

# **NEPC REVIEW: THINK AGAIN: DO CHARTER SCHOOLS DRAIN RESOURCES FROM TRADITIONAL PUBLIC SCHOOLS? (THOMAS B. FORDHAM INSTITUTE, MARCH 2023)**



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**May 2023**

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# NEPC REVIEW: THINK AGAIN: IS EDUCATION FUNDING IN AMERICA STILL UNEQUAL? (THOMAS B. FORDHAM INSTITUTE, SEPTEMBER 2023)

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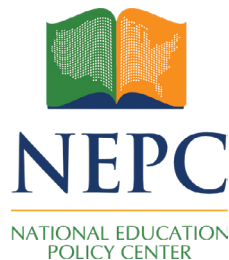
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May 2023

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## Summary

The Thomas B. Fordham Institute recently published *Think Again: Do Charter Schools Drain Resources From Traditional Public Schools?*, a report that explores whether charter schools increase or decrease traditional public school districts' total revenues, instructional spending per pupil, and efficiency. Based on its review of literature, the report finds that charter schools have mixed impacts on district finances; additionally, it suggests that while short-term effects may be negative, traditional public schools facing charter competition see improved efficiency over time. The report references most of the relevant literature and fairly assesses the evidence. However, it makes claims and policy recommendations that are untested empirically and unwarranted based on the research base. For example, it concludes that districts' higher expenditures in a charter environment are due to policies protecting traditional public schools from revenue fluctuations caused by charter competition. In doing so, it fails to consider other possible explanations, such as charters strategically enrolling relatively few students who are particularly costly to educate. The report also suggests that public school closures resulting from unsupportable enrollment decline are a positive outcome of competition—downplaying how severely closures disrupt and negatively impact marginalized students and communities. Given these shortcomings, while the report may be a good resource for identifying studies related to the important questions it asks, its unsupported claims and recommendations make its advice of little use to policymakers.



# NEPC REVIEW: THINK AGAIN: DO CHARTER SCHOOLS DRAIN RESOURCES FROM TRADITIONAL PUBLIC SCHOOLS? (THOMAS B. FORDHAM INSTITUTE, MARCH 2023)

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## I. Introduction

Over the past several decades, private sector advocacy and federal incentives have prompted significant charter school expansion. A key rationale has been that school choice will not only offer students and families alternatives to their traditional public schools, but also that competition will improve educational efficiency. Theoretically, as school choice causes traditional public schools to lose students—and the associated per-pupil revenue—they will be compelled to improve their educational programs to attract and retain students, thus becoming more efficient.

Yet, there are concerns about the assumptions underlying these claims. Critics of choice have argued that rather than fostering healthy competition, charter schools drain needed resources from public schools, impeding their ability to meet students' needs.<sup>1</sup>

A report published by the Thomas B. Fordham Institute, *Think Again: Do Charter Schools Drain Resources from Traditional Public Schools?*, authored by David Griffith, examines some competing claims about charters' effects.<sup>2</sup> Specifically, the report reviews existing research to assess whether charter schools increase or decrease districts' total revenues, instructional spending per pupil, and efficiency. The publication further offers policymakers funding recommendations, and it offers education leaders a recommendation for dealing with school closures resulting from competition.

## II. Findings and Conclusions of the Report

The report says it “synthesizes the latest and most rigorous research” to answer the following questions: *Do charter schools increase or decrease districts' total revenues per pupil?*

*Do charter schools increase or decrease districts' instructional spending per pupil? Do charter schools make districts more or less efficient?*<sup>3</sup>

In answer to the first question, based on state-specific and national studies the report finds overall that

charter schools may increase or decrease districts' total revenues per pupil depending on who authorizes them, how their arrival impacts the local housing market, and—perhaps most important—the policies that states and other jurisdictions adopt.<sup>4</sup>

For example, charters may increase or decrease home market values—and so affect tax revenues. In addition, specific state policies may include “hold harmless” measures that compensate districts losing students to charters.<sup>5</sup> In short, the report finds that specific policy and social context produce mixed results.

Second, the report acknowledges that if research found a link between charter schools and declines in districts' instructional spending (on teachers and aides, textbooks, and curricular materials), the criticism that charters drain necessary resources from public schools would be justified. However, here too the report finds mixed results. In general, it found that

many of the places where research suggests an increase in total revenues per pupil may have also experienced an increase in instructional spending—or at least, no significant change—while the places where research suggests a decline in total revenues per pupil may have also experienced a decline in instructional spending.<sup>6</sup>

In addition, based on some studies of specific factors like teacher-student ratio and teacher salaries, the report concludes that competition appears “to have mostly positive effects on specific instructional inputs.”<sup>7</sup>

Finally, the report assessed whether charter school competition makes districts more or less efficient as they draw pupils from public schools. It found several studies indicating that an inefficient rise in cost per pupil results when a district must continue to pay fixed costs, especially building maintenance, for fewer students. However, the report contends that this literature is misleading because districts can adopt such strategies as closing or consolidating under-enrolled campuses. It also points to a study indicating that charter schools may increase costs for traditional public-school districts early on but can lead to efficiency some one to eight years later. After detailing at some length the difficulty of determining efficiency and the mixed results, the report finally concludes that “while few studies address the efficiency question directly, what we do know suggests that charters tend to make affected school districts more efficient, at least in the long run.”<sup>8</sup>

### **III. The Report's Rationale for Its Findings and Conclusions**

The report begins with the argument that traditional school districts should, of course, receive less money when they enroll fewer students. If per-pupil funding is tied to enrollment,

then money should follow students who leave their traditional public school for a charter school. Therefore, a simple reduction in revenues is not a major concern, the report contends, since fewer students means fewer resources are needed. Moreover, the report argues that the mixed results of charters' effects on district revenues are likely driven not by competition per se, but by variation in local context and policy design. It further argues that even if, as research suggests, charter schools create some inefficiencies in public school districts in the short-term, districts can adjust their costs in the long run by closing school buildings or making other adjustments to expenditures (teacher compensation, for example) to increase efficiency over time.

#### **IV. The Report's Use of Research Literature**

While the literature review is highly inclusive, it is missing some citations, including a recent study on charter school fiscal effects indicating that charter school competition in North Carolina has had a large and negative fiscal impact.<sup>9</sup> Nevertheless, the report cites a significant amount of relevant literature, and it includes key empirical texts. More specifically, it includes key authors, empirical results, peer-reviewed papers, and non-peer-reviewed sources.

Although the report attempts to provide context for the mixed and conflicting results found in the literature, it does not help the reader to interpret the mixed results by, for example, weighting those studies with more robust methods or those that have been peer reviewed.

#### **V. Review of the Report's Methods**

The report did not describe how the studies reviewed were identified or selected for inclusion or what search terms were used. Not all literature reviews need to be systematic reviews—those summarizing *all* relevant literature on a given topic—but some clarity regarding the search process, or the inclusion and exclusion criteria for the studies reviewed, provides greater transparency.

#### **VI. Review of the Validity of the Findings and Conclusions**

The report fairly assesses existing empirical evidence, but ultimately draws recommendations and claims that are not warranted based on the research reviewed.

The report finds that, in some cases, charter schools increase public school expenditures per pupil, but in other cases expenditures decline. It concludes that policy design and context shape the mixed outcomes found in the literature. This is likely true. Research on school choice policy has shown that the specifics of the design matter for outcomes, particularly in terms of academic performance, as well as for equity and access to high-quality schools.<sup>10</sup>

However, the report draws conclusions that have not been tested empirically, including that

“hold harmless” and other policies protecting traditional public schools from revenue fluctuations explain the higher expenditures sometimes found. For example, the report notes that since many states have policies that at least partially exclude charter schools from local funding, traditional public school districts should actually see an increase in per-pupil funding. However, in citing one California study to support the claim that revenue increases, the report ignores other key findings—including that public schools do experience financial strain and spend less per pupil when charters open nearby.<sup>11</sup> While it is true that policy protections for California’s traditional public schools led to less severe effects on revenue than other states experienced, they nevertheless did experience some financial strain.

The report similarly fails to acknowledge other possible explanations for higher per-pupil expenditures in districts facing charter competition. For example, charter schools tend to enroll comparatively few students who are more costly to educate, such as those with special needs or those who need aggressive academic support.<sup>12</sup> The report claims that low-income and minority students disproportionately attend charter schools, and that may be the case on average. However, that does not mean that the most marginalized students, by income, race, and disability, are exiting traditional public schools for charters. In fact, one article the report cites without in-depth discussion finds that charter school presence is associated with cost increases due to the greater shares of low-income students and students with disabilities in traditional public schools.<sup>13</sup> These results are consistent with prior work indicating that charter schools favor students who require fewer resources.<sup>14</sup> The report does not mention these or other possible explanations for higher per-pupil cost, and instead it simply concludes that states should time-limit supports for districts experiencing losing revenue. No sound evidence for that recommendation appears in the report.

Furthermore, the report suggests school closures are a productive long-run response to enrollment declines. However, it fails to adequately consider the negative impacts of closure, which is especially disruptive to marginalized students and communities. Studies show that closure disproportionately impacts racially minoritized communities, particularly Black communities,<sup>15</sup> and has rippling effects on the middle-class workforce in those communities (for example, the loss of Black teachers).<sup>16</sup> Schools are a key neighborhood institution, and communities mourn their loss.<sup>17</sup>

While closure is mentioned primarily as a beneficial financial outcome, a recommendation that the preferences of students displaced by closure should be prioritized offers only faint acknowledgement that other issues also result. New Orleans is cited as an example where student preferences were prioritized in the lottery system, but the report offers no insights about other resulting problems or how they might be solved. In citing New Orleans, the report neglects to mention that most school districts do not, in fact, have a centralized system allowing families to identify even their preferences. For example, Detroit has high shares of charter schools and frequent school closures or takeovers, but it lacks a ranked choice or common application system.<sup>18</sup> A vague reference to prioritizing displaced families and to nonprofit organizations offering information and assistance trivializes closures’ disruption. Other social and academic consequences, which might far outweigh a slight increase in school district efficiency, must be taken into account.

## **VII. Usefulness of the Report for Guidance of Policy and Practice**

The report is a useful starting point to explore critical and often understudied questions about how charter schools influence not just student outcomes, but also district revenues and efficiency. Changes in district expenditures could be an intermediate outcome or a mechanism that explains how schools respond to competitive pressure and whether that leads ultimately to positive or negative impacts on students ‘left behind’ in traditional public schools. The report does make important distinctions between instructional and other expenditures in districts, and rightly acknowledges that the effects of charter schools vary widely depending upon local context, mechanisms, and state policies. However, because claims and policy recommendations are not soundly supported by the evidence, and because such important considerations as the impact of school closures are minimized, policymakers will find no reliable guidance in the report.



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