



**N.C. CENTER FOR  
PUBLIC POLICY  
RESEARCH**

# ***From The Center Out***

*The Newsletter of the North Carolina Center for Public Policy Research  
A voice for good government  
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## **CENTER SAYS KEEP CAP ON CHARTER SCHOOLS UNTIL PERFORMANCE IMPROVES**

In the latest issue of *North Carolina Insight*, the N.C. Center for Public Policy Research released a major study of charter schools, concluding that their performance needs to improve before the state allows more charter schools 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 in North Carolina**

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.

The Center 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 our 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.

- 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 concluded that the academic gains of charter school students in both reading and math were 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. State law requires charter schools to "reasonably reflect the racial and ethnic composition" of their school districts. North Carolina's population is 21.6% African American and 1.2 percent Native American. Only five school districts have more than 80 percent African American student populations, and only one of these districts has a charter school. Yet, in 2005-06, 26 charter 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, if any, evidence that charter school innovations have been adopted by traditional public schools. Thus, the idea that charter schools would serve as a testing ground for educational innovations that ultimately move into the public schools is unfounded.

### **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). Center director Ran Coble said, “Almost \$190 million is spent on charter schools, and that is a lot of public 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 good choice for parents and the state only if we get a good return on our investment.” The Center made three recommendations:

■ **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.**

■ **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.

■ **The North Carolina General Assembly should not increase the current cap of 100 charter schools as authorized by state statute in 1996.**

Coble said, “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.”

The study prompted letters to the editor from charter school advocates and support for the Center’s findings and recommendations from editorial writers. A Wilmington *Star-News* editorial said “the Center is right. The General Assembly shouldn’t raise the 100-school limit until existing charters raise academic performance, improve racial balance, transfer their good ideas to the public schools, and do a better [job] of managing people and money.” A Raleigh *News and Observer* editorial said, “Charter schools were first authorized in North Carolina in 1996, so the openings of the initial schools date back about 10 years. It’s a good time to take a breather and get some perspective, and the N.C. Center for Public Policy Research, a nonprofit, nonpartisan research group now in its 30th year, has done just that.... Those who want the cap lifted may make some valid points. But the problem is they tend to overlook or downplay pretty serious issues that have plagued more than a few charters, such as racial imbalance, underperformance on standardized tests and financial instability.”

## **RESEARCH CENTER SAYS STATE MUST DO ITS HOMEWORK ON DROPOUTS**

In the same issue of *Insight*, the Center published a major study of high school dropouts, concluding that too many students drop out of high school. The report analyzed ways to calculate the dropout and graduation rates, assessed who drops out and why, reviewed programs designed to minimize the number of dropouts, and recommended policies to address this pressing state problem.

### **How To Count Dropouts**

There are a variety of ways to calculate dropout rates, and over the years there has been a good deal of controversy over which rate the state should report. Tracking cohort rates, which follows the actions of a group of individual students that begin high school at the same time, is considered the most accurate method in many ways. The N.C. Department of Public Instruction released four-year cohort graduation rates for the first time in February 2007. Using this method, 68.1 percent of all students in North Carolina graduated from high school in four years. The Center commends the Department for generating four-year cohort graduation rates and urges the state to use this data to develop dropout prevention policies.

### **Who Drops Out and Why**

The Center found that the largest number of dropouts leave school between 9th and 10th grades – after the first year of high school. Students are having a harder time clearing the 9th grade and adjusting to high school. By ethnic group in North Carolina, Native Americans have the highest dropout rates, followed in rank order by Latinos, African-Americans, whites, and Asians. By gender, no matter the race or ethnicity, boys are more likely to drop out than girls.

Students drop out for a host of reasons. “Pull” factors are external family and environmental pressures that tend to pull a student out of school. Pull factors include issues such as pregnancy or the need to become family breadwinners. “Push” factors are school experiences that tend to push a student out of school. Push factors include the student’s perception of the relevancy of school curriculum, a school’s willingness to accept and accommodate students who learn differently, and the state’s compulsory attendance law, which allows students to drop out legally after age 16.

### **Current Programs, Interventions, and Policies in North Carolina**

The Center’s study reviewed a variety of programs and interventions – Communities in Schools, dropout prevention counseling, alternative schools, Eckerd Therapeutic Camps, middle college, the small schools initiative, block scheduling, and restrictions on driver’s licenses, among others. All of these initiatives are designed to minimize dropouts in our state. The Center said North Carolina is fortunate to have a variety of approaches to reduce the number of high school dropouts, but without data on each program’s effectiveness, statewide progress will be limited.

### **Center Recommendations**

The Center said the state needs to do its homework on the issue of dropouts. *Insight* editor Mebane Rash Whitman said, “To get an ‘A’ on this homework assignment, the state needs to do four things. We need to know how many students drop out each year. We need to consider keeping them in school until age 18. While we’ve got them in school, we need to make sure their school work is relevant and interesting. And local dropout prevention plans would go a long ways towards helping address this statewide problem on a local level.” The Center’s study includes the following policy recommendations:

■ **The state should continue to expand its effort to provide the true picture of the dropout problem through continued reporting of four-year cohort graduation rates. The Center recommends tracking four-year cohort dropout rates as well.** These reports will improve our understanding of the problem and allow better comparisons nationally.

■ **The N.C. General Assembly’s Joint Legislative Education Oversight Committee should study the impact of raising the compulsory school attendance age from age 16 to 18 as part of a policy of encouraging as many students as possible to complete high school.** States such as Minnesota, Ohio, and Wisconsin, which long have had a compulsory attendance age of 18, all have lower school dropout rates than North Carolina.

■ **The N.C. Department of Public Instruction should consider revising and updating its school curricula by adding more real-world elements such as service learning, internships, and career exploration with an eye toward increasing the relevance of the curriculum and increasing the number of students who stay in school.** The curriculum is currently weighted more toward college-bound students.

■ **The N.C. General Assembly should require the N.C. Department of Public Instruction (DPI) to formally evaluate all existing dropout prevention programs and policies and provide funds for this evaluation. Once DPI completes its research, the Department should require each local school system to develop a research-based dropout prevention plan that addresses the unique needs of its school population and incorporates resources available in its own community.** Whitman said, “There is no single reason that students drop out, and there is no single fix for this important public policy problem. The research needs to be done by the state, but the problem needs to be addressed locally.”

Copies of the issue of *North Carolina Insight* containing the Center’s research evaluating charter schools’ performance and examining dropouts 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](mailto:tbromley@nccppr.org)

## **CENTER’S GUIDE TO THE LEGISLATURE HIGHLIGHTS A RECORD NUMBER OF WOMEN**

Record numbers of women and retirees are serving in the legislature this year. Female legislators now chair or co-chair four of the six most powerful committees in the House and two of the six most powerful committees in the Senate. The 2007 legislature also is on a record pace for the number of bills introduced. And, the legislature has seen an unusual number of deaths and resignations since last November. These are just a few of the latest trends in the legislature highlighted in the Center’s new citizens’ guide to the legislature, available for \$25. 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](mailto:tbromley@nccppr.org)

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The federal Pension Protection Act of 2006, enacted by Congress in August 2006, creates a new way that you can use your IRAs (Individual Retirement Accounts) to support the N.C. Center for Public Policy Research. You can now give up to \$100,000 in 2007 to the Center from a traditional or Roth IRA account *without having the donated amount count as taxable income* IF:

- You are over the age of 70 years, 6 months at the time of your contribution, *and*
- The custodian of your IRA transfers the funds directly to the Center and not to you (to avoid this being income taxed to you), *and*
- Your gift is completed before December 31, 2007.
- The distribution must be made to a 501(c)(3) nonprofit, such as the Center. Our tax ID number is 56-1162341.

This means there is only a brief window of time – about five months – to choose this vehicle for charitable giving. If you choose to do this, please let the Center know because the gift would come directly from your IRA custodian and not from you. Without your notifying us, it might be unclear who made the gift, and we both want to thank you and send you a receipt so you will not have to pay federal income taxes on the distribution. This is not meant to be legal advice. You should consult with your own IRA custodian or your own tax advisor. We just want you to be aware of this new way to support the Center. Please contact Center director Ran Coble (at 919-832-2839 or [rancoble@nccppr.org](mailto:rancoble@nccppr.org)) if you have any questions.



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