access federal funding. A Massachusetts official told us that because charter schools there are brand-new school districts, most operators would need help in applying for funding and complying with program requirements. Although the state did not address its strategy for helping charter schools in its title I application to Education, this official reported that doing so would be appropriate because charter schools typically have little experience with federal programs.

According to a Colorado charter school official, state title I applications and plans could also help charter schools access federal funds, even though charter schools in Colorado are authorized by and receive funding through traditional school districts. He noted that a state could demonstrate its commitment to charter schools as part of its overall education reform initiatives within its plan. By doing so, he said, the state would build the expectation that districts authorizing charter schools would serve eligible students enrolled in charter schools with available federal resources. He believed that such an effort would effectively address barriers faced by charter schools caused by ineffective working relationships with district officials.

The Department of Education does not now require states to specifically address the plans they have developed to ensure that eligible students enrolled in charter schools are served by federal program resources. In providing guidance to states in preparing their title I applications and plans, however, the Department told states that their plans could provide a framework for demonstrating the use of federal program resources within the context of states' school reform initiatives. In addition, the Department noted that state plans should provide information on serving children intended to benefit from federal programs.

Department of Education Efforts to Help Charter Schools Access Federal Funds

During our study, the Department of Education developed guidance to states and LEAs on allocating title I funds to charter schools. This guidance was completed and published in March 1998. The guidance clarifies that SEAS and LEAS must take all reasonable steps to ensure that charter schools receive their full title I allocations. The guidance strongly encourages SEAS and LEAS to be appropriately flexible in accommodating charter schools by, among other things, (1) allowing more convenient times for collecting eligibility data, (2) allowing substitution of comparable poverty measures when appropriate, and (3) using available reallocation funds to serve new charter schools unable to demonstrate eligibility in time for initial funding allocations.

In creating the Public Charter School Grant program under ESEA, the Congress provided funding to the Department of Education for financial assistance for designing and initially implementing public charter schools nationwide and for evaluating the effects of such schools, including their effects on students, student achievement, staff, and parents. Under the national activities provision of the statute, the Department may reserve up to 10 percent of the funds appropriated in any fiscal year for (1) peer

review of applications for funding; (2) an evaluation of charter schools' impact on student achievement; and (3) other activities designed to enhance the federal program activities' success. According to Education officials, the Department has organized its national activities into three broad areas: (1) engaging the public, (2) research and development, and (3) outreach.

The Department is engaging the public by sponsoring national, state, and regional meetings to improve the public's charter school awareness. In November 1997, for example, the Department of Education sponsored a national conference for charter schools in Washington, D.C. The Department invited state officials and charter school operators from across the country and conducted many workshops on topics including federal categorical education grant programs, new requirements under the recently reauthorized IDEA, and information on the development and implementation of charter schools. The Department also funded the development of an Internet web site²¹ with general information on federal programs, charter school operational issues, a charter school resource directory and profiles of states that have authorized charter schools as well as profiles of individual charter schools.

As already noted, the Department published in May 1997 the first-year results of its 4-year study of charter schools. As currently planned, the 4-year study will include an annual survey of all charter schools, a longitudinal study of a stratified random sample of 72 charter schools, and information collected from site visits and testing at 28 matched comparison schools. The Department is also conducting a charter school teacher fellowship program and three target research studies of charter schools involving the (1) education of children with disabilities, (2) school finance, and (3) assessment and accountability issues.

The Department's community outreach efforts include developing models for charter school operator leadership training programs, fostering cooperative relationships between charter schools and other public schools, and involving community organizations in operating charter schools.

Conclusions

Barriers that charter schools face in accessing federal funds appear to have no relation to charter schools' treatment as school districts or as members of school districts. Rather, other barriers, many of which have no

²¹The web site address is www.uscharterschools.org.

relation to the path federal funds take, have more significantly affected charter schools' ability to access title I and IDEA funds. These barriers include state systems that base funding allocations on the prior year's enrollment and student eligibility data, the costs of accessing funds compared with the amounts that schools would receive, and the significant time constraints that prevent charter school operators from pursuing funds. Despite these barriers, most charter school operators who expressed an opinion believe that title I and IDEA funds are fairly allocated to charter schools.

Although a variety of factors help charter schools access federal funds, according to our review, training and technical assistance appear to be critical to ensuring that charter school operators can access these funds. To this end, effective state and district planning would help ensure that federal program resources are directed to eligible students enrolled in charter schools. In addition, involving charter school operators or representatives in such planning efforts would provide additional assurance that charter schools and their students are appropriately considered.

Recommendations

We recommend that the Secretary of Education direct states to include in their title I plans information on the strategies, activities, and resources that the SEAs will use to ensure that title I program resources serve eligible charter school students. We further recommend that the Secretary take steps necessary to direct states to include charter school representation on states' title I committees of practitioners that advise states on implementing their title I program responsibilities.

Agency Comments and Our Evaluation

The Department of Education provided written comments on a draft of our report. (See app. IV.) The Department noted that our report helps to allay concerns about charter schools being systematically denied the opportunity to receive title I and IDEA funds. The Department also noted that in addition to its efforts discussed in our report, it is developing a "Charter School Operators' Guide to the Department of Education" to provide charter school operators with information on its programs. The Department also commented that it has stressed the importance of involving charter schools in federal programs in its meetings with state, local, and school-level administrators and that it provides technical assistance to charter school operators, school districts, and states. In

addition, the Department noted other of its efforts to help charter schools access federal funds.

Regarding our recommendation that the Secretary direct states to address charter schools in their title I plans, the Department noted that it will include this requirement in its instructions to states for title I or other program or consolidated state plans when appropriate. Regarding the recommendation in our draft report that the Secretary direct states to include charter school representation on states' title I committees of practitioners, the Department noted that while it strongly encourages states to include charter school representatives on these committees, it lacks the legal authority to require states to do so. We revised our recommendation to include the Secretary's taking any additional steps that may be necessary to implement the recommendation.

The Department also provided editorial and technical comments, which we incorporated as appropriate.

As arranged with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 7 days after its issue date. At that time, we will send copies of this report to the appropriate House and Senate committees, the Secretary of Education, and other interested parties. We will also make copies available to others on request.

If you have any questions about this report, please call me at (202) 512-7014 or Jeff Appel, senior evaluator, at (202) 512-9915. This report was prepared under the direction of Harriet C. Ganson, Assistant Director. Other major contributors to this report are listed in appendix V.

Cornelia M. Blanchette

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Associate Director, Education
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List of Requesters

The Honorable James Jeffords
Chairman, Committee on Labor and Human Resources
United States Senate

The Honorable Dan Coats
Chairman, Subcommittee on Children, Youth and Families
Committee on Labor and Human Resources
United States Senate

The Honorable Bill Goodling
Chairman, Committee on Education and the Workforce
House of Representatives

The Honorable Frank Riggs
Chairman, Subcommittee on Early Childhood, Youth and Families
Committee on Education and the Workforce
House of Representatives

The Honorable Joseph Lieberman
United States Senate

The Honorable Tim Roemer
House of Representatives

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Abbreviations

AFDC	Aid to Families With Dependent Children
ESEA	Elementary and Secondary Education Act
IDEA	Individuals With Disabilities Education Act
IEP	individualized education program
ISD	intermediate school district
LEA	local educational agency
SEA	state educational agency
SELPA	special education local plan area
TANF	Temporary Assistance for Needy Families

Number of Charter Schools Operating During the 1996-97 School Year in States With Charter Laws, Included in Our Sample, and Responding to Our Survey

States	Charter schools	Percentage of total	Cumulative percentage of total ^a	Schools in sample	Schools surveyed	Schools that refused to participate
Arizona	164	34	34	13 ^b	10	2
California	109	22	57	15 ^c	12	2
Michigan	76	16	73	5	4	1
Colorado	32	7	79	3	3	0
Massachusetts	22	5	84	7	5	2
Minnesota	19	4	88	6	6	0
Texas	16	3	91	1	1	0
All others ^d	42	9	100	^e	^e	^e
Total	480	100		50	41	7

^aCumulative percentages of total may not add due to rounding of percentages.

^bAlthough included in our universe of charter schools, one school had its charter revoked before the 1996-97 school year.

^cAlthough included in our universe of charter schools, one school did not operate under a charter during the 1996-97 school year.

^dCharter schools were also operating in Alaska, Delaware, the District of Columbia, Florida, Georgia, Hawaii, Illinois, Louisiana, New Mexico, and Wisconsin during the 1996-97 school year.

^eNot applicable.

Sources: Center for Education Reform, Washington, D.C., and GAO analysis.

Title I and Individuals With Disabilities Education Act Programs' Additional Statutory and Allocation Requirements

This appendix augments the report's information on statutory, application, and allocation requirements for both title I and the Individuals With Disabilities Education Act (IDEA) programs.

Title I Statutory and Allocation Requirements

Title I part A,²² the largest federal aid program for public elementary and secondary schools, provides funds to local educational agencies (LEA) through the states to enable schools to improve the academic achievement of eligible children either by providing additional or more intensive instruction or by upgrading the entire instructional program of the school.²³ The federal government awards grants to state educational agencies (SEA), which administer and distribute these funds to LEAs. The statute authorizes three types of grants: basic grants, concentration grants, and targeted grants. Most LEAs nationwide receive basic grants; fewer LEAs receive concentration grants, which go to LEAs with high numbers or percentages of children from low-income families.

The Department of Education determines title I part A allocations for each county in the country through a statutory formula based primarily on (1) the number of children aged 5 through 17 from low-income families using updated census poverty counts, (2) state per pupil public expenditures, and (3) the amount appropriated in a given fiscal year. Under the statute, 10 percent of title I LEA appropriations are distributed as concentration grants and the remainder as basic grants.²⁴

In 1994, the Congress amended title I through the Improving America's Schools Act²⁵ to provide for targeted assistance grants. These grants would allocate more funds to LEAs with either more poor children or a

²²Elementary and Secondary Education Act of 1965, title I, part A, 20 U.S.C. 6311. Other parts of title I include grants for Even Start (part B) programs of joint services to young disadvantaged children and their disadvantaged parents for the education of migrant (part C) and neglected or delinquent (part D) youth, capital assistance for services to private school children, and funds for program evaluation and innovative practices demonstrations. Part A accounted for roughly 92 percent of title I appropriations in fiscal year 1998.

²³The program gives individual schools broad discretion for using their funds to meet the educational needs of eligible students. Examples of allowable expenditures include employee salaries and benefits; payments to rent or lease privately owned facilities; maintenance and operating costs; costs of purchasing equipment, including mobile vans, computers and textbooks; and costs associated with training and developing personnel. Expenditures must be targeted to eligible school children unless a school (with at least half of its students from low-income families) chooses to operate a schoolwide program.

²⁴In the fiscal year 1998 appropriations act, the Congress overrode the statute and provided 15 percent of grants to LEAs separately as concentration grants.

²⁵Improving America's Schools Act, P.L. 103-382.

greater percentage of such children. If the Congress appropriates funds for these grants in the future, eligible LEAs will receive the funds. Although the 1994 law stipulates that future title I funds appropriated in excess of those for fiscal year 1995 are to be distributed as targeted assistance grants, appropriation provisions in fiscal years 1996, 1997, and 1998 have overridden this stipulation. Thus, no targeted assistance grants have yet been distributed.

The Department of Education allocated title I funds for school year 1997-98 to counties using updated poverty estimates provided by the Bureau of the Census. Each county's allocation is determined by multiplying the number of children counted in the formula by 40 percent of the respective state's per pupil education expenditure and accordingly reducing down to the amount appropriated. LEAs with high numbers or percentages of low-income students receive additional funds as concentration grants. Generally, awards to states cover July 1 to September 30 of the following year. These funds remain available at the state and local level for an additional fiscal year for obligation and expenditure.

An SEA may reserve up to 1 percent or \$400,000 (whichever is greater) from the state's title I part A and certain other title I allocations for administration. In addition, an SEA must reserve 0.5 percent or at least \$200,000 of these funds to carry out school improvement activities, including providing technical assistance, incentives, and other strategies to help title I schools and LEAs to meet state education standards. The rest of the funding goes to LEAs.

SEAs Distribute Grants to LEAs

Under the statute, the SEA suballocates county aggregate amounts determined by the Department of Education for basic and concentration grants (after adjusting for funds reserved for state administration and school improvement activities) to eligible LEAs in each county on the basis of their number of formula children. In states where the counties and LEAs are the same, the SEA adjusts the county allocation by reserving funds for administration and school improvement. In states where many LEAs overlap county boundaries, an SEA may apply to the Department for permission to allocate its total state basic grant allocation directly to LEAs regardless of individual county allocations. (Concentration grants do not have this provision.)

Formula children include (1) children aged 5 through 17 from low-income families and (2) children who live in local institutions for neglected children. In determining the number of children from low-income families, the title I regulations require that an SEA use the best available data on the number of such children and the same measure of low-income statewide for basic and concentration grants. The SEA has broad discretion in choosing the poverty data it will use for determining LEA eligibility and for allocating funds. The poverty data used must further the purposes of title I part A by directing funds to high-poverty areas.

An eligible LEA receives basic and concentration grant funds on the basis of its relative share of its county's total formula population. The statute guarantees that an LEA eligible for basic grants receives a "hold-harmless" or minimum amount based on a percentage of the amount allocated to it in the preceding year. Beginning in school year 1997-98, the hold-harmless amount to which each LEA is entitled varies according to what percentage its formula count is of its school-aged population. LEAs in which the number of formula children make up 30 percent or more of their total 5-through 17-year-old population receive 95 percent of their prior year allocations; LEAs in which the number of formula children range between 15 and 30 percent of their school-aged population receive at least 90 percent of their prior year allocations; those in which the number of formula children is less than 15 percent receive 85 percent of their prior year allocations. Concentration grants in school year 1997-98 have no hold-harmless provisions.²⁶

LEAs Have Discretion in Allocating Title I Funds to Schools in Their Districts

LEA officials have discretion in allocating title I funds to individual schools in their districts. Within LEAs, school officials target funds to schools with the greatest percentages of poor children. Although SEAs allocate basic and concentration grants to LEAs through different formulas, school districts combine these funds for use as a single program.²⁷

An LEA must first rank individual schools by poverty,²⁸ using the same poverty measure for all schools. Allowable measures include

²⁶For school year 1998-99, the Congress established in the fiscal year 1998 Department of Education Appropriation Act a 100-percent hold-harmless guarantee for basic and concentration grants.

²⁷If appropriated, targeted grants will similarly be combined by the LEA and its member schools.

²⁸We use the term "school" to include school attendance areas, which may be designated by an LEA for ranking schools in allocating title I funds.

- children aged 5 to 17 in poverty counted in the most recent census data approved by the Secretary of Education,
- children eligible for free and reduced-price lunches under the National Free School Lunch Act,
- children in families receiving assistance under Temporary Assistance for Needy Families,
- children eligible to receive medical assistance under the Medicaid program, and
- a composite of any of the above measures.

LEA officials must rank schools on the basis of percentage (not the number) of low-income children counted.²⁹ All schools ranking above 75 percent must be served in order of poverty. After serving these schools, the LEA may serve lower ranked title I-eligible schools. The LEA may continue distributing funds using the districtwide ranking for all schools or rank the remaining areas by grade span groupings. If an LEA has no areas ranking above 75 percent, it may rank all schools by grade span. To the extent that it has schools overlapping grade spans, the LEA may include a school in the grade span in which it is most appropriate.

An LEA may designate as eligible any school in which at least 35 percent of the children are from low-income families. It may use part A funds in a school that does not serve an eligible school attendance area if the percentage of children from low-income families enrolled in the school is equal to or greater than the percentage of such children in a participating school attendance area of the LEA. If remaining funds are not sufficient to fully fund the next ranked eligible school, the LEA may distribute these funds to the school if the LEA believes the amount will be sufficient to have an impact.

An LEA with an enrollment of less than 1,000 students or with only one school per grade span does not have to allocate funds to areas or schools in rank order. If an LEA serves any areas or schools below a 35-percent poverty ranking, the LEA must allocate to all its participating schools or areas an amount per low-income child that is at least 125 percent of the LEA's allocation per low-income child.

Title I Application Requirements

To receive title I funds, an SEA must submit a state plan to the Department of Education for approval. Once approved, this plan remains in effect for as long as a state participates in title I part A, but the plan must be updated

²⁹This is the case unless funds are sufficient to serve all schools.

to reflect substantive changes. An SEA may choose to submit the plan separately or as part of a consolidated plan incorporating many of its federal education programs.

A consolidated plan provides required information on its management of federal programs and how state and local reform efforts will serve the children intended to benefit from these programs. The consolidated plan is to provide a specific framework for determining how federal program resources, along with state and local resources, will be used in the context of the state's own school reform plan and other reform initiatives. The consolidated state plan is intended to help the state focus on coordinating and integrating different programs as well as state and local activities to improve the academic achievement of all children.

In addition, each state is expected to establish and maintain a state committee of title I practitioners required to be substantially involved in developing the state plan. The committee advises the state on the education of its disadvantaged children and on proposed state rules or regulations regarding title I. The committee consists of LEA representatives, title I administrators, teachers, parents, members of local boards of education, representatives of private school children, and public services personnel. Although charter school representatives may serve on the committee, no statute requires that they be included.

Although no specific federal statute requires individual schools to file plans or apply for title I part A funds, LEAs must have on file with their SEAs an approved plan that includes descriptions of the general services to be provided; coordination activities with the LEAs' regular programs of instruction; additional LEA assessments, if any, used to gauge program outcomes; and strategies to be used for providing professional development. States vary widely regarding requirements for plans. If the SEA plan for title I part A is part of a consolidated plan, the state may require LEAs to submit their title I part A plan as part of a consolidated application to the state.

IDEA Statutory and Allocation Requirements

IDEA part B authorizes formula grants to states to help them make a free appropriate public education available to children with disabilities.³⁰ Such children are those identified as having one or more physical or mental disabilities ranging from hearing impairments to learning disabilities who, because of these disabilities, need special education³¹ and related services.³² Under the current formula, Education allocates funds to SEAS annually on the basis of their reported number of eligible children receiving special education and related services for the preceding fiscal year,³³ the national average per pupil expenditure, and the amount appropriated by the Congress for the program. Under this formula, states must distribute at least 75 percent of the IDEA funds they receive from the Department to LEAS and may reserve the rest for state-level activities.³⁴ In general, SEAS allocate IDEA funds to eligible LEAS on the basis of their relative share of their state's total number of eligible children receiving special education and related services.

IDEA requires that SEAS, LEAS, or other state agencies identify and evaluate children with disabilities. Once a child is determined eligible for special education services, a written individualized education program (IEP) must be developed to establish learning goals for the child and to specify the instruction and services that an LEA will provide. An IEP team, including LEA representatives, regular and special education teachers, the parents of the child for whom the IEP is developed and, whenever appropriate, the child with a disability, develop the IEP. LEAS have responsibility for providing the child with the special education and related services specified by the IEP at no cost to the child's parents.

³⁰IDEA, part B, 20 U.S.C. 1411.

³¹The term "special education" means specially designed instruction, at no cost to parents, to meet the unique needs of a child with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions, and in other settings, and instruction in physical education.

³²Related services are defined as transportation, and such developmental, corrective, and other supportive services (including speech-language pathology and audiology services; psychological services; physical and occupational therapy; recreation, including therapeutic recreation; social work services; counseling services, including rehabilitation counseling; orientation and mobility services; and medical services, except that such medical services shall be for diagnostic and evaluation purposes only) as may be required to assist a child with a disability to benefit from special education, and includes the early identification and assessment of disabling conditions in children.

³³This number may not exceed 12 percent of all school-aged children in the state during the same time period.

³⁴The 1997 IDEA amendments capped the amount SEAs may retain for state-level activities. In the future, SEAs may retain an amount that is 25 percent of the amount of IDEA part B funds that the SEA received in fiscal year 1997, cumulatively adjusted by the lesser of (1) the percentage increase, if any, in the state's allocation of IDEA part B funds from the preceding fiscal year or (2) the inflation rate.

**SEAs and LEAs Must
Establish Eligibility to
Receive Federal IDEA
Funds**

To receive funds, a state must demonstrate to the satisfaction of the Secretary of Education that it has in effect policies and procedures to ensure that it meets certain specified conditions. Such demonstration replaces the state IDEA plans required before the 1997 IDEA amendments. The conditions that states must meet include, among others, that

- a free appropriate public education is available to all children with disabilities residing in the state;
- all children with disabilities residing in the state are identified, located, and evaluated and a practical method is developed and implemented to determine which children with disabilities are receiving needed special education and related services;
- an IEP is developed, reviewed annually, and revised appropriately for each child with a disability;
- to the maximum extent appropriate, children with disabilities are educated with children who are not disabled, and special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily; and
- children with disabilities and their parents are afforded the procedural safeguards required by the act.

A state that has on file with the Secretary of Education policies and procedures that demonstrate it meets any of the above conditions, including information filed before the effective date of the 1997 IDEA amendments, is deemed to have met such condition.

In addition, as was the case before the 1997 IDEA amendments, states must establish state advisory panels on the education of children with disabilities. The 1997 IDEA amendments, however, specify that representatives of public charter schools must be included on these panels. Advisory panels consist of parents of children with disabilities, individuals with disabilities, teachers, state and local education officials, administrators of programs for children with disabilities, representatives of other state agencies, representatives of private schools and public charter schools, at least one representative concerned with the provision of transition services to children with disabilities, representatives of state juvenile and adult corrections agencies, and representatives of institutions of higher education that prepare special education and related services personnel. These panels advise the state on educating children with

Appendix II
Title I and Individuals With Disabilities
Education Act Programs' Additional
Statutory and Allocation Requirements

disabilities and comment on any proposed state rules or regulations regarding the education of these children.

Title I and IDEA Allocation Approaches Used in Selected States

In general, states allocate title I and Individuals With Disabilities Education Act (IDEA) funds to charter schools on the basis of schools' local educational agency (LEA) status. Charter schools considered LEAs typically receive funding directly from state educational agencies (SEA); charter schools considered to be part of an LEA receive funding through the LEA that granted the school its charter. The seven states in our review generally used one or both of these approaches. As this appendix shows, some states have variations to these funding schemes. Charter schools' LEA status, for funding purposes, is generally determined by the states' charter school laws or the agencies in the state that grant charters to schools. We obtained information for this appendix from state officials in each of the seven states in our review.

Arizona

Agencies authorized to grant charters to Arizona schools include the state board of education, the state board for charter schools, and local school boards. Schools that receive their charters from one of the state boards are considered independent LEAs regarding title I. Each LEA charter school determines its number of eligible students on the basis of student eligibility for the free lunch program. In the first year that charter schools operated, Arizona allocated these funds to charter school LEAs using projections of eligible student enrollments. The state adjusted the allocations when it received actual information on eligible students. Arizona abandoned the use of projections to fund first year schools because of objections resulting from reallocating funds using actual information. The state now reserves 1 percent of its federal title I allocation and uses these funds as well as any funds available for reallocation to serve new school districts (including charter school LEAs). The amount of title I funding granted per eligible student varies by the student's county of residence. Schools chartered by a local district are considered member schools of that district and, until recently, had to receive title I funds through this district. On the basis of a recent ruling by the state's Attorney General, Arizona has decided to allow schools chartered by local school districts to apply for title I funds directly to the state and will receive funds from the state if eligible.

The state uses a similar approach for allocating IDEA funds. Schools chartered by one of the state boards are considered LEAs; schools chartered by a local school district are considered a member of that district. LEA charter schools determine the number of eligible students on the basis of students with an individualized education program (IEP). Schools may either apply to the state directly or apply jointly with other

LEAS. Eligible expenses are billed to the state and reimbursed up to a school's allocation. Schools chartered by a local district are considered member schools of that district and receive IDEA funds and services through the district.

California

Agencies authorized to grant charters to California schools include local school boards and county boards of education. Almost all charter schools in California are considered dependent members of a parent school district. Title I funds are granted to districts on the basis of the number of children attending district schools from families receiving Temporary Assistance for Needy Families (TANF). Charter schools may receive part of their parent LEA's allocation, depending on the number of eligible children attending the charter school and the poverty ranking process used by the LEA to distribute its allocation. Some California LEAS use TANF information to rank schools and allocate funds; other LEAS use free and reduced-price lunch eligibility data. Newly created charter schools receive no title I funds in their first year of operation. Charter schools that have converted from a public school receive title I funds on the basis of the prior information collected on eligible children attending the school. Parent LEAS may reserve title I funds from a charter school's allotment to administer the title I part A program. The amount that an LEA may reserve for these purposes has no statutory limit.

Most California public schools—including charter schools—are considered dependent members of a special education local plan area (SELPA) for IDEA purposes. The SEA has established SELPAS to serve as the LEAS. SELPAS receive IDEA funds and provide all necessary services required to serve children with disabilities. In most cases, eligible children attending charter schools receive services provided by the SELPA.

Colorado

In Colorado, only local school boards may grant charters to schools. All charter schools are considered dependent members of a parent school district. Title I funds have been granted to districts on the basis of 1990 census poverty data updated using Aid to Families With Dependent Children information. Future LEA allocations will use TANF and free and reduced-price lunch counts for LEAS to update the census poverty data used for distributing these funds. Districts then distribute title I funds to dependent schools on the basis of poverty rankings based primarily on free and reduced-priced lunch eligibility data. Newly created charter schools have not received title I funds in their first year of operation.

Parent LEAS may reserve title I funds from allotments made to charter schools to administer the title I part A program. The amount that an LEA may reserve for these purposes has no statutory limit.

Colorado's charter schools are considered dependent members of a parent school district for IDEA purposes. Charter schools must negotiate with their parent districts the terms under which IDEA funds or services are provided to them. Charter schools' particular arrangements, therefore, vary by school. In some cases, for example, the parent district receives IDEA funds and provides all necessary services for serving children with disabilities. In exchange, charter schools pay the parent district an amount equal to the average unfunded additional cost of serving children with disabilities. In other cases, charter schools and parent districts negotiate an amount of IDEA funds that will be used by a charter school for serving children with disabilities. The charter school, however, must absorb any costs in excess of the negotiated funding amounts. Any particular charter school and its parent district may have another unique arrangement.

Massachusetts

In Massachusetts, only the state board of education may grant charters to schools. All charter schools in Massachusetts are considered independent LEAS. Charter schools determine the number of eligible students for title I on the basis of enrolled students from families receiving TANF.

Massachusetts uses title I funds available for reallocation to serve some charter schools in their first year. In addition, charter schools may agree to share funds with the school from which eligible students transferred. The SEA allocates to charter school LEAS the same amount it allocates to other LEAS in the same county.

Charter schools in Massachusetts are also considered independent LEAS for IDEA purposes. The schools determine the number of eligible students on the basis of students with IEPs. Schools may either apply to the state directly or jointly with other LEAS. LEAS submit quarterly statements of eligible expenditures that they have incurred to the state. The schools receive their IDEA allocation in quarterly distributions.

Michigan

Agencies authorized to grant charters to Michigan schools include local school boards, intermediate school boards, community colleges, and state public universities. All charter schools in Michigan are considered independent LEAS for title I purposes. Charter schools determine the number of eligible students on the basis of student eligibility for the free

and reduced-price lunch program. Michigan does not allocate title I funds to charter schools in their first year of operation. The amount per eligible student allocated to LEAS varies by the eligible student's county of residence. Schools chartered by state public universities receive their funds through the sponsoring university, which acts as the school's fiscal agent. Chartering authorities typically charge the charter school a fee equal to 3 percent of the funds granted.

All public schools in Michigan are considered members of an intermediate school district (ISD) for IDEA purposes. The SEA has established a series of ISDs to serve as the LEAS for this purpose. Charter and other public schools apply for assistance to the ISD. They may either apply directly or join with another school or local school district to request funds or services. ISDs may help charter schools by providing services or funds to reimburse the school for eligible expenditures.

Minnesota

In Minnesota, local school boards and public postsecondary institutions may grant charters to schools, subject to the approval of the state board of education. All charter schools in Minnesota are considered independent LEAS for title I purposes. They determine the number of eligible students on the basis of student eligibility for the free and reduced-price lunch program. Initially, the state did not allocate title I funds to charter schools during their first operating year. The state now reserves 1 percent of its title I allocation and uses this as well as any funds available for reallocation to serve new school districts (including charter school LEAS). The SEA uses a statewide per pupil average to allocate title I funds to LEAS.

Charter schools in Minnesota are also considered independent LEAS for IDEA purposes. They determine the number of eligible students on the basis of students with IEPs. Schools may either apply to the state directly or jointly with other LEAS. Charter schools bill eligible expenses to the state, which reimburses the schools up to the schools' allocations. Charter schools bill eligible expenses over and above IDEA allocations back to the LEA where students reside.

Texas

In Texas, both state and local boards may authorize charters for newly created schools as well as charters for schools converting to charter schools. Local school boards create "campus" charters, which are member schools of the local school district and receive funds through them. State-authorized charter schools are termed "open enrollment" charter

schools and considered independent LEAs for title I purposes. The state allocates title I funds to LEAs on the basis of census poverty counts for the LEA's geographical attendance area. Because the students enrolling in charter schools come from the attendance areas of differing LEAs, the state proportionately redistributes the title I funds that would have been allocated to the school district where the charter school student lives. Charter schools receive this funding on the basis of enrollment, even in the first year of operation, and have been receiving title I funds for each year that they have been operating.

State-authorized charter schools in Texas are also considered independent LEAs for IDEA purposes. These schools determine the number of eligible students on the basis of students with IEPs. Schools may either apply to the state directly or jointly with other LEAs. Charter schools bill eligible expenses to the state, which reimburses the schools up to the schools' allocations. Schools chartered by a local district are considered member schools of that district and receive their funds through them.

Comments From the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

Cornelia M. Blanchette
Associate Director, Education and Employment Issues
United States General Accounting Office
Washington, DC 20548

MAR 13 1998

Dear Ms. Blanchette:

The Secretary has asked me to respond to your request for our comments on your draft report, "Charter Schools: Federal Funding Available But Barriers Exist."

Your report provides important information about whether charter schools are receiving an equitable share of funds under Title I of the Elementary and Secondary Education Act and the Individuals With Disabilities Education Act (IDEA). The report helps to allay concerns about charter schools being systematically denied the opportunity to receive these funds, while pointing out barriers that States, school districts, and eligible charter schools need to overcome to make sure that charter schools are receiving their fair share. We are pleased to see that some States and school districts have taken steps to facilitate access to Federal funds for charter schools, and that most of the charter schools in your survey reported that they are receiving an equitable share of these funds.

After careful review of the report, including the recommendations, we have the following comments:

- **Steps the Department has taken to improve access to Federal funds for charter schools.** In addition to the efforts made by the Department included in your report, the Department has taken the following steps to help charter schools access Federal funds:

The Department is working with WestEd, one of the Department's research laboratories, to draft a *Charter School Operators' Guide to the Department of Education*. This publication is slated for release in Summer, 1998. It will include an overview of the Department and its programs, a guide to other information and resources, and a matrix of Federal programs that describes eligibility and application procedures for charter schools. The guide will take into account the various legal and governance contexts for charter schools in different States.

Based on an overwhelmingly positive response from participants to the National Conference for Charter Schools in November 1997, the Department has begun planning a second national conference which will continue to address funding access issues.

The Department has held sessions on charter schools at many other Department meetings in order to educate State, local and school-level administrators about charter schools and has taken these opportunities to stress the importance of involving these schools in Federal programs. Meetings at which charter school sessions were conducted included the three 1997 Improving America's Schools regional conferences, as well as the 1998 National Association for Bilingual Educators national conference. Forums have also been convened by the Department's Equity Assistance Centers and Comprehensive Regional Assistance Centers. The Department provides technical assistance to States and school districts continually, on a case-by-case basis, to answer questions about charter

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Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

schools. In addition, charter schools may obtain technical assistance from any one of the Department's Comprehensive Regional Assistance Centers. These Centers were established for the specific purpose of providing recipients of Federal funds comprehensive training and assistance in the administration and implementation of ESEA programs.

The Department's charter school world wide web site (www.uscharterschools.org) includes information on Federal programs. Upcoming reports can be posted as soon as they are available. In addition, the site will soon include ongoing E-mail communication via list serves that will allow charter school operators to discuss issues, like access to Federal funds, with other operators and staff at the Department. An edited transcript from the Title I session at the national conference is available on the web site. Charter school operators can scan the transcript according to frequently asked questions.

The Department has also issued guidance explaining how charter schools can access Title I funds. (A copy of the guidance is enclosed). The guidance clarifies eligibility determination rules and provides suggestions for allocating funds to new charter schools in their first year of operation. The Department will distribute this guidance to Chief State School Officers, Title I coordinators, Charter School program coordinators, and technical assistance groups working with charter schools, as well as through the Department's Equity Assistance Centers and Comprehensive Regional Assistance Centers. The guidance is currently available on the [uscharterschools](http://uscharterschools.org) web site.

Congress, by reauthorizing the Individuals with Disabilities Education Act (IDEA) in June 1997, took steps to strengthen the ability of charter schools to access IDEA funds. The Department published a Notice of Proposed Rulemaking (NPRM) on the new amendments in October and will issue the final regulations soon. These new statutory changes are especially important since, prior to reauthorization, IDEA contained no explicit provisions regarding the obligations of States and school districts to students with disabilities in charter schools. The Department's Office of Special Education Programs (OSEP) conducted workshops on the provisions of IDEA at the National Conference for Charter Schools. Since the enactment of IDEA '97, a number of technical assistance and training materials have been developed and widely disseminated by OSEP. These materials should assist charter school practitioners in understanding the requirements of Part B of IDEA.

- **Recommendations.** Your report recommends that the Secretary direct States to include, in their Title I plans, information on the strategies, activities, and resources that the State educational agencies (SEAs) will use to ensure that charter school students are served by Title I program resources. We will give careful consideration to this recommendation and will include this type of requirement, in the instructions to States for Title I or other program or consolidated State plans, where it would seem to be appropriate and useful.

The second recommendation on page 44 states that the Department should direct SEAs to include charter school representatives on the State's Title I Committee of Practitioners. While the Department strongly encourages SEAs to include representatives of this constituency on any State committee, we cannot direct an SEA to include charter school representatives on that committee. Section 1603(b) of the Title I Statute lists the representatives an SEA must include on the committee. Any provision that adds charter school representatives to the list of organizational types included would require a legislative change.

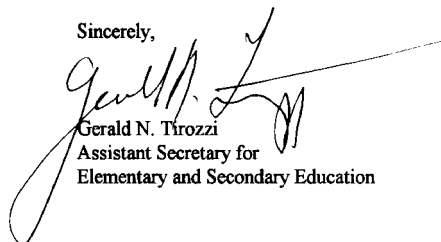
**Appendix IV
Comments From the Department of
Education**

3

- **Editorial suggestions:** Enclosed you will find editorial and technical comments, some of which are in narrative form and others that are reflected on marked up pages of your report. These comments are for clarification purposes and accuracy.

Thank you for the opportunity to comment on this useful report. My staff and I are prepared to respond further if you or your representatives have further questions.

Sincerely,



Gerald N. Tirozzi
Assistant Secretary for
Elementary and Secondary Education

Enclosures

GAO Contacts and Staff Acknowledgments

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Acknowledgments

In addition to those named above, the following individuals made important contributions to this report: Gene G. Kuehneman, Jr., senior economist; Benjamin F. Jordan, Jr., evaluator; Erin Krasik, intern; Susan Poling and Robert Crystal, attorneys; Catherine Baltzell and Wayne Dow, methodologists; and Liz Williams, editor.

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