How Charter Schools Threaten the Public Interest

by Helen Ladd

"This is the published version of the following invited article: Ladd, H. F. (2019), HOW CHARTER SCHOOLS THREATEN THE PUBLIC INTEREST. J. Pol. Anal. Manage., 38: 1063-1071., which has been published in final form at https://doi.org/10.1002/pam.22163. This article may be used for non-commercial purposes in accordance with Wiley Terms and Conditions for Use of Self-Archived Versions."

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INTRODUCTION

K-12 education generates public benefits that extend beyond the aggregated benefits to individual children. Public benefits include greater economic productivity, a stronger democracy, less antisocial behavior as well as a fair distribution of educational opportunity. These public benefits are what justify the public funding of education and the requirement that all children attend school (Ladd, 2019; Levin, 1987, 2019).

In light of the public benefits of schooling, the challenge is to develop education systems that are coherent and provide appropriate services to all children within relevant geographic areas in a fair and cost-efficient manner. In our decentralized federal system, state governments have the constitutional responsibility for establishing and maintaining such systems, although the relevant geographic area for the delivery (and often for some of the funding) of schools is typically the local school district.

Although funded publicly, charter schools operate outside traditional state and local systems. They are operated by non-governmental entities (some of which are profit seeking), are schools of choice in the sense that no children are assigned to them, are not subject to most regulations, and are often treated as their own separate school districts. They are attached to the traditional systems mainly through the processes by which charters are authorized and renewed. In some states, the authorizing agents are components of the traditional K-12 system, such as state boards of education or local education authorities, but in many states, authorizers also include charter school boards, institutions of higher education, non-educational government entities, or non-profit organizations (see Table 1). A few states, including California, Texas, and Wisconsin, have 100 or more individual authorizers.

A fundamental problem with charter schools is that in most cases they undermine the coherence and effectiveness of state and local school systems. If charter schools were limited in number to the fringe of the traditional system, as was originally envisioned by some early supporters such as Ray Budde and Albert Shanker, or if elected policymakers take special precautions to ensure that charters and traditional schools work toward common goals, the adverse systemic effects might be contained. But, in areas with relatively large or growing charter school sectors overseen by weak authorizers, the negative systemic effects undermine the public interest. To be sure, avid supporters of charter schools or other forms of school privatization would likely applaud such an outcome because of their view that public education as currently structured is failing and should be disrupted. The starting point for this essay is that the current education system, while not perfect, is far from failing and is worth preserving and improving.

Although much of my argument focuses on the disruption caused by charter schools, I acknowledge the potential for some charter schools to provide private benefits for their students in the form of higher test scores relative to what they would attain in traditional schools. A large body of research using a variety of
### Table 1. Charter school authorizer types.

<table>
<thead>
<tr>
<th>Type(s)</th>
<th>Number of states (including DC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEA only</td>
<td>13</td>
</tr>
<tr>
<td>SEA Only</td>
<td>6</td>
</tr>
<tr>
<td>ICB only</td>
<td>5</td>
</tr>
<tr>
<td>LEA and SEA</td>
<td>5</td>
</tr>
<tr>
<td>LEA and ICB</td>
<td>3</td>
</tr>
<tr>
<td>LEA and HEI</td>
<td>3</td>
</tr>
<tr>
<td>ICB and HEI</td>
<td>1</td>
</tr>
<tr>
<td>More than 2 types*</td>
<td>8</td>
</tr>
</tbody>
</table>

*Includes non-educational entities (NEG) and non-profit organizations (NPO).

Notes: LEA is local education agency; SEA is State Education Authority; ICB is independent charter board; HEI is Higher Education Institution. The table includes only the authorizers allowed by law but excludes authorizers with limited jurisdiction or available only for appeal. Compiled by the author from https://www.qualitycharters.org/state-policy/multiple-authorizers/list.

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statistical methods shows, however, that such benefits are likely to be small on average and are highly variable. (See, for example, summaries in the national Center for Research on Education Outcomes [CREDO] study, 2013; Epple et al., 2015; and Gamoran & Fernandez, 2018). Below, I briefly refer to the effects of charter schools on economically disadvantaged students.

In the absence of widespread evidence of significant and consistent private benefits from charter schools, policymakers should protect the public interest in education by limiting the growth of charter schools.

### NEGATIVE EFFECTS OF CHARTERS ON LOCAL EDUCATION SYSTEMS

Enrollments in charter schools have grown dramatically since their beginning in the 1990s. They now account for about 6 percent of all public school students in the nation, including more than 50 percent in a few large cities, 30 percent or more in many others, and rising proportions in many non-urban settings. Nonetheless, local school boards or other local public officials, including mayors of some general purpose local governments, continue to be legally responsible for assuring that all students within the local area, including those in charter schools, have access to a free public education.

While the district leaders directly oversee the local traditional public schools and, hence, can make decisions on their behalf, the corresponding charter sector is far more decentralized. Within a local area, the charter sector is typically composed of a mix of individual charter schools operated by school-specific boards and various networks of charters operated by local, regional, or national organizations. These organizations include non-profit charter management organizations (CMOs) and, if state law allows them, for-profit education management organizations (EMOs). Table 2 reports information on charter enrollment shares and number of charter management organizations for the 10 cities with the largest charter enrollments. The result is a disjointed system of local schools.

**Fiscal Burdens**

The financing arrangements for charter schools differ across states. Most charter schools are funded through state and local taxes at about the same per-pupil level of operating expenditures as traditional schools (henceforth, district schools). Claims
Table 2. Ten districts with the highest number of charter school students, ranked by charter enrollment share, 2016.

<table>
<thead>
<tr>
<th>Charter school enrollment share</th>
<th>Total charter management organizations</th>
<th>Schools run by charter management organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orleans Public School System, LA</td>
<td>92%</td>
<td>9</td>
</tr>
<tr>
<td>Detroit City School District, MI</td>
<td>53%</td>
<td>20</td>
</tr>
<tr>
<td>District of Columbia Public Schools, DC</td>
<td>45%</td>
<td>13</td>
</tr>
<tr>
<td>Philadelphia City School District, PA</td>
<td>32%</td>
<td>7</td>
</tr>
<tr>
<td>Los Angeles Unified School District, CA</td>
<td>24%</td>
<td>14</td>
</tr>
<tr>
<td>Houston Independent School District, TX</td>
<td>22%</td>
<td>15</td>
</tr>
<tr>
<td>Miami-Dade County Public Schools, FL</td>
<td>16%</td>
<td>4</td>
</tr>
<tr>
<td>Broward County Public Schools, FL</td>
<td>16%</td>
<td>3</td>
</tr>
<tr>
<td>Chicago Public Schools, IL</td>
<td>15%</td>
<td>19</td>
</tr>
<tr>
<td>New York City Department of Education, NY</td>
<td>9%</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: Modified from I. C. Rotberg and J. L. Glazer (Eds.), Choosing Charters: Better Schools or More Segregation, Table 4.3, p. 47. Charter management organizations include for-profit and non-profit organizations. The number of schools managed by firms in Philadelphia was incorrect in the original table and has been corrected here.

that charters receive far less funding per pupil than district schools are common among charter supporters but can be highly misleading because their typical focus on revenues rather than expenditures fails to recognize the differing expenditure responsibilities of the two sectors (Baker, 2014; DeAngelis et al., 2018). It is true, however, that public funding typically does not cover the capital costs of charter school facilities.

In practice, charters often impose significant fiscal burdens on local school systems. The magnitude of the negative fiscal burdens depends on several factors, such as the share of students lost to charters, the flexibility that districts have to adjust various components of their education budgets, and the types of students who switch from traditional public schools to charter schools, including those who might otherwise have been home-schooled or attended private schools. The competition for funding between the sectors has been particularly challenging for districts facing severe budgetary pressures, as emphasized by Arsen et al. (2015) for Michigan districts.

As documented by Bifulco and Reback (2014) for the declining districts of Buffalo and Albany, and developed further by Ladd and Singleton (2018) for a sample of urban and non-urban districts in North Carolina, charter schools impose fiscal burdens on local districts primarily because the districts cannot easily reduce their spending in proportion to the revenue losses associated with the outflow of students to charters. Many district expenditures are devoted to relatively fixed costs such as school buildings and central services. Hence, in the absence of new funding, a district would need to cut back its spending on variable inputs such as teachers by a greater percentage than its loss of revenue to the charter schools—thus leading to a reduction in the quality of education for the remaining district students.

Fiscal burdens also arise because charters have little incentive or, in some cases, limited capacity, to serve expensive-to-educate students, such as those with special needs. Although many charters serve some students with special needs (and a few focus exclusively on such students), charter schools are often able to dissuade the parents of students with the most severe disabilities from enrolling, leaving them to be served by the traditional public schools (Mommandi &
Welner, 2018). In addition, for similar reasons, limited English proficient students and economically disadvantaged students are also often underrepresented in charter schools. (See, for example, Chingos & West, 2015, Table 1, for charter enrollments in Arizona; Buerger & Bifulco, 2019, Table 3, for selected districts in NY; or CREDO, 2015, Table 2, for 41 urban districts.) In such cases, the underrepresentation means that the district faces a disproportionate share of the burden of educating such students and that such students end up increasingly concentrated in district schools.

Importantly, not all the fiscal burdens are transitory. Even if the size of the charter school sector within the jurisdiction stabilizes, some fiscal burdens will undoubtedly remain. For one thing, the administrative expenses of running two separate systems will exceed those of running a single unified system. Moreover, in contrast to the charter schools, the district is responsible for assuring adequate capacity for all students, even for those who initially switch to charter schools but then return to the traditional public schools. Charter students may return to the district schools for a variety of reasons including a mismatch between the needs of the student and the approach of the charter school, high rates of school suspension, or the closure of the school. Many charter schools have shut down—some because of low academic performance but, in the majority of cases, for financial reasons and fiscal mismanagement.

**Challenges Related to Planning and the Provision of Services in a Cost-Effective Manner**

Unless the local district is the sole authorizer of charters and is willing to set specific limits on the grades and sizes of each charter school, district policymakers face the challenge of planning in a far more uncertain environment than would be the case without charter schools. The challenge for a growing district is to determine how many new schools it will need to build during the following few years in the context of a changing number of charter schools and charter school students. For a declining district, the challenge is to determine whether the loss of students to charter schools is sufficiently permanent to justify closing one or more of its schools. Further, districts face short-term planning challenges related to the provision of transportation and hiring of teachers that are often exacerbated by the uneven and uncertain timing of charter school admissions decisions.

But what about the potential for cost-reducing efficiency gains within the public sector that might arise from competition for students and funds from charter schools? My reading of the extensive literature on the competitive effects of charters on the performance of district schools suggests that, while generally not negative, they are at most very small (Gill & Booker, 2018). Although one recent empirical study of charters in New York State concludes that efficiency gains may be large enough in the long run to offset the short-run fiscal burdens referred to above, that conclusion is dubious. The authors’ measure of efficiency at best relates only to the cost of a single narrow student outcome, namely, student test scores. Also, as the authors note, their results may not be generalizable to other states with less comprehensive charter school authorization and oversight practices (Buerger & Bifulco, 2019).

The city of Detroit represents an extreme example of how the growth of charters can lead to wasteful competition among schools. In that city, for-profit charter management firms have incentives to set up and expand schools in part because they receive commissions for the schools they operate. Twenty different management organizations, most of which are profit-seeking, now operate 66 schools (see Table 2) in competition with each other and with the district schools that still serve 47 percent
of the students. The result is an excess supply of school spaces, an inefficient use of facilities, and unproductive churning of students among schools.

**Increased Racial and Other Forms of Segregation**

As schools of choice, charter schools often counter the public interest by increasing the racial segregation of students within a district. Studies based on longitudinal data show that in many areas, white students transfer to charter schools that are whiter than the district schools they otherwise would have attended while black students often transfer to charter schools that are blacker than their traditional public school. Only in heavily minority districts such as Milwaukee, Little Rock, and Chicago have charters reduced racial segregation by giving more choice to black families (see citations in Bifulco & Bulkley, 2018).

Charters may also increase racial segregation through a less direct route. In the large county-wide district of Charlotte-Mecklenburg, NC, recent efforts of district policymakers to reduce racial segregation by making school assignment zones more racially balanced have been undermined by the fear that movement toward racial balance would simply induce more white suburban families within the district to switch to charter schools (Mickelson et al., 2018).

In addition, charters may separate students within the charter sector by socioeconomic status (SES). For example, many charters in urban areas use a “no-excuses” approach to education that enforces strict behavior standards, limits teacher discretion, and enforces high expectations. This approach tends to isolate low-SES students because it is far more attractive to low-income families than to middle-income families (Rotberg, 2018). Also contributing to economic segregation is the fact that many charter schools do not provide transportation or access to free school meals, which makes them inaccessible to low-income families (Ladd et al., 2017).

**Attempted Solutions**

The basic structure of charter schools as separate and independent entities with the need to compete with each other and with the district for students and funding interferes with the public interest by creating significant tension between the two sectors. A number of districts, many with financial support from the Gates Foundation, have tried to increase trust between the two sectors by establishing local “compacts.” Although these compacts have led to some positive changes such as common enrollment schemes—albeit with some charters opting out (in cities such as Denver, New Orleans, and DC)—and to closer relationships between charter and district schools in some districts (see, for example, Whitmire, 2014), the verdict on their overall effectiveness is still out. While district leaders are in a position to negotiate on behalf of all the district schools, no representative charter school is in a position to make tough decisions on behalf of others. Furthermore, the boards of existing charter schools have to worry about competition for students from new charter schools in the future (Ladd, 2019).

In addition, several big cities have been pursuing an alternative approach generally referred to as a portfolio management model (Bulkley et al., 2010; Henig, 2018). Under this model, a central office—in some cases a general purpose leader such as a mayor—oversees a mix of schools, including charter schools, through contract-like arrangements that offer schools budgetary and programmatic flexibility in exchange for being held accountable for centrally determined outcomes.

This school-improvement strategy involves shutting down below-average providers (many of which are likely to be district schools serving concentrations of disadvantaged students), and replacing them with new providers, often charter schools or
other forms of innovative schools. As a result, locally elected school boards, local
caretaker organizations, and teachers lose power relative to powerful mayors, national
foundations that promote this approach, and networks of charter schools often
managed by out-of-state organizations. While this approach has generated higher
student outcomes in some places, it can also lead to strong protests over school clos-
ings, as in Denver, and can undercut the value of stability and community history,
as in New Orleans (Bulkley et al., 2010; Henig, 2010; Osborne, 2016).

In sum, expansion of the charter school sector poses significant challenges to the
ability of local education systems to promote the public interest.

ARE CHARTER SCHOOLS GOOD FOR DISADVANTAGED STUDENTS?

One of the early arguments for charter schools was that they would benefit disad-
vantaged children by expanding educational options beyond their low-quality local
neighborhood schools. Even if charters do improve educational opportunities and
student achievement for some disadvantaged students, many other disadvantaged
children are likely to be left behind, either in lower quality charter schools or in
traditional public schools starved for funds and serving greater concentrations of
expensive-to-educate students. Notably, in recognition of their adverse effects on
disadvantaged minority students, the NAACP recently has come out against char-
cter schools and has called for a greater focus on improving the traditional public
schools.

Some charter schools do seem to have improved student outcomes for disad-
vantaged students. A nationwide lottery-based study of students in charter middle
schools, for example, found positive effects on student test scores for disadvantaged
students, but not for the typical charter student (Gleason et al., 2015). A recent
follow-up study of those middle school students, however, found no effects on their
longer term outcomes such as college enrollment or college credits (IES, 2019).

Based on a lottery study of oversubscribed charter schools in Boston, researchers
have found that the charters appear to be serving their disadvantaged students well
in terms of raising student test scores (Abdulkadirglu, et al., 2011). These findings
were reinforced by a 2015 study of 41 urban areas (based on a different statistical
approach) in which Boston emerged as the district with by far the highest per-
centage (92 percent) of effective charter schools (CREDO, 2015). The effectiveness
of Boston’s charter schools has been attributed to the no-excuses approach used by
most of the city’s charter schools and to the high quality authorization and oversight
process of its state charter law and authorization process.

Importantly, however, despite the fact that the overall findings from CREDO’s
study on urban charters were more positive than those of an earlier national study
by the same authors (CREDO, 2013), many charter schools in urban areas have not
been successful. In only 14 of the other 40 cities in the urban study did a majority
of the charter schools outperform the local district schools in math and only 11
out of 40 did so in reading. In the other cities, more than half the charter schools
apparently were either no more effective or were less effective than the local district
schools in raising student achievement.

Further, the effort to use charter schools as the major components of school-
or district-wide turnaround strategies to improve opportunities for disadvantaged
students has been disappointing. In the Tennessee achievement zone, which relied
heavily on charter schools, charter operators found it hard to succeed in an envi-
noment in which they were required to serve all students (Glazer et al., 2018). And
although the New Orleans experiment with its almost exclusive reliance on char-
ter schools has apparently raised average test scores in that city (Harris & Larson,
2016), it cannot serve as a model for a full charter school district in other cities. The
test score gains occurred within the context of a dramatic decline in the total number of students, a significant rise in external funding for new school buildings, and the displacement of existing local black teachers by a younger and less expensive group of white teachers. Yet to be determined is whether any of the positive results to date in New Orleans can be sustained now that authority over the school system has been returned to a locally elected school board.

TO PROMOTE THE PUBLIC INTEREST, THE NUMBER OF CHARTER SCHOOLS SHOULD BE CAPPED

Among the early arguments in support of charter schools was that their experimental nature would allow them to develop new and innovative educational strategies that could be transferred for the benefit of the public schools. Yet, as noted by Gleason (2019), 20 years later we do not even know what determines charter school effectiveness, so it is hard to determine what ideas should be transferred to the public schools. Another argument was that charters would be beneficial to disadvantaged children. While some children have benefitted, a consistent and net positive effect on disadvantaged children has yet to be demonstrated. Those considerations, plus the fact that charter schools have not proven to be consistently more effective than traditional schools, undercut most of the positive arguments for charter school expansion. The only remaining argument—one that I and many others reject outright—is that the current education system is failing and needs to be severely disrupted.

Given that we do know that charter schools are interfering with the effective operation of local school systems, the best strategy to promote the public interest in education would be to limit the number of charter schools and to refocus attention and resources on the traditional public schools. As part of this reorientation, policymakers would need to impose stronger accountability and transparency requirements to assure that the existing charter schools are promoting the public interest, and not just the interests of the students they attract or the for-profit and not-for-profit organizations that operate them.

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REFERENCES


