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The charter school report is available online at <http://www.nccppr.org/charterschools.pdf> until June 15, 2007.

Research Center Says Keep Cap on Charter Schools Until Performance Improves

The North Carolina Center for Public Policy Research released a major study of charter schools today, concluding that their performance needs to improve before the state allows more across the state. The Center's research found that charter schools need to improve in four areas before the state considers raising the cap of 100 charter schools. These four weaknesses are low academic performance, lack of racial balance as required by state law, lack of transfers of innovation to public schools, and sometimes questionable management and financial compliance.

"Charter schools are an important experiment, but just providing a choice is not enough. It's got to be a good choice for educating North Carolina's students," says Ran Coble, the director of the Center. "Charter schools need to perform well before we expand the experiment."

Charter Schools in North Carolina

There were 93 charter schools operating in North Carolina during the 2006-07 school year. Another seven are in the planning stages. Charter schools are hybrids of nonprofit organizations and publicly-funded schools. As nonprofits, they receive freedom from many government regulations applicable to other public schools, and their volunteer governing boards are not subject to local boards of education. They are free to recruit the best teachers and to raise money from foundations, corporations, and individuals. Yet charter schools are public schools in that anyone is eligible to attend, they do not charge tuition, and they receive normal state funding per student. The idea behind charter schools is that freedom from various regulations will create room for innovation and then transmit fresh ideas to the public school system.

North Carolina first authorized charter schools in 1996. The six goals for charter schools under that state law are to: (1) improve student learning; (2) increase learning opportunities for all students, with a special emphasis on at-risk or gifted students; (3) encourage the use of different or innovative teaching methods; (4) create new professional opportunities for teachers; (5) provide expanded choice for parents and students within the school system; and (6) hold charter schools accountable for student performance.

Since 1996, each of the available 100 charters has been awarded under the law. With some charters revoked or relinquished, 138 schools have at one time or another held a state charter. Proponents have tried to raise or eliminate the cap in the North Carolina General Assembly since the cap was reached in the year 2000. However, the Center found that the charter schools program has expanded over the years without an increase in the cap. Of the 93 charter schools operating in 2006, 57 expanded by increasing the number of grades they serve since they opened.

The N.C. Center for Public Policy Research first evaluated charter schools in 2002. However, at that time, there were not enough data on academic performance at many of the schools to provide a clear trend line on performance. Based on its findings, the Center concluded then that the state should have five full years of state accountability testing data in hand before deciding whether the cap on the number of charter schools should be raised, eliminated, or kept at 100.

Academic Performance of Charter Schools

With 10 years of data now in hand, the Center's new study looks at several indicators of academic performance – test results under the state's ABCs accountability program and high school graduation rates, as well as other studies of charter school performance.

- The state accountability testing program, known as the ABCs, classifies schools according to seven categories of performance. The top four categories are Honor Schools of Excellence, Schools of Excellence, Schools of Distinction, and Schools of Progress. The lowest three categories are No Recognition, Priority Schools, and Low-Performing Schools. Of the 99 charter schools in North Carolina in 2005-06, seven were determined to be Honor Schools of Excellence, none were Schools of Excellence, 12 were Schools of Distinction, 15 were Schools of Progress, 23 were No Recognition schools, 23 were Priority Schools, and six were Low-Performing Schools. Thus, 23 percent of charter schools were in the No Recognition category, meaning they did not attain the academic progress the state thinks they should have, given the make-up of their student bodies.

When No Recognition Schools, Priority Schools, and Low-Performing Schools are combined, an alarming 53 percent, or more than half, of the charter schools fell into the lowest three categories. Statewide, 48.1 percent of all public schools fell into the bottom three performance categories in 2005-06.

The ABCs program also assigns each school a performance composite, which is a percentage of students scoring at or above grade level. Charter schools achieving 70-100 percent performance composites rose from 37.5 percent in 1997-98 to 39.7 percent in 2000-01 to 68.9 percent in 2004-05. Results for 2005-06 are based on a revised accountability model, and the results are not comparable to those from previous years. In 2005-06, only 43.4 percent of charter schools achieved performance composites between 70 and 100.

Based on 1997-2005 data, the Center said charter schools seemed to be improving for a while, as measured by end-of-grade testing results. However, the 2005-06 data, while not comparable to the data from previous years, raises new questions about the performance of charter schools.

- In February 2007, the N.C. Department of Public Instruction released for the first time the four-year cohort graduation rates for 2006 by school. While 68.1 percent of students across the state graduated in four years, the Center's study found that only 55.3 percent of students in charter *high* schools graduated in four years.

- In addition to the Center's study of charter *school* performance, another strong qualitative study in North Carolina examined the performance of charter school *students*. The study by researchers Helen Ladd and Robert Bifulco of the Terry Sanford Institute of Public Policy at Duke University found that charter school students did not perform as well on end-of-grade tests as demographically similar students in traditional public schools. Even more importantly, the Duke researchers found that some of the difference was attributable to the charter schools themselves rather than to characteristics of the students. They conclude that the academic gains of charter school students in both reading and math are significantly lower than would have been the case had those same students remained in traditional public schools.

Ladd and Bifulco conducted additional analysis to control for the length of time a charter had been open. They found that the negative effects of charter schools in North Carolina “remain statistically significant and large even for schools that have been operating for five years.”

Racial Balance

Of further concern is that charter schools remain more racially segregated than the traditional public schools as a whole. The Center’s original study in 2002 found that the state Office of Charter Schools and the Department of Public Instruction were not enforcing the state law requiring charter schools to “reasonably reflect the racial and ethnic composition” of their school districts. “It was a problem then, and unfortunately it’s still a problem now,” says the Center’s Mebane Rash Whitman, editor of *North Carolina Insight*.

North Carolina’s population is 21.6% African American and 1.2 percent Native American. Of the 97 charter schools operating in 2000-01, 30 had more than 80 percent non-white students. In 2003-04, 24 of 93 charter schools then operating were more than 80 percent non-white, and 15 of these 24 had student bodies that were more than 95 percent African American. In 2005-06, 39 of 99 charter schools had more than a 50 percent minority student population. Twenty-six of these schools had 80 percent or more non-white students, and 14 schools were more than 95 percent African American. Four of the 99 charter schools were 100 percent African American. Two schools – Haliwa-Saponi Tribal and CIS Academy – have Native American student populations over 85 percent.

Transfers of Innovations to Charter Schools

The Center praised a number of charter schools that have adopted innovative approaches to learning. Examples include schools with international themes such as Carolina International School in Harrisburg and Exploris Middle School in Raleigh, as well as schools emphasizing Socratic dialogue such as Socrates Academy in Charlotte and Thomas Jefferson Classical Academy in Mooresboro. However, the Center found little evidence that charter school innovations have been adopted by traditional public schools. Thus, the notion that charter schools serve as a testing ground for educational innovations that ultimately move into the public schools is unfounded.

Whitman, the Center’s *Insight* editor, says, “There are some shining jewels among the state’s charter schools, but they represent an unrealized promise for the experiment as a whole.”

Management and Financial Compliance

When the Center first examined the charter school experiment in 2002, 14 schools had closed or had their charters revoked, eight of them at least in part because of financial management problems. Concerns about financial management have eased somewhat after adoption of a 2002 requirement that charter school applicants spend a year planning before they can open their doors to students. The Center commended the N.C. Department of Public Instruction and the State Board of Education for implementing this requirement, which was recommended by the Center in its 2002 evaluation.

However, the Center said concerns about management and financial compliance have not abated entirely. The total number of charter schools that have closed or had their charters revoked has now reached 27 of the total number of 138, or 20 percent, mostly because of insufficient enrollment or financial noncompliance. For example, the State Board of Education revoked the charter of Imani Institute Charter School in Greensboro in July 2006. The school had not filed financial audits from 2001-02 through 2004-05. Baker Charter High School, authorized to operate in the Wake County Jail, had its charter revoked in October 2006, effective June 30, 2007. State regulators declared the books of the school could not even be audited due to inadequate record-keeping and said that students attended classes no more than an hour a day.

Center Recommendations on Charter Schools

In 2004-05, the most recent financial data available, charter schools received \$189,582,506 in public funds – including federal (\$16,472,667), state (\$112,798,911), and local revenue (\$60,310,928). The Center's Coble says, "Almost \$190 million spent on charter schools is a lot of money. Yet since more than half of the charter schools fell in the bottom three categories in academic performance, as determined by the state's ABCs testing program, the state needs to ensure that charter schools are worth the money. Charter schools are a worthy experiment only if we get a good return on our investment."

The Center made three recommendations:

- (1) **Charter schools that have failed to meet expected academic growth for five consecutive years should be placed on immediate probation and given two years to achieve expected growth or give up their charters.**
- (2) **Revoked charters should be awarded to proposed schools that stand a strong chance of meeting or exceeding the state's academic expectations. Preference should be given to granting charters in counties that do not already have a charter school.** This would further the statutory goal of expanding school choice.
- (3) **The North Carolina General Assembly should not increase the current cap of 100 charter schools as authorized by state statute in 1996.**

Rep. Rick Glazier (D-Cumberland) has introduced a bill that would implement the Center's first recommendation on low-performing charter schools. Glazier's bill, House Bill 236, would terminate the charter of charter schools that fail to meet expected academic growth for seven consecutive years. The N.C. House also recently passed a bill (H.B. 30) that would require a study of charter school performance under the six goals set out in the law. In addition, seven bills have been introduced to raise or eliminate the cap.

Center director Ran Coble says, "The state must ensure that parents who exercise school choice can choose among charter schools that provide the 'sound basic education' that the State Constitution requires for all of North Carolina's children. And, the state must show taxpayers that the \$113 million in *state* funds is spent on good charter schools." He adds, "It should go to charter schools that produce students who do as well or better academically as students in traditional schools, that avoid segregating schools, that transfer educational innovations to public schools, and that are good stewards of the people's funds."

About the Center

The N.C. Center for Public Policy Research is an independent, nonpartisan, nonprofit research corporation created in 1977 to evaluate state government programs and to study public policy issues facing North Carolina. The Center is supported in part by a grant from the Z. Smith Reynolds Foundation in Winston-Salem, with additional support from nine other private foundations, 150 corporate contributors, and about 600 individual and organizational members. The Center thanks The Mary Duke Biddle Foundation of Durham, N.C., and The Cemala Foundation of Greensboro, N.C. for their grants in support of this project. In addition to publishing *North Carolina Insight*, the Center also publishes *Article II: A Guide to the N.C. Legislature* and in-depth research reports. The Center recently has conducted studies on governance of North Carolina's public universities, the shortage of public school teachers in North Carolina, domestic violence, economic development in Eastern North Carolina, and the pros and cons of state lotteries.

Copies of the issue of *North Carolina Insight* containing the Center's research evaluating charter schools in North Carolina are available for \$20, which includes tax, postage, and handling. To order, write the Center at P.O. Box 430, Raleigh, NC 27602, call (919) 832-2839, fax (919) 832-2847, or email tbromley@nccppr.org

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