

# The U.S. charter school experience: A cautionary tale

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**Ontario Secondary School Teachers' Federation**  
**Fédération des enseignantes-enseignants**  
**des écoles secondaires de l'Ontario**  
60 Mobile Drive, Toronto, Ontario M4A 2P3

TEL 416.751.8300  
TEL 1.800.267.7867  
FAX 416.751.3394  
[www.ossf.on.ca](http://www.ossf.on.ca)



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## Contents

Ontario Secondary School Teachers' Federation: Defending Public Education .....	5
What are school vouchers? .....	7
Further reading .....	8
What are charter schools? .....	9
Further reading .....	10
Charter failures .....	11
Inflated administrative salaries .....	11
Misleading outcomes .....	11
Sudden closures .....	11
Eyebrow-raising management deals .....	12
Privatization warning signs .....	14
Further reading .....	16
Billionaire backers .....	17
Further reading .....	17
Profiting from charter schools .....	18
Charitable foundations .....	18
Management companies .....	18
Real estate .....	18
Further reading .....	19
Charter schools and discriminatory enrolment .....	20
Further reading .....	20
Charter schools and students with disabilities .....	21
Further reading .....	22
Drain on public schools .....	23
Further reading .....	24
Case studies worth investigating .....	25
Sweden .....	25
Florida .....	25
Ohio .....	26



## Ontario Secondary School Teachers' Federation: Defending Public Education

For 100 years, the members of the Ontario Secondary School Teachers' Federation (OSSTF/FEESO) have helped to build an education system that is among the most highly regarded in the world. Defending and enhancing public education in Ontario, and ensuring that the system continues to meet the diverse needs of the students it serves, has always been a priority for OSSTF/FEESO.

Over the years Ontario has not been immune to schemes that would erode the quality of our education system by diverting public dollars to support private schools. We need only look back over the past two decades to find examples of this:

In 2001 the Progressive Conservative government introduced the Equity in Education Tax Credit for private school tuition fees. The program provided an initial 10% credit toward the cost of private school tuition fees, to a maximum of \$700. That credit would increase over five years to 50%, with an annual maximum of \$7,000 per year. Had the tax credit remained in effect, it would have cost the government \$300 - \$500 million per year upon its full implementation. Despite the publicly-provided funding, private schools were not required to meet provincial education standards. The tax credit was repealed by the Liberal government of Dalton McGuinty immediately after it was elected in October 2003.

During the 2007 provincial election campaign, the Progressive Conservatives led by John Tory proposed equal public funding for all religious private schools, and made that proposal a prominent feature of their platform. It was clear, though, that a majority of Ontarians, including many PC members, did not support a policy that would divide them by religion or any other demographic, and the Liberals were re-elected with a majority.

While these ideas have so far not taken hold in Ontario, we have witnessed rampant privatization of education in the United States, where hundreds of millions of dollars in public funding are routinely diverted to private schools and other for-profit companies. Those private entities have, over the years, become prominent players in many state education systems. This widespread move toward privatization has not yielded improvements in education outcomes. In fact, in many cases, outcomes have declined where private interests are involved.

In Ontario, public accountability and public governance ensure that the education system serves the public interest. Outcomes continue to improve and graduation rates continue to increase. In contrast to private schools, Ontario's first-rate public education system exists for everyone; all children are welcome.

OSSTF/FEESO is concerned, however, that private interests hoping to commodify and profit from education in Ontario may have significant support within the current government. We know that charter schools and school vouchers are zombie ideas. They have been repeatedly shown to drain resources with little public benefit, yet advocates continue to push for them. The enclosed primers provide an overview of charter and voucher histories and why they remain wrong for Ontario.

Our publicly-funded education system is among Ontario's most important and most valuable assets. It lays solid foundations for each new generation and provides the province's youth with the skills and knowledge they need to realize their full potential. If, however, we go down a path that allows public financial support for education to be siphoned off by private interests, the quality of education in Ontario will be compromised, possibly beyond repair. Any such move would have dire consequences for the future of our province.



## What are school vouchers?

School voucher programs are a relatively straight-forward mechanism for shifting public dollars to private institutions. Sometimes called ‘scholarship programs,’ vouchers provide government dollars to students to offset the cost of tuition at a private school. Most often, private schools simply raise their tuition costs to absorb the public dollars without making the school any more accessible.

Because traditional voucher systems are very clearly transfers of public dollars to private institutions, they tend to be very unpopular. They are seen as promoting private divisions and separateness in contrast to public education’s unifying influence. To get around this problem, privatizers have innovated how vouchers are presented, but they are really all the same. Currently, voucher programs generally take one of three forms: Vouchers, Tuition Tax Credits, and Education Savings Accounts.

- **Vouchers:** The most direct and traditional form. Governments provide funding directly to private schools on students’ behalf.
- **Tuition Tax Credits:** Associated with scholarship voucher programs. Individuals and corporations receive a tax credit for donating to a “scholarship organization.” The scholarship organization then provides funding to private schools on students’ behalf. The net effect is the same as traditional vouchers because forgone taxes are funneled into private schools.
- **Education Savings Accounts:** ESA programs are comparable to traditional voucher programs, except instead of providing funds directly to a school, the government deposits the funds into an account. Parents are able to draw on this account for educational purposes.

In the United States, as of 2017, there were 25 voucher programs operating in 14 states plus the District of Columbia. According to the *Education Commission of the States*, vouchers are offered in the following programs:

- **“Students with a disability:** Eleven programs in nine states. Generally, these programs require eligible students to have an identified disability and an Individualized Education Program (IEP).
- **Income eligible households:** Four states plus the District of Columbia. States typically require eligible students to have a household income within a certain percentage of the federal poverty guidelines.
- **Geography:** Four programs in three states. Students residing within certain cities are eligible for these programs. Three of the four programs also require students to have an Individual Education Program (IEP) or meet income eligibility requirements.
- **Low-performing schools:** One state. Students’ resident school or district must be below certain performance thresholds before they are eligible for the voucher program.
- **Combination:** Two states. In these programs, states require eligible students meet two or more of the following eligibility requirements: IEP, income-eligible household or assigned to a low-performing school.
- **Town tuitioning:** Two states. School districts without a public school provide students residing in the district with funds to either attend a private school or a public school in another district.”

**A recent audit of Arizona’s voucher program, “Empowerment Scholarships” found that parents spent \$700,000 of education savings account funds on banned items and services including cosmetics and clothing.**

**In the mid-term elections, 65% of Arizona voters rejected a law expanding the Empowerment Scholarships program.**

### Further reading

The Education Commission of the States. *50-State Comparison: Vouchers*. [www.ecs.org/50-state-comparison-vouchers](http://www.ecs.org/50-state-comparison-vouchers)

Education Week. "Cosmetics and Clothes: Parents Misspent \$700,000 in Arizona's School Choice Program." November 29, 2018. [www.edweek.org/ew/articles/2018/11/19/cosmetics-and-clothes-parents-misspent-700000-in.html](http://www.edweek.org/ew/articles/2018/11/19/cosmetics-and-clothes-parents-misspent-700000-in.html)

National Coalition for Public Education. *Types of Vouchers*. [static1.squarespace.com/static/582f7c15f7e0ab3a3c7fb141/t/58b5b63f6a49632f046d46c2/1488303681001/Types+of+Vouchers.pdf](http://static1.squarespace.com/static/582f7c15f7e0ab3a3c7fb141/t/58b5b63f6a49632f046d46c2/1488303681001/Types+of+Vouchers.pdf)

National Coalition for Public Education. *Voucher Facts*. [www.ncpecoalition.org/facts](http://www.ncpecoalition.org/facts)



## What are charter schools?

Fundamentally, charter schools are intended to enact a sort of bargain. Governments allow charters to operate using public dollars but without the rules, regulations and (often) collective bargaining constraints placed on traditional public schools (TPS). In return, charters agree to be held accountable to the province or district and to the market choices of parents. In theory, successful charters are 'scaled up' and reforms that enhance student learning are adopted by public schools. Ostensibly, charter schools inject innovation into the education system by creating an environment that is flexible and responsive. Put another way, charter legislation does not prescribe specific education reforms, it creates the conditions needed for independent entities to develop and implement reforms. For myriad reasons, charter schools have rarely delivered on their initial promise.

The charter equation is made up of two parts: the charter operator and the charter authorizer. Charter operators may be independent schools or parts of larger networks. In the United States, charter authorizers are usually either a local district or a state-designated authorizer. Although the structure and content of charter contracts vary by jurisdiction, their fundamental purpose is to detail the school's mission, program, target population, goals, pedagogy, methods of assessment and ways to measure success.

Charter school promises:

- Freedom from bureaucratic rules and union contracts allows educators to experiment in the hope that innovation will improve academic achievement;
- The lessons from the charter movement's successes will be used to improve public education overall;
- Avoiding government regulations and interference also promotes efficiency by allowing charters to reduce costs;
- Accountability flows directly to the students by allowing them to join and leave charter schools;
- Competition for students encourages both charter and public schools to improve their practices;
- Charter schools are better positioned to leverage private resources through philanthropic gifts.

Charter school realities:

- Greater inequality; admission costs, transportation costs and limited information all prevent disadvantaged students from making 'choices' in the education market; charter schools in the U.S. have increased segregation by race and income;
- Fewer resources; charter schools tend to not receive money for start-up costs, which results in poor facilities and shortage of classroom resources;
- Lack of standards; the downside of freedom from government regulation: lack of teacher certification and unionization;
- Duplication of personnel, especially Superintendent/CEO; building principles, psychologists, cafeteria manager, etc. Studies have found charters spend more on central administrative functions than traditional district schools;
- Hidden costs that are transferred to parents and teachers, via not paying for transportation, requiring volunteer work from parents, and paying teachers low salaries;
- Excess capacity. Charters have enrolment targets at which point they operate most efficiently, but they also like to leave room for growth. Public school needs to maintain capacity in case students return or charter closes mid-year.

Currently, Alberta is the only Canadian jurisdiction to allow charter schools. Even there, the charter school sector is kept relatively small, with a 13-school cap.

Currently the U.S. has approximately 7,000 charter schools, enrolling an estimated 3.2 million students and employing 219,000 teachers.

### Further reading

Bruce Baker and Gary Miron. *The Business of Charter Schooling: Understanding the policies that charter operators use for financial benefit*. National Education Policy Center, 2015. [www.nepc.colorado.edu/publication/charter-revenue](http://www.nepc.colorado.edu/publication/charter-revenue)

Colorado League of Charter Schools. *About Charter Schools*. [coloradoleague.org/page/aboutcharterschool](http://coloradoleague.org/page/aboutcharterschool)

National Center for the Study of Privatization in Education. *Charter Schools*. [ncspe.tc.columbia.edu/faqs/Charter-Schools-FAQ.pdf](http://ncspe.tc.columbia.edu/faqs/Charter-Schools-FAQ.pdf)

National Alliance for Public Charter Schools. *Charter School Facts*. [data.publiccharters.org](http://data.publiccharters.org)

National Alliance for Public Charter Schools. *Estimated Charter Public School Enrollment, 2016–2017*. [www.publiccharters.org/sites/default/files/migrated/wp-content/uploads/2017/01/EER\\_Report\\_V5.pdf](http://www.publiccharters.org/sites/default/files/migrated/wp-content/uploads/2017/01/EER_Report_V5.pdf)

Ravitch, Diane. *Reign of Error: The Hoax of the Privatization Movement and the Danger to America's Public Schools*. New York: Alfred A. Knopf, 2013.

## Charter failures

Privatization advocates like to point to a few successful charters, and there are certainly some good examples. However, beyond the negative fiscal impact charters have on the public system, beyond the flow of public dollars out of classrooms and into private pockets, and beyond the inequities charter schools generate, some are simply outright failures. In some cases this is due to bad management, sometimes it is due to corruption, but often it is the predictable result of an education sector that lacks transparency and accountability. Below are just a few examples representing widespread problems.

### Inflated administrative salaries

Charter schools have notoriously high administrative costs. Michelle King, the former superintendent of the Los Angeles Unified School District (LAUSD) made \$350,000 per year to oversee second largest school district in the U.S. (639,000 students in 2016, including the charter schools the District oversees). This works out to a Superintendent cost of \$0.54 per student. Compare that to Citizens of the World charter school in LAUSD. The Executive Director their earned \$221,238 to oversee 981 students. That works out to \$226 per student.

[www.schooldata nerd.com/2016/11/30/how-much-do-charter-school-executives-make](http://www.schooldata nerd.com/2016/11/30/how-much-do-charter-school-executives-make)

### Misleading outcomes

Charter schools often claim outstanding and too-good-to-be-true results. For example, Freedom Preparatory Academy boasts a 100% acceptance rate into university and four-year college programs for its graduates. What it doesn't boast is that enrolment into post-secondary is a condition of graduation: it's right in the handbook. Students who are unable to get into college or university or who choose either to not apply or not enroll are denied graduation and sent back to the public system.

[www.deutsch29.wordpress.com/2018/12/12/the-gimmick-behind-a-walton-featured-100-percent-college-acceptance-charter-school](http://www.deutsch29.wordpress.com/2018/12/12/the-gimmick-behind-a-walton-featured-100-percent-college-acceptance-charter-school)

Success Academy, one of the largest charter chains in the U.S. and frequently held up as an example of charter schools with high test scores, recently graduated its first cohort. Unfortunately, the 16 graduates represent only a portion of the 72 students in the initial cohort. A whopping 78% of the initial cohort either left the school or were left back. By keeping only the strongest students and sending the other 78% back to the public system, Success Academy easily beats public schools on standardized testing.

[www.garyrubinstein.wordpress.com/2018/07/05/success-academy-left-back-at-least-1-6-of-their-first-cohort](http://www.garyrubinstein.wordpress.com/2018/07/05/success-academy-left-back-at-least-1-6-of-their-first-cohort)

### Sudden closures

#### Cypress Academy, New Orleans

Three days before the 2018 summer break, Cypress Academy announced that the school would close and that students would be transferred to Lafayette Academy Extension (a Choice Foundation charter school) or could enter the citywide enrolment lottery (but in the second round, so best spots would have been taken). The school had only been founded in 2016 with emphasis on serving students with special needs.

[www.thelensnola.org/2018/05/21/parents-given-three-days-notice-that-cypress-academy-will-shut-down-at-the-end-of-the-school-year](http://www.thelensnola.org/2018/05/21/parents-given-three-days-notice-that-cypress-academy-will-shut-down-at-the-end-of-the-school-year)

### **Crescent Leadership Academy, New Orleans**

Crescent Leadership Academy accepted students who've been expelled from other city schools. At the end of October 2018 the school's 66 students were told the school would close immediately. School administrators blamed the closure on having fallen short of enrolment goals, problems with a new payment system, and strained relationship with the school district.

It is always difficult for students to change schools, particularly mid-year, but this was particularly daunting for the 40% of Crescent Leadership students who had previously been expelled from other schools. The sudden closure left predominantly charter-school New Orleans education system without an alternative school for elementary and middle school students.

[www.documentcloud.org/documents/5000749-CLA-Meeting-Minutes-9-20-18.html#document/p2/a460155](http://www.documentcloud.org/documents/5000749-CLA-Meeting-Minutes-9-20-18.html#document/p2/a460155)

[www.documentcloud.org/documents/5000749-CLA-Meeting-Minutes-9-20-18.html#document/p3/a460159](http://www.documentcloud.org/documents/5000749-CLA-Meeting-Minutes-9-20-18.html#document/p3/a460159)

[www.thelensnola.org/2018/10/11/alternative-charter-school-is-closing-mid-year](http://www.thelensnola.org/2018/10/11/alternative-charter-school-is-closing-mid-year)

### **Beta Preparatory Academy, Orlando**

Beta Prep changed locations three times during the two years it was open; one of those moves was forced by an eviction for non-payment of rent. A former teacher at Beta Prep successfully sued the school to recover unpaid wages. Worse, months after closing Beta Prep, Florida's pro-charter administrators allowed Beta Prep's director to open a new school called Deland Preparatory Academy.

[www.orlandosentinel.com/features/education/school-zone/os-orlando-beta-prep-problems-20180928-story.html](http://www.orlandosentinel.com/features/education/school-zone/os-orlando-beta-prep-problems-20180928-story.html)

[www.digitaledition.orlandosentinel.com/infinity/article\\_share.aspx?guid=d5720054-bdfb-4cef-9cab-9adf35c2cf8f](http://www.digitaledition.orlandosentinel.com/infinity/article_share.aspx?guid=d5720054-bdfb-4cef-9cab-9adf35c2cf8f)

### **Eyebrow-raising management deals**

#### **American Preparatory Academy, Utah**

For the 2018–2019 school year, American Preparatory Academy (a nonprofit charter school) will pay \$5,805,200 to American Preparatory Schools Inc. (a for-profit company) for management services. Carolyn Sharette is the Executive Director of the nonprofit charter school AND the for-profit management company.

[www.kutv.com/news/local/secretcy-surrounds-the-operations-of-american-prep-a-charter-school-funded-with-millions](http://www.kutv.com/news/local/secretcy-surrounds-the-operations-of-american-prep-a-charter-school-funded-with-millions)

#### *Eddie Farnsworth and the Benjamin Franklin Charter School Chain*

Eddie Farnsworth is the founder of the Benjamin Franklin charter school chain. He is also a charter school millionaire. Benjamin Franklin schools recently converted to a nonprofit structure and will purchase the Benjamin Franklin brand from Farnsworth. The Deal is worth \$56.9 million, of which Farnsworth will receive \$13.9 million—all public dollars. In addition, Farnsworth will collect \$79,600 per year in rent on the building that serves as Benjamin Franklin's headquarters and be retained as a paid consultant. The Benjamin Franklin chain receives \$20 million annually from the state to educate 3,000 students. The icing on the cake is that Farnsworth

was a member of the Arizona House of Representatives and helped write the charter school laws from which he is now benefiting. In November 2018 he was elected to the Arizona State Senate.

[www.azcentral.com/story/news/local/arizona-education/2018/11/28/farnsworth-net-13-9-million-benjamin-franklin-charter-school-sale/2126183002/](http://www.azcentral.com/story/news/local/arizona-education/2018/11/28/farnsworth-net-13-9-million-benjamin-franklin-charter-school-sale/2126183002/)

[www.azcentral.com/story/opinion/op-ed/laurieroberts/2018/09/11/rep-eddie-farnsworth-millionaire-charter-school-no-bid-contract/1257925002/](http://www.azcentral.com/story/opinion/op-ed/laurieroberts/2018/09/11/rep-eddie-farnsworth-millionaire-charter-school-no-bid-contract/1257925002/)

## Privatization warning signs

Advocates for privatizing public education systems and turning them into profit-making opportunities face a major challenge: public schools are the cornerstone of our communities. Public education is ‘the great equalizer’ and most people instinctively appreciate public education’s role in creating vibrant, prosperous and diverse societies.

To get past this challenge, privatizers have a tried-and-true strategy. Wherever privatizers use the strategy their core goal is the same: undermine public education to open the door for profit.

### Step 1: Set the stage and find someone to blame

The first step in the road to privatizing education is to exaggerate the problems facing the system while finding someone to blame for those problems.

We can acknowledge that Ontario’s public system faces challenges—mostly because of two decades of underfunding—but we are still an internationally-respected system, with exceptional graduation rates, high post-secondary participation and top-tier scores in international comparisons.

So when the current Progressive Conservative government uses hand-picked reports including the *Managing Transformation* report by Ernst & Young and the *Report of the Independent Financial Commission of Inquiry* to inflate the deficit and create fiscal panic, they might be setting the stage.

When the government creates anti-teacher snitch lines and proposes pedagogically irrelevant and unhelpful math tests for teachers, it looks like they’ve found someone to blame.

### Step 2: Undermine support

Once the stage has been set—there’s an inflated sense of panic and a target to attack—the real work of undermining support for the public system begins. Here again there are a few tried-and-true methods for creating uncertainty and distrust.

- Create unrealistic accountability systems. For example, George W. Bush’s *No Child Left Behind* strategy demanded 100% of students be proficient at international levels. This is an impossible target and—notably—a target that U.S. private and charter schools aren’t expected to meet.
- Create ‘winners’ and ‘losers’; vilify schools and education workers that don’t meet the unrealistic standards.
- Create a public campaign targeting public schools.
- Create a narrative. Tell parents their rights aren’t respected in schools. Tell parents their children are trapped in a *government* system. Blame educators, unions, past governments and anyone else who supports comprehensive public education for holding kids captive.

### Step 3: Create alternatives to the system

At this step, we start hearing about the magic bullet that will ‘rescue’ the public system: privatization. Privatizers talk about choice and equity and hand-pick a few successful cases. They offer an alternative.

What they promise:

- Charter schools and school vouchers support and complements the public system
- School choice creates innovation and improves outcomes

The record:

- Charter schools actively drain resources from the public system while creating pointless duplication and unnecessary administration
- Charter schools succeed by selecting students with the fewest special education requirements and by creating barriers to low-income students
- Even non-profit charters turn into profit-making machines and they do this by taking money out of the classroom
- Charter schools can only survive if they're not held to the same standards as the public system
- At their best, charter schools only do about as well as public schools in terms of testing, post-secondary enrolment and other education outcomes

#### **Step 4: Adjust the message based on reality**

Education privatizers have had a huge head start in the United States and this is the step they're on today. After nearly two decades, American charter schools have a clear track record and it isn't good. Not surprisingly, charter school advocates are now calling for even less accountability than they already have. Chalkbeat recently reported that some pro-privatization groups are even starting to call for an end to the standardized testing that was used to undermine faith in the public system and justify charter schools in the first place!

Privatization is never about improving public service or public education; it's always about making a profit. So when profits fail to improve learning, privatizers simply flip the script and start again.

#### **Step 5: Have a legal strategy**

Most voters actually like the public education system. In the US, nearly every effort to introduce 'choice' through school vouchers has been defeated. Voters keep defeating campaigns to raise or eliminate caps on charter schools.

When campaigns to undermine public support don't go far enough, well-funded privatization advocates take their battle to the courts. Sometimes they go after access to public dollars for private institutions directly. Other times, they target public educations' biggest defenders: public education unions.

#### **Step 6: New forms of privatization**

The charter school movement—in the United States at least—appears to have run its course. Although U.S. privatizers continue to push for charter school expansion, they experienced major defeats in the recent U.S. mid-term elections. This is likely because charter schools promised the impossible and predictably failed to deliver.

But that doesn't mean they're giving up. Companies such as Pearson, K-12 Inc. and others see new opportunities for profit through 'personalized learning,' artificial intelligence, on-demand learning and other forms of corporate intrusion into the classroom. The specifics vary, but the effect is always the same: putting profits ahead of students.

### Further reading

[www.chalkbeat.org/posts/ny/2018/11/05/new-york-policymakers-express-doubts-about-charter-sector-and-approve-another-expansion](http://www.chalkbeat.org/posts/ny/2018/11/05/new-york-policymakers-express-doubts-about-charter-sector-and-approve-another-expansion)

[www.chalkbeat.org/posts/us/2018/11/13/education-reformers-shift-their-rhetoric-turning-on-testing](http://www.chalkbeat.org/posts/us/2018/11/13/education-reformers-shift-their-rhetoric-turning-on-testing)

[www.nytimes.com/2018/11/09/nyregion/nyc-charter-schools.html](http://www.nytimes.com/2018/11/09/nyregion/nyc-charter-schools.html)

[www.theintercept.com/2018/11/01/california-superintendent-of-public-instruction-charter-schools](http://www.theintercept.com/2018/11/01/california-superintendent-of-public-instruction-charter-schools)

[www.washingtonpost.com/education/2018/11/17/public-school-advocate-beats-charter-supporter-california-schools-chief/?utm\\_term=.28c309198ae4](http://www.washingtonpost.com/education/2018/11/17/public-school-advocate-beats-charter-supporter-california-schools-chief/?utm_term=.28c309198ae4)



## Billionaire backers

Charter and voucher advocates can be grouped into three categories:

- Those who sincerely—but mistakenly—believe that private education options foster innovation and improved outcomes;
- Those who advocate for privatization because they want to make a profit; and
- Those who ideologically believe that the market is the answer to all problems—even in education.

In the US, a key group of charter advocates has been disproportionately influential: billionaires. Most prominent among these are the Walton family (owners of Walmart), the Kochs brothers, Education Secretary Betsy DeVos and her family and Bill Gates and his foundation.

Arguably the most active billionaire backers of the charter movement are the Walton family. In 2016, Massachusetts voters weighed in on a proposal to expand the state's cap on charter schools. Voters defeated the ballot measure 62% to 38%, despite billionaire interference. In fact, just two donors gave 79% of total donations to the pro-charter campaign: Alice Walton (\$703,770) and Jim Walton (\$1,125,000).

The Waltons even fund a department of education reform at Arkansas University to give pro-charter publications the boost of university-affiliation.

However, other billionaires are more than willing to spend money to create the conditions needed for education profits. In the 2018 mid-terms, over \$50 million was poured into the race for California Superintendent of Public Instruction. According to *The Intercept*, “Three individuals alone—real estate developer Bill Bloomfield, Gap co-founder Doris Fisher, and venture capitalist Arthur Rock—have given a combined \$11 million” to pro-charter candidate Marshall Tuck. Netflix CEO Reed Hastings contributed \$9 million to EdVoice, which also backed Tuck. Despite billionaire backing, charter skeptic Tony Thurmond came out victorious.

### Further reading

Deutsch29. Arkansas Residents Jim and Alice Walton Pony Up \$1,835,000 to Raise Charter Cap in Massachusetts. <https://deutsch29.wordpress.com/2016/09/10/arkansas-residents-jim-and-alice-walton-pony-up-1835000-to-raise-charter-cap-in-massachusetts>

Joel Warner. “Reed Hastings: Netflix CEO Goes Nuclear on Public Schools.” *Capital and Main*. November 1, 2018. [www.capitalandmain.com/reed-hastings-the-disrupter-1101](http://www.capitalandmain.com/reed-hastings-the-disrupter-1101)

Nonprofit Quarterly. *Billionaires Focus Their Philanthropy on Education, But will Children Benefit?* December 11, 2018. [www.nonprofitquarterly.org/2018/12/11/billionaires-focus-their-philanthropy-on-education-but-will-children-benefit](http://www.nonprofitquarterly.org/2018/12/11/billionaires-focus-their-philanthropy-on-education-but-will-children-benefit)

Rachel M. Cohen. “How the charter schools wars turned an obscure race into California's second most expensive election.” *The Intercept*. November 1, 2018. [www.theintercept.com/2018/11/01/california-superintendent-of-public-instruction-charter-schools](http://www.theintercept.com/2018/11/01/california-superintendent-of-public-instruction-charter-schools)

## Profiting from charter schools

Charter schools exist as non-profit and for-profit entities. However, even non-profit charters can end up funneling public dollars into private pockets. There are three primary mechanisms for doing so: charitable foundations, management companies and real estate deals.

### Charitable foundations

Non-profit operators sometimes establish charitable foundations as technically separate entities. These foundations are able to fundraise (and as detailed below, own property) on behalf of charters. Foundations with charitable status are able to offer donors tax credits. They then pass donations on to non-profit charters, who enter into lucrative management and real-estate relationships with for-profit entities. Forgone tax revenue turn into private profits via charter schools.

### Management companies

Charter operators may deliver all or only a portion of education services directly, but in many cases they contract with private for-profit entities to manage all or some of day-to-day operations. In some cases, the charter holder provides a lump sum payment to a service provider, who then subcontracts for all services (including teaching, support staff, transportation, food, maintenance). It is important to note that in such cases only the initial lump-sum payment would ever be open to public scrutiny, preventing examination of the terms of subcontracted services.

### Real estate

A more complicated profit-generating system is embedded in charter schools' relationship to real estate and facilities. Unlike the public system, charter schools do not have an independent authority to levy taxes. Further, U.S. state laws generally prohibit charters from saving year-over-year and from committing expenses beyond either the current year or the length of their charter contract (usually five years). These restrictions mean charters can't save up to purchase facilities outright and they can't access savings through long-term leases.

To get around this problem, charters sometimes affiliate with private non-profit or for-profit entities. Charitable foundations, real estate investment trusts (REITs) and other entities are able to carry long-term debt and are able to access bond markets. These entities purchase facilities that charters then lease. When the property is owned by a REIT, these payments need to cover the value of the property as well as a return to investors. In both cases, payment is guaranteed by the charter's access to state funding. Given that charter schools sometimes

**To pay for leases and management fees, money has to come from somewhere. The bulk of savings come from reductions in classroom expenses (esp. teachers' salaries and benefits as described above, materials, supplies, equipment). Some charters also make enrolment conditional on parental volunteer activities. That is, to reduce labour costs, charters require parents to volunteer to do tasks that would be paid work in the public system. Some schools impose fines for disciplinary infractions and charge steep fees for participating in school activities. Charter schools are also notorious for their manipulation of special education supports.**

**"In 2016, the U.S. Office of the Inspector General delineated the similarities between charter financing and the subprime loan crisis that wreaked havoc with the housing industry. Real estate loans have minimal annual payments with large balloon payments when the loan becomes due." Sue Legg.**

fail, this is a riskier investment than public schools, which are financed through local tax levies. Therefore, the interest rates are much higher, which means even if a charter is paying lease to a non-profit or charitable foundation, public dollars are still turned into private profit in the form of higher-cost debt payments.

### Further reading

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Peter Greene. "How to Profit from Your Nonprofit Charter School." *Forbes*, August 13, 2018. [www.forbes.com/sites/petergreene/2018/08/13/how-to-profit-from-your-non-profit-charter-school/#313538073354](http://www.forbes.com/sites/petergreene/2018/08/13/how-to-profit-from-your-non-profit-charter-school/#313538073354)

## Charter schools and discriminatory enrolment

Some U.S. states allow charter schools to be officially selective—they only accept students that meet criteria related to academic success, special education needs, and income. However, most charter advocates claim charters are as open and equitable as public schools. These claims are often misleading.

In 2015, Equip for Equality found that charter schools enrolment forms often asked illegal and improper questions related to:

- Disability status, special education or other related services;
- English language-learner services;
- Social Security Number;
- Language or country of origin;
- Grades, test scores, references; and
- Income or public benefits status.

More recently, the American Civil Liberties Union in Arizona found similar practices. Again, charter schools were asking questions on enrolment forms (and sometimes on the lottery forms that precede enrolment) that were improper, illegal, or both. These questions related to academic requirements, special education and disability requirements, behavioural requirements, English language proficiency, requesting social security numbers and/or birth certificates. Some charters also requested, pre-enrolment essays, parental commitments, fees and deposits.

It's no wonder then that charter schools are contributing to segregation, with some critics arguing that charter schools have left U.S. education more segregated now than before the U.S. Supreme Court mandated racial desegregation of schools in their *Brown vs. The Board of Education* decision.

### Further reading

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Ivan Moreno. "US charter schools put growing numbers in racial isolation." *Associated Press*, December 3, 2017. [www.apnews.com/e9c25534dfd44851a5e56bd57454b4f5](http://www.apnews.com/e9c25534dfd44851a5e56bd57454b4f5)

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## Charter schools and students with disabilities

Beyond barrier-creating enrolment questionnaires, discriminatory enrolment practices can be uncovered by looking at charter school demographics. The following table, from a report by Bruce Baker and Gary Miron demonstrates how charters select for the students who require the lowest-cost special education supports. The bottom two rows are key to this analysis. At North Star Academy 9% of students required special education supports. This compares to 14% in the public system. However, 83% of students with disabilities at North Star have Specific Learning Disabilities (SLD) or Speech Language Impairment (SPL) compared to only 53% in the public system. North Star did not have a single student with multiple disabilities or traumatic brain injury.

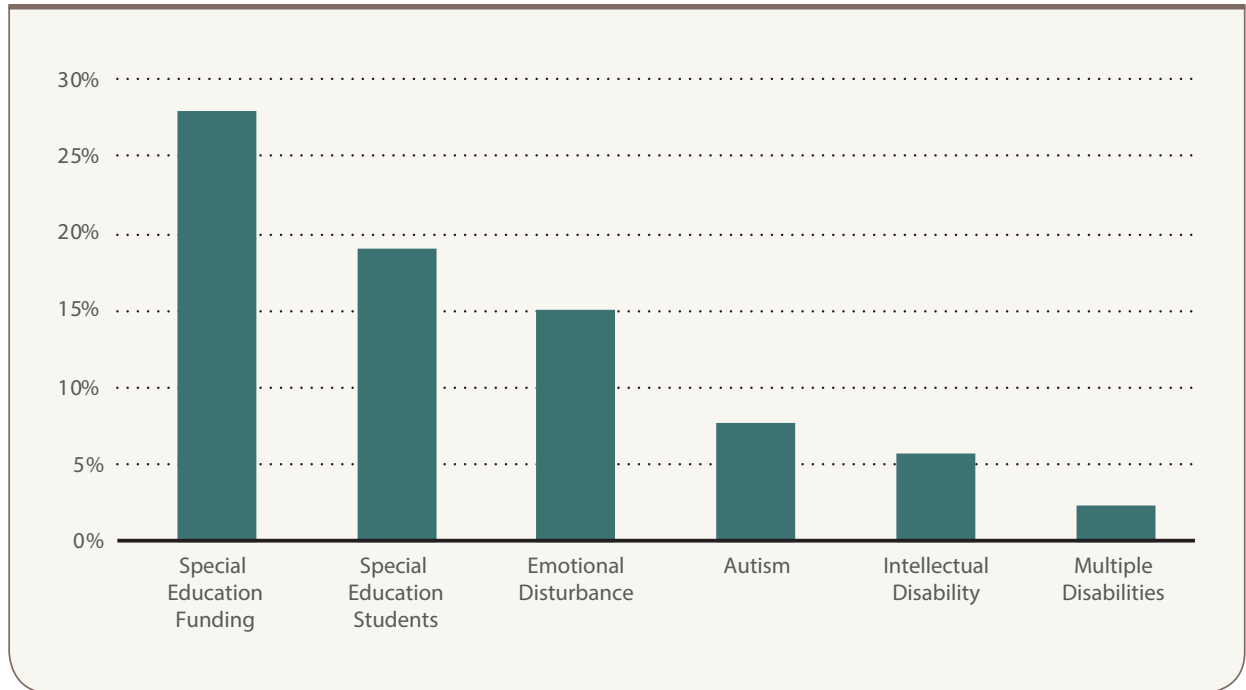
**“There’s a level of institutional hypocrisy here which is actually unhealthy,”** said Hess, who is a strong advocate of charter schools. **“It’s a strange double game. Charter advocates say, ‘No, no, no, we don’t believe in (selective admissions),’ but when you see a successful charter school, it’s filled with families who are a good fit and who want to be there, and that’s not possible when you have a random assortment of kids.”** *Frederick Hess, American Enterprise Institute*

**Table 2. Special Education Enrollments by Disability Type in Newark, NJ**

		NPS	North Star (Uncommon) Academy	Robert Treat	TEAM (KIPP) Academy
<b>Total Enrollment</b>		36,427	2,222	571	1,786
<b>AUT</b>	Autism	344	0	0	0
<b>DB</b>	Deaf Blindness	0	0	0	0
<b>EMN</b>	Emotional Disturbance	271	0	0	8
<b>HI</b>	Hearing Impairment	39	0	0	0
<b>MD</b>	Multiple Disabilities	553	0	0	0
<b>ID</b>	Intellectual Disability	221	6	0	0
<b>OHI</b>	Other Health Impairment	1,017	26	0	47
<b>OI</b>	Orthopedic Impairments	0	0	0	0
<b>SLD</b>	Specific Learning Disability	2,064	104	0	147
<b>SPL</b>	Speech or Language Impairment	696	53	20	32
<b>TBI</b>	Traumatic Brain Injury	12	0	0	0
<b>VI</b>	Visual Impairment	0	0	0	0
Total % Disability		14%	9%	4%	13%
% Disability that are SLD/Speech		53%	83%	100%	76%
Special Education Data <a href="http://www.nj.gov/education/specialed/data/2013.htm">http://www.nj.gov/education/specialed/data/2013.htm</a>					
Enrollment Data <a href="http://www.nj.gov/education/data/enr/enr13/">http://www.nj.gov/education/data/enr/enr13/</a>					

Gordon Lafer illustrates a similar trend in Oakland, California. As Lafer’s figure below shows, Oakland charter schools receive 28% of special education funding, but enroll less than 28% of students with special education needs and only a small percentage of the district’s students with multiple disabilities

**Figure 1**  
Oakland  
Charter  
Schools  
Share of  
Special  
Education  
Funding &  
Students



### Further reading

Bruce Baker and Gary Miron. *The Business of Charter Schooling: Understanding the policies that charter operators use for financial benefit*. National Education Policy Center, 2015. [www.nepc.colorado.edu/publication/charter-revenue](http://www.nepc.colorado.edu/publication/charter-revenue)

Gordon Lafer. *Breaking Point: The Cost of Charter Schools for Public School Districts*. In the Public Interest, 2018. [www.inthepublicinterest.org/wp-content/uploads/ITPI\\_Breaking\\_Point\\_May2018FINAL.pdf](http://www.inthepublicinterest.org/wp-content/uploads/ITPI_Breaking_Point_May2018FINAL.pdf)

## Drain on public schools

Funding models vary considerably, but core funding source comes from per-pupil government funding. Charters receive a portion of what public districts receive to offset administration and other costs, although the offset is rarely, if ever enough. In some cases, districts are only able to reduce costs to compensate for 50% of the lost per-pupil funding.

- Charter school transfers are scattered. Because students transfer out of multiple grads and schools and there are rarely opportunities to reduce staff to compensate.
- Myriad fixed costs cannot be reduced. These including school building maintenance, transportation, developing and auditing budgets, certifying compliance with state and federal regulations, utilities and debt payments.
- District schools are legally mandated with serving all children in the community. If a charter school is full and a new student applies, the student is turned away; the district does not have that option. Public schools must also maintain capacity in case there is a sudden influx of unexpected schools. This often happens when charters close. 44 charters closed in California in 2017–2018 alone.
- If a district closes a school due to low enrolment, a charter school will often open in the same location, exacerbating the district's enrolment and fiscal situation. This creates incentive for districts to keep open underenrolled schools to avoid bleeding additional funding to new charter schools. In California (for example), charter authorizers are prohibited from considering the fiscal impact on the public district when evaluating new charter applications.

Gordon Lafer examined three California school districts (the state with the largest charter school sector, with 1,300 charter schools enrolling 620,000 students). He calculated the fiscal impact on the public school as the difference between the per-pupil revenue lost to charter schools and the savings accrued by not having to provide service to those students. In 2016–2017, charter schools created net fiscal shortfalls of:

- **\$47.3 million** in Oakland Unified School District;
- **\$65.9 million** San Diego School District
- **\$19.3 million** in Santa Clara County's East Side Union High School District

To account for differences in the sizes of the district, Lafer calculated the per-student impact of these losses.

	Fiscal loss incurred for each student transferring from the public system to a charter school	Per-student impact on students remaining in the public system
San Diego Unified School District	\$4,913	\$620
Oakland Unified School District	\$5,705	\$1,559
East Side Union School District	\$6,618	\$831

Although there has not been a comprehensive national estimation of the fiscal impact of charter schools in the U.S., Lafer identifies a number of district and state-level analyses. These studies found a fiscal impact range of \$3,100–\$6,700.

### Further reading

Gordon Lafer. *Breaking Point: The Cost of Charter Schools for Public School Districts*. In the Public Interest, 2018. [www.inthepublicinterest.org/wp-content/uploads/ITPI\\_Breaking\\_Point\\_May2018FINAL.pdf](http://www.inthepublicinterest.org/wp-content/uploads/ITPI_Breaking_Point_May2018FINAL.pdf)

David Lapp, Joshua Lin, Erik Dolson and Della Moran. *The Fiscal Impact of Charter School Expansion: Calculations in Six Pennsylvania School Districts*. *Research for Action*, 2017. [8rri53pm0cs22jk3vvqna1ub-wpengine.netdna-ssl.com/wp-content/uploads/2017/09/RFA-Fiscal-Impact-of-Charter-Expansion-September-2017.pdf](http://8rri53pm0cs22jk3vvqna1ub-wpengine.netdna-ssl.com/wp-content/uploads/2017/09/RFA-Fiscal-Impact-of-Charter-Expansion-September-2017.pdf)



## Case studies worth investigating

Charter schools and their equivalents now have almost three decades of history. Their record is not good. The following jurisdictions have particularly compelling stories to tell about the pitfalls of charter experiments.

### Sweden

Sweden embarked on a comprehensive education privatization project beginning with vouchers and culminating in ‘free schools’ (comparable to charter schools). Sweden is now desperately trying to reverse course. Unfortunately, there are many indications that the damage is permanent and privatization will be nearly impossible to reverse.

Why the concern?

Before privatization, Swedish students scored well above the average in international test scores (the PISA tests). By 2012, they were well below average. Worse, Swedish schools are now plagued with segregation and ‘white flight’: there are large and growing gaps between schools in terms of place of birth and parental education levels. Children of wealthy and well-educated parents are increasingly found in private schools, while children of less-educated and foreign-born parents are concentrated in municipal schools.

German Bender. “A Cautionary Tale to be had from Swedish School Reforms.” *Social Europe*, December 4, 2018. [www.socialeurope.eu/a-cautionary-tale-to-be-had-from-swedish-school-reforms](http://www.socialeurope.eu/a-cautionary-tale-to-be-had-from-swedish-school-reforms)

Sarah Butrymowicz. “Is Sweden proof that school choice doesn’t improve education?” *PBS.org*, February 28, 2018. [www.pbs.org/newshour/education/is-sweden-proof-that-school-choice-doesnt-improve-education](http://www.pbs.org/newshour/education/is-sweden-proof-that-school-choice-doesnt-improve-education)

### Florida

Florida has the third-largest charter sector in the US, with 655 charters enrolling nearly 300,000 students. It also has the highest percentage of inexperienced teachers in the USA. PTA reports that 1482 teaching positions were vacant in January 2018. This is perhaps not surprising, since the National Education Association ranks Florida as 46th in average teacher salary.

The charter system also shows clear signs of increasing segregation. According to Sue Legg:

- About 1/3 of Black and Latino students are in intensely segregated schools (90% single race)
- Most public school districts enrolled higher percentages of students with disabilities and English as a second language than their charter schools

Florida is also rife with dubious charter school real estate schemes.

- Charter school chain, Academica has a real estate arm controlling more than \$155 million in south Florida real estate. Following an all-too-frequent pattern, Academica owns the property for about half the school boards in their network and lease it back to themselves, generating additional profits from public dollars.
- Charter Schools USA (CSUSA) also profits from their real estate dealings. For example, CSUSA purchased a former ATT call center for \$1.2 million. They flipped the property several times, invested \$1.5 million in air conditioning and finally got it appraised for \$9 million. They then signed escalating lease with CSUSA board. Such leases are notorious for eventually surpasses school budget, with teacher salaries and classroom materials the first to feel the squeeze.

Sue Legg: Twenty Years of School Choice in Florida Part 1. Sue Legg: Twenty Years of School Choice in Florida: Part 1

Sue Legg: Twenty Years of School Choice in Florida Part 2. Sue Legg: Twenty Years of School Choice in Florida: Part 2

Sue Legg: Twenty Years of School Choice in Florida Part 3. Sue Legg: Twenty Years of School Choice in Florida: Part 3

Sue Legg: Twenty Years of School Choice in Florida Part 4. Sue Legg: Twenty Years of School Choice in Florida: Part 4

## Ohio

OHIO boasts perhaps the most blatant example of charter school corruption. The *Electronic Classroom of Tomorrow* (ECOT) was Ohio's largest K–12 online school. It was also shut down after inflating its enrolment figures by almost 9,000 full-time students. After a number of court challenges, Ohio began trying to recover \$60 million for the 2015–2016 school year and ECOT closed its doors.

Frustrated by negative charter school experiences, Cincinnati is now leading the way in implementing a new type of school: community schools. Operated fully within the public system, community schools are community learning centers, full-service schools and community hubs with deep connections to their neighbourhoods. They demonstrate how responsive the public system can be to community needs while still providing excellent education.

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