



## **A Breakthrough Decade for Charter Schools**

For years, philanthropists large and small have labored to improve student outcomes at ineffective public schools. From the Ford Foundation's decades of interventions, to hordes of concerned corporate donors hoping to encourage excellence, to the \$1.1 billion spent as a result of Walter Annenberg's philanthropic challenge, these donors ended up with shockingly little to show for their large efforts.

Then in 1991, Minnesota pioneered the concept of public schools operated by nonprofits or other independent parties. Teachers and leaders in these schools were given great autonomy, but faced closure if the school didn't show good student results. California passed a similar law the next year. The first charter school opened in 1992.

Beginning from nothing, the charter school movement took root slowly. At year ten, the total number of American children in charters passed half a million. And donors began to notice some startling patterns.

Bill Gates explains that after his foundation decided in the mid-1990s to focus on U.S. schooling, it poured about \$2 billion into various education experiments. During their first decade, he reports, "many of the small schools that we invested in did not improve students' achievement in any significant way." There was, however, one fascinating exception. "A few of the schools that we funded achieved something amazing. They replaced schools with low expectations and low results with ones that have high expectations and high results." And there was a common variable: "Almost all of these schools were charter schools."

Other philanthropists had the same experience. Eli Broad, one of the biggest givers to education in the U.S., observed that "charter school systems are delivering the best student outcomes, particularly for poor and minority students. They are performing significantly better than the best traditional school district systems." Ted Mitchell of the NewSchools Venture Fund drew some bold bottom lines: "Good charter schools have pretty much eliminated the high-school dropout rate. And they've doubled the college-going rate of underserved kids."

In recent years, the number, variety, and quality of charter schools started to soar. By 2014 there were 2.6 million children attending 6,500 charter schools in the U.S. Every year now, more than 600 new charters open their doors for the first time, and an additional 300,000 children enroll (while a million kids remain on waiting lists, with millions more hungrily waiting in the wings). Charter school attendance began to particularly accelerate around 2009, and as this is written in 2014 it looks like there may be 5 million children in charters before the end of the decade.

There are great charter schools and poor charter schools, and the charter sector as a whole has weaknesses as well as strengths. We'll examine these problems in this book. The charter boom, though, is only going to get bigger. All but eight states are now experimenting with charters. Already, one out of every 19 American schoolchildren is enrolled in a charter school, and by five years from now that is likely to double to one out of every nine.

There is an argument to be made that charter schooling is the most important social innovation in America of the past generation. And it bubbled up spontaneously from our grassroots, without much establishment support. To its very marrow, it is a product of independent social entrepreneurs and private philanthropy.

### **What's distinctive about charter schools?**

First let's get some general facts on the table.

#### *What are charter schools?*

- Public schools, funded with public money
- Privately managed (by organizations “chartered” by a public authority)
- Must meet the same graduation requirements as other schools
- Open to all, and tuition-free for every student
- Often aided by philanthropy (because public funding for operations averages only four fifths of the level enjoyed by other public schools, and facilities are often not funded in any way)
- Have no claim to neighborhood students; families must choose the school
- Select students randomly by lottery when applicants exceed available slots
- Operate autonomously, free of many of the conventions and union rules that district schools follow
- Can be a stand-alone school, or part of a network of charter schools; can be nonprofit or for-profit
- Frequently specialize to meet the needs of targeted students (dropouts, math achievers, artists, English-language learners, etc.)
- Two thirds of existing charter students are minorities; approximately the same proportion are low-income
- Charter schools are subject to closure if they fail to improve student achievement

More consequential innovations in educational practice have bubbled up out of charter schools over the past two decades than from the rest of our K-12 schools combined. Following are some areas where charters have led the way.

### *Important charter school innovations*

- Longer school days
- Longer school years
- Higher expectations for students (e.g. 100 percent college acceptance at many leading inner-city charters)
- Recruitment of excellent teachers outside of traditional credential channels
- Linking compensation to student results, yielding better pay for more effective teachers
- Stricter discipline; more structured school day
- Asking parents and students to sign contracts that commit them to serious duties that parallel the school's efforts to teach
- Experiments with advancement by demonstrated competency in a subject, rather than rigid age or grade levels
- Curricular invention—like blended learning and other technology leaps, more AP classes, Core Knowledge instruction, special science and engineering programs, etc.
- More rigorous testing that is shared with parents, regulators, and public to aid assessment of school quality (including standardized tests, PISA tests, and the highly personalized testing at the heart of blended learning)

### *Some broad strengths of charter schools*

- They attract more entrepreneurial principals and teachers into the field of education
- School autonomy allows wide experimentation with new ways of educating
- This same flexibility is used to circumvent bureaucratic obstacles that often block conventional schools from succeeding
- Charters sidestep the dysfunctional labor relations of many urban districts
- They erode monopolies and introduce competitive energy into public education
- Research shows that charters are more effective at recruiting teachers who graduated in the top third of their college class
- Charters give parents who cannot afford private schools, or moving, another choice besides their neighborhood school
- They give nonprofits and community organizations practical opportunities to improve the education of local children

- Their emphasis on student outcomes fosters greater accountability for results
- By functioning as laboratories and alternatives, charters foment change in conventional schools as well

The structural strengths of charter schools can cumulate to produce dramatic successes. In the 2013 *U.S. News and World Report* rankings of public high schools, for instance, 41 charters made it into the top 200. Given that charter schools represent about 5 percent of the high-school market, a finding that 21 percent of our best institutions are charters is an impressive over-representation.

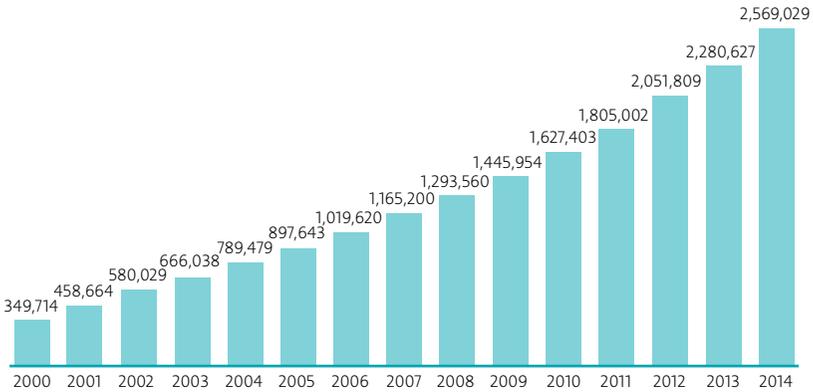
Perhaps even more impressive is the repeatedly demonstrated ability of top charter schools to take cohorts of students that are 80 or 90 percent disadvantaged and turn far-above-average proportions of them into high-school graduates, college students, and successful adults. Here are a few snapshots pulled from a very long movie reel of successes:

- The 9,000 students at Uncommon Schools are 78 percent low-income and 98 percent African-American or Hispanic, yet all seniors take the SAT, and their average score is 20 points above the college-readiness benchmark
- At KIPP charter schools, home to 51,000 pupils in 21 states, 96 percent of eighth graders perform better than their local district counterparts on reading, and 92 percent perform better in math
- Among charter school students in Washington, D.C. (almost half of that city's public school population), the on-time high-school graduation rate is 21 percentage points higher than that among conventional school students: 77 percent to 56 percent
- In New Orleans—long an educational disaster zone—the city schools rank first in the state for student growth now that more than eight out of ten students attend charters (some details on the Big Easy's charter experience will follow in just a few pages)

### **Reaching critical mass?**

With the promise they have shown, it's no surprise that the audience for charter schools should have mushroomed the way it has in recent years.

## U.S. students in charter schools



Source: National Alliance for Public Charter Schools

This growth has not been at all geographically even. There are many places the charter school revolution has not yet touched, and other places that are hotspots. California is the state with more charter schools than any other—1,130 schools that are educating 8 percent of all the state’s schoolchildren. On a percentage basis, the most advanced state is Arizona, where one out of every six kids is enrolled in a charter (605 schools).

Here are the states leading the charter parade:

| State      | # of campuses | % of students in charters |
|------------|---------------|---------------------------|
| Arizona    | 605           | 16%                       |
| Colorado   | 197           | 10                        |
| Florida    | 625           | 9                         |
| Michigan   | 297           | 9                         |
| California | 1,130         | 8                         |
| Ohio       | 400           | 7                         |
| Hawaii     | 33            | 6                         |
| Texas      | 689           | 5                         |
| Wisconsin  | 245           | 5                         |
| New York   | 233           | 4                         |

Source: National Alliance for Public Charter Schools, author extrapolations for latest year.

## A BREAKTHROUGH DECADE FOR CHARTER SCHOOLS

The fraction of all children attending charters rises even higher in particular metro areas. These are the cities where charter schools currently have the highest market share:

| City                   | % of students in charters |
|------------------------|---------------------------|
| New Orleans            | 84%                       |
| Detroit                | 51                        |
| Washington, D.C.       | 43                        |
| Flint, Michigan        | 36                        |
| Kansas City, Missouri  | 35                        |
| Gary, Indiana          | 35                        |
| Gainesville, Georgia   | 32                        |
| Cleveland              | 29                        |
| Indianapolis           | 28                        |
| Philadelphia           | 27                        |
| Dayton, Ohio           | 27                        |
| Albany, New York       | 26                        |
| Phoenix                | 26                        |
| Toledo, Ohio           | 26                        |
| San Antonio            | 26                        |
| Grand Rapids, Michigan | 25                        |

Source: National Alliance for Public Charter Schools

Some other metro areas where charter schools have built up momentum in one way or another include Houston, Los Angeles, Miami, Atlanta, Memphis, New York City, Boston, Milwaukee, St. Louis, Chicago, and Minneapolis.

### Close-up on Houston

Two cities where charter schools have flowered thanks to massive philanthropic outpourings are Houston and New Orleans. We'll briefly consider each of their cases.

As the nation's seventh largest school district, Houston has been plagued with the familiar problems of urban public education. A 2009 study found that only 59 percent of youngsters starting ninth grade in the Houston school district will have graduated from high school six years later. (It adjusted for students who leave the system, which the district's official statistics ignore.)

Just about the time that that research was being concluded, local and national donors were plotting an attack on Houston’s educational underachievement. Two of the most effective charter networks in the U.S.—KIPP and YES Prep—were born in Houston. So it is appropriate that they are now leading the city toward a new charter-inspired educational structure, via a massive, rapid expansion of their respective school chains across the city. KIPP and YES agreed to launch more than 50 new campuses and open up tens of thousands of additional seats where pupils previously languishing in ineffective district schools could get a fresh chance at learning. Philanthropists put more than \$90 million behind their efforts.

The intent was not only to boost the families using these schools, but also to spark improvements in the wider school district, and set an example of bold citywide reform. “We will have many more students in a successful model that is working beside the district school system,” summarized donor Jeff Hines. “Will that inspire the monopoly that has been in place to raise their game a bit?”

The Hines family and four other donors offered up eight-figure gifts to the Houston experiment:

| Donors                          | Amount       |
|---------------------------------|--------------|
| Houston Endowment               | \$20 million |
| Michael & Susan Dell Foundation | \$11 million |
| Jeff and Wendy Hines            | \$10 million |
| John and Laura Arnold           | \$10 million |
| Bill & Melinda Gates Foundation | \$10 million |

Many other Houstonians also gave generously: Jan and Dan Duncan (\$4 million), the Brown Foundation (\$6 million), Tony Annunziato (\$2 million), the Fondren Foundation (\$1 million), Jim McIngvale (\$1 million), the George Foundation (\$1 million), the Rockwell Fund (\$1 million) and others. From out of town, education super-donors Donald & Doris Fisher chipped in more than \$5 million, the Amy and Larry Robbins Foundation contributed \$2 million, the Charter School Growth Fund put up \$2 million, and the Walton Family Foundation pledged \$9 million. An important adviser to the effort was Leo Linbeck III, a Houston businessman and philanthropist and expert in rapidly growing firms, who provided much of the planning.

As of the 2014 writing of this book, the Houston KIPP and YES school expansions are roughly half complete. KIPP now totals 22 schools and more than 10,000 pupils in the city, on the way to its goal of 42 schools and 21,000 students. YES Prep has reached 13 schools and 8,000 students, heading for an eventual Houston enrollment of 17,000.

Thanks in considerable degree to the rapid growth of these two providers, one out of every five schoolchildren in Houston is already attending a charter school. (That's more than 45,000 pupils in charters.) The proportion will rise much higher as KIPP and YES create an additional 20,000 seats, while other charter operators undertake their own expansions.

And with KIPP and YES known for producing extraordinary results with underprivileged kids, many of Houston's charters are of a high quality. The standardized test scores of YES Prep's heavily low-income and nearly all minority students, for instance, are consistently higher in every subject than the average score across Texas. Their dropout rate of 1 percent compares to 16 percent in the Houston public-school district.

### **Close-up on New Orleans**

During the same period when Houston was gearing up its charter sector, New Orleans was stirring up a social hurricane of its own. With our current decade of hindsight, one may conclude that the biggest positive to come out of the destruction wrought by Katrina has been the complete remake of the dreadful New Orleans public schools. The city didn't just pour new wine into old bottles. Educators at the local, state, and national level pushed the reset button and dedicated themselves to creating an entirely different system that would not only brighten the life prospects of area children but also inspire and inform brave school reforms in other places.

Before the hurricane, New Orleans was the poorest-performing school district in the second-lowest-scoring state for K-12 education. Fully 78 percent of NOLA students attended a school designated as "failing" by state standards. Then the storm completely wrecked 100 of the district's 127 schools. Students were unable to even attend classes for six months.

At that point a group of leaders coalesced and decided that the schools should be rebuilt in an all-new "Recovery School District" that would largely be a necklace of independent charter schools strung together to pursue higher common standards. Decision-making power was decentralized away from the pre-storm school board bureaucracy,

and transferred to individual school principals, teachers, and charter school boards. School performance began to be intensely monitored, with the understanding that the new schools granted five-year operating charters would be closed down at the end of that period if their students were not succeeding. Parents of public-school students gained unprecedented choice and options, which allow them to enroll their children in almost any school in the district.

This was bold new territory never before explored on a large scale in any city. It required creative thinking, canny strategy, and a high tolerance for risk. Those are scarce commodities within government bureaucracies, and it is certain that without the intense mobilization organized by philanthropists, the New Orleans experiment would never have borne fruit.

There has been a huge surge of donated money, expertise, and volunteer labor into New Orleans. Major philanthropic investors have included the Laura and John Arnold Foundation, Walton Family Foundation, Eli and



New Orleans became the first city in America where the majority of students attend charters, and there have already been stark improvements in student learning.

Edythe Broad Foundation, Bill & Melinda Gates Foundation, W. K. Kellogg Foundation, Carnegie Corporation, Fisher Fund, Robertson Foundation, and Louis Calder Foundation. Important local donors have included the Patrick Taylor Foundation, Booth-Bricker Fund, RosaMary Foundation, Baptist Community Ministries, Entergy, Capital One, and Chase.

These funders refused to simply write checks to established organizations. They set up crucial new oversight and assistance organizations like New Schools for New Orleans. They helped local social entrepreneurs plan and build new charter schools. They spent lots of money bolstering efforts by groups like Teach for America and TNTF to draw talented instructors and administrators to the city. Recently, there has been a concerted push by donors to attract some of the most successful charter operators from other parts of the country.

It is estimated that philanthropists have been pouring about \$20 million per year into New Orleans charter schooling. While that represents

only a fraction of the city's total spending on education, this seed capital has been carefully focused on the crucial levers of reform. As a result, it has been highly effective in moving the local education sector away from business as usual and in a dramatically new direction.

New Orleans quickly became the first city in America where the majority of public school students were attending charter schools. By the 2012–2013 school year, 84 percent of all local school kids were in charters. And already there have been stark improvements in student learning.

The fraction of public school students in New Orleans attended a school designated as “failing” was cut in half in the first few years; it is expected to be reduced to fewer than 5 percent by 2016. Every year, the students in New Orleans's charter schools post the highest performance growth in the state. The percentage of students achieving at or above their appropriate grade level increased 25 percent from 2007 to 2011.



This transformation of the New Orleans educational system may turn out to be the most significant national development in education since desegregation.

NOLA students reaching or exceeding “Basic” proficiency on state tests jumped from 35 to 63 percent between 2005 and 2013. The high-school dropout rate is now half what it was in 2005.

In 2013, the Center for Research on Education Outcomes at Stanford University released in-depth findings that tracked results in New Orleans from 2006 to 2011. The study compared New Orleans students in charters versus conventional schools and found that in a given school year, the typical charter student made five months of extra progress in math and four months of extra learning in reading.

The CEO of New Schools for New Orleans, Neerav Kingsland, recently noted that “since 2006 New Orleans students have halved the achievement gap with their state counterparts. In the next five years, New Orleans will likely be the first urban city in the country to surpass its state average.” Kingsland suggests that “this transformation of the New Orleans educational system may turn out to be the most significant national development in education since desegregation.”

One should not exaggerate the state of the schools in New Orleans; they started in America's K-12 basement, and they've so far only climbed up to the ground floor. The chief schools officer at New Schools for New Orleans, Maggie Runyan-Shefa, says bluntly that "college readiness is the goal, and where the typical student in Louisiana is right now is not college ready. We are excited by what New Orleans has been able to do. It didn't take a generation. It didn't take decades. It took five to six years. But we are nowhere near where we want to be."

Her colleague Kingsland agrees. "Since Katrina, philanthropically driven charter schooling has helped us move from 'F' to 'C.' In the years ahead, it will be vital as we progress from 'C' to 'A.'"

### **Going from C to A: Crummy charters cannot be ignored**

The past decade proved that charter schools can really shine. In the decade to come, an important project for philanthropists and authorizers will be to improve or close down the ineffective charters that sometimes share a city with good and great charters. That simply cannot be avoided if the overall grade for charter schooling is to be pulled up from "C" or "B" to a clear shining "A."

It isn't just in New Orleans that the composite result from all charter schools isn't yet where it needs to be. If you visit lots of K-12 campuses today, you'll find that in a given city the best institutions almost always include several charters. Unfortunately it is not uncommon to also find some charters among the worst performers. As is perhaps not surprising for such a new and inherently experimental, risk-taking social invention, the quality of charter schools is uneven.

A 2011 study looked at performance data from 720 charters in California, to see how many performed among the top 5 percent of all schools in the state versus the bottom 5 percent. The results showed that charters vary a lot more than conventional schools—more highs, more lows, less middling. As a group, charters were likelier to be very good than very bad: 16.0 percent fell in the top bracket, 11.5 percent in the bottom bracket. Compared to conventional schools, charters were 4.1 times likelier to be stars, and 2.6 times likelier to be goats.

The idea that good charters and bad charters are equally common, and thus chartering on the whole is of no help, is out of date and inaccurate. The continued existence of poor charters, however, underlines the importance of fixing or closing them (a subject we'll examine in detail

in Chapter 3). The overall performance of charters on behalf of children and families will zip upward once the laggards have been lopped off.

The definitive research on this subject has been done by Stanford's Center for Research on Education Outcomes (CREDO). For some years now they have been collecting data from schools in 27 states that enroll 95 percent of U.S. charter students. The CREDO researchers zero in on hard measures of achievement (primarily test scores), make adjustments for demographic and economic status of the students being compared, and provide comprehensive results, including charting trends over time. Their initial study of charter school quality began in 2009; the latest was released in 2013.

Their findings confirm the pattern just discussed: Charters are more likely than conventional schools to be great. They are also more likely to be crummy. But the greats outnumber the crummies. And *overall*, charters are already as good as or better than conventional schools.

As the 2010–2011 school year closed, the average charter school student in the CREDO study had learned just as much math during the year as her average counterpart in a conventional school. And when it came to reading, the typical charter student had gained eight days of extra learning beyond what her non-charter counterpart absorbed.

Meanwhile, charters are getting better all the time. When the researchers compared the latest results to those from four years earlier, outcomes were improving significantly faster for charter students. The investigators concluded this steady improvement was being driven by the closure of poor charters and opening of more new high-performing charters every year.

And the Stanford investigators found, by the way, that the quality of a charter school can be predicted with a very high degree of accuracy by year three of the school's life. Schools that perform weakly from early on rarely improve, while those that start with a bang generally sustain their good results over the long run. All of this is an argument for philanthropists and authorizers to act energetically to upgrade the quality of charters—pulling the plug quickly on those that disappoint, and replacing them with offshoots of proven high-quality schools.

In addition to the fact that the charter sector is steadily upgrading, the other crisp and consequential finding of the CREDO studies is that charters are especially valuable to poor and minority children. In the words of a research summary: “This study found that public charter schools posted superior results with historically disadvantaged student

populations. The study found that in nearly every category and subject area [charters] outperformed traditional public schools for the following student populations: Black, Hispanic, high-poverty, English-language learners, and special education.”

### Donors have signed on

If it is to become a large and permanent fix for our weak public education system, the charter sector will eventually need to include America’s massive middle class within its field of action. For now, though, charter schools are lifting up precisely the kids who are most ill served by our education system. In the measured words of the Stanford professor who runs the CREDO lab, “results reveal that charter schools are benefiting low-income, disadvantaged students” in our major urban centers. In the view of most donors, that’s the right place to start.

With undeniable accomplishments already piled up after just two decades of trial and error (in a social sector that has broken many a reformer’s heart) charter schools have engendered true donor excitement. In the rest of this book, we’ll look closely at how generous givers can make charter schools even more effective in the future. But first—to remind ourselves why further improvement is worth pursuing—let’s look at how some of America’s most savvy philanthropists assess the role of charter schools today:

The No. 1 accomplishment of U.S. educational philanthropy over the last generation has been the growth of charter schools.  
—*Jim Blew, Walton Family Foundation*

From my perspective, charter school growth is the only way out of today’s education crisis. —*Victoria Rico, George Brackenridge Foundation*

One place that charters have simply gotten better faster is in serving low-income kids. —*Katherine Bradley*

Charter schools are the best thing that ever happened to education, because they provide competition to regular public schools and raise the bar that everyone is trying to attain. They provide thought leadership for other schools. So there’s a multiplicative effect. —*Paul Tudor Jones*

Charters are the best opportunity we have. Because fixing school districts is something we've been trying to do, and failing at, for a hundred years. —*Reed Hastings*

Fiddling with curriculum, teacher evaluation, technology, or anything else will never produce dramatic student achievement gains in district schools. The single most important reform strategy you can undertake is to increase charter school quality and market share in your city, with the ultimate aim of turning your district into a charter school district.

—*Neerav Kingsland, New Schools for New Orleans*

Charter schools are a three-for-one: You get immediate good. You often get a model that can be replicated. And you put pressure on the larger system to evolve.

—*Caprice Young, Education Growth Group*

About 95 percent of the charter schools we've funded enable students to outperform comparable district schools in both math and reading; nearly 70 percent enable their students to outperform state averages even though they serve much higher than average percentages of low-income and minority students. So I believe that charters are eventually going to win. We'll look back and think that the time when people were assigned to certain schools was weird. —*Kevin Hall, Charter School Growth Fund*

Resist the temptation to think that charters are yesterday's reform. In fact, we're just getting started and really need donors committed to the idea of high-performing autonomous schools that give parents more choice. We need the next wave of donors to help build charters 2.0 or 3.0.

—*Christopher Nelson, Doris & Donald Fisher Fund*