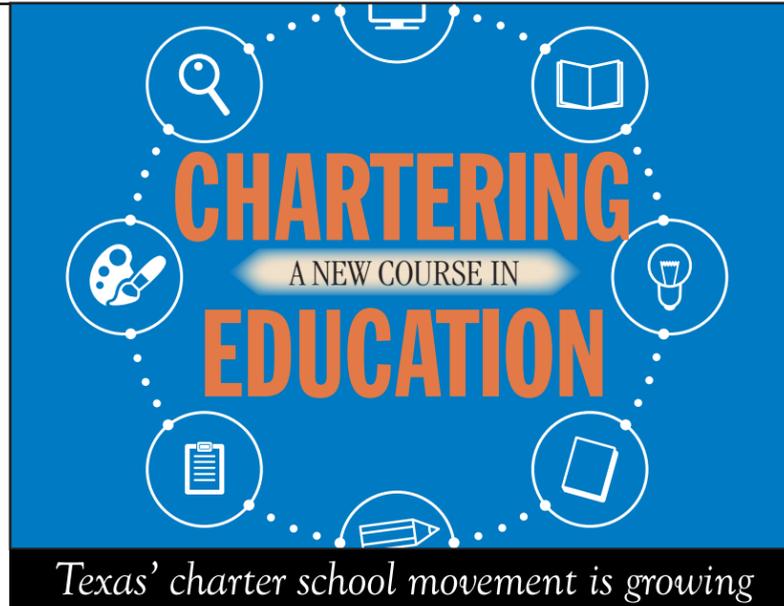


# FISCAL NOTES

A Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts



BY CORY CHANDLER AND BRUCE WRIGHT; RESEARCH BY JOSH HANEY

Like many parents, Priscilla Cavazos is anxious about her son attending a “big boy” school for the first time. But her anxiety has little to do with whether or not he’ll be homesick.

Cavazos wants to enroll five-year-old Aiden in a charter school, and has spent the last few months trying to secure him a spot before the fall. After applying to several different campuses without success, her son was placed on three waiting lists.

She can quickly cite the number of applicants competing with Aiden at each school: 185 applicants for 48 seats at one school, 156 for 30 at another. She’s clearly done her homework.

“There is no plan B,” she says.

About 200,000 Texas children currently attend 552 charter school campuses, which may sound like a lot but amounts to only about 4 percent of our public school enrollment. And slots are limited — a recent survey of the state’s charter operators found more than 100,000 children on waiting lists.

### A Chance to Experiment

Charter schools, first approved by the 1995 Legislature, were designed to foster innovation in education. To give them room to experiment, charters were exempted from many state laws, including the statewide teacher salary schedule, teacher contract requirements, student-teacher ratios, length of the school day and virtually all regulations regarding student discipline.

“The big advantage is that charter schools are better able to tailor programs to meet the needs of individual students,” says David Dunn, executive director of the Texas Charter Schools



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**DAVID DUNN,**  
executive director of the  
Texas Charter Schools  
Association (TCSA)



Priscilla Cavazos’ son, Aiden, is on three charter school waiting lists.

## WAITING FOR CHARTER SCHOOLS

A recent survey by the Texas Charter Schools Association found more than 100,000 Texans on waiting lists for slots in charter schools.

REGION	STUDENTS
Houston	36,458
DFW	35,899
South Texas	12,248
Austin	10,493
San Antonio	6,965
West	3,018
Waco	398
East Texas	191
Panhandle	20
<b>TOTAL</b>	<b>105,690</b>

NOTE: Charter providers with multiple campuses were asked to remove duplicates. Those on wait lists with more than one provider, however, could not be removed due to federal privacy laws.  
SOURCE: Texas Charter Schools Association 2013 Fall Survey

Association (TCSA). “So if parents, for instance, want their children to attend a school that really focuses on math and science, charters can create those kinds of programs. Or fine arts academies — we’ve got charter schools that embed fine arts instruction throughout the curriculum.”

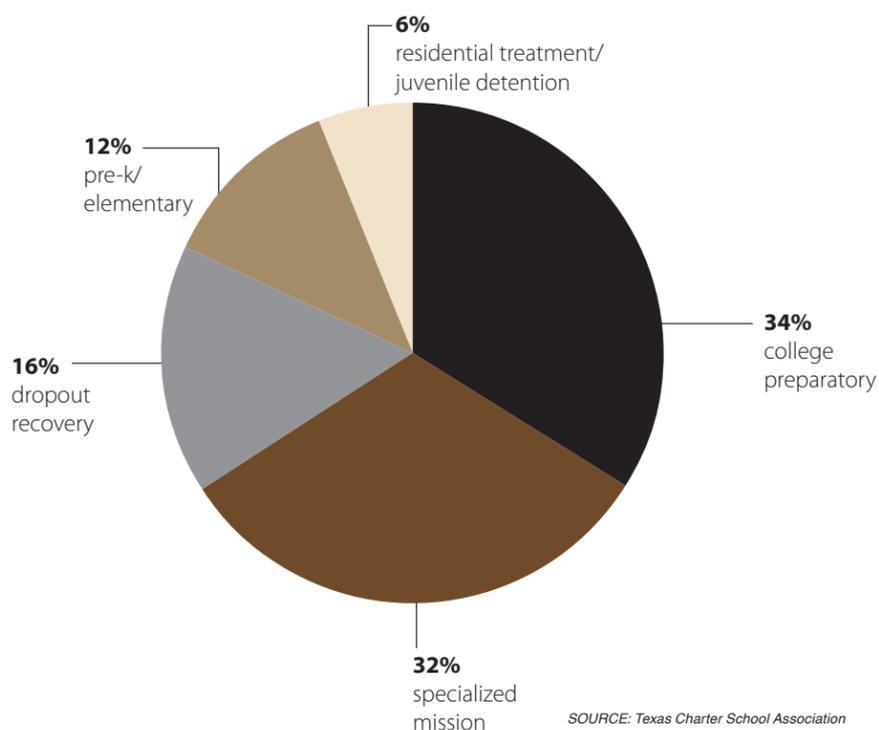
According to surveys of parents at new charter schools, many of them, like Priscilla, believe that charters can produce higher academic standards with greater parental involvement. Also, Priscilla says, she appreciates how teachers at charter schools seem to have more autonomy and flexibility in the classroom.

According to TCSA, Texas has five main types of charter schools. About 34 percent of them are college preparatory schools, which as the name implies are specifically intended to prepare kids for college work. The next largest share, at 32 percent, includes those with specialized missions, focusing on areas such as science, math and technology, the fine arts or foreign language proficiency.

About a third of all Texas charters focus on specific student populations. Twelve percent of charters serve pre-K and/or

## DIFFERENT MISSIONS, DIFFERENT STUDENTS

Texas’ charter schools pursue a variety of missions. Many focus on college preparation; others offer specialized programs, such as those focusing on technology or the arts; and still others serve special populations, such as young children and those at risk of dropping out.



elementary students. About 6 percent are residential treatment centers or juvenile detention centers, serving kids who have had brushes with the law or substance abuse.

And 16 percent of Texas charters serve students who haven't succeeded in regular public schools.

These schools, says Dunn, "are designed specifically for kids who have dropped out, or who are on the verge of dropping out. These are kids who, for whatever reason, have not succeeded in the traditional school system — some of them come to charter schools at 17 or 18 with 10 or fewer high school credits. And charter schools are able to build schedules for them, allowing kids who have to work days to pursue their high school diplomas at night."

### Growing Pains

The Legislature has approached charter schools cautiously, placing limits on their growth that has produced an ongoing shortage of slots. An initial limit of 20 charters statewide was raised to 120 in 1998 and to 215 in 2001, although at various times there have been sizable exemptions as to what charters count against the cap.

Caps on charter school growth have been prompted by concerns about their relatively unregulated nature. Critics of charter schools often argue that the lighter regulatory hand leads to wide variations in educational quality. Even charter school advocates admit that, at least in the movement's early years, operators needed more oversight.

Texas charters experienced a boom during the first few years. In the 1996-97 school year, Texas had only 17 open-enrollment charters. Within two years, 139 additional charter schools had sprouted up.

Many of these were authorized under what was known then as the "75 Percent Rule," which exempted schools from the statewide limit on charters if at least 75 percent of their student populations were deemed at risk of dropping out.

"Back in the late 1990s, Texas had one of the highest dropout rates in the country, and the Legislature decided to remove the cap on charter schools that focus on kids at risk, basically approving any application for those sorts of schools," says Dunn. "The schools didn't get the sort of vigorous, rigorous vetting they receive now."

The rapid expansion showed some growing pains.

One charter, Academy of Austin, closed overnight in 1999 without notifying its faculty or any of its more than 200 students. Another in East Texas received more than \$240,000 in state funds but never opened. Defunct charters currently owe the state a total of \$21 million.

In its 2000 evaluation of charter schools, the Texas Education Agency (TEA) reported that charter students scored much lower on state testing than those at traditional public schools. In 2000, only 43.1 percent of charter students passed the state's TAAS test, compared to 76.6 percent of students attending traditional schools with similar demographics.

The 2001 Legislature eliminated the 75 Percent Rule and introduced a hard cap of 215 charter districts for the entire state. Around this time, the State Board of Education also began requiring additional materials in its charter-school application, including much more detailed descriptions about proposed budgeting practices and teaching approaches.

After these changes, charter growth slowed but remained fairly robust. Annual enrollment increases hovered around 15 percent. If this growth remains constant, charter schools will serve more students in 2015 than Houston ISD, the state's largest public school district.

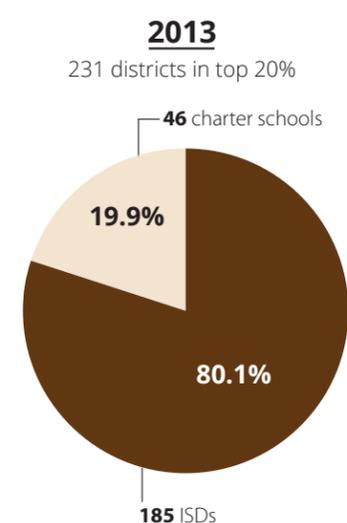
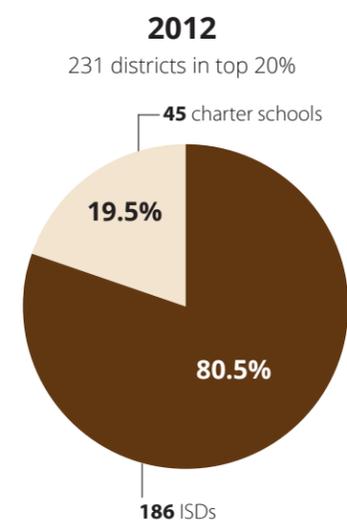
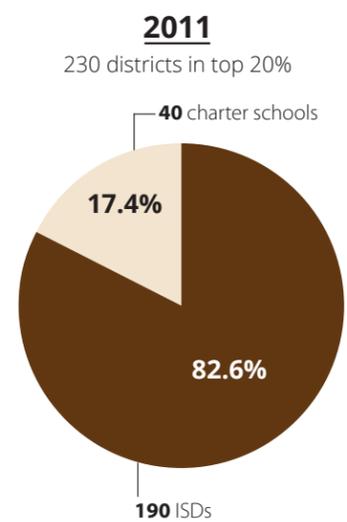
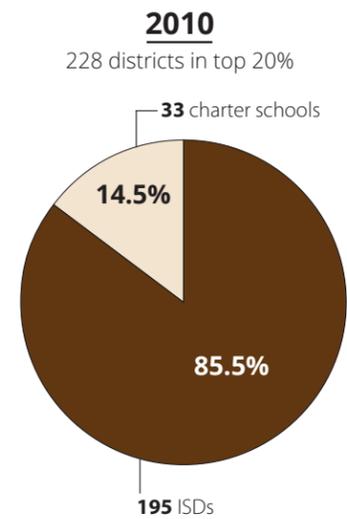
### Concerns over Quality

Overall quality has improved as well.

Since 2009, the Comptroller's office has been evaluating public school performance in its Financial Allocation Study for Texas (FAST). In those studies, charter schools have steadily increased their share of the Texas schools showing the most academic

## STEADY IMPROVEMENT AT THE TOP END

The Comptroller's annual Financial Allocation Study for Texas (FAST) contains a component assessing academic progress. Since FAST began, charters' share of the top 20 percent of districts showing the most academic progress has risen from 14.5 percent to nearly 20 percent.



SOURCE: Texas Comptroller of Public Accounts

progress, from less than 15 percent in 2009 to nearly 20 percent in 2014.

In some studies, Texas charters still fare poorly overall in educational quality compared to their conventional counterparts. In national studies of charter school quality by Stanford University's Center for Research and Education Outcomes (CREDO), for instance, Texas charters marginally improved their educational quality relative to traditional school districts from 2009 to 2013, but remained well below the latter.

But proponents point out that these studies don't really account for the different profile of charter kids. According to TCSA, Texas charter schools serve a larger proportion of at-risk and economically disadvantaged children than do conventional schools. In 2013, for instance, 71 percent of kids in Texas charter schools were classified as economically disadvantaged.

"It's clear they're not really adjusting for these kids," Dunn says. "There are a number of respected researchers who question [the CREDO] methodology. For Texas charter schools in the standard accountability system, kids actually outperform their peers in the traditional school systems — not significantly, but a bit. So if you try to make real apples-to-apples comparisons, charter schools hold up very well."

And some national studies have found that charters are more effective with disadvantaged students. For example, in 2011 Mathematica reported that the "average impact of attending charter schools in large urban areas or those serving lower achieving or more disadvantaged students was large and positive."

Dr. Julian Vasquez Heilig, a professor and researcher at UT Austin's College of Education whose daughter attends an Austin-area charter school, cautions against drawing conclusions from a handful of studies, saying that there will always be methodological quibbles over any study of charter school quality.

"As researchers, we look at the entire body of research," Vasquez Heilig said. He points out that lumping all charters together the way most studies do isn't always helpful because of the amount of variation within charter schools.

"It's the same with charters as it is with automobiles," Vasquez Heilig says. "You have Jaguars and you have Kias. Just having the 'charter' label is not a panacea."

### Funding Gap?

Charter advocates say the state could take steps to reduce the number of families stuck on waiting lists. One of the most commonly cited problems is the lack of state financial support for charter school facilities.

Traditional school districts finance most new school construction by issuing bonds supported by local property taxes. The state also provides some aid to "property-poor" districts. Charters, however, cannot draw from a tax base to pay off construction debt, and do not receive additional state support to build their facilities.

According to the Texas Education Agency, this difference in facility support contributes to a substantial funding gap of around \$1,000 per student in state funding. Groups representing traditional public school districts, however, argue that when looking at total revenue, the gap falls considerably.

Some charter schools receive considerable philanthropic support, which in some cases more than makes up for the state funding gap. For example, a recent report from the University of Arkansas found that, in 2011, charter schools in Houston actually received \$650 more per student than Houston ISD when all revenue is considered. In Dallas, by contrast, charters received \$1,264 less.

The Arkansas report estimated the total Texas per-student funding gap at \$249.

Regardless of the size of the funding disparity between, advocates claim that it has real consequences for many



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**JOHN ARMBRUST,**  
superintendent,  
Austin Achieve  
Public Schools

charter operators — and for the quality of the facilities they can provide.

According to a recent TCSA survey of charter operators, 35 percent of charter campuses do not have a science lab; 57 percent do not have a library; and 69 percent do not have access to athletic fields.

Austin Achieve Public Schools, which opened two years ago in an East Austin church, provides an example of such difficulties. The school's administrators have struggled to secure adequate facilities. Plumbing went out during the first school day, says Superintendent John Armbrust. Classroom temperatures jumped as high as 90 degrees on some days. Students ate lunch outside under a pecan tree.

"These are public school students," Armbrust says. "The state has to do more to ensure that they have access to decent facilities."

The school launched a campaign that eventually raised enough money to purchase a plot of land and a few portables for the 2013-14 school year. But Austin Achieve is still seeking a permanent home. Without state support, the school will rely heavily on private donations and some loans to build its facilities.

Armbrust notes that some loan offers he reviewed carried interest rates as high as 14 percent, although the school ultimately found more affordable financing.

"That's just criminal," Armbrust says. "It's taking taxpayer dollars away from Texas public school children."

### More Changes Ahead

Texas lawmakers and state education officials are beginning to respond to these complaints.

In April 2014, the State Board of Education finalized rules that would allow Texas to guarantee debt issued by charter schools, which should improve their debt ratings and thus the interest rates available to them.

On their own, Texas charter schools generally rate just within the investment grade threshold — usually around BBB. With the state guaranteeing debt, ratings will jump to AAA, the highest available. The difference can result reduce rates by 1 to 2 percentage points.

IDEA Public Schools, a charter network primarily based in the Rio Grande Valley, estimates that a state guarantee would save it \$18 million in interest costs over the life of a \$60 million bond issue it plans for 2014. The savings could help it open additional facilities.

And more changes are coming due to sweeping charter reform legislation enacted in 2013. The Legislature approved a set of policies largely aimed at boosting charter school growth, including:

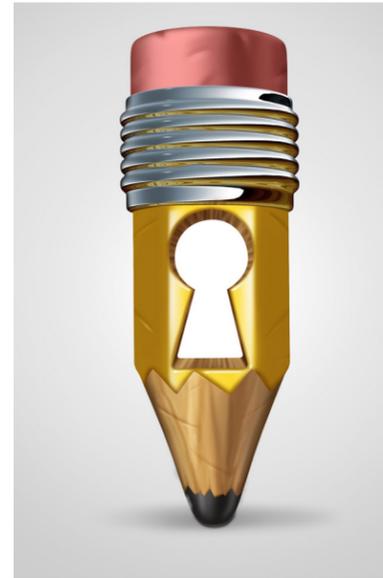
- incrementally increasing the cap from 215 to 305 by 2019;
- shifting the authority to authorize charter schools from the elected State Board of Education to the appointed Commissioner of Education; and
- exempting from the state cap charters focused on dropout recovery or serving special education populations.

These new provisions, however, will be accompanied by more explicit accountability standards. Charters that fail to meet certain financial or academic standards in three out of the past five years now face automatic closure. At this writing, six operators already have received notice that their charters could be revoked under the new law, and at least one plans to challenge the ruling, saying its school was targeted inappropriately.

The new standards may be affecting the amount of interest new charter operators have in opening up additional schools. In the first year after the new law's enactment, Texas saw only 27 applications for new charters, the lowest number since the original charter legislation was passed in 1995.

But TCSA supports the tough new standards.

"We certainly believe the state should grant charters only to



To find a charter school in your area, visit the [Texas Charter School Association](#).

those with a high likelihood of success," Dunn says.

And the Cavazos family will "keep their fingers crossed" and wait for their number to be called.

"We're hardworking people and we just want the best for our son," Cavazos says.