

December 2010

# CHARTER SCHOOLS

## Education Could Do More to Assist Charter Schools with Applying for Discretionary Grants



G A O

Accountability \* Integrity \* Reliability

## Why GAO Did This Study

The number of charter schools is growing, spurred by demand for innovation and federal incentives, such as the Race to the Top Fund, which favors states supportive of charter schools. However, states often define charter schools differently than traditional public schools. Some charter schools operate as a school district, while others are part of a school district and some are for-profit entities. These differences could complicate eligibility determination for federal administrators. GAO was asked: (1) To what extent do charter schools apply for federal discretionary grant programs and what challenges do they face, if any, in doing so? (2) What role has the U.S. Department of Education played in helping charter schools establish their eligibility for federal discretionary grant programs? GAO identified grant programs governmentwide for which charter schools are eligible to apply, surveyed a stratified random sample of charter school officials, and interviewed federal agency officials. We also visited charter schools, school districts, charter school associations, and state educational agencies in 3 states.

## What GAO Recommends

GAO recommends that Education clarify grant opportunities for charter schools, highlight charter schools' eligibility in relevant grant announcements, and post its grant application guidance for charter schools on its Web site. Education agreed with our recommendations.

## CHARTER SCHOOLS

### Education Could Do More to Assist Charter Schools with Applying for Discretionary Grants

## What GAO Found

Based on our survey of charter schools, approximately 7 percent of all charter schools applied for federal discretionary grants during school year 2008-2009, the most recent information about grant applications available at the time of our survey. The types of charter schools that applied differed. For example, 8 percent of charter schools designated as their own local educational agency (LEA) applied for grants compared to 2 percent of schools that are part of a larger school district or LEA. Based on their responses to our survey, some of the schools that are part of a larger school district believed they needed an LEA designation to be eligible for federal discretionary grants and did not apply because of their charter school status. We identified 47 discretionary grant programs for which charter schools are potentially eligible. Both charter schools designated as their own LEA and individual charter schools were potentially eligible for the majority of the 47 programs. The Department of Education administered 33 of the 47 programs. Given the range of application rates in 2008-2009, some charter schools may be unaware that they can apply directly for these grant programs. On the other hand, charter schools that are part of a larger LEA were not eligible to apply for grants that did not designate a public school or a nonprofit organization as an eligible applicant and may not have applied for that reason. In addition to a lack of resources and a lack of experienced and knowledgeable staff available to prepare competitive grant applications, officials also indicated their lack of awareness about the grant opportunities available to charter schools was a major reason their school infrequently applied for discretionary grants. Several officials we surveyed expressed a desire for an improved means of learning about grant opportunities that address their school's needs.

While the Department of Education has taken steps to encourage charter schools to apply for grants, information about opportunities may not reach all charter schools. Education has inserted language into grant announcements of 17 of the department's 33 grant programs for which charter schools are potentially eligible in order to explicitly alert those charter schools authorized as LEAs of their eligibility to apply for grants. Of the programs for which surveyed charter schools applied, most included such language in their grant announcements. Education has not taken steps to clarify grant eligibility for charter schools that are part of a larger LEA. As public charter schools, these schools could apply for grants for which individual public schools are eligible. Although Education uses multiple methods to publicize grant opportunities, such as the *Federal Register*, <http://grants.gov>, and Education's Forecast of Grant Opportunities, these mechanisms are directed toward all schools and do not target outreach to charter schools. Furthermore, for 16 of the 33 grant programs for which charter schools are potentially eligible, grant announcements sent to potential applicants through these mechanisms do not explicitly identify charter schools as eligible applicants. Education has published a guidebook to accessing federal programs for charter schools, but charter schools cannot access it through the Charter School Program's Web page on Education's Web site.

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## Abbreviations

CCD	Common Core of Data
CSP	Charter Schools Program
DOL	Department of Labor
Education	Department of Education
EMO	educational management organization
ESEA	Elementary and Secondary Education Act of 1965
GEAR UP	Gaining Early Awareness and Readiness for Undergraduate Programs
IDEA	Individuals with Disabilities Education Act
ITEST	Innovative Technology Experiences for Students and Teachers
KIPP	Knowledge is Power Program
LEA	local educational agency
NCRR	National Center for Research Resources
NEA	National Endowment for the Arts
NIAID	National Institute of Allergy and Infectious Diseases
NOAA	National Oceanic and Atmospheric Administration
OESE	Office of Elementary and Secondary Education
OELA	Office of English Language Acquisition
OII	Office of Innovation and Improvement
OPE	Office of Postsecondary Education
OSDFS	Office of Safe and Drug-Free Schools
Resource Center	National Resource Center for Charter School Finance and Governance
SEA	state education agency
SEPA	Science Education Partnership Award
SPECA	Secondary Education, Two-Year Postsecondary Education and Agriculture in the K-12 Classroom Challenge Grants

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**United States Government Accountability Office**  
Washington, DC 20548

December 7, 2010

### Congressional Requesters

From about 3,000 charter schools in school year 2003-2004 to almost 5,000 in school year 2008-2009, the number of charter schools in the United States continues to grow. Spurring this growth are parents' and others' desire for schools that reflect their vision and federal incentives, such as the recent \$4 billion Race to the Top competitive grant fund, which favor states that encourage the growth of high performing charter schools. While charter schools are public schools that operate free from certain state and local regulations that traditional schools are subject to, there is concern that charter schools may be ineligible for or have difficulty accessing federal program resources that traditional public schools receive. Because charter schools are a relatively new phenomenon in public education, little was known about the extent to which they apply for and receive these resources, and it was also not known if charter schools face challenges when they are applying that traditional public schools do not.

Because charter schools are a relatively recent phenomenon, the Department of Education and other federal agencies may not have developed consistent policies toward them, especially with respect to grant opportunities. Further, charter schools are often defined differently by states than traditional public schools, which may create some confusion when a federal agency is determining a charter school's eligibility for discretionary grants. For example, unlike traditional public schools, which are part of a larger local educational agency (LEA) or school district, some states allow charter schools to operate as their own LEA, while others establish charter schools as schools within an LEA. In addition, depending on state legislation, charter schools may be set up as nonprofit organizations. Should these schools choose, they may apply for status as tax-exempt organizations under Internal Revenue Code section 501(c)(3). These distinctions complicate charter school eligibility determinations for federal discretionary grant programs. Because of these complexities, federal agencies may not provide charter schools grants for which traditional public schools and school districts are eligible.

In response to congressional interest in charter schools' access to federal funding, we addressed the following questions: (1) To what extent do charter schools apply for federal discretionary grant programs and what challenges do they face, if any, in doing so? and (2) What role has the U.S.

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Department of Education played in helping charter schools establish their eligibility for federal programs?

To determine the extent to which charter schools apply for federal discretionary grant programs and any challenges charter schools have faced, we surveyed a stratified random sample of 640 charter schools in the 40 states and the District of Columbia with operating charter schools.<sup>1</sup> The survey response rate was 78 percent. The survey collected data on the federal discretionary grant programs to which charter schools applied in school year 2008-2009, the most recent information about grant applications available at the time of our survey, the outcome of the applications, schools' LEA, nonprofit and for-profit status, school size, and the demographic characteristics of their students. We analyzed whether charter schools' characteristics, such as size of student body and years of operation were related to whether or not they applied for federal grants. We also conducted site visits to New York City, New York; Columbus, Ohio; and Miami-Dade, Florida; school districts to interview representatives of the school districts and charter schools about charter schools' experience in applying for federal grants. To identify federal discretionary grant programs for which charter schools may be eligible, we matched and merged two governmentwide lists of federal K-12 education grant programs and screened them to select only discretionary grant programs that provided funding, which yielded a list of about 90 programs.<sup>2</sup> We obtained the lists of federal K-12 education grant programs from the National Resource Center for Charter School Finance and Governance and GAO's prior work.<sup>3</sup> To confirm the programs on our list, we contacted agency officials who managed the programs. To further

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<sup>1</sup>Estimates based on this survey are sample estimates and are subject to sampling error. Unless otherwise noted, estimated percentages have 95 percent confidence intervals of within +/- 6 percentage points. See appendix I for a more complete description of our charter school sampling methodology.

<sup>2</sup>Two programs for which charter schools apply are not included among the 47 programs identified. Because traditional public schools are not eligible for Education's Charter Schools Program (CSP) and charter schools' eligibility is not an issue, the CSP is not included in the list. Education's 21<sup>st</sup> Century Community Learning Centers program also is not included. Because school districts and schools compete for grant awards from their state education agency (SEA), the 21<sup>st</sup> Century Community Learning Centers program appears to be a discretionary grant in some respects. However, Education awards 21<sup>st</sup> Century program grants to SEAs on the basis of a distribution formula and classifies it as a formula grant program.

<sup>3</sup>See GAO, *Federal Education Funding: Overview of K-12 and Early Childhood Education Programs*, [GAO-10-51](#) (Washington, D.C.: Jan. 27, 2010).

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refine the list, we developed a questionnaire to collect basic descriptive information for each program from the responsible agency official. In addition to collecting program information, the questionnaire allowed us to confirm, exclude, and add programs based on consultations with agency officials. Our final list contained 47 programs for which charter schools are potentially eligible. To determine what role Education has played in helping charter schools establish their eligibility for federal programs, we interviewed agency officials with oversight responsibility for the federal discretionary grant programs identified in study question 1.<sup>4</sup> We asked about any experience they had with charter school applicants to the programs, outreach they had conducted to inform charter schools about their eligibility, and any challenges charter schools faced in establishing their eligibility for the programs. We also reviewed relevant federal laws and regulations. Appendix I provides a detailed description of our methodology and its limitations, as well as our scope.

We conducted this performance audit from October 2009 to December 2010, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

Charter schools are public schools created to address a number of concerns with the educational system. Intended as a means to address failing schools and to encourage innovation in public education policy, charter schools operate with more autonomy than traditional public schools. In exchange, they are held accountable for meeting the terms of their charters in order to remain open.

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<sup>4</sup>Although other federal agencies sponsor programs for which charter schools are potentially eligible, study question 2 focuses on Education's role. In January 2006, then-Secretary Spellings sent a letter to all agency heads announcing a governmentwide initiative to ensure charter schools' eligibility for federal grant programs and established a contact point in Education to assist other agencies with any eligibility issues that arose, indicating that Education was taking the lead on the issue. Thus, the study question emphasizes Education's role, but data collection and analysis encompassed what was happening at other agencies and whether other agencies had asked Education for assistance.



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States began adopting charter school laws in the early 1990s, beginning with Minnesota in 1991. States allow charter schools flexibility in their operation for agreeing to accomplish specific academic goals contained in their charters. The specifics of these arrangements vary, as each state sets up its own charter school structure and guidelines, and states have continued to revise them over time. During school year 2008-2009, 40 states and the District of Columbia had state laws authorizing charter schools.<sup>5,6</sup>

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## Charter School Structure and Operation

Oversight authority for charter schools may rest with several entities, including state boards of education, which set educational policy, and state departments of education, which implement those policies. In addition, some states have created charter school offices, housed in the state department of education, that support and advocate for charter schools. States specify which entities within the state can authorize the establishment of a charter school, such as state departments of education, state boards of education, local educational agencies, institutions of higher education, and municipal governments. Some states have also created independent charter school boards that can authorize charter schools in the state.

Depending on the state, a wide range of individuals or groups, including parents, educators, nonprofit organizations, and universities, may apply for permission to operate a charter school. The charter document, agreed upon by the applicants and the authorizer, defines specific academic goals and outlines school finances and other operational considerations. In some states, a single charter may cover the establishment of multiple schools. Once charter schools are in operation, the authorizer is responsible for monitoring school performance and has authority to close the school or take other actions if academic goals or state financial requirements are not met.

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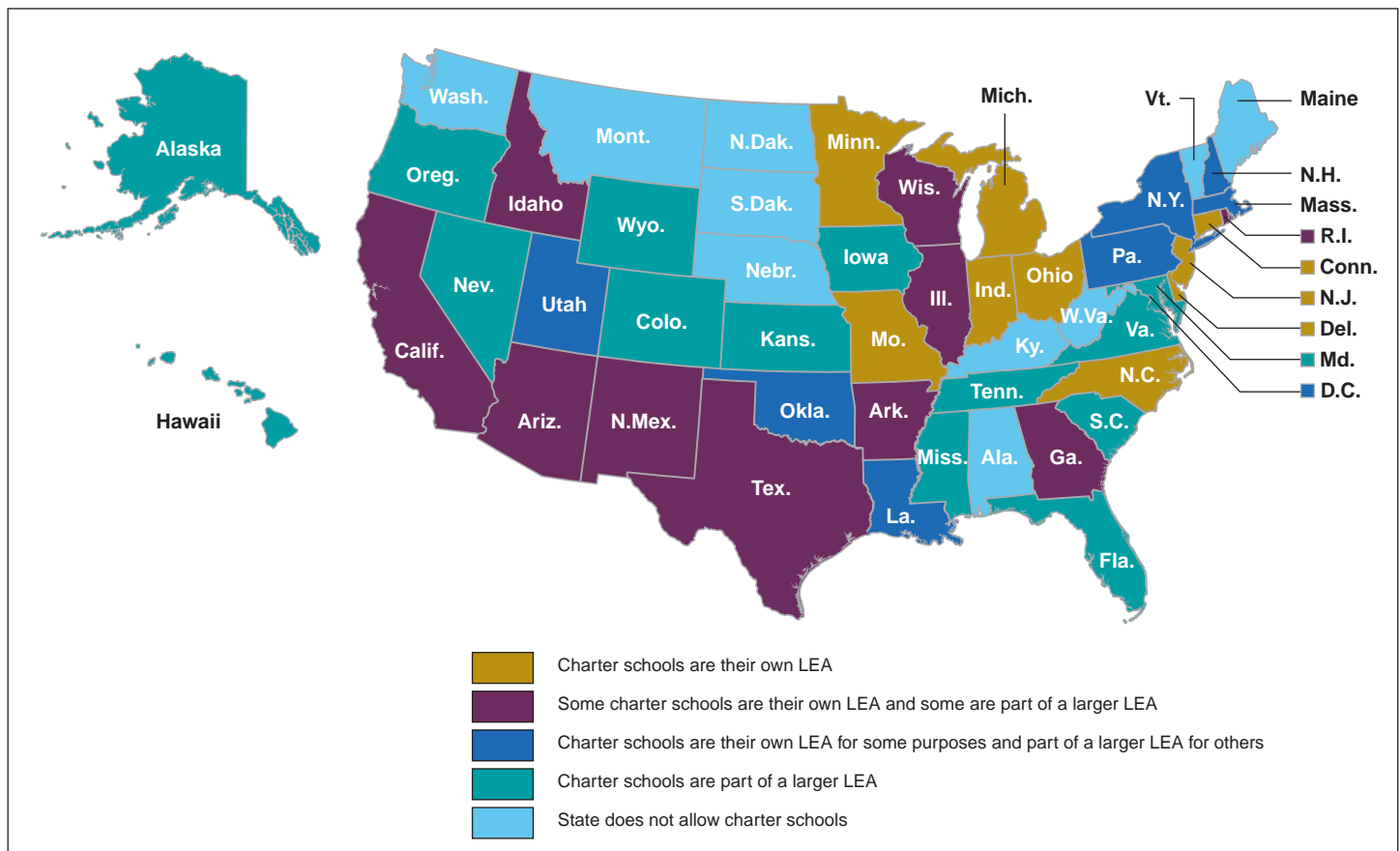
<sup>5</sup>For purposes of this report, we refer to the District of Columbia as a state.

<sup>6</sup>For the number of states with charter school laws, see Lauren Rhim and Dana Brinson, *Retrofitting Bureaucracy: Factors Influencing Charter Schools' Access to Federal Entitlement Programs*, report prepared for the Center on Innovation and Improvement, Lincoln, Illinois, 2010.

## States' Definitions of Charter Schools' Status

States define charter school status in different ways. For example, unlike traditional public schools that are part of a larger LEA, consisting of multiple schools, some states establish charter schools as their own LEA. Other states require them to be part of a larger LEA, while still other states allow charter schools the option of being either a distinct LEA or part of a larger LEA. Further, some states allow charter schools to be their own LEA for some purposes and part of a larger LEA for others. Figure 1 shows the designation of LEA status in states with operating charter schools.

**Figure 1: LEA Status in States with Operating Charter Schools**



Source: GAO analysis of data from GAO survey of charter school state agency officials; Map Resources (map).

Note: GAO's survey of charter school state agency officials was conducted for prior work, reported in GAO, *Charter Schools: To Enhance Education's Monitoring and Research, More Charter School-Level Data Are Needed*, [GAO-05-5](#), (Washington, D.C.: Jan. 12, 2005). The survey data were updated for this report.

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Depending on state legislation, charter schools may be set up as nonprofit organizations. Should these schools choose, they may apply for status as tax-exempt organizations under IRS section 501(c)(3). Nonprofit status presents another avenue for charter schools applying for federal discretionary grant funds.

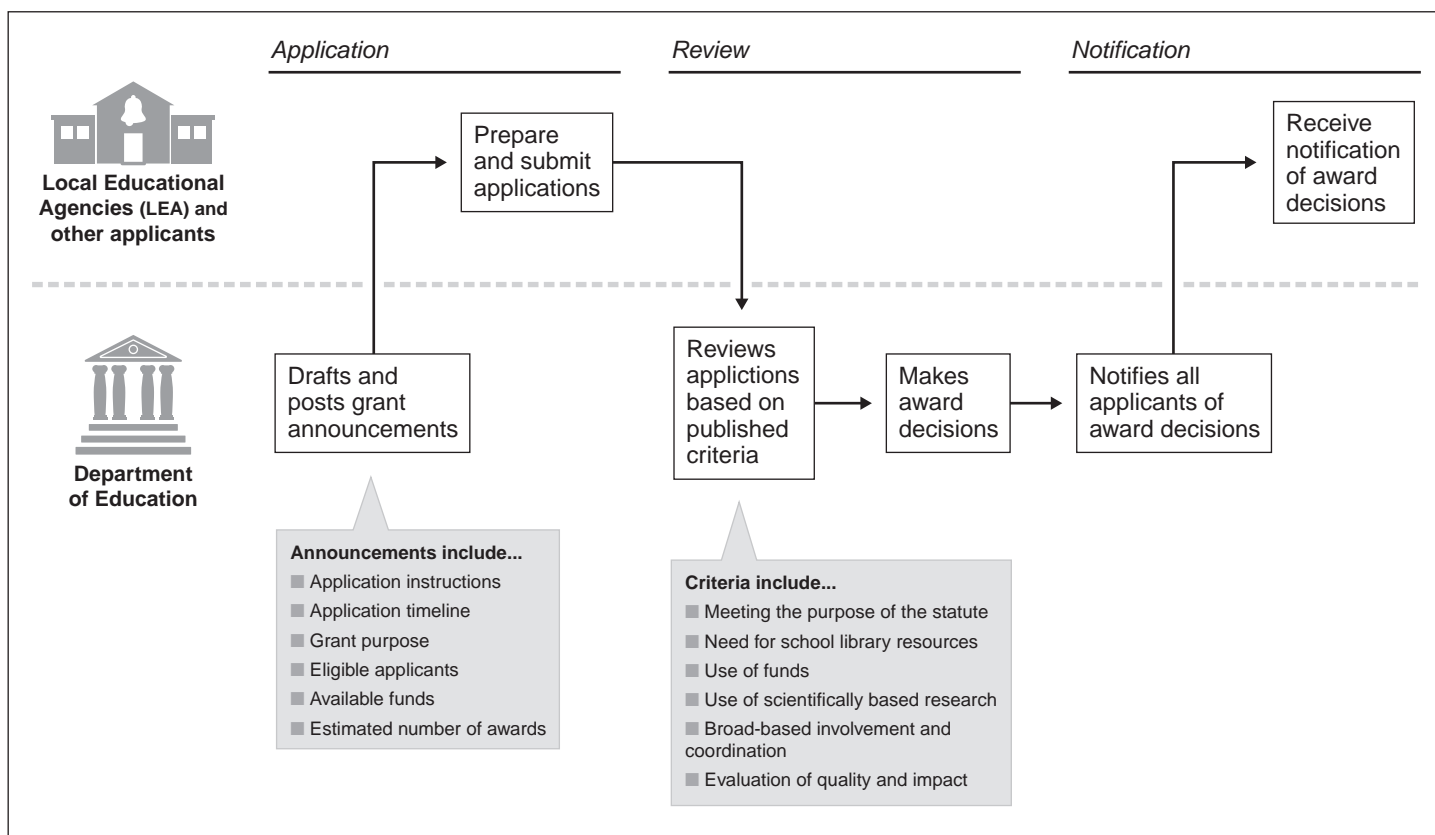
There are two types of federal grants—formula and discretionary—which differ in their grant application and award process.<sup>7</sup> For example, with education-related formula grants, in most instances the entity designated as the SEA—usually the state department of education—applies for and administers funds allocated by a federal agency in accordance with a distribution formula prescribed by law. SEAs then disburse funds to school districts and schools on the basis of a formula or other criteria. However, with discretionary grants, entities that meet eligibility criteria established by law or regulation apply and are awarded grants on the basis of a competitive process. The steps for preparing and submitting a federal discretionary grant application, and the criteria for making grant awards, are available from the federal program office.<sup>8</sup> Figure 2 shows the grant application and award process for one federal discretionary grant program, the Department of Education’s Improving Literacy through School Libraries program.

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<sup>7</sup>Formula grants are sometimes called mandatory or entitlement grants.

<sup>8</sup>Announcements for most federal discretionary grant programs for which charter schools are potentially eligible are published in the *Federal Register* and on the [www.grants.gov](http://www.grants.gov) Web site.

**Figure 2: Improving Literacy through School Libraries Program Grant Application and Award Process**



Source: GAO analysis of Education's Improving Literacy Through School Libraries Program.

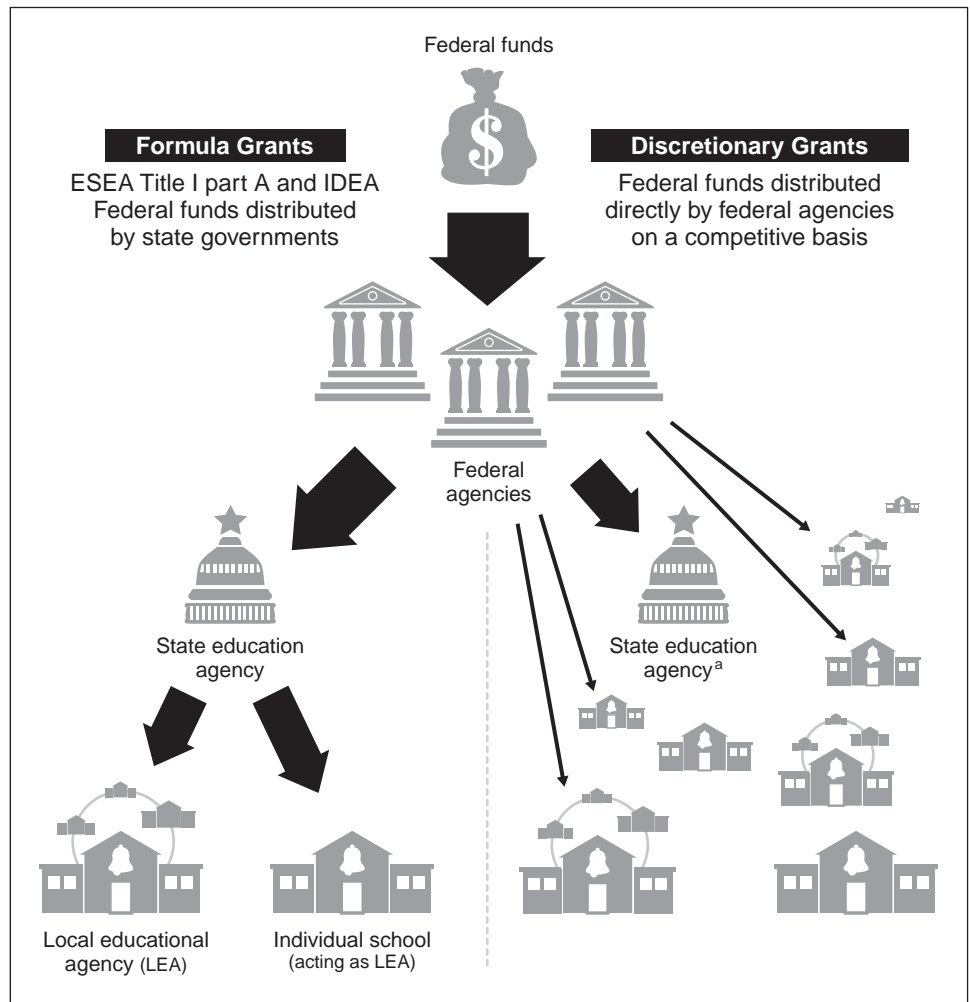
For education-related discretionary grant programs, eligible applicants likely will include local educational agencies, individual public schools, nonprofit organizations, or partnerships comprised of multiple eligible entities. Charter schools that are their own LEA may be eligible to apply directly to a federal agency for a federal discretionary grant. Charter schools that are part of a larger school district must apply through their school district for discretionary grants that designate LEAs, but not individual schools, as eligible applicants. However, charter schools within a district may apply directly to a federal agency for discretionary grants that designate public schools as eligible applicants. In states that establish charter schools as nonprofits, these schools may apply for discretionary grants that designate nonprofits as eligible applicants, as well.

Once a grant award is made, federal funding follows different paths to charter schools depending on the type of grant. For formula grants, such

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as those authorized by the Elementary and Secondary Education Act of 1965 (ESEA) Title I, Part A and the Individuals with Disabilities Education Act (IDEA), Education makes grant payments to the SEA grantee. The SEA then distributes formula grant funding directly to qualifying charter school LEAs. School districts also receive formula grant payments from the SEA and distribute the funds to qualifying charter schools that operate within their district and are not distinct LEAs. For discretionary grants, the administering federal agency makes payments directly to successful applicants of grant competitions, which may include charter school LEAs, individual charter schools, or nonprofits. Charter schools that are part of a larger school district receive federal discretionary grant payments from their school district, if the school district wins a grant competition and if the school district has made provision for charter schools in the grant application. If charter schools that are part of a larger school district win grant competitions for which individual schools are eligible applicants, those charter schools receive grant payments from Education (see fig. 3).

**Figure 3: Formula Grant and Discretionary Grant Funding Flows**



Source: GAO analysis.

Note: On the discretionary grant side of the figure, the size of some icons for LEAs and individual schools acting as an LEA was reduced to include greater numbers of them, indicative of the number of potential applicants.

<sup>a</sup>SEAs also are eligible for some discretionary grants.

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## Few Charter Schools Apply For Federal Discretionary Grants Despite Being Potentially Eligible

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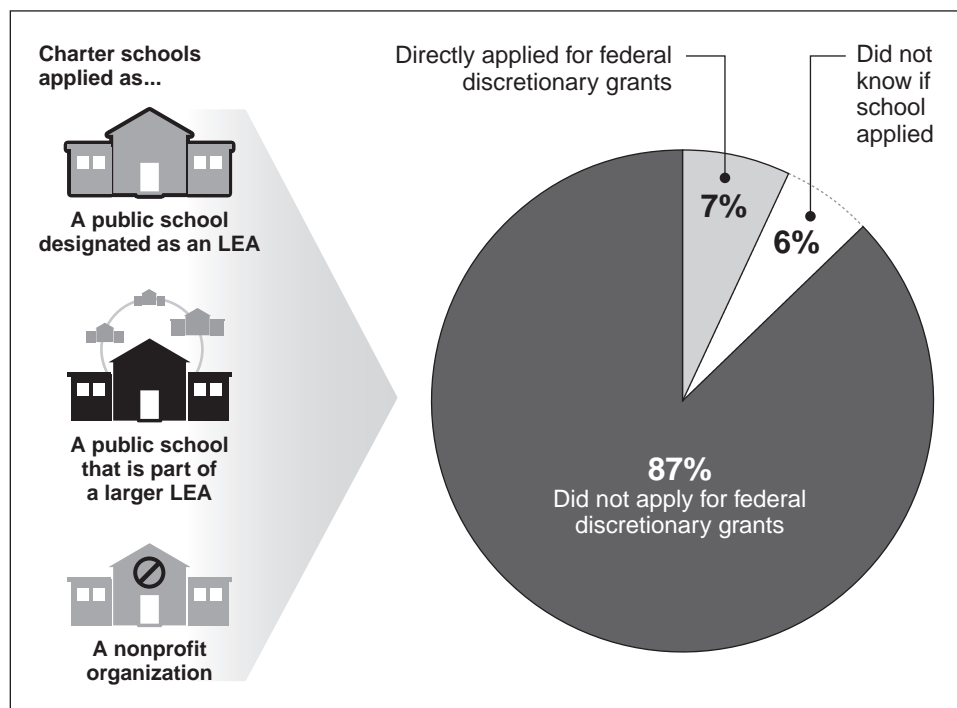
In School Year 2008-2009,  
Approximately 7 Percent  
of Charter Schools Applied  
for Federal Discretionary  
Grants

Although charter schools were potentially eligible for a variety of federal discretionary grants administered across several agencies in school year 2008-2009, most did not apply for them. Based on our survey of charter schools, we estimate 7 percent of charter schools applied for federal discretionary grants during that school year (see fig. 4).<sup>9</sup>

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<sup>9</sup>All estimates based on our charter school survey are subject to sampling error. Unless otherwise noted, all percentage estimates have 95 percent confidence intervals of within +/- 6 percentage points of the estimated percentage. See appendix I for more information on sampling error and survey methodology.

**Figure 4: Estimated Percentage of Charter Schools That Directly Applied for Federal Discretionary Grants during School Year 2008-2009**



Source: GAO analysis of GAO charter school survey data.

Charter schools designated as an LEA, those with large student populations, and those in operation for a relatively longer time had significantly larger percentages of grant applicants (see table 1). According to our survey, approximately 8 percent of charter schools designated as their own LEA applied for grants, compared to an estimated 2 percent for schools that are part of a larger LEA. Officials from charter schools that are part of a larger LEA most frequently indicated that their lack of LEA designation was a major reason they did not apply for federal grants. This may suggest that some officials of charter schools that are part of a larger LEA are unaware that they may apply to many federal programs as a public school or a nonprofit organization. On the other hand, charter schools that are part of a larger LEA may not have applied for discretionary grants because they were not eligible to apply if the grant did not designate a public school or a nonprofit organization as an eligible applicant.



Similarly, the percentage of applicants was higher for schools with a student population exceeding 400 students, compared to smaller schools serving fewer than 200 students. Several school officials we surveyed and visited specifically mentioned their school's small size has discouraged them from applying for grants, in part because they perceived that their small school could not compete against applicants serving more students, such as traditional school districts. Further, charter schools that had been in operation for 7 or more years had significantly higher percentages of applicants versus schools that had been open for less than 3 years.

Charter schools serving certain special populations also had higher levels of applicants. As shown in table 1, charter schools with either low-income student populations or minority student populations exceeding 75 percent of their total population had significantly higher percentages of applicants than schools with low-income or minority student populations below 35 percent. This may reflect the relatively high number of discretionary grant programs that focus on serving special populations, including low-income and minority students.

**Table 1: Estimated Percentage of Charter Schools that Applied for Federal Discretionary Grants during School Year 2008-2009, by School Characteristic**

<b>School characteristic</b>	<b>Percentage of schools that applied for at least one grant</b>
<i>LEA status</i>	
The charter school is designated as its own LEA*	8%
The charter school is part of a larger LEA*	2
<i>501(c)(3) status</i>	
The charter school is set up as a 501(c)(3) organization	7
The charter school is not set up as a 501(c)(3) organization	4
<i>Charter school size</i>	
Large (over 400 students)*	12
Small (under 200 students)*	4
<i>Years in operation</i>	
Over 7 years*	8
Less than 3 years*	4
<i>Proportion of low-income students</i>	
Charter schools with 75 percent or more*	13
Charter schools with less than 35 percent*	5

School characteristic	Percentage of schools that applied for at least one grant
<i>Proportion of minority students</i>	
Charter schools with 75 percent or more*	13
Charter schools with 35 percent or less*	4

Legend

\*=differences in the percentage of charter schools applying for federal discretionary grants were statistically significant (p<.05 level).

Source: GAO analysis of GAO charter school survey data.

Although our survey results suggest most charter schools do not apply to federal discretionary grant programs, they are potentially eligible for a variety of such programs.<sup>10</sup> We identified 47 federal discretionary grant programs for which charter schools are potentially eligible.<sup>11</sup> The programs are administered by 10 federal agencies to which Congress provided \$2.3 billion during fiscal year 2008 (see table 2). The Department of Education administered 33 of the 47 programs and those programs were provided \$1.8 billion in that fiscal year. Appendix II contains the complete list of federal discretionary grant programs we identified as being potentially available to charter schools.

<sup>10</sup>Because surveying traditional public schools was beyond the scope of this study, we do not have information on the percentage of traditional public schools that apply to federal discretionary grant programs.

<sup>11</sup>The programs we identified are limited to those that satisfy the following criteria: 1) programs from which a traditional public school would normally benefit; 2) programs to which charter schools, either as a public school, an LEA, or a nonprofit organization, may apply directly; 3) programs that award grants on the basis of a competitive process; 4) programs that provide monetary funding to schools; and 5) programs that received a congressional appropriation or allocation during fiscal year 2008.

**Table 2: Federal Discretionary Programs Potentially Available to Charter Schools Funded in Fiscal Year 2008, by Administering Agency**

Dollars in millions		
Agency	Total number of programs	FY 2008 appropriations or allocations
Department of Agriculture	3	\$46.6
Department of Commerce	1	9.7
Department of Education	33	1,776.8
Department of Labor	1	58.0
Environmental Protection Agency	1	3.4
Health and Human Services <sup>a</sup>	4	159.5
NASA	1	14.0
National Endowment for the Arts	1	6.7
National Science Foundation	1	99.3
Executive Office of the President	1	90.0
<b>Total</b>	<b>47</b>	<b>\$2,264.0</b>

Source: GAO analysis of GAO federal agency survey data.

<sup>a</sup>Head Start, a program for which charter schools are potentially eligible, was not included in our analysis because opportunities to compete for Head Start grant funding occur on an infrequent basis, according to agency officials. In fiscal year 2008, the total level of program funds provided to Head Start by Health and Human Services totaled \$6.9 billion.

Although we found a difference in their application rates, both charter schools that are designated their own LEA and charter schools that are part of a larger LEA are potentially eligible for the majority of the 47 grant programs we identified. Nearly all of the 47 programs identify LEAs as eligible applicants, so charter schools that are designated as their own LEA may apply directly for those grants (see table 3). In addition, over two-thirds of the programs also specify public schools or nonprofit organizations as being eligible. For those programs, charter schools that are part of a larger LEA would also be eligible to apply directly because of their public school or nonprofit status. Yet, our survey results show a significantly lower percentage of charter schools that are part of a larger LEA apply for grants compared to those that are their own LEA. It is unclear why charter schools that are part of a larger LEA apply for these grants less often, but it is possible they are unaware that there are opportunities to apply directly for some grants and that they do not have to rely solely on the larger LEA. However, charter schools that are part of a larger LEA were not eligible to apply for the 8 discretionary grants that

did not designate a public school or a nonprofit organization as an eligible applicant and may not have applied for that reason.

**Table 3: Number of Identified Federal Discretionary Grant Programs Available to Charter Schools, by Agency and Eligible Applicant**

Agency	Public schools	LEAs	Nonprofit organizations	For-profit organizations
Department of Agriculture	3	2	3	1
Department of Commerce	1	1	1	1
Department of Education	19	33	19	9
Department of Labor	1	1	1	1
Environmental Protection Agency	1	1	1	0
Health and Human Services	4	4	4	2
NASA	1	1	1	0
National Endowment for the Arts	1	1	1	0
National Science Foundation	1	1	1	1
Executive Office of the President	1	1	1	1
<b>Total</b>	<b>33</b>	<b>46</b>	<b>33</b>	<b>16</b>

Source: GAO analysis of GAO federal agency survey data.

Our survey results also suggest that although several federal agencies offer grants for which charter schools are potentially eligible to apply, most charter schools submitted grant applications for programs administered by the Department of Education.<sup>12</sup> Table 4 shows the grants applied for by the 41 schools that indicated in our survey that their school had applied for discretionary grants during school year 2008-2009.<sup>13</sup>

<sup>12</sup>Based on our survey, an estimated 96 percent of charter schools that applied for federal discretionary grants applied to programs administered by Education. The 95 percent confidence interval for this estimate is from 85 to 100 percent.

<sup>13</sup>Because the discretionary grant programs for which our 41 survey respondents applied were their self-reported selections, we did not produce population estimates for numbers of discretionary grant programs for which charter schools applied. However, the programs listed serve as examples of the federal discretionary grant programs to which some charter schools applied.

**Table 4: Number of Federal Discretionary Grant Applications Submitted during School Year 2008-2009 by Surveyed Charter Schools**

<b>Agency, office, and program name</b>	<b>Number of applications</b>
<i>U.S. Department of Education, Office of Elementary and Secondary Education</i>	
Improving Literacy through School Libraries	9
Early Reading First	6
Indian Education - Demonstration Grants for Indian Children	2
Advanced Placement Incentive Program	1
Impact Aid Discretionary Construction Grants Program	1
<i>U.S. Department of Education, Office of English Language Acquisition</i>	
Foreign Language Assistance Program	4
<i>U.S. Department of Education, Office of Safe and Drug-Free Schools</i>	
Carol M. White Physical Education Program	7
Safe Schools - Healthy Students Initiative	4
Readiness and Emergency Management for Schools	3
Elementary and Secondary School Counseling Program	1
Mentoring Programs	1
Partnerships in Character Education	1
<i>U.S. Department of Education</i>	
Other Education programs <sup>a</sup>	7
<i>U.S. Department of Labor, Employment and Training Administration</i>	
YouthBuild	1
<i>National Science Foundation, Directorate for Education and Human Resources</i>	
Innovative Technology Experiences for Students and Teachers (ITEST)	1

Source: GAO analysis of GAO charter school survey data.

Note: Responses of 41 school officials who indicated in our survey that their school applied for discretionary grants during school year 2008-2009. Numbers do not sum to 41 because schools may apply for more than one grant.

<sup>a</sup>Seven school officials we surveyed indicated their school had applied for a federal discretionary grant administered by Education, but either did not provide a specific program name, or provided one that could be attributed to more than one Education discretionary grant program. One of these programs was administered by the Office of Safe and Drug-Free Schools. The office of the other six programs was not identified.

Although we heard from charter school officials we interviewed during our site visits that educational management organizations (EMO) provided valuable assistance with federal discretionary grant applications, our

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survey data suggests that some charter schools received assistance from EMOs, but most did not.<sup>14</sup> EMOs are for-profit or nonprofit organizations that operate both traditional public and charter schools, according to terms specified in a contract.

With respect to application outcomes, we estimate that at least one-quarter of charter schools that applied for federal discretionary grants during the 2008-2009 school year received an award of grant funds.<sup>15</sup> None of the charter school officials we surveyed reported their federal discretionary grant program application was denied because the administering agency determined that charter schools were not eligible for the program. Likewise, none indicated they were denied funding because the administering agency determined charter schools cannot be considered a public school or an LEA and, thus, are ineligible to apply. Of those surveyed charter schools that applied for federal discretionary grants and were denied funding, most indicated it was due to the administering agency determining that other applicants were more qualified for the funding. Figure 5 illustrates the composition of these 41 charter schools with regard to several characteristics.

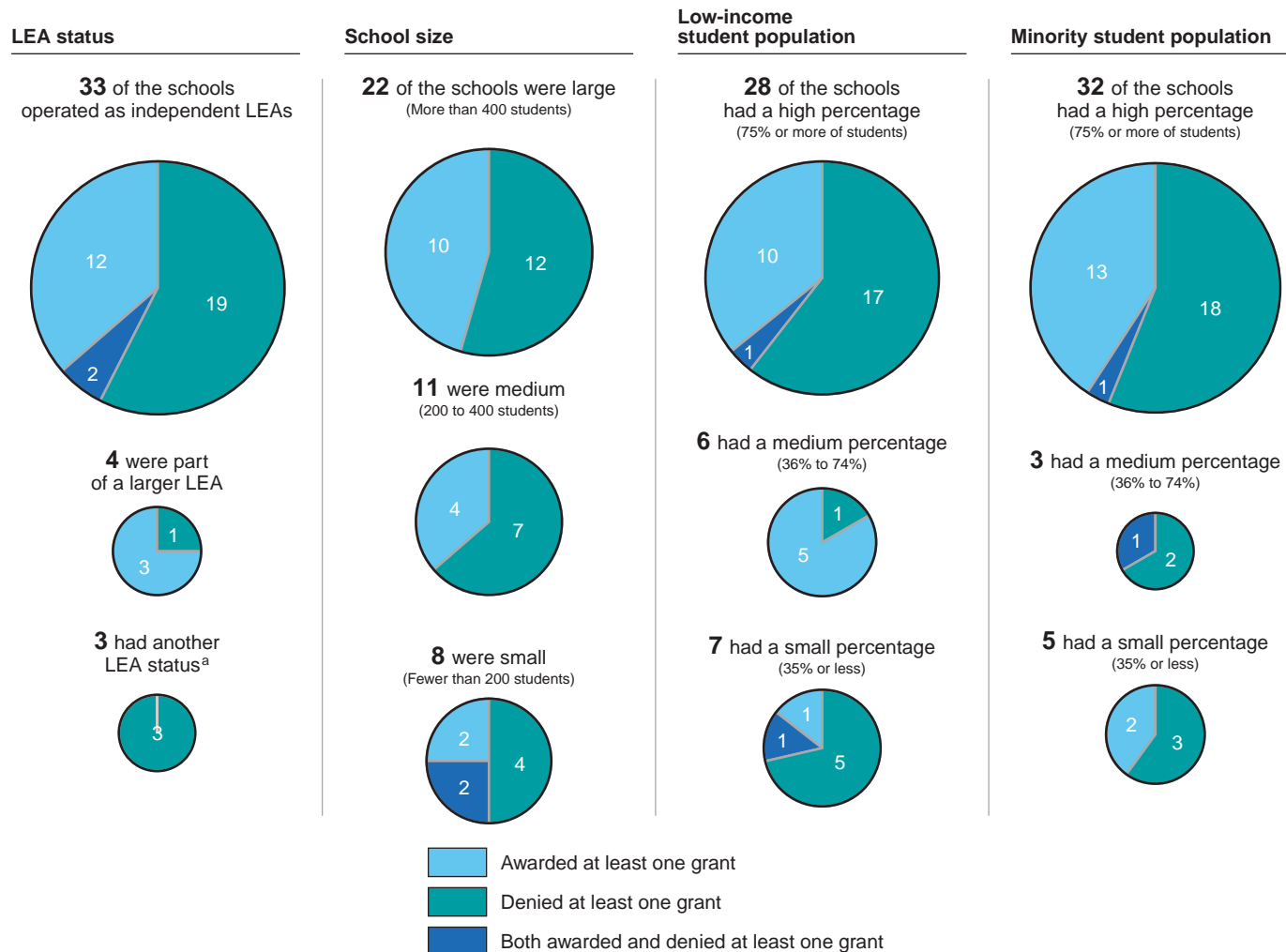
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<sup>14</sup>Our estimate of the percentage of charter school applicants that received assistance from an EMO (29 percent) has a 95 percent confidence interval from 16 to 45 percent. Our estimate of the percentage of charter school applicants that did not receive assistance from an EMO (71 percent) has a 95 percent confidence interval from 55 to 84 percent.

<sup>15</sup>Our estimate of the percentage of charter school applicants that received awards represents the number of charter schools that received at least one grant award divided by the number of schools that applied for at least one federal discretionary grant during school year 2008-2009. Due to the relatively low number (41) of surveyed charter schools that indicated they applied for federal discretionary grants during this school year, we do not provide the percentage estimate itself. Instead we provide a bound developed from the likely range of values for this percentage. Based on our sample, we are 95 percent confident that this percentage is between 29 and 63 percent. Consequently, "at least one-quarter" is a conservative lower bound for this percentage.

**Figure 5: Characteristics of Charter Schools that Were Awarded and Those that Were Denied a Federal Discretionary Grant in School Year 2008-2009**

Of the **41** schools we surveyed that applied for federal discretionary grants during the 2008-2009 school year...



Source: GAO analysis of GAO charter school survey data.

<sup>a</sup>Three charter schools were in states that allow charter schools the option of being a distinct LEA or part of a larger LEA.

Charter Schools Did Not Apply for Grants Mostly Due to a Lack of Resources and Limited Awareness about Grant Opportunities

Charter school officials indicated that their lack of resources, such as staff and time, and their limited awareness about grant opportunities were major reasons their school did not pursue federal grants during school year 2008-2009 (see table 5).

**Table 5: Percentage of Charter Schools Indicating Selected Challenges as a Major Reason the School Did Not Pursue Federal Discretionary Grants during School Year 2008-2009**

Challenge	Percentage of schools indicating challenge is a major reason it did not apply for grants
The school lacked the resources (e.g., staff, time) to apply for federal funding.	44%
The school lacked awareness about many of the federal programs potentially available to charter schools.	40
The school determined it did not meet the eligibility criteria for many of the federal programs.	29
The school lacked guidance on how and/or when to apply for many of the federal programs.	26
The complexity of the application process for many of the federal programs prevented the school from applying.	24
The school could not apply directly for many of the federal programs because the school is not designated as a local educational agency for such purposes.	22
The school lacked the resources to fulfill the record keeping requirements associated with the funding for many of the federal programs.	22
The school considered applying for many of the federal programs, but did not think it would win the grant.	13
The funding offered by many of the federal programs did not align with the school's mission.	9
The school did not need the funding offered by many of the federal programs.	6

Source: GAO analysis of GAO charter school survey data.

With respect to a lack of resources, our survey results were often supported by comments from charter school officials. Several officials we surveyed and visited mentioned their school currently lacks experienced and knowledgeable staff available to competitively apply for and administer grant funds. In many cases, constrained charter school budgets exacerbate the challenge of employing staff to carry out grant-writing



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duties. Many school officials we spoke with mentioned that federal, state, local, or private funding is often barely sufficient to cover school costs and some reported their school or other schools in their area were experiencing budget shortfalls. Several officials reported that, as a result of limited funds, their school cannot afford to hire staff to prepare grant applications, or in some cases it has had to reduce available staff. Education officials we interviewed also noted that insufficient resources discourage charter schools from applying for federal grants.

Several charter school officials reported their existing staff cannot devote time and effort to grant writing in light of their many other administrative duties. Some believe federal programs are often better suited for larger LEAs consisting of many schools, as opposed to individual charter schools, because those LEAs may be more likely to have a team of people dedicated to writing and administering grants. One school official noted that even if a charter school is designated as its own LEA, it may not fully operate in the same fashion as a multischool LEA due to its limited staff. Indeed, while charter schools designated as their own LEA are able to apply directly for federal grants, similar to multischool LEAs, approximately half of such schools reported their lack of resources is a major reason their school does not pursue grants.

Moreover, several charter school officials we visited spoke about the time and effort required to apply for federal grants and said that the cost in terms of resources typically outweighs the potential benefit of the grant award. Some officials said, in addition to the resources needed to apply for grants, the subsequent management of grant funds received must be considered. One official noted that, in addition to the existing oversight required for the federal formula grant funds that his charter school currently receives, the amount of oversight required for certain discretionary grants would overburden his school's resources. Another official told us that if a school in her state receives more than \$500,000 in federal grants, it is subject to audit requirements.<sup>16</sup> She said small charter schools with limited administrative capacity often view these types of requirements as an impediment to applying. Some charter school officials told us that private fundraising or grants from private entities, such as foundations, may be more attractive to charter schools than federal funding, in part due to fewer oversight requirements.

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<sup>16</sup> All nonfederal entities that expend \$500,000 or more of federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act, as amended.

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In addition to limited resources, our survey results show that a general lack of awareness about the federal grant opportunities potentially available to charter schools is a major reason many charter schools do not pursue grants. However, our survey also indicates that this perceived lack of awareness exists even though many school officials report they periodically receive information from various entities, including their state department of education and their state charter school association, about federal discretionary grant opportunities. Moreover, approximately 45 percent of the charter school officials that indicated that a lack of awareness about federal programs was a major reason they did not apply for grants, also reported that they periodically receive information about discretionary grant opportunities from the U.S. Department of Education.<sup>17</sup>

Several charter school officials we surveyed expressed a desire for an improved means of learning about grant opportunities that address their school's needs. Some suggested e-mail could be used to inform schools about available grants. Some officials suggested that the creation of a centralized location, such as a Web site, would enable their school to access grant information specifically tailored for charter schools.

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<sup>17</sup>This estimate has a 95 percent confidence interval of within +/- 8 percentage points of the estimate itself.

# Education Has Taken Steps to Encourage Charter Schools to Apply For Grants, But All Charter Schools May Not Be Reached

Education Has Clarified Charter Schools’ Eligibility in some Grant Announcements	According to our review of <i>Federal Register</i> notices, Education has inserted language clarifying charter school LEA eligibility into grant announcements for 17 of the 33 discretionary grant programs for which charter schools are potentially eligible. <sup>18</sup> Of the five Education offices with programs for which charter schools are potentially eligible, four included eligibility language explicitly mentioning charter school LEAs in some of their grant announcements. Of the offices, the Office of Safe and Drug-Free Schools (OSDFS) has the largest percentage of programs that explicitly include charter schools in grant eligibility language (see table 6).
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**Table 6: Programs that Explicitly Include Eligibility Language for Charter Schools in Grant Announcements and Those that Do Not, by Department of Education Office**

Education office	Program	Grant announcement identifies charter schools as eligible applicants
Office of English Language Acquisition	Foreign Language Assistance Program	Yes
	Native American and Alaska Native Children in School Program	No
Office of Elementary and Secondary Education	Advanced Placement Incentive Program	Yes
	Early Reading First Program	Yes
	Improving Literacy Through School Libraries Program	Yes
	Teacher Incentive Fund	Yes
	Alaska Native Education	No
	Migrant Education Even Start	No
	Impact Aid: Discretionary Construction Grant Program	No
	Jacob K. Javits Gifted and Talented Students Education Program	No

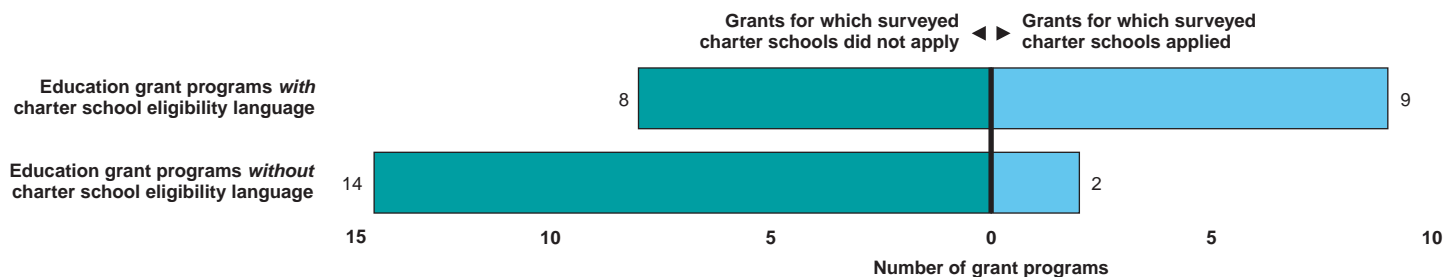
<sup>18</sup>The discretionary grant programs included are those that meet criteria laid out in appendix II. Also, see appendix II for a list of all federal discretionary grant programs that met these criteria.

Education office	Program	Grant announcement identifies charter schools as eligible applicants
Office of Innovation and Improvement	Smaller Learning Communities Program	No
	Arts in Education: Model Development and Dissemination Program	Yes
	Professional Development for Arts Educators Program	Yes
	Teaching American History Grant Program	Yes
	Transition to Teaching Grant Program	Yes
	Full-Service Community Schools Program	No
	School Leadership Grant Program	No
	Voluntary Public School Choice Program	No
	Women's Educational Equity Act Program	No
Office of Postsecondary Education	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	No
	International Research and Studies Program	No
	Talent Search Program	No
	Upward Bound Program	No
Office of Safe and Drug-Free Schools	Carol M. White Physical Education Program	Yes
	Elementary and Secondary School Counseling Programs	Yes
	Grants for Integration of Schools and Mental Health Systems	Yes
	Grants to Reduce Alcohol Abuse	Yes
	Grants for School-Based Student Drug-Testing Programs	Yes
	Partnerships in Character Education Program	Yes
	Readiness and Emergency Management for Schools	Yes
	Safe Schools - Healthy Students Initiative	Yes
	Cooperative Civic Education and Economic Education Exchange Program	No
	Mentoring Programs	No

Source: GAO analysis of *Federal Register* grant announcements.

The eligibility language generally states that charter schools considered to be LEAs under state law are eligible to apply for the grant. This language provides clarification on charter school eligibility for both federal program administrators that review charter school grant applications and charter schools that are considering applying for the grants. Surveyed charter schools applied to 9 of the 17 Education discretionary grant programs with eligibility language explicitly mentioning charter schools. In contrast, they applied for 2 of the 16 Education discretionary grant programs without the eligibility language (see fig. 6).

**Figure 6: Number of Education Grant Programs for Which Surveyed Charter Schools Applied by Existence of Charter School Eligibility Language**



Source: GAO analysis of GAO charter school survey data and *Federal Register* grant announcements.

However, none of the officials we interviewed reported that Education has taken steps to clarify grant eligibility for charter schools that are part of a larger LEA and wish to apply for grants for which individual public schools are eligible.

Most of the other agencies with programs for which charter schools may be eligible did not take any actions that would assist charter school applicants, such as including language in grant announcements that explicitly identifies charter school LEAs as eligible applicants, according to agency officials. The National Endowment for the Arts (NEA) and the Department of Labor (DOL) are the exceptions. NEA added language to the Learning in the Arts for Children and Youth grant solicitation that explicitly identifies charter schools as eligible applicants. With respect to the YouthBuild<sup>19</sup> program, charter schools were concerned that students who had dropped out of traditional public schools and re-enrolled in an alternative school such as a charter school program were not eligible to participate in YouthBuild. Congress added language to DOL's appropriations acts that allowed the YouthBuild program, for program years 2008-2010 and each program year thereafter, to serve students who have dropped out and re-enrolled in an alternative school as long as the re-enrollment is part of a sequential service strategy.

Officials we interviewed at agencies other than Education did not identify any eligibility issues for charter school applicants and, consequently, did

<sup>19</sup>The YouthBuild program targets out-of-school youth aged 16-24 and provides an alternative education pathway that encourages at-risk youth to obtain a high school diploma or GED credential and advance toward postsecondary education or employment.

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not request assistance from Education. This is consistent with our previous finding that few charter schools applied to grant programs outside of Education and no charter school officials reported being denied funding because the administering agency determined that charter schools were not eligible applicants.

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### Education Uses Multiple Methods to Publicize Grant Opportunities, but Few Target Charter School Applicants

Education officials we interviewed reported that the Department publicizes grant opportunities through several notification mechanisms to all potential applicants, but few officials reported outreach targeted specifically at potential charter school applicants. Education's primary mechanisms for publicizing grant opportunities include the *Federal Register*, <http://grants.gov>, and Education's *Forecast of Grant Opportunities*. Several officials also reported that their offices maintain a listserv through which they can disseminate grant announcements to interested parties.

Education also prepared *Accessing Federal Programs: a Guidebook for Charter School Operators and Developers* for charter schools but the guidebook is not posted on the CSP's Web page on Education's Web site, <http://www.ed.gov>.<sup>20</sup> The guidebook gives an introduction to the grant funding process, provides profiles of programs that charter schools could apply to, and lists resources such as federally funded technical assistance providers.

Some Education offices also hold grant application workshops to explain the application process to potential applicants. The Office of Innovation and Improvement (OII) uses these workshops as an opportunity to explain how charter schools might apply for grants as an LEA. OII, which administers almost a quarter of Education's programs for which charter schools may be potentially eligible, also gives presentations on grant opportunities and the application process at national conferences for charter schools. However, officials we interviewed at Education and other federal agencies noted that their program offices are careful not to give preferential treatment to any applicant or group of applicants in order to ensure a fair competition.

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<sup>20</sup>The guidebook is available at <http://uscharterschools.org>, the Web site of U.S. Charter Schools.

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Officials at charter schools we visited reported that Education sometimes provides feedback on grant applications that were denied funding. Feedback was important to charter schools because it helps them decide whether to apply for grants in the future.

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### Education Offices Confer with Education's CSP When Eligibility Issues Arise

Education officials we interviewed said that they confer on a case-by-case basis with the CSP, which is charged with supporting the creation and development of high quality charter schools, when issues arise regarding charter school eligibility for grant programs. For example, OSDFS reported that charter school applicants have had difficulty providing documentation of their LEA status. OSDFS officials consulted with the CSP in order to provide guidance to applicants. A CSP official suggested that charter schools that are applying for federal grant programs ask their authorizer for a letter including confirmation that it is a charter school, when the charter school started, its LEA status, and status as a nonprofit organization.

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## Conclusions

Charter schools' accelerating growth, reinforced by federal government initiatives such as the Race to the Top program, has increased their share of the public school population to 5 percent. Charter schools' growth also has the potential to increase competition for federal grants. As the charter school population grows, the Department of Education will need to re-examine its efforts to ensure that charter schools are aware of the opportunities for federal grant funds that are available to them and that they are able to compete effectively in the federal discretionary grant award process. Education and a few other agencies already have taken steps to facilitate charter schools' access to some discretionary grant programs, but more effort is needed to reach charter schools that are unaware of federal discretionary grant opportunities or that lack the resources and expertise to apply, particularly in competition with large resource-rich school districts. Without more targeted information about grant opportunities, charter schools may not identify the discretionary grants at Education and other federal agencies for which they may qualify. Such information may alert smaller charter schools or those with more narrowly focused missions to pursue funds that they would ordinarily overlook. On the other hand, the complexity of the grant application process and the record keeping requirements for many of the federal discretionary grants may make some of them unsuitable for charter schools with limited resources, even with assistance from Education. However, charter schools must have information about the discretionary

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grants available to them in order to make decisions about whether applying for those grants is in their best interest.

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## Recommendations for Executive Action

To further publicize grant opportunities for charter schools seeking federal assistance and to help strengthen charter schools' management capacity to pursue grant opportunities, we recommend that the Secretary of Education:

1. Clarify the federal discretionary grant opportunities for which charter schools are potentially eligible. For example, using existing grant notification mechanisms, Education might develop one link on the department's Web site to all federal discretionary grants for which charter schools are potentially eligible, governmentwide.
2. Require all pertinent Education discretionary grant program offices to add text to the grant announcement stating that charter schools meeting the relevant eligibility criterion are eligible to apply for the grant.
3. Require that the CSP post the guidance for applying for federal grant programs that it developed for charter schools on the department's Web site.

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## Agency Comments and Our Evaluation

We provided a draft of the report to the Department of Education for review and comment. Education agreed with our recommendations and stated the actions that the department intends to take to address them. Specifically, to ensure that all discretionary grant notices for programs for which charter schools are potentially eligible explicitly recognize charter schools' eligibility, Education intends to add text to all of the department's pertinent discretionary grant announcements stating that charter schools meeting the relevant eligibility criterion are eligible to apply for the grant. Education also plans to encourage other federal agencies identified in the report to identify charter schools as eligible applicants in the relevant grant application notices. To further publicize the federal grant opportunities for which charter schools are potentially eligible, Education has tasked the National Charter School Resource Center, a technical assistance center, with distributing grant notices to all charter schools, using a list of all charter schools the Center is compiling. The Center also will post grant notices on its Web site and Education will link its Charter Schools Program Web page to the Center's Web site as well. Concerning our recommendation that the CSP post the guidance it developed for charter schools about applying for federal grant programs on the



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department's Web site, Education said that the Center is updating that guidance and will post it on the Center's Web site. Education also will use the Center's Web site to highlight the federal discretionary grant application experience of small charter schools that have won grant awards. Our study found that small charter schools are less likely to apply for discretionary grants. In addition, although charter schools' access to federal formula grant funds was not addressed in this report, Education stated that the department is strengthening its oversight of state educational agencies' role in ensuring that new or expanding charter schools receive their appropriate share of federal formula grant funds in a timely fashion.

Education also commented on two of our findings. With respect to our finding that at least one-quarter of charter schools that applied for federal discretionary grants during the 2008-2009 school year received an award of grant funds, Education commented that this percentage is higher than the percentage of all applicants that were awarded discretionary grants by Education. Education stated that this outcome indicates great potential for charter schools as they apply at higher rates. Education also noted that our analysis of discretionary grant programs did not include Education's CSP and the 21<sup>st</sup> Century Community Learning Centers program. However, as we explain in the introduction to the report and in appendix II, we focused on discretionary grant programs for which both charter schools and traditional public schools compete for funding. Because the CSP grants target only charter schools and the 21<sup>st</sup> Century Community Learning Centers program is a federal formula grant program, these two programs did not meet our criteria for inclusion.

Education also provided technical comments, which have been incorporated in the report as appropriate. Education's comments are reproduced in appendix III.

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We are sending copies of this report to the Secretary of Education, relevant congressional committees, and other interested parties. The report also is available at no charge on the GAO Web site at <http://www.gao.gov>.

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If you or your staff have any questions about this report, please contact me at (202) 512-7215 or [ashbyc@gao.gov](mailto:ashbyc@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Cornelia M. Ashby". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Cornelia M. Ashby  
Director, Education, Workforce, and  
Income Security Issues

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*List of Requesters*

The Honorable George Miller  
Chairman  
Committee on Education and Labor  
House of Representatives

The Honorable John P. Kline  
Ranking Member  
Committee on Education and Labor  
House of Representatives

The Honorable Shelley Berkley  
House of Representatives

The Honorable Rob Bishop  
House of Representatives

The Honorable Charles Boustany, Jr.  
House of Representatives

The Honorable Yvette Clarke  
House of Representatives

The Honorable Danny K. Davis  
House of Representatives

The Honorable Vernon Ehlers  
House of Representatives

The Honorable Virginia Foxx  
House of Representatives

The Honorable Raul M. Grijalva  
House of Representatives

The Honorable Ruben E. Hinojosa  
House of Representatives

The Honorable Peter Hoekstra  
House of Representatives

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The Honorable Rush D. Holt  
House of Representatives

The Honorable Carolyn McCarthy  
House of Representatives

The Honorable Howard P. McKeon  
House of Representatives

The Honorable Donald Payne  
House of Representatives

The Honorable Tom Price  
House of Representatives

The Honorable John P. Sarbanes  
House of Representatives

The Honorable Robert C. Scott  
House of Representatives

The Honorable Carol Shea-Porter  
House of Representatives

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# Appendix I: Scope and Methodology

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This appendix discusses in detail our methodology for examining charter schools' experience applying for federal discretionary grant programs and the assistance, if any, that the U.S. Department of Education (Education) has provided to charter schools or other federal agencies to help charter schools address any eligibility issues that arise. The study was framed around two questions: (1) To what extent do charter schools apply for federal discretionary grant programs and what challenges do they face, if any, in doing so? (2) What role has the U.S. Department of Education played in helping charter schools establish their eligibility for federal programs?

We used separate sources of data for each study question, including a survey of a stratified random sample of 640 charter school officials; site visit interviews with officials in school districts, charter schools, charter school associations, and state education agencies in New York, Ohio, and Florida; two lists of governmentwide K-12 education programs for which charter schools are potentially eligible; a survey of federal officials responsible for the K-12 education programs; and interviews with Department of Education officials having oversight responsibility for the K-12 education programs and their counterparts in 9 other federal agencies. Before deciding to use one of the lists of K-12 education programs—a list developed by the National Resource Center for Charter School Finance and Governance—we conducted a data reliability assessment. We discuss our assessment procedures and steps we took to mitigate any data limitations below, as part of the methodology for determining the extent to which charter schools apply for federal discretionary grant programs. We conducted descriptive analyses of the charter school and federal program official survey data, a synthesis of the site visit data, and qualitative analysis of the interviews with federal officials having oversight responsibility. We also reviewed relevant federal laws and regulations.

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## Survey of Charter School Officials

To obtain national-level information on charter schools' experiences applying to federal grant programs and to learn more about any challenges charter schools may face when applying, we conducted a Web-based survey of a probability sample of officials from charter schools that were in operation during school year 2008-2009.

The target population consisted of the 4,856 charter schools operating during the 2008-2009 school year in the 40 states with operating charter schools and the District of Columbia. We developed our sampling frame from the U.S. Department of Education's Preliminary Common Core of

Data (CCD) 2008-2009 school file. On the basis of analysis of these data, we determined this source to be adequate for the purposes of providing a sampling frame.

The survey sample design was a stratified random sample of charter schools selected from the population of 4,856 charter schools. Each of the charter schools in the population was assigned to one of five groups—strata—and sample charter schools were selected from each of these strata. We selected all the largest charter schools—those with at least 2,000 students—and a random sample of schools from each of the remaining four strata, as summarized in table 7. The remaining four strata were defined based on the composition of the local educational agency (LEA) that contained the charter school. One such stratum was composed of schools which are separate LEAs for some purposes and part of an LEA for other purposes. The remaining schools were assigned to one of three strata depending on the makeup of their “parent” LEA. We obtained 492 usable responses for an overall (weighted) response rate of 78 percent.<sup>1</sup> In addition, we determined that 29 of the selected schools were out-of-scope for our survey because the school was determined not to be a charter school, or the school was not in operation during the 2008-2009 school year.

**Table 7: Charter School Population, Sample Size, Responses, Out-of-Scope, and Response Rate, by Stratum**

Stratum	Population/ universe	Sample size	Responses	Out-of- scope	Weighted response rate
Charter schools with at least 2,000 students	30	30	23	0	77%
Separate LEA for some purposes and part of a larger LEA for other purposes	555	141	111	2	79
Single-charter school LEA	1,481	159	126	7	79
All-charter school LEA in multiple-school LEA	734	148	101	6	68

<sup>1</sup>Response rates by stratum and overall response rate calculations are based on the RR3 response rate definition of the American Association of Public Opinion Research.

Stratum	Population/ universe	Sample size	Responses	Out-of- scope	Weighted response rate
Charter schools and other types of schools in multiple school LEA	2,056	162	131	14	81
<b>Total</b>	<b>4,856</b>	<b>640</b>	<b>492</b>	<b>29</b>	<b>78%</b>

Source: GAO analysis of Education and GAO charter school survey data.

All estimates produced from the sample and presented in this report are for the estimated target population of 4,856 charter schools operating during the 2008-2009 school year, the school year for which the most recent information about grant applications was available at the time of our survey. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (e.g., plus or minus 6 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. For this report, all percentage estimates based on this survey of charter schools have 95 percent confidence level of plus or minus 6 percentage points or less, unless otherwise noted.

To develop the survey questions, we reviewed prior GAO studies on charter schools and existing studies on charter school structure and operation. We also interviewed charter school officials and representatives of selected charter school management organizations and charter school associations, including the Director, Regional Leadership Team, Knowledge is Power Program (KIPP) Foundation; President, Academica Corporation; Policy Director, National Alliance for Public Charter Schools; Policy Director, National Association of Charter School Authorizers; and a Senior Consultant, Public Impact.

The survey was administered between November 2009 and June 2010. We directed the survey to the person at each charter school who was most knowledgeable about the school's funding and instructed them to confer, as necessary, with other school personnel to answer the questions. In many cases, the charter school principal completed the survey. In some instances, the school's business manager or financial director did so. To maximize response, we sent periodic follow-up e-mails to all schools that had not responded to the survey by our deadline.

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In addition to the reported sampling errors, the practical difficulties of conducting any survey may introduce other types of errors, commonly referred to as nonsampling error. For example, differences in how a particular question is interpreted, the sources of information available to respondents, or the types of people who do not respond can introduce unwanted variability into the survey results. We included steps in the survey design, data collection, and data analysis to minimize such nonsampling errors.

To increase the response rate for this survey, we developed and administered a follow-up telephone interview to Web-based survey nonrespondents. The questionnaire for the telephone interview consisted of a subset of questions from the Web-based survey that were most relevant to our study's objectives. To assist us with the follow-up telephone interviews, we acquired the services of a professional services firm already under contract to GAO. We divided the sample of nonrespondents into two groups, with one group containing school officials who had partially completed the Web-based survey and the other group containing those who had not begun the survey. GAO staff made repeated call attempts to school officials in the first group and interviewed available officials. The professional services firm's survey research staff made repeated call attempts to school officials within the second group and conducted telephone interviews with available officials. GAO staff and the professional services firm staff conducted calls for a 4-week period from May to June 2010. Data collected from both the Web-based survey respondents and telephone interview respondents for this subset of questions constitute the survey data used for this report.

In addition, we took steps to clarify questions to ensure that survey questions would be correctly interpreted by respondents. For example, during its development, we pretested our Web-based questionnaire with six charter school officials from across the United States. We conducted these pretests to ensure that the respondents understood the questions and could provide the answers to them and the questions could be completed in a reasonable amount of time. Following each pretest, the survey underwent additional, mostly minor, revisions. Similarly, to minimize nonsampling error with respect to our follow-up telephone interview questionnaire, we made only minor wording changes to selected questions.

While we did not validate all of the information that charter school officials reported through our survey, we took several steps to ensure that the information was sufficiently reliable for the purposes of this report.



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For example, we reviewed all federal grant program names that respondents reported as being programs for which their school applied. We did not accept federal formula grant programs, state programs, and programs that otherwise could not be verified as federal discretionary grant programs to which charter schools can directly apply. Data results, including those for other associated questions, were adjusted accordingly.

An additional source of nonsampling error can be errors in computer processing of the data and statistical analysis. All computer programs relied upon for analysis of this survey data were independently verified by a second analyst for accuracy.

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## Site Visit Selection, Data Collection, and Analysis

To obtain information on charter schools' experience applying for federal program funds, we made site visits to charter schools, school districts, and charter school associations and state educational agencies. We visited three locations: New York, New York; Columbus, Ohio; and Miami-Dade County, Florida. We selected these locations on the basis of variation in LEA structure and geographic location. Within each state, we selected charter schools that represented variation with respect to use of an educational management organization (EMO), grade level and enrollment level, percentages of minority and low-income students, and Title I status, as indicated in table 8. At some charter schools, representatives of the school's EMO provided their perspective on the decision to apply for federal discretionary grant funds. We also met with officials from two school districts in Florida and conducted telephone interviews with state officials in New York and Florida to learn more about their role in distributing federal funds to charter schools.

Table 8: Criteria for Selecting Charter Schools

State	Use of EMO	Grades served	Enrollment level	Percentage of minority students	Percentage of low-income students	Title I school
Florida	2 use an EMO	2 K-5	2 over 400	3 over 75%	1 over 75%	2 Title I
	2 do not use an EMO	1 6-8	1 200 to 399	1 33-74	1 33-75	2 not Title I
		1 6-12	1 under 200		2 under 33	
New York	2 use an EMO	1 K-8	2 over 400	4 over 75	3 over 75	4 Title I
	2 do not use an EMO	1 1-8	2 200 to 399		1 unknown	
		1 5-8				
Ohio	2 use an EMO	1 K-5	1 200 to 399	1 over 75	1 33-74	2 Title I
	1 does not use an EMO	1 5-8	2 under 200	1 33-75	2 under 33	1 not Title I
		1 9-12		1 under 33		

Source: GAO.

## Identification of Federal Discretionary Grant Programs for which Charter Schools are Potentially Eligible

To identify federal discretionary grant programs for which charter schools may be eligible, we used two existing lists of federal government education-related grant programs. We obtained a list of 108 programs from the National Resource Center for Charter School Finance and Governance (Resource Center). To determine the reliability of the Resource Center's list, we reviewed documentation about development of the list we obtained from the Center's Web site and interviewed Resource Center representatives about the measures they took to ensure data reliability, including confirmation of program information with agency officials. We determined that the list was sufficiently reliable for our purposes. We obtained a second list of 151 programs from a prior GAO report.<sup>2</sup> We matched and merged the two lists and screened them to select grant programs that met the following criteria

- programs from which a traditional public school would normally benefit;
- programs to which charter schools, either as a public school, a local educational agency (LEA), or a nonprofit organization, may apply directly;
- programs that award grants on the basis of a competitive process;
- programs that provide monetary funding to schools; and

<sup>2</sup>See GAO, *Federal Education Funding: Overview of K-12 and Early Childhood Education Programs*, [GAO-10-51](#) (Washington, D. C.: Jan. 27, 2010).

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- programs that received a congressional appropriation or allocation during fiscal year 2008.

These actions resulted in a list of approximately 90 programs administered by 13 federal agencies. To confirm the programs on our list, we contacted agency officials responsible for managing those programs. Based on information provided by the officials, we confirmed that many of the programs on our list met our criteria and we excluded any that officials denoted as not meeting our criteria. Some officials also provided the names of additional programs that met our criteria which were added to our list.

To further refine our list, we designed a questionnaire and administered it to the appropriate federal agency officials in order to collect basic descriptive information for each program. In order to maximize the effectiveness of the questionnaire and to minimize error, we pretested the questionnaire with officials from three federal agencies. We conducted these pretests to ensure that the officials understood the questions and could provide the answers to them in a reasonable amount of time. Following each pretest, the questionnaire underwent additional, mostly minor, revisions. In addition to collecting descriptive program information, the questionnaire provided an additional opportunity for us to confirm, exclude, and add programs based on agency information and consultations with agency officials. Our final list contained 47 programs for which charter schools are potentially eligible.

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## Interviews with Federal Agency Officials

To determine what role Education has played in helping charter schools establish their eligibility for federal programs at Education and other agencies, we interviewed agency officials with oversight responsibility for the discretionary programs identified in study question 1. The appropriate officials were identified with the assistance of the agencies' GAO liaisons and, in some instances, GAO liaisons for the program area. Seventeen interviews were conducted from March to June 2010. Some interviews covered multiple grant programs. Interviews covered 9 agencies and 42 programs for which charter schools are potentially eligible. Officials responsible for five of the programs did not respond to contacts for interviews. Of those five programs, one was the only program in the agency for which charter schools are potentially eligible.

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Open-ended questions were used to guide discussions and topics included

- actions, if any, taken to assist charter school applicants in applying for the program(s);
- the number of charter schools that have applied for the program(s), if any, and the outcome of their applications;
- identified challenges that charter schools face when applying for the program(s) and reasons charter schools may not apply for the program(s);
- mechanisms used to notify charter schools about grant opportunities; and
- actions, if any, taken to follow up on then-Secretary Spellings' 2006 letter to federal department and agency heads concerning a governmentwide initiative to ensure charter schools' eligibility for federal programs.

We also spoke to charter school association representatives about any challenges charter schools may face in applying for federal programs. In addition, we asked the representatives how they identify federal funding opportunities for charter schools.

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# Appendix II: Federal Discretionary Grant Programs for which Charter Schools Are Potentially Eligible

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We identified 47 federal discretionary grant programs for which charter schools are potentially eligible. These programs satisfy the following criteria

- programs from which a traditional public school would normally benefit;
- programs to which charter schools, either as a public school, an LEA, or a nonprofit organization, may apply directly;
- programs that award grants on the basis of a competitive process;
- programs that provide monetary funding to schools; and
- programs that received a congressional appropriation or allocation during fiscal year 2008.

Two programs for which charter schools apply are not included among the 47 programs. Because traditional public schools, which are not eligible for Education's CSP, would not benefit from the program, and charter schools' eligibility is not an issue, the CSP is not included in the list. Education's 21st Century Community Learning Centers program also is not included. Because school districts and schools compete for grant awards from their state education agency (SEA), the 21st Century Community Learning Centers program appears to be a discretionary grant in some respects. However, Education awards 21st Century program grants to SEAs on the basis of a distribution formula and classifies it as a formula grant program.

**Appendix II: Federal Discretionary Grant  
Programs for which Charter Schools Are  
Potentially Eligible**

**Table 9: Federal Discretionary Grant Programs For Which Charter Schools Are Potentially Eligible and Level of Fiscal Year 2008 Program Funding**

Agency, program name	Office within agency	FY 2008 appropriation or allocation <sup>a</sup>	Allowable applicants		
			LEA	Public school	Nonprofit entity
Department of Agriculture					
Secondary Education, Two-Year Postsecondary Education and Agriculture in the K-12 Classroom Challenge Grants (SPECA)	National Institute of Food and Agriculture	\$900,000		X	X
Community Facilities	Rural Housing Service	20,373,000	X	X	X
Distance Learning and Telemedicine Program	Rural Utilities Service	25,290,000	X	X	X
Department of Commerce					
Bay Watershed Education and Training	National Oceanic and Atmospheric Administration (NOAA)	9,700,000	X	X	X
Department of Education					
Foreign Language Assistance Program	Office of English Language Acquisition (OELA)	25,600,000	X	X	
Native American and Alaska Native Children in School	OELA	5,000,000	X	X	
Advanced Placement Incentive Program	Office of Elementary and Secondary Education (OESE)	31,573,442	X		X
Alaska Native Education Equity	OESE	33,314,645	X	X	X
Early Reading First	OESE	112,549,000	X	X	X
Even Start: Migrant Education	OESE	1,993,000	X	X	X
Impact Aid: Discretionary Construction Grants	OESE	17,500,000	X	X	
Improving Literacy Through School Libraries	OESE	19,144,597	X		
Jacob K. Javits Gifted and Talented Students Education Grant Program	OESE	7,460,000	X	X	X
Smaller Learning Communities	OESE	80,107,636	X		
Teacher Incentive Fund	OESE	97,270,470	X		X
Arts in Education: Model Development Dissemination Grants Program	Office of Innovation and Improvement (OII)	12,928,130	X		X
Full-Service Community Schools	OII	5,000,000	X	X	X
Professional Development for Arts Educators	OII	7,820,939	X		
School Leadership Program	OII	19,200,000	X		X
Teaching American History Program	OII	117,903,600	X	X	

**Appendix II: Federal Discretionary Grant  
Programs for which Charter Schools Are  
Potentially Eligible**

Agency, program name	Office within agency	FY 2008 appropriation or allocation <sup>a</sup>	Allowable applicants		
			LEA	Public school	Nonprofit entity
Transition to Teaching Program	OII	43,700,000	X		X
Voluntary Public School Choice Program	OII	25,818,923	X	X	X
Women's Educational Equity Act Program	OII	1,846,174	X	X	X
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	Office of Postsecondary Education (OPE)	303,423,000	X	X	
International Research and Studies	OPE	5,940,000	X	X	X
TRIO – Talent Search	OPE	142,743,840	X	X	X
TRIO – Upward Bound	OPE	313,093,939	X	X	X
Carol M. White Physical Education Program	Office of Safe and Drug Free Schools (OSDFS)	74,608,877	X	X	X
Cooperative Civic Education and Economic Education Exchange Program	OSDFS	2,000,000	X		X
Elementary and Secondary School Counseling Programs	OSDFS	48,600,000	X		
Grants for Integration of Schools and Mental Health Systems	OSDFS	5,000,000	X		
Grants for School-Based Student Drug-Testing	OSDFS	10,586,000	X	X	X
Grants to Reduce Alcohol Abuse	OSDFS	32,423,000	X		
Mentoring Grants	OSDFS	48,544,000	X	X	X
Partnerships in Character Education Program	OSDFS	22,000,000	X	X	
Readiness and Emergency Management for Schools	OSDFS	24,334,403	X		
Safe Schools—Healthy Students Initiative	OSDFS	77,816,000	X		
<i>Department of Labor</i>					
Youthbuild	Employment and Training Administration	58,000,000	X	X	X
<i>Department of Health and Human Services</i>					
Community-Based Abstinence Education	Administration for Children and Families	113,400,000	X	X	X
National Center for Research Resources (NCRR) Science Education Partnership Award (SEPA)	National Institutes of Health	16,000,000	X	X	X

**Appendix II: Federal Discretionary Grant  
Programs for which Charter Schools Are  
Potentially Eligible**

Agency, program name	Office within agency	FY 2008 appropriation or allocation <sup>a</sup>	Allowable applicants		
			LEA	Public school	Nonprofit entity
National Institute of Allergy and Infectious Diseases (NIAID) Science Education Awards	National Institutes of Health	320,960	X	X	X
Adolescent Family Life: Demonstration Projects	Office of Population Affairs	29,778,000	X	X	X
<i>Environmental Protection Agency</i>					
Environmental Education Grant Program	Environmental Education	3,354,158	X	X	X
<i>Executive Office of the President</i>					
Drug-Free Communities Support Program	Office of National Drug Control Policy	90,000,000	X	X	X
<i>NASA</i>					
K-12 Competitive Grants Program	Education	14,000,000	X	X	X
<i>National Endowment for the Arts</i>					
Learning in the Arts for Children and Youth		6,748,000	X	X	X
<i>National Science Foundation</i>					
Discovery Research K-12	Directorate for Education and Human Resources, Division of Research and Learning	99,250,000	X	X	X

Source: GAO analysis of GAO federal agency survey data.

<sup>a</sup>According to Education, not every grant competition is held every year and, thus, the total funding amount listed likely is greater than what is actually available each fiscal year for a grant program.



# Appendix III: Comments from the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INNOVATION AND IMPROVEMENT

November 29, 2010

Ms. Cornelia M. Ashby  
Director, Education, Workforce,  
and Income Security Issues  
Government Accountability Office  
Washington, DC 20548

Dear Ms. Ashby:

The Department of Education appreciates the work that went into the GAO draft report, "Charter Schools: Education Could Do More to Assist Charter Schools with Applying for Discretionary Grants." It addresses an issue we care very much about: helping to ensure that charter schools have the information and resources they need to compete for the federal funds for which they are eligible and qualify. We want to be sure that charter schools are aware of the grant opportunities for which they are eligible and that all possible discretionary grants application notices for programs for which charter schools are eligible make this eligibility explicit. The report notes some, but not all, of the Department's efforts to see that this occurs. We are always looking for ways to improve our communications efforts in this area. We welcome the recommendations contained in the report and intend to take actions to address each of them.

In addition, although the draft report deals only with competitive programs, we also want to make sure that charter schools receive the full share of federal formula grant funds to which they are entitled.

To date, our efforts around discretionary grants have focused on two principal objectives: ensuring that relevant Department of Education grant notices explicitly clarify charter schools' eligibility when appropriate and publicizing the availability of grants when they are available.

With respect to ensuring that our notices explicitly recognize charter schools' eligibility, the report finds that we have already done this for 17 of the 33 competitions for which GAO concludes that charter schools were eligible. For the remaining 16 and for other competitions as well, we will take actions over the next year to ensure that announcements for each of these programs state specifically that charter schools are eligible applicants when appropriate. We note that for some of the programs where the grant announcements have not identified charter schools as eligible applicants, the Department has made their eligibility clear in supplemental materials. For example, my office has noted in a Frequently Asked Questions document that charter schools are

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eligible to apply under the Full-Service Community Schools (FSCS) program. Three charter schools were recently awarded FSCS grants. Nevertheless, it is our goal that, by this time next year, all grant competition announcements for programs for which charter schools are eligible make that eligibility explicit.

It is important to note that we do not hold competitions for every grant program each year. We will update and publish new grant announcements only when we hold a new competition.

We also intend to work with the other agencies mentioned in the report to encourage them to explicitly list charter schools as eligible applicants in their grant application notices. These agencies include the National Aeronautics and Space Administration, the National Science Foundation, the Department of Justice, the Department of Health and Human Services, the Department of Commerce, and the Department of Agriculture. We are grateful to GAO for identifying grant opportunities at these other agencies that may be available to charter schools.

With respect to publicizing the availability of grant opportunities, the Department has done this for years through various means and has several improvements under way. For example, the Department has maintained an e-mail listserv on charter school matters, and any member of the public can sign up to be part of this listserv at the Charter Schools Program (CSP) home page. There are currently 2,988 subscribers. When grant opportunities become available for which charter schools are eligible, a member of the CSP staff sends this information to the listserv subscribers. Your draft report notes that many charter schools contacted by the authors reported receiving these notices.

While useful and effective, this process can be improved, and we are working to do so. First, registration is voluntary, and many charter schools are not on the list. Second, the process for identifying grant opportunities for subscribers can be further enhanced. To address these two issues, the Department is moving the listserv to the new National Charter Schools Resource Center (NCSRC), a technical assistance center funded by the Department under contract with the American Institutes for Research. Since its inception in 2009, NCSRC has been building its own e-mail list of charter schools, combing through public records and contacting individual charter schools for e-mail addresses. The NCSRC staff is working to collect e-mail and physical mailing addresses for every charter school in the country by this spring. This process will help ensure that notices of grant opportunities for charter schools will be received by all.

NCSRC is also developing a comprehensive and systematic approach to tracking grant opportunities so that charter schools are timely notified of them. The NCSRC staff will post grant opportunity information on the NCSRC Web site and will distribute it to the NCSRC mailing list. We will also link our own CSP home page to the NCSRC Web site. One goal is for the notifications to make it clearer whether the grant opportunity is available only for charter schools that are their own local educational agency (LEA), for charter schools that are nonprofit organizations, or for any charter school whether for-profit, nonprofit, an LEA, or a public school within an LEA. We expect the full Web site

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and notification system for further notifying charter schools will be running by June 2011.

Given the perception identified in the draft report that applying for or receiving federal grants may be too burdensome for the small staffs of many smaller or newer charter schools, we intend to highlight on the NCSRC Web site examples of small charter schools that have successfully applied for federal grants. The NCSRC staff is also updating the information currently found in the 2000 document, "Accessing Federal Programs: A Guidebook for Charter School Operators and Developers," and will post this information on the NCSRC Web site. The Department will also continue to provide information on grant opportunities at various charter school conferences and through items on the Department's Web site.

The Department also works to ensure that state educational agencies (SEAs) notify new and expanding charter schools of grant opportunities under the Department's formula grant programs, such as Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended. This is part of SEAs' overall responsibility, as specified in Departmental regulations, to ensure that new or expanding charter schools receive their appropriate share of federal formula grant program funds in a timely fashion. (See the Education Department General Administrative Regulations (EDGAR) at 34 C.F.R. Part 76, Subpart H.) For those states (currently 22) that receive CSP funding under our SEA grant program (CFDA 84.282A), we conduct in-depth monitoring visits approximately every three years. Our monitors look closely at whether new and expanding charter schools received their appropriate share of federal funds and whether states are ensuring that charter schools are notified of discretionary grant opportunities. In those cases where states receive a negative monitoring finding, we work with them to implement appropriate corrective actions, which may include adjusting allocations to charter schools. In extreme cases, the Department has the authority to withhold funds or take other enforcement actions. To further improve the monitoring process, we are strengthening Departmental oversight of state efforts to remedy negative monitoring findings. For example, the CSP staff recently initiated quarterly follow-up calls with each state for which a negative monitoring finding exists.

The draft report notes that an estimated 25 percent of charter schools that applied for federal discretionary grants during the 2008-09 school year received an award. This is higher than the success rate for applicants for funds under the Department's discretionary grant programs, which is closer to 15 percent for those programs identified in the draft report. (We note that the two rates might not be comparable, as the 25 percent estimate might refer to the percentage of charter schools applying for federal grants that received at least one grant, while the 15 percent rate refers to the percent of applicants that were successful in Department grant competitions.) If this success rate holds, it indicates great potential for charter schools as they apply at higher rates for funds under our discretionary grant programs.

Finally, we note that it is unfortunate that the report did not consider charter school participation in two large grant programs administered by the Department. First, the five

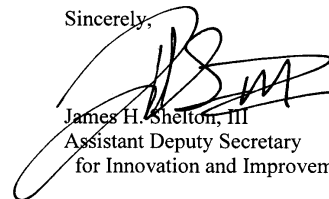
Page 4

parts of the CSP make available over \$200 million each year to charter schools for start-up, expansion, facilities support, and information dissemination. Second, the Department's 21<sup>st</sup> Century Community Learning Centers (CCLC) program provides over \$1.1 billion for centers providing before- and after-school programs for public school students, including students attending charter schools. This is a discretionary grant program administered by states, which receive allocations of funds by formula from the Department.

Together, the over \$1.3 billion of funds appropriated in recent years for the two programs is almost half as large as all 47 programs identified in the report combined. We know that charter schools receive almost all of the grants made under the CSP. And, anecdotally, we understand that charter schools receive grants and participate at a high level in the 21<sup>st</sup> CCLC grant program. We, therefore, believe that excluding these programs gives a more negative view of charter schools' participation in federal discretionary programs than is warranted.

We thank GAO for this useful report and hope these comments are helpful. The recommendations and the data contained in the report will assist us as we work to help increase charter school participation in federal discretionary grant programs.

Sincerely,



James H. Shelton, III  
Assistant Deputy Secretary  
for Innovation and Improvement

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Cornelia M. Ashby (202) 512-7215, [ashbyc@gao.gov](mailto:ashbyc@gao.gov)

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