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# Annual Privatization Report 2011: Education

By Lisa Snell

Edited by Leonard Gilroy and Harris Kenny



# Reason Foundation



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# **Annual Privatization Report 2011: Education**

**By Lisa Snell**

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**Part 1**

# School Choice in a National Context

In the United States, the education system is transitioning from funding institutions to funding students. K-12 education funding, across multiple sectors, is moving closer to how the American higher education funding model works. The U.S. is moving away from a system funded by local resources and driven by residential assignment to a system where funding is driven by parental choice and student enrollment. In 2011 15 states offered a total of 26 school voucher and tax credit programs with close to \$1 billion in school funding following students to schools. More than 2 million students are enrolled in charter schools, with more than 100 cities with 10 percent or more charter school market share. In New Orleans, for example, 80 percent of students are enrolled in charter schools with money following the student to his or her parents' school of choice.

With the growth of digital learning and the need to customize education at all levels, the United States is beginning to see examples where not only does school funding follow students to the school of their choice, but to multiple education-service providers. In Utah, for example, the Statewide Online Education Program allows high school students to select two courses from multiple high-quality course options and multiple course providers while still being enrolled in their public high school. The money follows the kids to their course selection. In April 2011, Arizona Governor Jan Brewer signed into law Arizona Empowerment Accounts, the first parent-controlled education savings account. Empowerment Accounts allow parents—in this case, parents of special needs children—to remove their children from the public-school system and receive the money the state would have spent on them in an education savings account. Every quarter, the state deposits up to 90 percent of the base support level of state funding into a parent-controlled ESA. Parents can then use that money to pay for a variety of educational options including private-school tuition, private tutoring, special education services, homeschooling expenses, textbooks and virtual education, enabling them to customize an education for their child's unique needs.

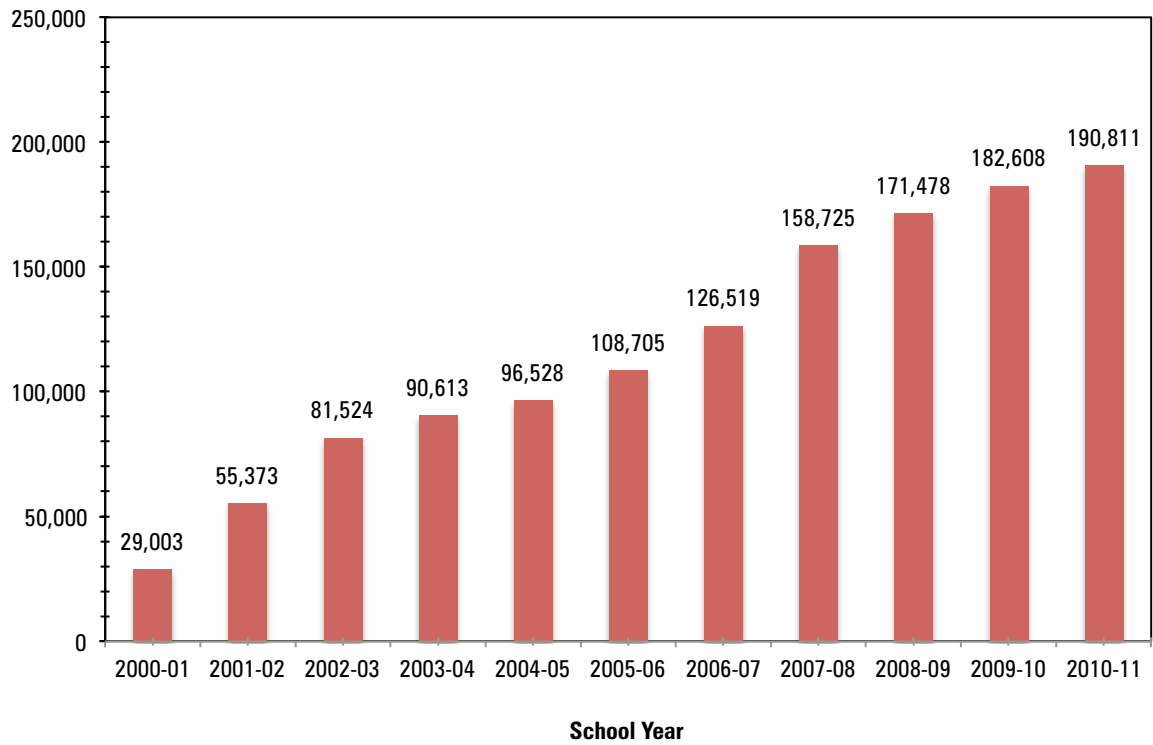
Public funding systems at the state and local levels are also adapting to a “school funding portability” framework where state and local school funding is customized to the students and given directly to the institution in which the child enrolls. More than 30 “school funding portability” funding systems (in cities like New York, Baltimore, Denver, Hartford and Cincinnati, and states including Rhode Island, Hawaii and Indiana) are funding students through student-based budgeting mechanisms. In 2011, Rochester, Newark and Boston moved to full weighted student formula systems where the money follows the child. Los Angeles Unified is moving from 100 pilot schools being funded on a per-pupil basis to all 800 schools funded based on where the student

enrolls for the 2012–2013 school year. California, Utah and Connecticut have ongoing legislative debates about fixing the state school finance system through a weighted student formula. In Louisiana, seven school districts are piloting a student-based budgeting system, including the largest school district in the state, Jefferson Parish, with 50,000 students. New Jersey, Rhode Island and Indiana have all recently changed their statewide school funding systems to a weighted student formula where the money follows the child. As Indiana's *Tribune Star* reported, "Of all the sweeping legislative changes coming to K-12 education, from private-school vouchers to performance-based pay for teachers, the one that may have the most impact is tucked inside the 270-page budget bill. It changes the way schools are funded, following a new formula to divvy up nearly \$13 billion in K-12 education dollars. The new formula follows the mantra that 'money follows the child.'"<sup>1</sup> As Representative Ed Clere, who sits on the House Education Committee explained, "The new formula is a 'sea change' from the past. We're no longer funding schools. We're funding students."<sup>2</sup>

On April 4, 2011 the U.S. Supreme Court offered another validation of school choice and rejected the challenge to Arizona's tuition scholarship tax-credit program, which offers scholarships to students choosing to attend a private school and is funded by individuals and corporations taking advantage of a school tax credit in Arizona. The high court ruled that because tax credits leave money in the hands of taxpayers, they never become public funds. As a result, under federal law, taxpayers do not have standing to challenge the program. In this legal context 2011 saw rapid growth in both education tax credit and school voucher programs that have both been legally supported by the U.S. Supreme Court. According to the American Federation for Children, 42 states introduced legislation in 2011 to create or expand school voucher and scholarship tax credit programs. Fifty-four bills create or expand voucher programs and 42 bills create or expand tax credit scholarship programs. Many bills often target disadvantaged children, including 27 bills for special needs children, two bills for military children, and two bills for children in foster care, according to AFC analyst Michelle Gininger, who conducted the research. Since January 2011, 12 bills have been enacted in nine states that will create, expand and restore highly accountable and effective school choice programs. This year, more students than ever before will utilize school vouchers or scholarship tax credit programs to attend the private schools of their parents' choice, thanks to the unprecedented expansion of school choice programs in 2011.

As a result, more than 200,000 children went "back to school" in 2011 as participants in America's 26 private school choice programs, spanning 13 states and the District of Columbia.

**Figure 1: Recent Student Enrollment Growth in Targeted School Choice Programs**



Source: Hope for America's Children: School Choice Yearbook 2010–2011, Alliance for School Choice, <https://s3.amazonaws.com/AFC/scy2011.pdf>

## Part 2

## 2011 School Choice Round Up in the States

According to the Friedman Foundation for Educational Choice, School Choice 2011 Update, several states saw significant new school choice programs or expansions in 2011:<sup>3</sup>

**Arizona** passed the nation's first Education Savings Account (ESA) legislation, which will benefit children with special needs. Education Savings Accounts are accounts established to provide an education for qualified students that must include reading, grammar, mathematics, social studies and science. In order to qualify students must be an Arizona resident and identified as having a disability and either attended a public school for the first one hundred days of the previous school year or received a School Tuition Organization scholarship. Accounts are awarded an amount determined by calculating 90 percent of each student's funding level as determined by the school funding formula. The Arizona Education Savings Account will allow participating families to use the per-pupil funding on a variety of educational options, including: tutoring, online education, testing fees, college courses and textbooks. Any unused funds after high school graduation can be used for college tuition. Despite a tight turnaround time for applications, Arizona's ESA law has proven highly popular among Arizona families and in its first year will provide more than 100 families with the opportunity to send their children to the schools of their choice. In fact, 167 families and their children with special needs were awarded an ESA by the Arizona Department of Education for the fall 2011 school semester. The lowest account awarded this fall was about \$1,900; the highest was \$28,000. The average was \$13,600, according to the Arizona Education Department.

In **Colorado**, the Douglas County School Board (a school system near Denver) took an unprecedented vote to create the first district-authorized voucher program. Colorado's Douglas County School Board unanimously approved the Choice Scholarship Pilot Program for the 2011–12 school year, which is subject to annual renewal or cancellation by the Board. Eligible students can receive vouchers worth the lesser of private school tuition or 75 percent of their per-pupil public revenue (\$4,575 for 2011–12). A family is allowed to supplement the voucher. If more than 500 students apply for vouchers, the Choice Scholarship Office will conduct a lottery. Students must be residents in the Douglas County School District (DCSD) for at least one year, and must currently be attending a DCSD public school. Participating private schools can be located outside Douglas County. The Choice Scholarship School, technically a charter school, will be the



administrative home for the new voucher program and will distribute vouchers to eligible families. Parents and community members have been appointed by the school board to provide oversight. Opponents of school choice have challenged this program in court and it is currently on hold because of a court order.

**Florida** expanded its corporate scholarship tax credit program, increasing the amount and type of allowable corporate donations to scholarship organizations. The legal change amends the original Florida Tax Credit Scholarship law in two ways, by:

- Eliminating the tax liability cap (formerly set at 75 percent) on the total tax due that qualifies for a credit, and
- Allowing the carry forward of an unused amount of a tax credit to the next fiscal year by eliminating the rescindment of all, or part, of an unused tax credit.

The Sunshine State also expanded the McKay Scholarship for Students with Disabilities to make eligible an additional 50,000 students who meet the disability criteria of Section 504 of the federal Rehabilitation Act of 1973.

**Georgia** strengthened and expanded its corporate and individual scholarship tax credit program. Highlights of the expansion include:

- Escalating the tax credit cap that ties it to the consumer price index with a sunset provision for 2018.
- Capping scholarship amounts at the average of state and local funding.
- Making first-graders automatically eligible for the scholarship.
- Increasing transparency and accountability for SSOs.
- Clarifying student eligibility provisions to ensure that once a student enters the program, he/she can continue receiving a scholarship until graduation or age 20.
- Giving corporate donors more time to make their contributions after the Department of Revenue approves their request.
- Creating a Web-based approval process so that donors can more easily and quickly contribute.

**Indiana's** legislature, with the backing of Governor Mitch Daniels, created the Choice Scholarship Program, the broadest voucher program in the country. This program provides vouchers to families with household incomes not exceeding 150 percent of the federal free and reduced lunch program guidelines to pay the tuition and fees to attend any accredited private school. Any child who attended a public school for the preceding two semesters is eligible to receive either a 90 percent or

a 50 percent scholarship depending on household income. Approximately 525,000 students, or about 55 percent of the state's total public school population will be eligible to receive a voucher. There are no geographic restrictions and there is no financial cap on the program. In 2011, the Department of Education said close to 4,000 students are receiving vouchers to attend more than 255 private schools, in a program created and implemented in less than three months.

Indiana also created a new tax deduction for families with children attending private schools. Any taxpayer who has a child already enrolled in a private school or who is homeschooled will be eligible to claim up to a \$1,000 tax deduction per child for approved educational expenses including private school tuition, textbooks, fees, software, tutoring and supplies. Finally, Indiana's tax-credit scholarship program, which allows individuals and corporations to receive tax credits for donating to scholarship organizations, increased the total cap on available donations to \$5 million.

**Iowa** expanded funding for its scholarship tax credit program. On July 29, 2011, Gov. Terry Branstad signed budget legislation that stipulated an increase for the cap on available tax credits. The new cap will be \$8.75 million for the 2012 tax year (previously it was \$7.5 million). Based on the program's history, that should make available approximately 1,500 more scholarships.

**North Carolina** enacted a tax credit program for children with special needs. The Tax Credits for Children with Disabilities program allows parents of special needs children to claim a tax credit of up to \$6,000 for educational expenses that include private school tuition, therapy and tutoring. Nearly 200,000 K-12 students in North Carolina public schools are estimated to be receiving special education and other related services this school year, which cost the state \$8,160 and school districts \$1,931 per student. It is estimated that up to 5 percent of qualified students will take advantage of the tax credit, which would save taxpayers up to \$10 million and school districts up to \$4 million per year within the next five years. This savings will be placed in a fund for special needs programs in public schools.

North Carolina becomes the eighth state to enact a private school choice program for children with special needs. Arizona, Florida, Georgia, Louisiana, Ohio, Oklahoma and Utah also offer programs—benefiting more than 26,000 children in the 2010–11 school year.

In **Ohio**, two existing school choice offerings will be significantly expanded and the state will become the first in the country with four different school voucher programs after Gov. John Kasich signed into law a state budget that considerably increases the number of educational options available to Ohio families.

Included in the two-year state budget is a provision that more than quadruples the size of the EdChoice Scholarship Program over the next two years, ultimately resulting in up to 60,000 students having access to private school choice by the 2012–2013 school year. The program—which uses a failing schools model to determine which students are eligible—will also likely see a spike in the number of students who qualify, thanks to a change in the criteria used to rate school performance.

The budget also creates the Jon Peterson Special Needs Scholarship, which will give approximately 13,000 special needs children scholarships that can be used to pay for private school tuition, to defer the costs of attending an out-of-district public school, or for other services. The program is named after a former state legislator who was a staunch advocate for special needs families.

In addition to the creation of a new program and the EdChoice Program's expansion, one of the state's other voucher programs—the Cleveland Scholarship and Tutoring Program—will see increases in scholarship amounts between \$800 and \$1,550 per student. This action will bring scholarships more in line with the amounts offered by the EdChoice Program, and high school students will also now be eligible to apply for the Cleveland Scholarship Program.

**Oklahoma** created a new scholarship tax credit program that offers families with incomes up to 300 percent of the income qualifying for free and reduced price lunch scholarships. Scholarship granting organizations must spend a portion of their expenditures for low-income students in an amount equal or greater to the percentage of low-income in the state. Students can receive scholarships up to \$5,000 or 80 percent of the average per pupil expenditures in the school districts where they live, not to exceed the tuition of the public school. Scholarships for children with special needs may not exceed \$25,000. The program is capped at \$5 million, of which \$3.5 million is dedicated to scholarships to private schools and \$1.5 million for donations to nonprofits that distribute improvement grants to public schools.

**Utah** increased funding for the state's Carson Smith Special Needs Scholarship Program. The program's funding level will increase with an additional \$538,000 in ongoing funds annually. That brings the total program funding to approximately \$3.75 million in ongoing funds per year. In addition, Utah lawmakers passed the Statewide Online Education Program, which allows high school students to access course work on the Internet from public or private schools anywhere in the state. This program allows all public school students statewide in grades 9–12 to customize their class schedule by blending online learning with traditional classroom learning. Every year students can select two courses from multiple high-quality course options and multiple Course Providers, while still being enrolled in their public high school. The money follows the kids to their course selection, meaning it pays the individual institutions providing content.

In **Washington, D.C.**, Congress reauthorized and expanded the highly successful D.C. Opportunity Scholarship Program, which provides scholarships so that children from low-income families can attend the private schools of their parents' choice. Congress reauthorized Washington, D.C.'s Opportunity Scholarship Program until at least 2016. Congress appropriated \$17.4 million for the 2011–12 school year, an increase of \$4.1 million, and approximately a 30 percent increase above 2010-11 levels.

**Wisconsin** dramatically expanded the nation’s longest-running school choice program—the Milwaukee Parental Choice Program—and created a new scholarship program for children in Racine.

In approving the state budget, Gov. Scott Walker enacted a significant expansion of the popular Milwaukee Parental Choice Program. The state’s 2011–13 budget contains language that increases income eligibility for the program and removes the cap on the number of participants. The budget also allows children in Milwaukee to attend the private schools of their parents’ choice—anywhere in Wisconsin rather than just within Milwaukee.

In addition, the budget creates a new choice program—similar to the one in Milwaukee—for Racine. The Milwaukee Parental Choice Program’s model will be implemented in the Racine Unified School District. The program will be limited in the first year to 250 students and in the second year to 500 students. Thereafter, there will be no cap on the number of students who can participate. It is estimated that about 11,000 families in Racine will be eligible to participate in the new program.

## Part 3

# School Choice Performance 2011

In March 2011, The Foundation for Educational Choice published “A Win-Win Solution: The Empirical Evidence on School Vouchers” by education researcher Greg Forster.<sup>4</sup> The report collects the results of all available empirical studies to measure how school vouchers affect academic outcomes for participants and outcomes in public schools.

Key findings include:

- Ten empirical studies have used random assignment, the gold standard of social science, to examine how vouchers affect participants. Nine studies find that vouchers improve student outcomes, six that all students benefit and three that some benefit and some are not affected. One study finds no visible impact. None of these studies finds a negative impact.
- Nineteen empirical studies have examined how vouchers affect outcomes in public schools. Of these studies, 18 find that vouchers improved public schools and one finds no visible impact. No empirical studies find that vouchers harm public schools.
- Every empirical study ever conducted in Milwaukee, Florida, Ohio, Texas, Maine and Vermont finds that voucher programs in those places improved public schools.

In 2011 in Florida, the state with the largest number of school choice programs, low-income students attending private schools with tax credits appear to be making slightly bigger academic gains than similar students in public schools, according to standardized test scores analyzed for the latest in a series of state-ordered studies.

The best statistical estimates “indicate that participation (in the voucher program) is associated with small improvements in reading and mathematics, relative to public school students who applied for participation in the program, though these differences are not always statistically significant,” writes well-respected Northwestern University researcher David Figlio, who was hired by the Florida Department of Education to study the program. “The results are consistent with a finding of small but positive differences between program participants and non-participants.”

## Part 4

# Charter School Market Share for 2011

Charter schools continue to be the largest example of education privatization with a contract between an individual school and a government authorizer. There are 5,000 charter schools in the United States that serve 2 million children. In addition, an estimated 500,000 students are on waiting lists for charter schools.

A record number of school districts—six—have at least 30 percent of their public school students enrolled in public charter schools, according to an annual report released in October 2011 by the National Alliance for Public Charter Schools (NAPCS) entitled "A Growing Movement: American's Largest Charter School Communities—Sixth Annual Edition." In addition, an all-time high of 18 school districts have more than 20 percent of their public school students enrolled in charter schools.<sup>5</sup>

Key findings from the report include:

- Six school districts now have more than 30 percent of their public school students enrolled in public charter schools: New Orleans, Washington D.C., Detroit, Kansas City (Missouri), Flint and Gary.
- Eighteen school districts have more than 20 percent of their public school students enrolled in charter schools.
- An astounding 70 percent of public school students in New Orleans attended public charter schools in the 2010–11 school year. Charter schools are the highest performing sector of public schools in the city.
- Los Angeles again tops the list of districts with the highest number of public charter school students enrolled with 79,385 students. To provide a sense of scale, the number of students enrolled in public charter schools in Los Angeles, alone, would place the city's charter schools in the top 45 of the 100 largest school districts in the United States.
- Nearly 100 school districts now have at least 10 percent of public school students in charter schools.

Tables 1 and 2, and the accompanying descriptions, are from the aforementioned NAPCS report:

*“For the sixth year in a row, the National Alliance for Public Charter Schools has gathered public school enrollment data to find the markets with the highest local proportions of students enrolled in public charter schools. The market share table (Table 1, below) shows the results for the 2010-11 school year.”*

Rank	School District	State	Charter Market Share	Charter Enroll	Non-Charter Enroll	Total District Enroll	Rank and Market Share in 2010
1	New Orleans Public School System	LA	70%	27,728	12,149	39,877	#1 and 61%
2	District of Columbia Public Schools	DC	39%	29,366	45,630	74,996	#2 and 38%
3	Detroit Public Schools	MI	37%	45,073	75,264	120,337	#3 and 33%
4	Kansas City, Missouri School District	MO	35%	9,312	17,326	26,638	#4 and 32%
5	Flint City School District	MI	32%	5,008	10,557	15,565	#6 and 28%
6	Gary Community School Corporation	IN	30%	4,834	11,161	15,995	#6 and 28%
7	St. Louis Public Schools	MO	29%	10,406	25,084	35,490	#7 and 27%
8	Dayton Public Schools	OH	27%	5,995	16,256	22,251	#5 and 29%
9	Youngstown City Schools	OH	24%	2,527	8,128	10,655	Not in Top 10
10 (tie)	Albany City School District	NY	23%	2,421	8,228	10,649	#9 and 24%
10 (tie)	Cleveland Metropolitan School District	OH	23%	14,310	46,818	61,128	N/A and 21%
10 (tie)	Toledo Public Schools	OH	23%	7,721	26,488	34,209	N/A and 22%

Source: A Growing Movement: America’s Largest Charter School Communities—Sixth Annual Edition, October 2011, p. 2.

*“For the third year in a row, the National Alliance for Public Charter Schools includes a top ten list of school districts by the number of public charter school students enrolled (Table 2, below). The ten districts with the largest number of students in public charter schools represent 21.7 percent of the total public charter school population nationwide—a total of 395,555 students out of roughly \$1.8 million. Between the 2009–10 and 2010–11 school years, the top ten districts increased public charter school enrollment by over 42,000 students (growth of 12 percent).”*

**Table 2: “Top 10” Districts Serving the Highest Number of Public Charter School Students**

Rank	School District	State	Charter Enroll	Non-Charter Enroll	Total District Enroll	Charter Market Share	Rank and Charter Enrollment in 2010
1	Los Angeles Unified School District	CA	79,385	588,824	668,209	12%	#1 and 66,809
2	Detroit Public Schools	MI	45,073	75,264	120,337	37%	#2 and 45,036
3	The School District of Philadelphia	PA	40,322	166,272	206,594	20%	#4 and 33,916
4	New York City Department of Education	NY	38,743	973,210	1,011,953	4%	#7 and 30,049
5	Chicago Public Schools	IL	37,909	365,069	402,978	9%	#5 and 33,711
6	Houston Independent School District	TX	37,499	188,553	226,052	17%	#3 and 34,567
7	Miami-Dade County Public Schools	FL	35,380	312,026	347,406	10%	#6 and 30,859
8	District of Columbia Public Schools	DC	29,366	45,630	74,996	39%	#8 and 27,660
9	New Orleans Public School System	LA	27,728	12,149	39,877	70%	#9 and 22,481
10	Broward County Public Schools	FL	24,150	232,981	257,131	9%	#10 and 21,603

Source: A Growing Movement: America’s Largest Charter School Communities—Sixth Annual Edition, October 2011, p. 2.



## Part 5

# Charter School Performance 2011

In 2011, respected research on charter schools finds that charter schools have a positive impact on student performance:

Julian Betts and Emily Tang at the University of Washington have a new systematic review of the research on charter schools. They look at more than 30 studies that meet minimal criteria for research quality. The meta-analysis shows that public charter schools outperform traditional public schools in elementary reading and math, middle school math and urban high school reading. Given the large number of studies on KIPP charter schools, the authors were able to break out the findings and found large, positive results for KIPP middle schools in reading and math. In sum, charters serving elementary and middle school grades by and large outperform traditional public schools.<sup>6</sup>

In October 2011, the California Charter Schools Association (CCSA) released the "Chartering and Choice as an Achievement Gap-Closing Reform" research report, which details the performance and enrollment trends of African-American students in both charter public and traditional public schools. The results show that African-American students are enrolled at higher rates in charter public than traditional public schools at all grade levels, in some cases at close to twice the rate, and are experiencing better outcomes than African Americans in traditional schools, in spite of having the same rates of parent education and student retention as their traditional public school peers. In fact, charter public schools are effectively accelerating the performance of African-American public school students, consistently earning higher Academic Performance Index (API) scores and proficiency rates statewide across subjects in many urban districts. When using CCSA's own performance metric—the Similar Students Measure (SSM), which eliminates the impact of student background on performance—charter public schools serving African-American students were more than three times as likely as traditional public schools to consistently outperform their predicted performance in a single year and over time.<sup>7</sup>

The New York State Education Department released the 2010–11 school year Mathematics and English Language Arts test results for third through eighth graders. The results are positive for public charter schools, which continue to have a higher percentage of students that meet or exceed state performance standards than the percentages of their respective school district. According to analysis conducted by the NY Charter Schools Association (NYCSA): The New York Charter Schools Association compared results of each charter school to its respective districts and found that students in seven out of ten charters exceeded their district percentage in terms of students meeting state English standards by achieving a level 3 or 4 on the assessment, while students in more than eight of every ten charters outperformed in mathematics.<sup>8</sup>

## Part 6

# Charter School Incubators Expand Charters in 2011

A new model for charter school growth has taken root in several cities and it appears to be boosting quality as well as quantity. Charter “incubators” are accelerating the launch and development of top-flight charter schools in communities that need them most. Incubators are organizations designed to nurture and help develop charter schools from a charter school idea to a well-functioning school. Incubators offer the promise of not only more school choice but also schools that reliably deliver academic results.

A number of new entities have recently been established to foster successful growth and expansion within the charter sector, both by growing the number of new charter operators and expanding highly successful schools.

A handful of charter incubators are operating across the country:<sup>9</sup>

**New Schools for New Orleans (NSNO):** NSNO has launched 13 schools in the past four years. In the first two years of its incubation program, it recruited, selected and trained aspiring charter founders over a year-long fellowship program. NSNO has now shifted its school development program to increase its focus on supporting the expansion of the highest-performing existing charter schools in the city. Over the next five years, NSNO aims to launch 19 more schools.

**Charter School Partners:** Charter School Partners, a selective incubator for new charter schools in Minnesota, supports start-up schools and offers a competitive fellowship program that identifies high-potential instructional leaders who have the passion, experience and capacity to start and lead high-performing charters in Minnesota’s most underserved communities. The incubator supports fellows through a two-year pre-operational process that provides local charter expertise, enhanced instructional leadership, organizational leadership skills and a strong network of community supporters. Charter School Partners is working with two start-ups and plans to launch the CSP Fellowship Program in July 2011 with two fellows that will open charters in 2013.

**The Tennessee Charter School Incubator (TCSI):** The first statewide charter school incubator in the country, TCSI, launched in 2009. The incubator will contract with nationally leading fellowship training programs, and will work with its new school leaders to help manage critical

school launch activities in areas including talent recruitment, board development and training, and facilities identification and financing. It will also provide funding to new schools in their early years, and will deliver capacity-building services such as: school reviews, funded site visits to other high-performing charter schools, data-driven instruction coaching and operating grants. TCSI plans to launch 22 new schools in Nashville and Memphis over the next four years, while also providing support services to existing high-performing charters in these markets.

**4.0 Schools:** 4.0 Schools is a regional incubator focused on eight southeastern states. The organization will offer a one-year fellowship to school founders. Four-person teams composed of founders and prescreened leaders in the areas of finance/operations, instruction and data will then attend a one-year “academy” of classroom experiences, residencies and simulations. After this, 4.0 Schools will provide the teams with three years of support, assessment, reviews and coaching as they open and operate new schools. At the end of the three-year period, low performers will be given one year to improve before being removed from the 4.0 Schools’ network, while high performers will have loans forgiven and be granted increased autonomy and the opportunity to launch more schools or spin out services or tools to improve instruction or operations in other schools. 4.0 Schools plans to launch 45 schools in its first five years, 100 schools by the end of year nine, and a total of 357 schools by 2030.

**The Mind Trust:** The Mind Trust in Indianapolis is launching its new Charter School Incubator, which, in its first year, will award three to five \$1 million start-up grants to leadership teams to launch best-in-class charter school networks in Indianapolis. Teams from Indianapolis and across the country will compete for the \$1 million awards.

## Part 7

## High-Quality Public Schools Convert to Charters in 2011

In the past public schools that have become charter schools have often been low-performing schools that have been taken over by charters as part of a school turnaround strategy. However, 2011 reflects the growth in the trend of higher-quality public schools making the decision to convert to a charter school to gain the benefits of the charter school model, including autonomy and budget control. In Oakland Unified, for example, two high-performing district elementary schools have voted to split from the district and become charter schools. The *San Jose Mercury News* reports that the faculty has “voted to break away from the district and convert their schools into independently run charters, a move that could cost Oakland Unified more than \$4 million. Teachers and principals at ASCEND and Learning Without Limits say that as charter schools, they will have far more control over who they hire, what they teach, and how they spend their money.”<sup>10</sup> These Oakland schools are not alone. For example, in March 2011, the Los Angeles school board approved the charter petition of El Camino Real High School, which holds the national record for U.S. Academic Decathlon championships and maintains top test scores in the district. This reflects an ongoing trend of Los Angeles schools opting for freedom from district regulations by shifting to charter status. In fact Los Angeles boasts the most charter students of any district in the nation at close to 80,000 students. After the school board vote, former Superintendent Ramon Cortines told the Associated Press that he expects the conversion trend to continue and that he foresees the day when the district's enrollment of 650,000 will plummet to 400,000.<sup>11</sup>

Even when school districts try to give their schools charter-like advantages they remain constrained by collective bargaining rules and huge financial obligations. For example, Oakland schools are still subject to the destructive personnel churn because of the district's huge financial deficit that causes districts to lay off teachers based on seniority. This puts these autonomous schools at risk as they built their staff to support school improvement. In 2011, 60 percent of Ascend teachers received layoff notices and at Learning Without Limits, all but one of the 17 teachers received layoff notices. While many of those teachers ultimately kept their jobs, these schools are not willing to live under the continued risk based on the district's financial condition.

The bottom line is that charter schools give school leaders, teachers and parents much more control over staffing and finances, and they are no longer subject to the financial consequences of belonging to a district that has been in financial distress for decades. A school district may be financially bankrupt, but individual schools can live on through the charter school process. It prompts the question: as a nation should we continue to support large school districts at the expense of individual schools and students? Oakland school district spokesman Troy Flint speaks the truth to power when he says that “ASCEND is a canary in the coal mine, and that fact has shaken people, that's no question.”<sup>12</sup>

## Part 8

## Growth of Student-Based Budgeting in 2011

Student-based budgeting is a policy tool and financing mechanism that can be implemented by governors, school boards and school superintendents within the confines of existing state education budgets and economic constraints to create more efficient, transparent and equitable funding systems across all schools in a state or a school district. The broad concept of student-based budgeting goes by several names including results-based budgeting, equitable student funding, per-pupil budgeting, weighted student funding, “backpacking” or fair-student funding. In every case the meaning is the same: dollars rather than staffing positions follow students into schools. The school funding is portable and follows the student. In many cases, these resources are weighted based on the individual needs of the student. In addition to the 15 major school districts using this system of backpack funding that were profiled in the Weighted Student Formula Yearbook 2009, several new “backpack” funding initiatives have come on line in 2011.<sup>13</sup> In 2011, Rochester City School District officials said they wanted to make school funding more equitable when they signed off on a new formula that drove the 2011 budget.

The new system allocated school funding based on student enrollment, giving extra dollars to those that serve students considered the most challenging—and expensive—to educate. The Equitable Student Funding formula provides more autonomy to those closest to students and greater equity across schools in funding and student placement. School principals, who once controlled just 6 percent of their budgets, now have the decision-making power over 70 percent of their budgets, with the corresponding accountability for results.<sup>14</sup>

Similarly, for the first time, Boston Public Schools’ district’s schools are being allocated funds under a formula known as weighted student funding, ensuring equitable funding for all 56,000 students. The proposed budget totals \$829,533,000, an \$8.1 million (or 1 percent) increase from the current fiscal year appropriation from the city of Boston. “This is a big win for the students of Boston,” said Superintendent Carol R. Johnson. “We are taking a new approach to allocating resources so that dollars will follow students. Even during a major financial crisis, this budget ensures that students remain our very top priority.”<sup>15</sup>

Newark also implemented a weighted student formula in 2011 and is using a streamlined budget technological interface called “MyBudget” to support the weighted student formula program.<sup>16</sup> The Web-based system, which is produced by MyBudgetFile Inc., eliminates the need for spreadsheets, while being extremely versatile and fast to operate. “The new MyBudgetFile.com system is excellent for a large organization such as the Newark Public Schools,” said Newark Public Schools

School Business Administrator Valerie Wilson. “Administrators at central and school locations require access to budget information at a moment’s notice and the new system is extremely user friendly. This allows for more autonomy for principals and at the same time is less time-consuming so they can focus more on academics in the schools.”<sup>17</sup> In addition, the system is capable of tracking the district’s finances in real time, thereby allowing the user or users to see exactly how much money is in an account. The system also calculates automatically. MyBudgetFile.com is especially practical when applied to the Weighted Student Formula, which was introduced with this year’s budget and is built into the MyBudgetFile software.

Los Angeles Unified is also moving to implement a weighted student formula district-wide. Under the “Budgeting for Student Achievement” initiative it will give all 800 school principals control of budget resources based on the number of students who enroll at the school for the 2012–2013 school year.<sup>18</sup> In Louisiana, school districts are piloting a student-based budgeting system, including the largest school district in the state, Jefferson Parish, with 50,000 students. Louisiana’s Board of Elementary and Secondary Education (BESE) has authorized a pilot program set to go into full effect next year that includes at least six different parishes: Jefferson, Sabine, Terrebonne, Assumption, Lafourche and Iberville. Officials with St. John the Baptist indicated earlier this year that they may not take part in the pilot after initially signing up, but the parish has not officially withdrawn, Penny Dastugue, the BESE president said. She anticipates the pilot program will yield useful information for school officials over the next several months. “This is a voluntary way for districts to explore new concepts and new practices,” Dastugue said. “The idea here is to empower local school leaders and to shift the decision-making over to the local schools where there is a firm understanding of student needs.” She also said that the overall success of the charter school program suggests that SBB (student-based budgeting) can be made to work in a larger scale. A one size fits all approach does not work,” she said. “We need to be student specific and let principals address the individual needs of their schools. In a way, we already have a successful model for student based budgeting with our charter schools.”<sup>19</sup>

Finally, the state of Rhode Island has developed a state-level student-based budgeting system supported by technology that uses the Uniform Chart of Accounts (UCOA), which is a key part of Rhode Island’s school finance reform. The UCOA lays the foundation for consistent comparison of school-level financial data. Rhode Island’s Education Commissioner, Deborah A. Gist, explained that the effort is groundbreaking. “UCOA will help districts ensure that they are using their investments to improve instruction and advance learning,” she said. “We will use UCOA to identify effective practices. We soon will be able to examine our data to see where investments in education have led to improved student achievement.”<sup>20</sup>



# Endnotes

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