Hopes, Fears, & Reality

A BALANCED LOOK AT AMERICAN CHARTER SCHOOLS IN 2006

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The National Charter School Research Project (NCSRP) brings rigor, evidence, and balance to the national charter school debate.

NCSRP seeks to facilitate the fair assessment of the value-added effects of U.S. charter schools and to provide the charter school and broader public education communities with research and information for ongoing improvement.

NCSRP:

- Identifies high-priority research questions.
- Conducts and commissions original research to fill gaps in current knowledge or to illuminate existing debates.
- Helps policymakers and the general public interpret charter school research.

The Project is an initiative of the Center on Reinventing Public Education.

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CHAPTER 2

Life After Charters: School Districts and Charter School Growth

Christine Campbell and Deborah Warnock

When Dayton Mayor Rhine McLin heard the news in spring 2005 that 23 more charter schools wanted to open their doors in her city, she was outraged. Dayton, Ohio, home to just 34 district schools, already had 36 charter schools. “I would say they are trying to experiment with Dayton to see if they can truly dismantle public schools,” McLin told the local paper. “If it works here, the whole system of public education as we know it will not exist. Is that a good thing? No.”

Though only 13 of the 23 proposed schools in Dayton actually opened, more than a few superintendents and school board presidents in districts across the country echo McLin’s fear that a sudden influx of charter schools will put traditional school districts out of business.

In Albany, New York, for example, the head of the local teachers union says that charter schools are “siphoning off nearly 20 percent of our kids and our funding . . . We’re at the saturation point where someone has to say enough is enough.” In Detroit, Michigan, charters and inter-district school choice account for about half of the 9,300 students who left the beleaguered Detroit Public Schools in 2004. The Detroit public school district projects that by 2008 its total enrollment will be somewhere around 100,000 students—down from almost 175,000 students in 1999. Choice and charter schools may be marginal threats to most school districts—but in places like Dayton, Albany, and Detroit the new schools can no longer be ignored.
Such stories mark an important turning point for the charter movement and the districts it affects. Since the inception of the movement 15 years ago, the notion that charter schools might be numerous enough to pose a threat to traditional public schools has been a remote and rhetorical concern among critics. Today, at least in some districts, such threats are no longer so abstract. But as advocates on both sides of the issue consider charters and their effects in places like Dayton, Albany, and Detroit, it is important to keep in mind two areas of context that are easily ignored but greatly inform whether charters threaten districts as some fear: the broader demographic trends in these cities, and how the districts are responding to competition.

**ONE DISTRICT’S DRAIN IS ANOTHER’S PRESSURE VALVE**

Charter schools can serve either as a pressure valve or as a drain for school districts, depending on changes in the student population. If the number of school-aged children is growing and a district is gaining enrollment, the district can afford to lose students to charter schools. In such cases, charter schools may serve as a pressure valve, relieving the district of having to provide new facilities and hire more staff. Charters might even take a disproportionate share of students who are hard to serve, or who need unusually expensive remedial services. By contrast, in localities where the school-aged population is stable or in decline, any competition—even with other districts—could lead to falling enrollments and reduced funding, if the districts’ funding formulas are linked to enrollment.6

Consider, for example, the following urban districts where charter schools have a high percentage of the total number of enrolled students.7

Table 1 shows that the three districts with some of the highest proportions of charter schools are losing enrollment, but it also shows seven districts with high proportions of charters actually gaining enrollment—here, charters are the pressure valve.
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Source: This table was generated by Center on Reinventing Public Education (CRPE) demographer and data analyst Mary Beth Cello and researcher Deborah Warnock on June 7, 2006. The table is comprised from many sources.

Dayton, Detroit, and Washington, D.C., showed overall declines in enrollment between 1990 and 2000, ranging from a loss of 4,000 students in Dayton, to 10,500 in Washington, D.C., to 20,600 in Detroit. According to census data, the number of school-aged children in two of the three cities has increased slightly in the last 10 years, with Washington, D.C., growing by 4,700 children, and Detroit growing by 13,700 children. The growth, however, does not offset the enrollment declines experienced in either of these districts. Dayton, on the other hand, is the only district among the 10 highlighted here that is losing enrollment and facing a decline in the number of school-aged children in the city.
These three districts appear to have been in trouble for a long time. Figure 1 shows that enrollment was in decline before charters arrived.

**FIGURE 1. THREE DISTRICT’S ENROLLMENT TRENDS**

- Detroit
- Washington, D.C.
- Dayton

Washington, D.C., Dayton, and, to a lesser extent, Detroit have all experienced not only significant but steady declines in enrollment over the last 10 to 20 years. The Detroit district went from enrolling 168,956 students in 1990 to 153,034 in 2003, losing 16,000 students, or almost 10 percent of its enrollment. Washington, D.C., went from 79,165 students in 1990 to 65,099 in 2003, a drop of almost 20 percent. And in 1990, Dayton enrolled 33,452 students. By 2003, the Dayton district had only 18,491 children enrolled, a loss of almost half of its students.

The red marks in figure 1 show the year that charter schools became law in each of the states, and illustrate that, in each case, enrollment was falling before charter schools arrived. In all three cases, however, the passage of a charter school law coincided with a faster rate of enrollment decline. In Detroit, traditional public schools were declining at an average of 1,532 children each year during the time period from 1987 to 1994, when
charter schools arrived. After charter schools opened, traditional public schools declined at a faster rate, losing an average of 1,980 children each year during the time period of 1994 to 2003 (approximately 440 more children leaving each year). The same holds true in Washington, D.C., and Dayton. In Washington, D.C., the district was declining by an average of 829 children per year in the eight years before charter schools opened. After charter schools, the district declined by an average of 1,838 per year, or an average loss of more than 1,000 more children a year from 1995 to 2003. In Dayton, the district was losing an average of 427 children per year from 1987 to 1998. After charter schools arrived, the decline was dramatic—1,641 per year, or an additional 1,220 children per year.

Though demographics, local economies, and other education policies may have played part in the increased pace of decline in these cities, charters may have done so as well.

The bottom line is that even among these ten urban districts facing severe competition from charter schools, seven appear to have maintained and increased their enrollment, thanks in part to continued growth in the cities’ school-aged population. In the other three districts that experienced enrollment decline, they have most likely suffered some net funding losses if their funds are tied to enrollment.9

CHARTER EFFECTS DEPEND ON DISTRICT RESPONSES

While charter schools pose a competitive threat in a number of urban charter hot spots, the most powerful income reducer in Detroit, Washington, D.C., and Dayton is persistent enrollment decline over several decades. Declining enrollment is due to a variety of causes, including faltering local economies, demographic shifts, and white flight to suburban schools, as well as the availability of new schooling options, including interdistrict school choice, vouchers, and charter schools. Districts cannot control demographics, but they can control how they respond. The belated response of many districts to these shifts has often left districts with costly excess capacity on their hands.

Losing students to charter schools—or for any other reason—means districts have fewer students to educate and thus lower costs. However, district costs typically do not decline smoothly as students leave. Classrooms where enrollment declines from 20 to 18 students still need teachers paid the same salaries no matter how many students they
teach. Unless districts shed unneeded staff, buildings, busses, and other assets, they will struggle to reduce costs to match enrollment.

A number of studies suggest that districts are slow to respond to charter school competition, if they respond at all.10 Of course, part of this indifference may simply result from the fact that most urban districts are not, in fact, losing significant numbers of students to charter schools. District personnel see few reasons to respond to competition when they feel it has little effect on their enrollment, or when enrollment decline is gradual enough for them to manage teacher employment declines through attrition.11 This is often the case, even when charter schools saturate a district. The tardy response of districts to charter competition is not altogether surprising, given that districts have failed to respond to competition from private schools, neighboring school districts, and other demographic and economic shifts enumerated above.

When researchers do find competitive responses in districts, the responses tend to follow a pattern. Frederick Hess of the American Enterprise Institute provides a good summary:

> The competitive effects . . . tend to be relatively consistent: the opening of new schools organized around a specific philosophy or theme, the addition of programs such as all-day kindergarten, an increase in curricular resources, the introduction of new programs consistent with parent preferences, new concern for publicity, and replacement of the superintendent with a “reformer.”12

All of these responses are generally discrete initiatives designed to address particular parent demands for programs and services (for example, all day kindergarten, or Montessori programs) or to influence parents’ school choices (for example, publicity campaigns). By contrast, hiring a reform-minded superintendent may make large-scale change more likely. Yet on balance, research suggests that districts do not typically respond to choice with deep or radical change.

Making hard choices is something that many districts avoid, not just those with charter schools. Over time, failure to reduce staff, facilities, and transportation services, often considered “fixed costs,” can have disastrous consequences. Seattle, a district without charter schools, has been losing students for decades. In 1965, Seattle enrolled 97,000 students in 121 buildings. Today it enrolls 47,000 in 99 buildings—and it hasn’t closed a school in 19 years.13 Seattle faces a $15 million shortfall in 2006, and a $25 million

**Districts cannot control demographics, but they can control how they respond. The belated response of many districts to these shifts has often left districts with costly excess capacity on their hands.**
shortfall in 2007. Only in 2006 did Seattle begin the painful—and therefore long-deferred—process of closing schools and divesting itself of unneeded assets.

In short, with or without charter schools, districts still need to face the reality that they operate in a highly competitive, volatile environment—and they must learn how to respond effectively.

**CHARTERS AS OPPORTUNITY TO OVERCOME DISTRICT DENIAL: THE CASE OF DAYTON**

A recent study by the Center on Reinventing Public Education (CRPE) suggests that districts might be more sensitive to funding declines caused by charter schools than to those caused by other factors. When there is an official choice program, and public funds are being transferred from the district to other identifiable schools, these districts are sent strong undeniable signals that competition is real. Reform-minded superintendents and civic leaders can use the threat of competition from charter schools as a leverage point for promoting their own reform agendas, or they can respond to competition by revamping their principal workforce.

The CRPE research included a case study of Dayton, the district among the urban hot spots that is facing the most pressure from charter schools, and the only one facing a decline in school-aged children. Taking a closer look at how this district is responding to charter school growth provides some preliminary lessons to other districts on how they might begin to mount a competitive strategy.

On the same spring day in 2005 that Dayton Mayor McLin was expressing outrage over the looming influx of more charters, Superintendent Percy Mack took a different approach, telling reporters, “We are not going to fold. We are going to be the system of choice in this community.” Dayton is finding ways to compete, in part because of enrollment pressure caused by charter schools, and in part due to threats from Ohio’s accountability system, which had labeled Dayton as a district in academic emergency. These pressures have led the district to focus as never before on boosting academic achievement and attracting families back to district schools.

Many of Dayton’s reform efforts are not new to districts, or even to Dayton, and they are not particular to responding to choice. They are, in fact, basic efforts that school
reform advocates believe districts should be doing if they want to improve schools and be effective and attractive to parents and children. What makes them interesting is that they are taking place in the context of intense competition, and that Dayton is using them to try to attract people to the district. District leaders point to one sign that their efforts are starting to pay off—kindergarten enrollment increased by 150 students for the 2005–2006 school year.

Dayton’s recovery effort has just begun, so it would be premature to judge whether the district’s reforms will work. However, early indicators suggest that there are lessons to be learned from this struggling but determined district:

**LESSON #1: Offer Parents Choices**

Dayton Public Schools is trying to help schools compete by offering parents new options within the traditional district school system. Dayton, like other districts facing competition, recognized that it was hard to cope with a variety of new competitors if it only offered families the option of attending their traditional neighborhood schools.

As a result, the district developed a variety of programs to serve as magnets across the district and to improve student achievement within neighborhood schools. In explaining this focus, an official said that the district is emphasizing academics—something the district had not done well for years—“because we knew that going out and marketing without a product to market wouldn’t work.”

**LESSON # 2: Reach Out to Parents**

Like many urban districts, Dayton advertises on television, radio, newspaper, and billboards. Dayton’s advertising budget, however, is surprisingly large—it spent almost $600,000 over the past three years.¹⁰ By contrast, Columbus Public Schools, a district three times the size and budget of Dayton, has no advertising line item in their budget. Dayton is trying to attract students who have already left for schools of choice as well as reach the parents of first-time students.

At the school level, school personnel spoke about how their students’ daily experiences reflected on their school as an organization. As one principal put it, “the child is your best public relations person.” Another principal reinforced that sentiment: “Ultimately, I
think that parents choose schools based on how their children feel about the people that they meet each day when they come to school.”

This focus on fostering mutual respect between the school and home, and on positive personal interactions in the schools is no small transformation for the district, where for years parents were treated poorly and ignored. School leaders in Dayton saw these personal connections as a way to “compete” for their students. In some ways, they were competing on trust, using interpersonal interactions to build stronger relationships between families and schools.  

LESSON #3: *Take Oversight Seriously*

Districts that compete with an abundance of charter schools must take their public oversight duties far more seriously than most districts. This means making hard choices about the viability of individual schools and looking for ways to salvage them—or failing that, close them. In Dayton, leaders talked about a school’s viability in terms of enrollment, leadership, academic performance, and parent satisfaction. District officials realized that paying for excess classrooms and unpopular schools made it harder for the whole district to improve and compete. In the last two years, Dayton has reconstituted four low-performing schools. It has also closed 16 schools since the introduction of charters in 1998. Nonetheless, declining enrollment has still left the district with more buildings than it needs, suggesting that this kind of oversight is not a one-time event, and that more closings and consolidations are necessary.

LESSON #4: *Address Policy Barriers*

Districts have a hard time helping their schools compete because of the ways they traditionally manage finance, transportation, and facilities. Even when district leaders try to help schools compete by providing more options or by closing low-performing or under-enrolled schools, district administrative systems often get in the way.

In particular, finance, transportation, and facilities systems are ill-equipped to deal with the stresses introduced by choice. When the allocation of dollars lags behind students as they move from school to school, for example, schools may find that their budgets do not reflect their actual enrollments. As of 2005, Dayton student enrollment counts
happened only twice a year. If a school gained students in the meantime, their budget remained unchanged even though their expenses may have increased. More frequent counts and the use of weighted student funding that follows students wherever they go are practical solutions to this problem.

Dayton Public Schools transports students throughout the city to district schools of choice or charter schools, which creates daunting transportation costs. The district has gone beyond traditional bussing systems and has tried accessing public transportation, but even the public transit cannot handle the increased ridership at current prices. Dayton may need to think of alternatives, such as contracting out, giving families transportation vouchers, or cutting back service as ways to approach this dilemma.

Dayton, like most districts, continues to own and manage all public school buildings, which leaves the district dealing with the fixed costs associated with schools losing enrollment. Dayton’s CFO called fixed costs the district’s “biggest burden.” Purchase-lease agreements, public-private partnerships, or getting out of the real estate business altogether are ways districts can get creative about their fixed costs. Each of these prospects comes with possible downsides (loss of long-term capacity, potential corruption, windfalls for developers). However, the costs are significant enough to warrant investigating and piloting new options.

Pursuing legislative and other fiscal policy changes to allow dollars to follow students, rethinking how students get to and from school, and exploring more flexible facilities arrangements are an important step to help schools compete.

**CONCLUSION**

Both the national data and the Dayton mini-case study suggest that districts facing charter school proliferation can best compete simply by bringing a renewed sense of urgency to improving district schools in general. In some sense, separating out the pressures created by choice and crafting specific responses to charter school growth may be beside the point. Dayton’s experience highlights that helping schools compete is about the basics: monitoring performance, making connections with parents, providing schooling options that fit different needs, intervening in chronically low-performing schools, and scaling back fixed costs by getting rid of unneeded assets.
Can traditional public school districts survive charter school growth? This is a complex question. What is clear from the evidence presented here is that indeed, some can. In charter hot spots like Mesa, Arizona, and Kansas City, Missouri, districts can continue to grow even as charter school enrollment grows. And in cities where enrollment has plummeted, like Detroit or Washington, D.C., district officials need to ask why people are leaving their schools and work to win families back.

If there is a poster child for those who fear that charter school proliferation will undermine schools districts, Dayton is it. Even in Dayton, however, the conclusion of the charter school story is far from settled. The district can work on addressing excess capacity, lobbying for changes in state finance policy, and rethinking transportation. Dayton also has a good chance of competing with charter schools and winning back students—in 2004-2005, the district schools outperformed charter schools on state tests and on meeting requirements of the federal No Child Left Behind (NCLB) law. In August 2006, the district learned that it had moved out of “academic emergency” status and missed meeting NCLB’s measure of “adequate yearly progress” by .01 percent, a fairly stunning achievement by many accounts.

In the end, charter school growth, when viewed in the broader context of enrollment decline, does more to shine a bright light on the challenges districts already face than to signify a dismantling of public education as we know it. Districts faced with such competition would be wise to confront those problems sooner rather than later.

NOTES
2. Communication with charter school consultant from Wisconsin Department of Public Instruction, May 11, 2006.
6. The nature of funding loss is a function of state and district policies and can vary widely. Districts and schools may be compensated for their losses, face some phase-out period (approximately 3 years), or feel the financial impact immediately.
7. A list of cities with the highest charter school market share was compiled after this paper was written. See Todd Ziebarth, “Top 10 Charter Communities by Market Share,” National Alliance for Public Charter Schools, September 2006.

8. The percent enrolled in charter schools are an approximate measure and were calculated by dividing charter enrollment into a district’s total enrollment as calculated by adding public school enrollment to charter enrollment. Because this total did not include other forms of choice, such as vouchers, and because reported charter school enrollment sometimes overlaps with reported district enrollment, these data are an approximation. The number of students in charter schools data came from state departments of education, individual school districts, and charter associations. The number of students in traditional public schools came from school district webpages. The changes in district enrollment were derived from the National Center for Education Statistics (NCES) Common Core of Data for school years 1989-90 and 1999-2000 (the school year during which the decennial census was conducted). Data on school enrollment is aggregated from school reports. The changes in school aged-population were derived from the U.S. Census Bureau-School District Demographics System (SDDS). Data from SDDS is maintained by NCES but CRPE researchers used U.S. Census data by school district from the SPF 3 files (5% sample) for 1990 and 2000. Because this relies on census data, it limits district growth/decline data to 2000. This means that some districts that may have been growing in enrollment in 2000 are actually declining in 2005, which is true for Milwaukee and Philadelphia. However, to keep the comparisons meaningful, CRPE researchers chose to use the older data. For more details, contact the authors.


17. Campbell et al., “No Longer the Only Game.”
20. See Anthony S. Bryk and Barbara Schneider, Trust in Schools: A Core Resource for Improvement (New York: Russell Sage Foundation, 2002). Bryk and Schneider find that relational trust is an important ingredient in successful schools.