



CHARTER SCHOOLS AND RACE TO THE TOP *Make the Right Decision, for the Right Reason*

There are compelling reasons for seeking federal “Race to the Top” education funding.

There are valid reasons for supporting the expansion of charter schools in New York State.

It has been argued that the state must raise the cap on charter schools in order to have a chance to win Race to the Top funding, and that doing so would help school districts avert layoffs and property tax increases.

But as U.S. Education Secretary Arne Duncan has warned,

“...if this [Race to the Top] money is seen as simply something that is going to be plugging budget holes, that’s not something we’re going to be interested in.”¹

Race to the Top funding *cannot* be used to avoid local school layoffs or tax increases, and *careless expansion of charter schools could have the opposite effect – deepening budget holes for some districts and thereby diminishing educational opportunities for many students.*

Race to the Top funding would be one-time in availability, limited in focus, and, for most districts, small in amount. For some districts, however, more charter schools would impose large and recurring costs, well in excess of any one-time help they might receive from Race to the Top.

The New York State Council of School Superintendents has supported the state’s efforts to win Race to the Top funding – because it offers us our best chance to strengthen key elements of our education system, to the benefit of all students.

We urge Legislators to act carefully, to understand how charter school expansion may affect communities outside New York City, and to ensure that any expansion does not undermine the progress we all seek to make in advancing educational opportunities and outcomes for all students.

Why the Council has supported New York’s Race to the Top initiative

The Council of School Superintendents endorsed the state’s first attempt to win federal Race to the Top funding. At the local level, superintendents from over 94 percent of the state’s school districts signed memoranda of understanding in support of the state’s first round application.

The U.S. Education Department explains the program’s goals:

Race to the Top is a competitive grant program to encourage and reward States that are implementing significant reforms in the four education areas described in the ARRA [American Recovery and Reinvestment Act]: enhancing standards and assessments, improving the collection and use of data, increasing teacher effectiveness and achieving equity in teacher distribution, and turning around struggling schools.²

The Council has continued to support the state's efforts. In endorsing the recent State Education Department—union agreement on teacher evaluation reforms, we said,

In developing New York's "Race to the Top" application, State Education Commissioner David Steiner and the Board of Regents have stressed the right priorities – updating our standards, developing clear and demanding curriculum, strengthening assessments, building new data systems, and improving our teaching and leadership structures.

Winning a Race to the Top grant offers us our best hope for modernizing the foundations of our educational system, to help ensure schools provide learning opportunities that prepare young people to thrive in life beyond school.³

The Council and Charter Schools: Concern over Financial Consequences for District Schools

Alone among statewide public education organizations, the Council did *not* oppose the 1998 legislation authorizing the establishment of charter schools in New York State. We recognized their potential value in promoting innovation and providing options for students.

But we did raise concerns about the potential financial impact of charter schools on districts. Our concerns have been justified by experience and have led us to oppose raising the cap on the number of charter schools authorized to operate in New York State, unless the funding issues affecting district schools are also addressed.

- **Current funding mechanism pits charter schools against district schools:** The basic charter school funding mechanism virtually assures an adversarial relationship with school districts: every dollar of regular tax-funded support that goes into a charter school comes out of a school district.
- **Charters increase district costs:** Because of fixed costs and enrollment patterns, rarely, if ever, does a district realize 100 percent savings from the movement of students to a charter school. Usually, the opposite is true: districts could spend less in total by taking back all charter school students. Also, some of any potential savings is lost because districts need to maintain some capacity to educate students who might return from charter schools during the school year.
- **Taxation without representation:** Charter schools can also constitute "taxation without representation." If the Board of Regents or State University Trustees approve the creation of a charter school, local taxpayers are required to fund tuition payments to it, even if they or their elected representatives strenuously opposed the school's creation.
- **Charters impose financial uncertainty on districts:** Charter schools operate with "market-based accountability," rather than the democratic accountability to voters that has been traditional to public schools. The market model has its virtues: if families find the school deficient and cease sending children, the school will be forced to close. But that model does force a risk upon school districts, which must maintain or find the capacity to educate students abandoning the charter school.

Even if a district wished to initiate or support a charter school to provide a specialized program for a targeted group of students, there is a powerful incentive not to: it would lose control over a portion of its budget. If, for example, voters reject the district's proposed budget, it has no authority to require a charter school to share in the spending reductions needed to operate under the contingency budget cap.

- **Fiscal impact greater outside New York City:** The Council emphasizes the need to grasp how differently charter schools affect New York City compared to other districts. For example, in 2009-10, charter school payments represented only 1.7 percent of district general fund expenditures for New York City, but 12.0 percent for Albany and 9.3 percent for Buffalo.

Absorbing the immediate fiscal impact of charter schools is much easier for New York City than for most school districts, and so is maintaining the space to accommodate students moving from charters back into district schools.

- **Possible cap exemptions:** More recently, the Council has recommended exempting from the cap any charter school endorsed by local voters or district leaders, recognizing that approval would signify support not just from parents in one neighborhood, but by the whole community. Presumably that action would also signal the district is prepared to manage both immediate and potential financial implications of the charter school.

We have also argued that the role of charter schools is nearly opposite what it should be: overwhelmingly charter schools operate at the elementary level, while the need for alternative school models is most compelling at the high school level. So we support incentives to promote the development of charter high schools, including their exclusion from a cap.

Charter Schools and Race to the Top

New York finished 15th out of 16 finalists the first round Race to the Top competition. In some accounts, our failure to pass legislation raising the charter school cap has been cited as a pivotal shortcoming. The truth is more complicated, however.

Two states, Delaware and Tennessee, won funding in round one. New York finished 36 points behind second place Tennessee. But we were only four points behind Tennessee and five behind Delaware in the charter/innovative schools component, having earned 27 out of 40 possible points. In contrast, we were 14 points behind the winning states in implementing statewide data systems and seven behind both in using evaluations to inform key decisions about teachers and school leaders.

But to win in the second round, New York will need to gain points wherever it can, and the charter/innovative schools element does represent an opportunity, with a possible 13 additional points available.

Washington arbitrarily prescribes that states should authorize a number of charter schools equal to 10 percent of its total public schools. In New York State's case, that would mandate 460 charter schools. Over the years, the Council has taken the position that a cap helps to promote quality and success because it impels charter authorizers to prioritize among applications, to pick only the best and most likely to succeed. But a very high cap – such as 460 schools – is essentially the same as no cap, because any disciplining influence on charter authorizers is vastly diminished.

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Recommendations

With a cap of 460 schools, it becomes more probable that charter schools would extend to more upstate and suburban communities beyond New York City, necessitating that lawmakers be more attentive to how such an expansion might affect district schools and taxpayers in those communities.

The Council's essential position is that whatever might be gained from an expansion of charter schools should not come at the expense of district schools, which continue to serve the overwhelming majority of children.

- ✓ **To move charter schools toward fulfilling their promise of serving as models of innovation**, the Council supports measures to ensure that they enroll students with special needs in proportions at least comparable to surrounding district schools.
- ✓ **To promote quality** in the absence of a demanding cap, the Council supports requiring charter schools to comply with the same academic performance reporting and disclosure requirements as school districts, including steps to ensure wider availability of school report cards. The Council also supports requiring charter schools to report annually on their efforts to enroll and retain high needs students.
- ✓ **To strengthen financial and operational accountability**, the Council supports requiring charter school leaders and employees to comply with the same ethics, conflict of interest disclosure, and open meetings requirements as their counterparts in districts. The Council supported 2005 legislation directing the State Comptroller to audit all districts and boards of cooperative educational services within a five-year span. The Council now supports authorizing the Comptroller to conduct fiscal audits of charter schools – they should have the same level of accountability for public funds and the audits increase the likelihood that deficiencies in financial practices will be identified and corrected.
- ✓ **To reduce harm charter schools may cause to the opportunities offered by district schools**, the Council supports creating additional criteria governing the creation of new charters or the expansion of existing charter schools in districts where their share of total enrollment has reached 5 percent. Once that threshold is reached, expanded charter school operations should only be authorized if endorsed by a district or its voters, or if the state assumes responsibility for tuition payments. Charter schools operating entirely at the high school level could also be exempted from the cap.

Charter schools have the potential to provide options for students and encourage innovative practices for schools and districts. Any legislation that raises the cap should include provisions that address financial accountability, local impact on districts, and the needs of all students.

Notes:

¹ Cramer, Philissa. "Arne Duncan: Paterson's Budget Shouldn't Assume an RttT Win." *GothamSchools - Breaking News and Analysis of the NYC Public Schools*. 19 Jan. 2010. Web. 23 May 2010. <http://gothamschools.org/2010/01/19/arne-duncan-patersons-budget-shouldnt-assume-a-rttt-win>.

² *Race to the Top Program Guidance and Frequently Asked Questions*. U.S. Department of Education, Updated 20 May 2010. Web. 23 May 2010. <http://www2.ed.gov/programs/racetothetop/faq.pdf>.

³ New York State Council of School Superintendents. *Statement from NYS Superintendents Council on Proposed Teacher Evaluation Reforms*. News Release. 11 May 2010. Web. 23 May 2010. <http://www.nyscoss.org/pdf/upload/NewsReleaseReactiontoSEDteacherevaluationchanges5.pdf>.