

## Calculating the Demand for Charter Schools

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### RECOMMENDATIONS

- Remove the legislative cap on open-enrollment charter schools.
- Remove unnecessary regulations that hinder charter school performance.
- Where regulations affect both traditional schools and charter schools, treat them equally.
- Lower barriers to expansion and replication.
- Measure charter school academic performance with individual student growth.

### INTRODUCTION

With the quality of public education continuing to decline, Texas lawmakers decided to provide students with more choices within the public education system by passing charter school legislation in 1995. The goal of charter schools is to encourage innovative learning methods, improve student achievement, and provide students with more educational options in the public school system. Charter schools are public schools funded with public funds that are subject to fewer government regulations in some areas. Parents and students choose to attend a charter school and state funding follows the student to the charter school of their choice.

During the 2007-08 school year, 113,760 students attended a charter school in Texas.<sup>1</sup> Many charter schools are successful at educating hard-to-serve and at-risk students creating a large demand with students and parents. The demand to attend a charter school in Texas exceeds the supply of charter school classrooms as demonstrated by a waiting list of 16,810 students last year.<sup>2</sup>

### WHAT IS A CHARTER SCHOOL?

A charter school is a public school. Charter schools do not charge tuition, do not teach religion, and may not discriminate. Many provisions of the No Child Left Behind (NCLB) and Individuals with Disabilities in Education Act (IDEA) apply to charter schools.<sup>3</sup> Charter schools are held accountable for student academic performance just like traditional public schools; Texas students in both traditional

public schools and charter schools take the state accountability test, the Texas Assessment of Knowledge and Skills (TAKS). Charter schools are held accountable by multiple entities including: parents, students, authorizers, the state, lenders, and donors.<sup>4</sup>

Many individuals do not know that charter schools are public schools. In fact, “only 20 percent of Americans can correctly identify a charter school as a public school” according to a Center for Education Reform national poll.<sup>5</sup>

### TYPES OF CHARTERS

There are four different types of charters in Texas: open-enrollment charters, district charters, university charters, and home-rule school district charters.

The majority of charter schools are open-enrollment charters. The Texas Legislature gave the State Board of Education the authority to grant open-enrollment charters in 1995. An open-enrollment charter can have multiple campuses and is considered an independent school district. During the 2007-08 school year, Texas had 355 open-enrollment charter campuses.<sup>6</sup> Currently, there is a legislative cap of the number of open-enrollment charters of 215.<sup>7</sup>

District charters are charter schools run by a school district. Nine school districts had 56 charter campuses in Texas during the 2006-07 school year with 86 percent of the district charter schools located in Houston Independent School District or the San Antonio Inde-

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pendent School District.<sup>8</sup> During the 2007-08 school year there were 59 district charter campuses.<sup>9</sup> There is no cap on district charters.

Public senior universities and colleges in Texas were granted the authority to operate a charter school in 2001.<sup>10</sup> Texas had 19 university charter schools in the 2007-08 school year.<sup>11</sup> The majority of university charter schools are run by the University of Texas System.<sup>12</sup> There is no cap on university charters.

A home-rule charter is when a school district chooses to convert to charter status. This occurs when at least 25 percent of registered voters turnout and a majority of voters approve a conversion.<sup>13</sup> Texas does not have a single charter school operating under the home-rule charter.

### VARYING MISSIONS

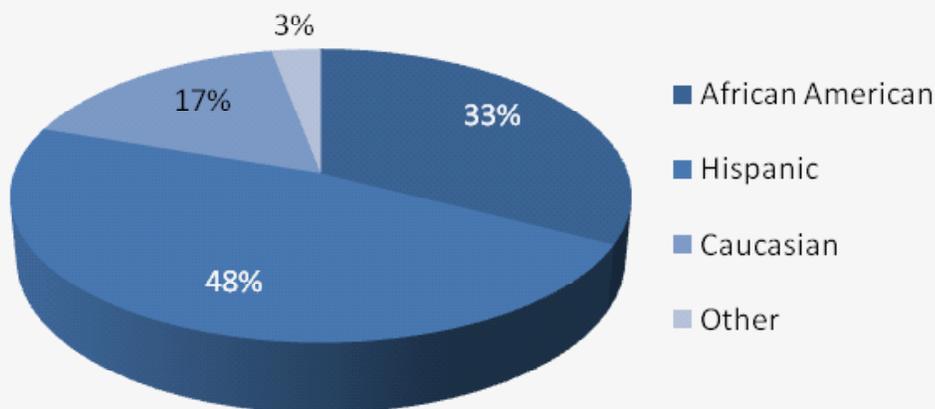
Not all charter schools are the same. Charter schools have varying missions and models to serve different populations. Some charter schools are college preparatory academies with a strong academic focus to prepare students for college. Many of these schools have a high college-going rate for their graduates, many of whom are the first in their family

to attend college. Other charter schools serve challenging groups of students such as high school dropouts, students at-risk of dropping out, teenage parents, drug offenders, students in foster care, and homeless students—most of whom are behind academically when entering the charter school. These schools use nontraditional methods to serve students who were not having their individual needs met by the traditional one-size-fits all public school.<sup>14</sup>

### CHARTER SCHOOL DEMOGRAPHICS

Charter schools teach a higher percentage of minority students and low-income students than traditional public schools. Nationwide, 60 percent of students in charter schools are minority compared to 46 percent of students in traditional public schools. Moreover, 52 percent of students in charter schools are low-income compared to 40 percent of students in traditional public schools.<sup>15</sup> Texas charter schools serve a larger minority and low-income student population than the national average. Eighty-one percent of students in Texas charter schools are minorities compared to 60 percent of students in traditional Texas public schools. In addition, more than 60 percent of students in Texas charter schools are economically-disadvantaged compared to 56 percent in traditional Texas public schools.<sup>16</sup>

**Figure 1: More than 80 Percent of Texas Charter School Students are Minorities for the 2006-07 School Year**



SOURCE: Texas Education Agency

**Figure 2: Charter School Enrollment Breakdown for the 2007-08 School Year**

Charter Type	Enrollment
Open Enrollment	89,156
District	23,275
University	1,329
Home-Rule	0
<b>Total</b>	<b>113,760</b>

SOURCE: Texas Education Agency

In Texas, the number of students attending a charter school continues to increase since the first charter schools opened in the fall of 1996. Enrollment at Texas charter schools has grown from 2,498 students in the 1996-97 school to 113,760 students during the 2007-08 school year.<sup>21</sup> Broken down by type of charter school, 89,156 students attended an open-enrollment charter school, 23,275 students attended a district charter school, and 1,329 students attended a university charter school last year.<sup>22</sup> Texas has a smaller market share of charter school students than the national average with roughly 2 percent of Texas school-age children attending a charter school.<sup>23</sup>

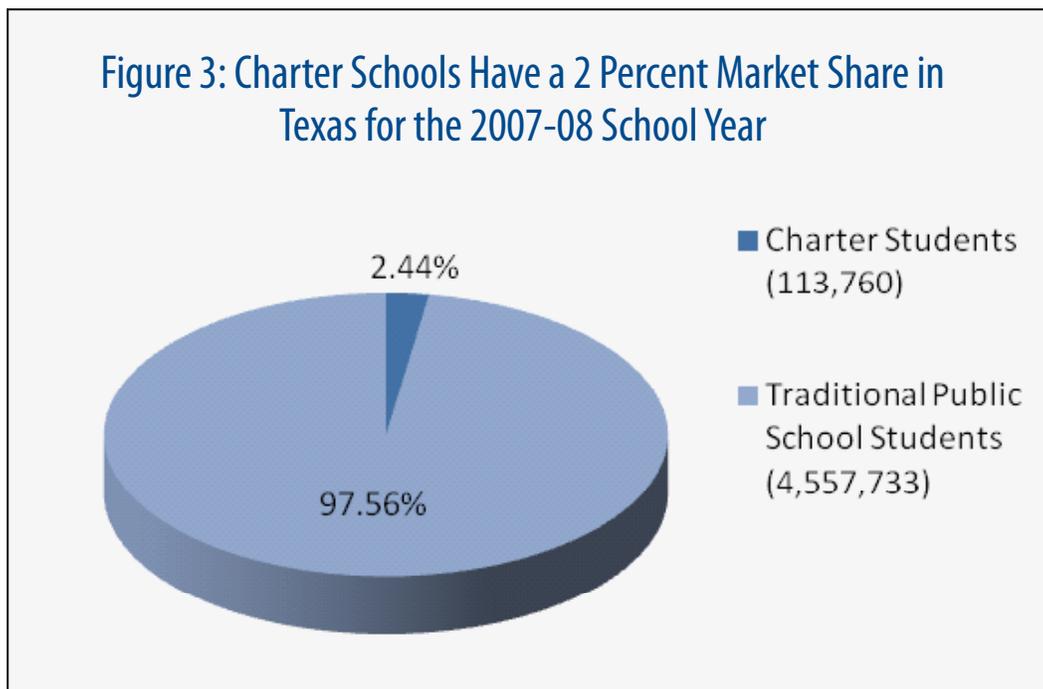
**ENROLLMENT**

Nationwide, more than 1.25 million students attend a charter school.<sup>17</sup> In 1991, Minnesota became the first state to authorize charter schools.<sup>18</sup> Since then 39 other states and the District of Columbia have passed laws authorizing charter schools bringing the total number of states with charter schools to 40.<sup>19</sup> Enrollment continues to grow and students now attend more than 4,300 charter schools across the country bringing the market share of charter school students to 3 percent of all K-12 public school students in the United States.<sup>20</sup>

**DEMAND EXCEEDS SUPPLY**

In Texas and nationwide, the demand to attend a charter school far outweighs the supply. The National Alliance for Public Charter Schools reports that over 365,000 students across the country are on a waiting list to attend a charter school.<sup>24</sup> A large waiting list number demonstrates a sizable parental demand for options other than the traditional public school. If more students apply to attend a charter school than room allows, the school admits students based on a lottery system.<sup>25</sup>

**Figure 3: Charter Schools Have a 2 Percent Market Share in Texas for the 2007-08 School Year**



SOURCE: Texas Education Agency

Over the past several months, we contacted Texas open-enrollment and university charter schools to determine the demand for charters in local communities and around the state by calculating a statewide waiting list and a regional waiting list. Roughly half of the open-enrollment charter schools (169 schools representing an enrollment of 48,581 students) responded to our survey. The number of students waiting to attend a charter school last year in Texas was 16,810 students. Thus, at least 16,810 students wanted to attend a charter school during the 2007-08 school year and were prevented due to space constraints.\* The typical charter surveyed had a waiting list of 99 students.<sup>26</sup> The waiting list numbers are not spread out evenly around the state; the Dallas/Fort Worth area, the Houston area, and the Rio Grande Valley have a disproportionately high demand to attend a charter school. See the chart below for enrollment and waiting list data broken down by region.

## DIFFERENCES BETWEEN CHARTERS AND TRADITIONAL PUBLIC SCHOOLS

### Regulatory Differences

Texas charter schools were created by state lawmakers to increase choice within the public school system, improve student learning and encourage innovative learning meth-

ods. In order to accomplish this, the Texas Legislature freed charter schools from many of the burdensome regulations that prevent creativity and innovation in education. Therefore, charter schools and traditional public schools have significant regulatory differences on instructional time, length of school day and year, teacher certification requirements, hiring policies, and teacher compensation.

For example, charter schools are not required to teach for seven hours a day like traditional public schools. Instead charter schools only need to provide instruction four hours a day.<sup>27</sup> Also, charter schools are not subject to the year (180 days) and day length requirements that traditional public schools are required to follow. Since charters do not have to observe the same calendar as traditional public schools, they often offer more options to their students. American Youth Works in Austin, for example, allows students to attend school for half a day so that they can have time to pursue employment or take care of family members.<sup>28</sup> Other charter schools have experimented with longer school days and school years than traditional schools in order improve student learning and catch up students who are significantly behind academically. By allowing for different day lengths and learning times, charter schools can offer a variety of alternatives to students that are not being properly served by the traditional one-size-fits-all model in public schools.

Figure 4: Texas Public School and Charter School Enrollment and Waiting List by Region for the 2007-08 School Year

Region	Public School Enrollment*	Charter Enrollment	Percent Charter	Charter Waiting List
Austin	345,165	4,789	1.38	623
Corpus Christi	105,512	1,310	1.24	159
Dallas/Fort Worth	1,220,797	30,123	2.4	5,896
El Paso	173,735	2,434	1.4	53
Houston	1,031,462	24,591	2.38	7,415
Rio Grande Valley	384,460	6,126	1.59	2,110
San Antonio	379,879	12,349	3.25	488
Texas	4,671,493	90,485	1.936	16,810

SOURCE: Texas Education Agency, Regional Enrollment Report and Author's Calculations. Charter school data excludes district charter schools.

\*Public school enrollment is the total number of students in public schools, traditional and charter.

\*While it is possible that a student may be on more than one waiting list it is also possible that students do not add their name to a long waiting list because the chances of them getting into that particular school seem slim.

Charter schools are mostly freed from burdensome teacher licensure requirements and are not required to hire certified teachers (with the exception of special education and bilingual education teachers).<sup>29</sup> Charter schools are allowed to make their own rules with regard to teacher contracts and are exempted from district-wide collective bargaining agreements that are required of traditional public schools.<sup>30</sup> Charter schools are not required to pay teachers off of the state minimum salary schedule that school districts must use.<sup>31</sup> Differences in employment policies can create differences in performance. Charter schools may have a greater level of efficiency because hiring and firing decisions are being made by the individual schools and not hindered by state mandates or collective bargaining agreements. Teacher compensation is another area where charter schools may have an advantage in efficiency. At traditional public schools, most teachers are paid according to a salary schedule which means seniority and number of years in the classroom matters more than ability or merit. Since charter schools are not subject to the minimum salary schedule they have the ability to pay teachers at a market rate and reward excellence with a financial bonus or raise.

### Funding Differences

Charters can receive funding from a variety of sources. Charters do not have the ability to draw local taxes and instead are funded mostly by direct funding from the state and federal levels.<sup>32</sup> Texas charters receive state funding for each student in attendance. Charters do not receive state funding for facilities so 100 percent of charter school facilities funding comes out of what would otherwise be operational expenditures.<sup>33</sup> As a result Texas charter schools spend about \$1,500 less per pupil than traditional school districts do.<sup>34</sup> Charter schools can apply for federal startup grants to help pay for startup costs. In addition, charter schools borrow money from private lenders and accept private donations.

## CHARTER SCHOOLS CHALLENGES

### Legislative Cap

The Texas Legislature limited the number of open-enrollment charters to 20 in 1995 at their creation.<sup>35</sup> In 1997, state lawmakers raised the legislative cap to 100 open-enrollment charters and allowed the State Board of Education to authorize an unlimited number of “at-risk” charters for schools

with more than 75 percent of at-risk students.<sup>36</sup> In 2001, the Texas Legislature eliminated the at-risk charter option and increased the cap of the number of open-enrollment charters to 215.<sup>37</sup> As of August 1st, there are 210 active charters and 196 charters in operation.<sup>38</sup> It is possible that the cap may be reached this fall preventing successful charter schools in other states from entering the market and opening schools in Texas. With approximately one student on a waiting list for every five students enrolled in a Texas charter school, there is a large demand that is going unmet.<sup>39</sup>

### Accountability Standards

Many of the current accountability standards that charter schools must face are based on achievement and students reaching a certain level. The achievement based standards can be problematic for charter schools, many of which specialize in serving low-income students and students at-risk of dropping out of school. These students leave the traditional public school for a charter school and are significantly behind their peers academically. Additionally, research shows that there is a large negative impact upon test scores of students who move from a traditional public school to a charter due to the transition into a different environment.<sup>40</sup> The research further shows however, that after two to three years at a charter school, students improve at a faster rate than their peers at traditional public schools in the same district.<sup>41</sup> In order to more accurately gauge the performance of charters, Texas should use a growth based system that measures the amount of growth that a student has had in the course of a year in the state accountability system to determine ratings.

### Regulation

Although Texas charter schools benefit from having fewer regulations, they are unnecessarily burdened in some areas by regulations that traditional public schools are not subject to. For example, charter schools are required to provide written notice of the qualifications of each teacher employed by the school to the parents or guardians of each student enrolled.<sup>42</sup> Regulations like this burden charter school administrators with work that detracts from time spent serving students. In some instances charter schools must face stiffer regulations than traditional public schools. A charter may be shut down for two consecutive years of unacceptable performance.<sup>43</sup> Traditional public schools have been allowed at least five years of unacceptable performance before being shut down. Considering that charter schools “tend to enroll,

on average, students who are academically behind their peers in traditional public schools,” it is conceivable that a charter school could be doing a good job catching up a fifth grade student with a third grade reading level, but fail to meet acceptability standards because the student could not pass the reading section on the 5th grade TAKS test.<sup>44</sup>

## RECOMMENDATIONS

Inherent in the discussion of charters is the principle that parents, not government, should decide where their child attends school. Charter schools need to be expanded to give parents more choice. At least 16,810 students were on a waiting list to attend a charter school last year. Such a large number demonstrates a strong demand for more charter schools which warrants the removal of barriers to expansion

such as limiting the number of open-enrollment charters to 215. The Texas Legislature has unnecessarily prevented charters from operating in a free market and should eliminate the cap. While charter schools were designed to have fewer government regulations, charter schools have more regulations in some areas than traditional schools. State lawmakers should remove unnecessary regulations that hinder charter school innovation and at least treat them equally with traditional schools. Charter schools have a 2 percent market share in Texas. If lawmakers want to increase enrollment at charter schools, they should lower barriers to expansion and replication such as the five and ten year time limit on charters. Finally, charter school academic performance should be measured with a growth model that incorporates individual student growth over the course of a year. ★

## ENDNOTES

- <sup>1</sup> Texas Education Agency data provided to author on August 6, 2008.
- <sup>2</sup> Author's calculations based on August 1, 2008 survey data for open-enrollment charter schools during the 2007-2008 school year.
- <sup>3</sup> Gerard Robinson and Edwin Chang, "The Color of Success: Black Student Achievement in Public Charter Schools," Issue Brief, National Alliance for Public Charter Schools (June 2008) 11, [http://www.publiccharters.org/files/publications/NAPCS\\_ShadesofSuccessIB.pdf](http://www.publiccharters.org/files/publications/NAPCS_ShadesofSuccessIB.pdf).
- <sup>4</sup> National Alliance for Public Charter Schools, "About Charter Schools," <http://www.publiccharters.org/aboutschools>.
- <sup>5</sup> "Americans Need an Education on Charter Schools: Support Grows with Knowledge," Research Fact Sheet, The Center for Education Reform, [http://www.edreform.com/charter\\_directory/charter%20polling.pdf](http://www.edreform.com/charter_directory/charter%20polling.pdf).
- <sup>6</sup> Texas Education Agency data provided to author on August 6, 2008.
- <sup>7</sup> Texas Education Code, Sec. 12.101.
- <sup>8</sup> Ibid.
- <sup>9</sup> Texas Education Agency data provided to author on August 6, 2008.
- <sup>10</sup> Ibid.
- <sup>11</sup> Texas Education Agency data provided to author on August 6, 2008.
- <sup>12</sup> Texas Education Agency data provided to author on August 5, 2008.
- <sup>13</sup> Ibid.
- <sup>14</sup> "Classifying Types of Charter Schools," CSPI Fact Sheet No. 6, Charter School Policy Institute, [http://www.charterschoolpolicy.org/yes/files/FS6\\_Typology.pdf](http://www.charterschoolpolicy.org/yes/files/FS6_Typology.pdf).
- <sup>15</sup> Gerard Robinson and Edwin Chang, "The Color of Success: Black Student Achievement in Public Charter Schools," Issue Brief, National Alliance for Public Charter Schools (June 2008) 7, [http://www.publiccharters.org/files/publications/NAPCS\\_ShadesofSuccessIB.pdf](http://www.publiccharters.org/files/publications/NAPCS_ShadesofSuccessIB.pdf).
- <sup>16</sup> Texas Education Agency, "Snapshot 2007 Summary Tables: State Totals," <http://www.tea.state.tx.us/perfreport/snapshot/2007/state.html>.
- <sup>17</sup> National Alliance for Public Charter Schools, Fact Sheet (May 2008) <http://www.publiccharters.org/aboutschools/factsheet>.
- <sup>18</sup> National Alliance for Public Charter Schools, "State Policy At-A-Glance," <http://www.publiccharters.org/node/15>.
- <sup>19</sup> Ibid.
- <sup>20</sup> Ibid.
- <sup>21</sup> Texas Education Agency data provided to author on August 5, 2008.
- <sup>22</sup> Texas Education Agency, "Statewide Snapshots" and information provided to author on June 16, 2008 and August 5, 2008.
- <sup>23</sup> Texas Education Agency, AELS Statewide Report and information provided to author on June 16, 2008 and August 5, 2008.
- <sup>24</sup> National Alliance for Public Charter Schools, "Benefits and Successes," <http://www.publiccharters.org/aboutschools/benefits>.
- <sup>25</sup> "Texas Charter School Enrollment Policies," CSPI Fact Sheet No. 14, Charter School Policy Institute. [http://www.charterschoolpolicy.org/yes/files/FS14\\_Enrollment.pdf](http://www.charterschoolpolicy.org/yes/files/FS14_Enrollment.pdf).
- <sup>26</sup> Author's calculations based on survey data.
- <sup>27</sup> Texas Education Agency, "Charter School Frequently Asked Questions," <http://www.tea.state.tx.us/charter/faqs/faq.html>.
- <sup>28</sup> American Youthworks, "American Youthworks Programs – Charter School," <http://www.americanyouthworks.org/charter.htm>.
- <sup>29</sup> Texas Education Agency, "Charter School Frequently Asked Questions," <http://www.tea.state.tx.us/charter/faqs/faq.html>.
- <sup>30</sup> Ibid.
- <sup>31</sup> Ibid.
- <sup>32</sup> "Charter School Funding: Inequity's Next Frontier," Thomas B. Fordham Institute, <http://www.edexcellence.net/doc/Charter%20School%20Funding%202005%20FINAL.pdf>.
- <sup>33</sup> Paul Colbert, "Apples to Apples: Comparing Funding of Texas Charter Schools to Traditional School Districts in Texas," Resource Center for Charter Schools (Feb. 2007) [http://www.charterstexas.org/Apples\\_to\\_Apples\\_Final.pdf](http://www.charterstexas.org/Apples_to_Apples_Final.pdf) (accessed 17 July 2008).
- <sup>34</sup> Ibid.
- <sup>35</sup> Tex. Acts 1995, 74th Leg., ch. 260, Sec. 1.
- <sup>36</sup> Tex. Acts 1997, 75th Leg., ch. 722, Sec. 1.
- <sup>37</sup> Texas Education Code, Sec. 12.101.
- <sup>38</sup> Texas Education Agency, Division of Charter Schools, "Summary of Charter Awards and Closures," (May 2008) <http://www.tea.state.tx.us/charter/reports/closed.pdf>.
- <sup>39</sup> Author's calculations based on survey data.
- <sup>40</sup> Kevin Booker, Scott M. Gilpatric, Timothy Gronberg, and Dennis Jansen, "Charter School Performance in Texas," Texas A&M University Private Enterprise Research Center (May 2004) <http://web.utk.edu/~sgilpatr/charterperf.pdf>.
- <sup>41</sup> Ibid.
- <sup>42</sup> Texas Education Code Sec. 12.130.
- <sup>43</sup> Texas Administrative Code Sec. 100.AA.1022(b).
- <sup>44</sup> Ibid.

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