NEPC Review: Charter Schools: A Report on Rethinking the Federal Role in Education

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Review of Charter Schools: A Report on Rethinking the Federal Role in Education

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Summary of Review

The report summarizes evidence from five studies of student achievement in oversubscribed charter schools and two studies on charter school revenues and outlines a number of recommendations relevant to the federal role in charter schools. While many recommendations are reasonable, those related to charter school facilities and charter school finance are more likely to be disputed because they are poorly developed and based on a narrow and misleading view of the evidence. This review discusses and expands upon the evidence and recommendations presented in the report. The intent of the report is to guide federal policy in ways that can improve and expand charter schools, but weaknesses in the report and flaws in the conclusions and the process used to generate the report undermine its utility. The report can serve as an initial step in outlining some of the key issues that federal lawmakers should consider. Nevertheless, federal policies that will strengthen charter schools in the longer run—rather than expanding the number of charter schools in the short run—need to be based on a more accurate and representative body of evidence. Further, the process of formulating recommendations requires more than six voices and more than a day of conversations to develop a comprehensive understanding of vital issues as well as to build a consensus.
I. Introduction

A recent report from the Brown Center on Education Policy of the Brookings Institution aims to advise policymakers on how to improve and strengthen charter schools. Authored by Susan Dynarski, Caroline Hoxby, Tom Loveless, Mark Schneider, Grover Whitehurst, and John Witte, the report, *Charter Schools: A Report on Rethinking the Federal Role in Education*, is intended to provide advice to federal policymakers.

Charter schools were created two decades ago as a new form of public school that would improve upon traditional public schools by creating small learning communities, developing and sharing innovative practices, empowering teachers and parents, and promoting competition. They won considerable bipartisan support and have become one of the most prevalent and most discussed school reforms in the nation. Today there are more than 4,900 charter schools in 40 states and the District of Columbia. Nonetheless, charter schools still only enroll around 3% of all public school students in the nation.

By design, charter schools receive more autonomy in operations, and in exchange they are to be held more accountable than other public schools for student outcomes. Charter leaders are to use this autonomy to create their own schools, select their own governing boards, design educational interventions appropriate for students’ unique needs and learning styles, and hire and fire teachers more freely. In turn, the enhanced autonomy granted to charter schools was expected to result in, among other things, higher levels of student learning and increased accountability exercised through non-renewal or closure.

The report being reviewed touches upon a number of the more widely debated topics related to charter schools: namely, evidence of charter school performance, funding for charter schools, and diverse supports and changes that might improve charter schools.

II. Findings and Conclusions of the Report

The Brookings report summarizes evidence from a limited and select set of studies on charter school effectiveness and finance and then outlines recommendations for federal action related to charter schools. The evidence presented on student achievement suggests that only popular
urban charter schools, and not charter schools across the board, are more effective than traditional public schools at raising student achievement; and the evidence presented on revenues suggests that charter schools are shortchanged. The report also contains descriptions of the role of charter school authorizers and federal involvement in charter schools.

Based on the evidence summarized in the report and on the experience and judgments of the authors, the last part of the report outlines a number of suggestions or changes including the following:

**Data collection and use.** The report contains a number of recommendations related to data collection and use that are largely linked to data on charter school lotteries and the degree to which charter schools are oversubscribed. The authors call for support from the federal government to ensure fair and independent lotteries and to guarantee that data from lotteries be made available to researchers and oversight agencies. The report also stresses the need for more detailed data on charter schools, and to that end suggests expanding the federal reporting requirements. The authors also seek a federal requirement for districts to report more data related to school choice options, in particular measures of school popularity.

**Facilities.** The report advocates for structuring federal support to states so that it promotes incentives for districts to give charter schools easy access to surplus district facilities and to federal loan guarantees. The report also suggests that existing federal facilities funding programs be combined into a single program.

**Charter school finance.** Arguing that charter schools receive less funding per pupil for operating expenses than traditional public schools, the report recommends measures to ensure equivalent per-pupil funding and uniform timetables for its distribution.

**Authorizing.** The report recommends setting aside a portion of federal funding for charter schools for awards to charter school authorizers. It also recommends making federal funding for charter schools “contingent on the presence of rigorous oversight with safeguards to prevent the interests of charter schools to be subverted by traditional public schools” (p. 12). Finally, the report suggests using federal funding to expand research on the design and consequences of authorizing practices.

**Unintended consequences of federal definitions.** The report indicates that the definition of a charter school in federal regulations produces unintended consequences, such as discouraging charter school operators from taking over the operation of low-performing traditional public schools. “Another unintended consequence of the federal rule requiring a single lottery for a charter school is that it precludes the use of stratified lotteries that could be designed to create schools that have student bodies with more geographic or demographic diversity than would result from a simple lottery” (p. 13).

**Virtual charter schools.** The description of virtual schools included in the report is incomplete, general, and unclear. However, the recommendations are not related to the description. The authors recommend that federal funds be used to support research and further development of virtual charter schools and to provide incentives to states to work collaboratively to establish shared standards for virtual charter schools.
III. The Report’s Rationale for Its Findings and Conclusions

The report’s findings reflect a summary of evidence based on a few select studies. Five studies of student achievement in oversubscribed charter schools and two studies on charter school revenues prepared by charter school advocacy groups appear to be the basis for a number of the recommendations. Other topics in the report, such as charter authorizers and the role of the federal government, are largely descriptive and disconnected from extant literature and research. The authors of the report have diverse backgrounds, and some of them have considerable experience relative to the federal involvement in charter schools. It appears that most of the recommendations presented are based on the experience and insights of the authors.

IV. The Report’s Use of Research Literature

Two key findings in the report set the stage for many of the recommendations:

(1) charter schools are more effective than traditional public schools at educating low-income students – although this finding appears to apply only with regard to popular charter schools located in urban areas; and (2) charter schools receive 20% less per-pupil funding from public revenues than traditional public schools. While both of these findings are true, they are not the full truth.

Evidence on Charter School Effectiveness

The five studies cited in the Brookings report simulate or employ what could be called a quasi-random assignment design by creating control groups from admissions wait lists (see Hoxby & Rockoff, 2005; Hoxby, Muraka, & Kang, 2009; Abdulkadiroglu et al., 2009; and Angrist et al., 2010; and Gleason et al., 2010). While these studies represent a rigorous and innovative approach to studying charter school performance, they have important limitations that must be considered. Because these are based on a relatively small number of popular charter schools with sufficient waiting lists, and because the schools had to be willing to participate in several of the studies, it is fair to conclude that they are not representative of all charter schools. The authors of the Brookings study do mention some of these limitations in the body of the report, but readers who browse through or focus on the executive summary will have a different impression.

The most comprehensive of the studies mentioned in the Brookings report is the Mathematica study commissioned by the US Department of Education. This study also has the most detailed and complete technical report. The Mathematica work concluded that, on average, charter schools had no significant impacts on student achievement in math and reading. Similar to a large number of other studies, the study also found that charter school impacts varied widely across schools. This study did find that impacts were most positive among schools in large, urban areas. This latter finding is similar to what the other four studies concluded.
While the five studies cited in the Brookings report are among the most rigorous in terms of design, they lack external validity since they include a small number of the higher-performing charter schools, with sufficiently large waiting lists, that are willing to participate in such studies. That is, the results cannot validly be generalized to less-popular or to all charter schools. These studies provide small but well-focused pieces of the overall puzzle, but by themselves they do not present a representative overall picture.

Beyond the select studies cited in the Brookings report, a broad body of evidence specific to charter school performance was overlooked. There are still no definitive studies of student achievement in charter schools, and all studies suffer from some limitations. While no one study is definitive, other studies have a larger or national scope – and shed important light on the issues at hand.

For example, the most comprehensive study to date in terms of the number of students included is the 2009 study prepared by the Center for Research on Education Outcomes (CREDO) at Stanford University. This study included charter schools across 16 states and accounted for around 65% of the nation’s charter schools. The results from the CREDO study are similar to the earlier national studies, although the CREDO study goes further by using student-level data, with a large (almost national) scope, and examines changes in charter schools over time.

The key findings from the CREDO study include the following:

- Charter school students on average saw a decrease in their academic growth in reading by 0.1 standard deviations and 0.3 standard deviation units for math. These decreases are small but statistically significant.
- Of the charter school students, 17% had significantly higher results than comparable traditional public schools (TPS) students, while 37% had significantly worse results. Gains for 46% of the charter school students were statistically indistinguishable from the average growth among the comparison TPS students.

Interestingly, states that “grew” their reforms quickly and states with the largest numbers of charter schools were most likely to be found in the poorly performing group of states. Furthermore, states with large numbers of schools operated by for-profit EMOs also were more likely to have negative results.

Another important yet omitted study published in 2009 using student-level data and covering eight states was prepared by RAND. This study found wider variability in performance among charter schools than traditional public schools, but overall results were similar for charter schools and traditional public schools. This study also looked at a smaller subset of schools in Florida and Chicago and found that charter school students were more likely than Traditional Public School students to graduate and attend college.

Today, there are close to 60 distinct major studies of student achievement in charter schools that vary in terms of design features and in terms of scope and quality of measures. Rather than present a few select studies, the Brookings report would have been better served by relying on or constructing a more comprehensive and balanced overview or synthesis of existing evidence.
Conclusions that can be drawn from the broader body of evidence include the following:

- The overall picture indicates that charter schools perform at levels similar to those of traditional public schools.
- Although charter schools perform similarly to traditional public schools, there are large differences in performance both within and among states.
- National and state-wide studies tend to show results that indicate that charter school performance lags, while studies that cover single schools or small numbers of schools tend to be more positive in favor of charter schools.

The general conclusions that could be drawn based on the evidence 10 years ago are little different than the ones that can be drawn today. The difference is that today’s conclusions rest on a stronger and more consistent supporting body of evidence.

**Evidence Related to Charter School Expenditures**

In its discussion of charter school finance, the Brookings report repeatedly mentions “expenditures,” even though the only sources of evidence cited are two reports that focus only on “revenues.” Revenues and expenditures are not the same thing. Expenditures provide far greater detail and focus on what was actually spent and where it was spent. Simply looking at revenues does not illuminate the important questions.

A recent national charter school finance study (Miron & Urschel, 2010) looked at both revenues and patterns of expenditures in American charter schools and compared school-level results for charter schools with their local traditional public school districts. The results revealed that charter schools—on average—do receive around 20% less per pupil in public sources of revenues. In several states, the differences were minimal; in two states, charter schools received more public revenues per pupil. In most states, private sources of revenue are reported within the “local” category. Charter schools are not as likely to report their private sources of revenues.

If contributors to the Brookings report had considered research that examined patterns of expenditures, they would have found large differences between charter schools and traditional public schools. For example, relative to neighboring school districts, charter schools spend less on instruction, student support services and teacher salaries. At the same time, charter schools spend more for administration and more on salaries for top administrators. A look at expenditures further reveals that traditional public schools spend money for a range of services that charter schools do not provide. In fact, differences in revenues can largely be explained by higher spending by traditional public schools for special education, student support services, transportation, and food services.

**V. Review of the Report’s Methods**

In sum, the report’s position that charter schools perform better than traditional public schools, especially for minority students, is based on a select number of studies that focus on popular
and oversubscribed charter schools. The findings on charter school finance are based on two reports prepared by charter school advocacy groups that only examine revenues and not expenditures. The basis for the report’s descriptive findings on charter authorizers, federal involvement in charter schools, virtual charter schools, and charter school facilities is unclear since the authors do not cite sufficient sources of evidence to support their descriptive summaries or their recommendations. Thus, the report suffers from procedural and methodological shortcomings.

The recommendations for federal involvement in charter schools, which comprise the second half of the report, resulted from a day-long meeting of the six authors. Each author was requested to put forward one or more recommendations, although “there was no effort or intent to develop consensus recommendations” (p.7).

The authors represent diverse backgrounds, and across the group they have considerable experience. Some of the authors can be characterized as advocates for charter schools since—to this reviewer’s recollection—they have never conducted a study that had findings that favored traditional public schools. A few of the authors are known for conducting rigorous research whose findings are neither universally positive nor negative in terms of school choice and charter schools. Also, some of the authors have considerable first-hand experience with federal involvement in charter schools.

VI. Review of the Validity of the Conclusions

While one should be cautious in interpreting the evidence presented in the Brookings study related to student achievement and charter school finance, most of the recommendations made in the report are not contingent or dependent on their narrow presentation of evidence. In Section IV above, the validity of the findings related to charter school effectiveness and finance were reviewed. Below, the recommendations from the Brookings report are reviewed, discussed, and expanded upon.

Improved and Expanded Data Collection on Charter Schools

The recommendation for the federal government to promote improved and expanded data collection on charter schools is justified and reasonable. The recommendation for charter school lotteries to be overseen by independent agencies is important to facilitate more studies that use waiting lists to build comparison groups. Pressure on state agencies to share student-level data sets with researchers and oversight agencies is also a good recommendation that will result in more large scale studies using matched student designs.13

Charter School Facilities

The report recommends that federal support to states should promote incentives for access to facilities and federal loan guarantees. The report also suggests that existing federal facilities funding programs be combined into a single program.
The quality of charter school facilities varies considerably within and across states. While some states provide facilities for charter schools, others do not. Similarly, while some states provide considerable funding or loans for charter schools, other states provide rather limited support. Differences among charter schools are further amplified by the amount of private or philanthropic funding that many—but not all—charter schools receive.

The goal of federal involvement for charter school facilities should be to ensure that disadvantaged charter schools receive support and that public monies devoted to charter school facilities are used only for buildings to be publicly owned by the charter school, and not a private management company or a private entity set up to collect and spend private money on behalf of the school. Ensuring public ownership of facilities protects taxpayers who provide these funds. It also helps ensure that charter schools maintain autonomy from management companies or from other private interests.

If the federal government supports research specific to charter school facilities, some of the key questions that should be addressed are:

- How prevalent are private entities that collect and spend private revenues on behalf of charter schools (these are primarily used to finance facilities)?
- How are new legislation and programs affecting the status of charter school facilities? For example, how has the New Markets Tax Credit program affected charter school facility finance? This program provides strong financial incentives by providing a 39% federal tax credit over seven years for banks, private equity firms, or hedge funds that lend money to build charter facilities.

**Charter School Finance**

Based on its argument that charter schools receive 20% less per pupil in public revenues than traditional public schools, the report recommends that charter schools should have equivalent per-pupil funding and an equivalent payment schedule for distribution of funding. Such recommendations do not consider that charter schools may already have considerable cost advantages over traditional public schools. For example, a large portion of charter schools receive considerably more in private revenues than traditional public schools. Charter schools also have considerable cost advantages, since they do not provide many of the services and programs that traditional public schools deliver. Finally, charter schools have cost advantages since they tend to serve students who are less costly to educate. For example, enrollments in charters schools are more concentrated at the elementary level, where per-pupil costs are lowest. Charter schools also have considerably fewer students classified as English Language Learners and fewer students with special education needs. Traditional public schools, on the other hand, typically have more extensive technical-vocational programs that are more expensive to provide.

Funding formulas vary considerably by state. It is also relevant to note that, in a number of states, a portion of revenues that traditional public schools receive is actually paid to charter schools, either as a direct pass-through or in the form of services provided.
There are a number of other factors that suggest that funding for charter schools is reasonable or perhaps even advantageous relative to traditional public schools; note for example, the steady growth of for-profit operators of charter schools, and the higher allocation of resources for administrator salaries for charter schools relative to traditional public schools.

The points noted above underline how important it is for analysts to look carefully at funding formulas and expenditure data and to go beyond simplistic comparisons of revenues. A recommendation that should follow from the evidence is that the federal government should promote and fund research that examines the following questions:

- What are the sources and amount of private revenues received by charter schools and traditional public schools, and how does this vary within and across states?
- What are the characteristics of charter schools that have the most successful record of securing private revenues?

The authors make a recommendation to ensure equivalent timetables for the distribution of funding for both charter schools and traditional public schools. The reason for this is that charter schools face uncertainty about funding. Such uncertainty faced by charter schools is also a common concern for traditional public schools, whose budgeting and planning processes are often complicated by the existence of charter schools. While charter schools can set a specific number of students they will serve and hire the personnel needed to serve these students, traditional public schools must take all students who apply: those who enroll at the beginning of the year as well as those who change schools in the middle of the year, after the autumn headcount used to determine funding levels. This makes it more difficult for traditional public schools to plan and hire cost-efficient numbers of teachers and staff to serve the students.

While it is possible to find some charter schools that receive too little relative to the specific services they provide and the students they serve, it is also possible to find charter schools that are generously supported and still have substantial cost advantages relative to traditional public schools. Recommendations regarding charter school finance should be targeted at the creation of better state funding formulas that are more sensitive to the diverse programs schools offer and the diverse needs of students that schools serve.

When charter schools and traditional public schools have similar programs and services, and when they serve similar students, funding levels should be equal in order to be considered fair. However, as long as traditional public schools are delivering more programs, serving wider ranges of grades, and enrolling a higher proportion of students with special needs, they will require relatively higher levels of financial support.

**Charter Authorizers**

The report recommends that a portion of federal funding for charter schools be set aside for awards to charter school authorizers, and that the receipt of federal funding for charter schools should be contingent on rigorous oversight. Furthermore, the report suggests that federal funding be used to expand research on the design and consequences of authorizing practices. Given a broad consensus among charter school leaders and researchers alike that the role of
authorizers is critical for successful charter school reforms, these recommendations are reasonable and will be welcomed by diverse groups.

**Unintended Consequences of Federal Definitions**

The report indicates that the definition of a charter school in federal regulations had unintended consequences, including discouraging charter school operators from taking over the operation of low-performing traditional public schools. “Another unintended consequence of the federal rule requiring a single lottery for a charter school is that it precludes the use of stratified lotteries that could be designed to create schools that have student bodies with more geographic or demographic diversity than would result from a simple lottery” (p. 13).

A number of state evaluations as well as two new national studies in 2010 have highlighted how charter schools are accelerating the re-segregation of the public school sector. If the federal government wishes to prevent a key unintended consequence of charter schools (i.e., the accelerated segregation by race, class, and ability) then the recommendations suggested by the Brookings report regarding the need to revisit federal definitions represents a critical first step.

**Virtual Charter Schools**

The Brookings report recommends federal funds be used to support research and further development of virtual charter schools and to provide incentives to states to work collaboratively to establish shared standards for virtual charter schools. More research on virtual charter schools is certainly needed. While there is a lot of excitement about virtual education, there is considerable confusion between virtual programs that offer advanced level or niche courses for schools and virtual schools that largely cater to homeschooled students.

The rapid expansion of virtual charter schools promoted by for-profit management companies, and the number of lawsuits and disputes between virtual charter schools and state agencies, suggest that the charter school funding and accountability mechanisms—which were developed for brick-and-mortar schools—are not yet appropriate or adequate for virtual schools.

**The Federal Role**

The charter school idea was to create better schools for all children, not to divide limited public resources across parallel systems that perform at similar levels and suffer from similar breaches in accountability.

Before considering new policies or revisions to existing regulations, it would be helpful for the federal government to revisit the purpose and intent of charter schools. After two decades and substantial growth, the charter school idea has strayed considerably from its original vision. Once dedicated to educational quality and innovation, today’s charter school movement is increasingly dominated by powerful advocates of market-based reform and privatization. These advocates typically call for the rapid growth and the expansion of private education management organizations that now manage more than 30% of all charter schools in the
country. Although envisioned to provide diverse options based on pedagogical approaches, charter schools instead have promoted school choice based on race and social class preferences, which is leaving the public school system more segregated.

Charter schools can be returned to their original vision: to serve as a lever of change, spurring public schools to improve both by example and through competition. But if they are to do so, they must be better than traditional public schools, and they must be better able to demonstrate accountability.

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

The intent of the report is to guide federal policy in ways that can improve and expand charter schools. Unfortunately, there are a number of weaknesses in the report and flaws in the process used to generate the report, including the following: (1) the authors did not present or draw upon representative evidence on charter school effectiveness; (2) the authors presented incomplete and misleading evidence on charter school finance; and (3) the authors’ recommendations on school finance were poorly articulated and not well developed. These shortcomings undermine the report’s utility.

The report can serve as an initial step in outlining some of the key issues that federal lawmakers should consider. Nevertheless, federal policies that will strengthen charter schools in the longer run—rather than pushing to expand the number of charter schools in the short run—need to be based on a more representative body of evidence and a process of formulating recommendations that includes more voices and more than a day of conversations.
Notes and References


2 See chapter 1 in Miron & Nelson (2002) for a thorough explanation of the charter school concept and a comprehensive review of theoretical arguments and evidence that explain how charter schools are supposed to function.


4 The five studies of student achievement referred to in the Brookings report include 1 study of a small middle school north of Boston, 1 study of 3 Chicago schools operating on the same charter, 1 study of 7 charter schools in Boston, and 1 study of 43 schools from New York City. The most comprehensive study among the 5 cited was commissioned by the U.S. Department of Education and conducted by Mathematica Policy Research. This study included 36 charter middle schools that used admission lotteries in 15 states.


6 Using waiting lists for simulating random assignment is a promising idea, but a number of limitations need to be considered. As voucher research has shown, there is often considerable attrition in control groups constructed from waiting lists. Moreover, fieldwork for state evaluations conducted by the author of this review suggests that charter school waiting lists are often insufficient for the construction of a randomized experiment. In many cases, such lists are out of date or contain an accumulation of names over a number of years. In the most extreme cases, these lists cannot be produced for review when...
requested and may not exist. Aside from questions about the validity of these waiting lists, it is nearly impossible to assess whether students on the lists had subsequently enrolled in other charter schools or had been exposed to other educational reforms. Some students who are accepted into a charter school may not use the slot due to such requirements as the need for transportation or a requirement that parents volunteer at the school. Using the waiting lists to simulate random assignment first requires a review and audit of the waiting lists, and greater efforts must be made to identify and track students who do not assume a place at the charter school or who choose not to return to their traditional public schools.

Another limitation of these studies is that—if they are conducted with adequate auditing of the lottery process and with sufficient monitoring and controls—they are very costly. The federally sponsored study of 35 schools conducted by Mathematica came with a price tag of more than $5 million.


11 The most rigorous attempt to synthesize the evidence on charter school impact was undertaken by Betts and Tang (2008). They used meta-analysis methods to combine and synthesize findings across 14 studies that covered 7 states and 2 school districts. They only included more rigorous studies that used student-level data. The median effect across these studies was barely distinguishable from zero (0.005). An effort by researchers at Western Michigan University (Miron, Evergreen, & Urschel, 2008) synthesized the evidence across 47 studies. The findings across the states were distinguished by quality, scope, and the nature of their impact. Overall, 19 studies had positive findings, 12 studies had mixed findings, and 16 had negative findings. The mean impact rating for charters was indistinguishable from zero.


13 Matched student designs are one of the most promising developments in research on student achievement in charter schools (this involves matching each charter school student with one or more student in traditional public schools with similar demographic characteristics and similar initial performance levels). The costs are reasonably low, and one can conduct large-scale studies with relatively strong controls. Matched student designs vary considerably in quality and scope, however. Although all use student-level data, the better studies include more schools, as well as more grades and subjects. Also, the better studies will examine changes over more years. The overall quality of these matched student designs also depends on the procedures and controls used to match students. Several quasi-experimental designs have developed, and many of them use creative statistical methods to control for differences in the non-treatment group. For example, some (but not all) account for non-response error due to attrition of students or the fact that some students are held back and dropped from the analysis. Two increasingly common designs include propensity score matching and regression discontinuity.

14 It should be noted that facility funding for traditional public schools also varies considerable in the type, level, and amount of facilities support.

15 For example, when the facility is paid for with public funds but owned by a private education management organization (EMO), the charter school board is restricted in negotiating with—or firing—the EMO since ending the management agreement could force the charter school to vacate the facility.

16 The recommendation in the Brookings report actually called for “equivalent per-pupil expenditures” (p. 12) rather than equivalent revenues. It is assumed that this is an error. If the federal government was to involve itself in how charter schools spend their money, this would be a serious infringement on their autonomy. One policy idea related to expenditures that has been discussed in a number of states is to force public schools to devote at least 60% of their resources to spending on instruction. Interestingly, traditional public schools spend, on average, 60.3% of total current expenditures on instruction, compared with 54.8% by charter schools (Miron & Urschel, 2010, see endnote 12).

17 Although private funds are often not reported, it is well-known that many charter schools receive considerable support from private sources. Every charter school has a unique set of private supporters, ranging from parents willing to make donations to large foundations willing to fund facilities. An increasing number of charter schools receive support from charter management organizations (CMOs). This subgroup of nonprofit EMOs works to promote school models they believe promising. They help their charter schools finance facilities by providing direct grants or by providing access to loans. CMOs also provide direct and indirect support to the schools in terms of professional development, instructional
resources, and a range of other services which are often paid for with private sources of funding. One analyst (Toch, 2010) estimates that CMOs have funneled more than a half billion dollars to charter schools. The incompleteness of data on private sources of revenues points to a critical need for more and better data to fully understand what is fair and reasonable in charter school finance.


Miron & Nelson (2002) estimated that high schools’ per-pupil costs were $750, on average, higher than elementary schools. This is due to demands on the high schools to provide vocational programs and laboratories as well as the fact that the teacher-student ratio at high schools is lower, in part, due to the need for more single subject certified teachers. High schools are also more likely to offer more expensive sports and other extra-curricular programs.


Those students with disabilities who are enrolled in charter schools tend to have mild and less-costly-to-remediate disabilities. While traditional public schools do receive special education funds from state and federal sources, these seldom cover all the costs incurred; districts thus must cover additional special education costs as part of their current operating expenses.


Miron and Nelson (2002) found that depending on the types of students enrolled, the grade levels offered, and the range of services provided, charter schools could have cost advantages or disadvantages, even within the same state. Calculations in this earlier study revealed that schools operated by National Heritage Academies had a cost advantage of $1,033 per pupil, which is in line with what two principals reported as expected profit margin each year per pupil. At the same time this study of Michigan charter schools showed that some schools that serve high school students and provide a full range of services, including transportation (which is optional in Michigan), actually had a cost disadvantage. Schools with cost disadvantages were alternative high schools that had converted to charter status. In order for these
schools to survive, they were receiving support from local districts in terms of subsidized facilities. Older equipment and learning materials from local districts were also shared with some of these schools to help make ends meet.


22 Also, the stock value of K12 Inc., the largest for-profit operator of virtual charter schools, increased by 60% in 2010, even while paying salaries for its top five executives from $360K to $760K per year. http://www.marketwatch.com/investing/stock/LRN/execpay. Most striking is that this company can grow in value so rapidly even while only 25% of its schools are meeting adequate yearly progress. See:


