TEN IMPORTANT FACTS ABOUT NEW JERSEY CHARTER SCHOOLS…

AND FIVE WAYS TO IMPROVE THE NEW JERSEY CHARTER SECTOR

Mark Weber, PhD
April, 2019

For an in-depth discussion of the data used in this policy brief, please see the companion Technical Report.

INTRODUCTION

"Let's get one common set of facts and make sensible decisions."

- NJ Governor Phil Murphy, speaking about charter schools, 3/29/18[1]

Over the past decade, the charter sector has boomed in the Garden State. In the 2017-18 school year, charter enrollments had grown to nearly 50,000 students, or 3.6 percent of the state's publicly-funded student population, more than doubling the 21,300 students just eight years ago.[2]

Unfortunately, during this period of charter growth, little if any attention has been paid to many of the realities of charter school expansion. Too often, claims of "success" based on the test outcomes of a handful of charters have replaced a clear, data-driven view of the entire sector in New Jersey.

In this report, I explain ten important points about New Jersey's charter schools that are often ignored yet are critically important for policymakers and stakeholders to understand. Good charter policy simply isn't possible unless we agree on this common set of facts.

Next, I suggest five ways the Murphy administration, the NJ Legislature, the NJDOE, and the State Board of Education could improve the state's charter sector. All of these suggestions could be implemented within a year, would have minimal cost, and would improve both the state's charter sector and the state's public district schools.

The NJDOE's recent pause in granting new charters makes this an excellent time to provide new perspectives on New Jersey's charter sector. I hope this report spurs a long overdue conversation about how to make our state's charter sector better.

Mark Weber, PhD

[1] https://www.njtvonline.org/news/video/future-charter-schools-new-jersey/

[2] Weber, M. A., & Rubin, J. S. (2018). *New Jersey Charter Schools: A Data-Driven View - 2018 Update, Part I.* https://doi.org/10.7282/t39z983m

A NOTE ON RENAISSANCE SCHOOLS AND THIS REPORT

In 2012, the New Jersey Legislature enacted the Urban Hope Act, which allowed certain districts to establish "renaissance schools."[3] As defined by the Act, a renaissance school is: "… agreed to by the school district, and is operated and managed by a nonprofit entity in a renaissance school district."

Currently, renaissance schools only operate within Camden, and are managed by three different charter school networks. Renaissance schools, however, are in many ways different from charter schools: they receive a greater allocation of per pupil funding, they are required to enroll students within a prescribed attendance area[4], they have different access to facilities funding, and so on. They are also excluded from some of the data sources used in this report, such as the charter aid notices.

Because renaissance schools are essentially hybrids, it is conceivable that they could be designated as either "charter" or "district" schools. Rather than struggle with this question and with the omission of data, I choose instead to exclude them from this report.

I will present a separate analysis of renaissance schools at a future date.

CHARTER SCHOOLS IN NEW JERSEY: AN INTRODUCTION

The Charter School Program Act of 1995[5] first established charter schools in New Jersey, with the stated goals of fostering innovation and advancing student achievement. Charter schools are funded with public revenues. The Commissioner of Education has the sole authority to grant a charter, approve or deny its renewal, or allow a charter school to expand the number of its campuses.

In the 2017-18 school year, there were 89 charter schools operating in New Jersey, enrolling nearly 50 thousand students.[6] As of September of 2017, 43 operating charter schools either had had their charter revoked, surrendered their charter, or did not have their charter renewed.[7]

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[3] https://www.nj.gov/education/renaissance/
[4] A recent report by the State Auditor, however, shows that many Camden students who have applied to their neighborhood renaissance school were not granted admission; see: https://www.njleg.state.nj.us/legislativepub/Auditor/341017.pdf
[5] https://www.nj.gov/education/chartsch/regs.htm
[6] According to NJDOE enrollment data: https://www.nj.gov/education/data/enr/enr18/
[7] https://www.nj.gov/education/chartsch/accountability/closure.htm

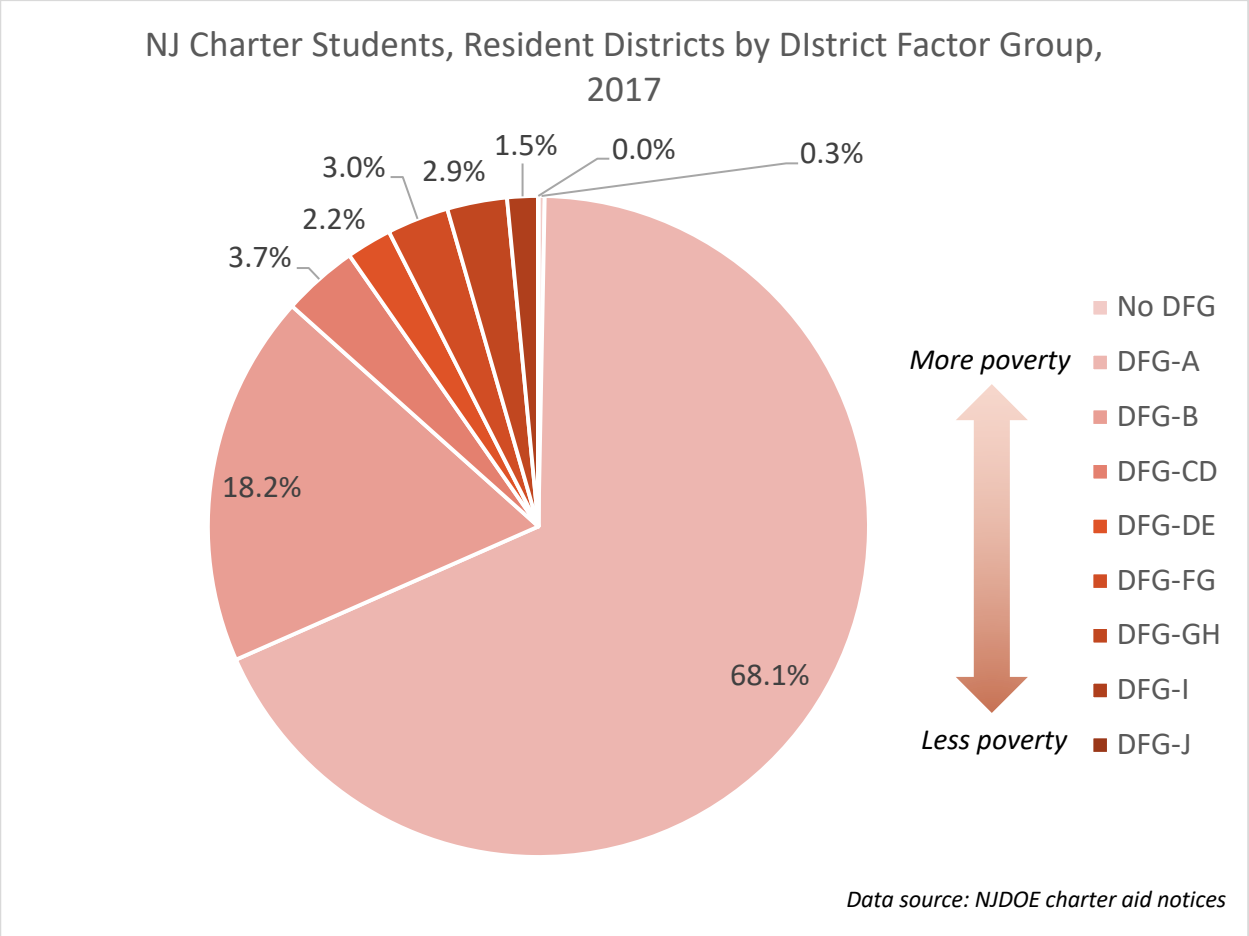
Charter schools are operated by nonprofit corporations. By New Jersey law, these entities cannot realize a profit from their schools; however, some charters have turned over at least some of their management and operations to for-profit contractors.

State statute requires that school districts provide funding to charter schools for each resident student who enrolls.[8] A common misconception is that charter schools are entitled to an amount equal to 90 percent of the per pupil total revenues of the resident school district. In fact, charter funding is determined by a formula similar to the state's School Funding Reform Act (SFRA), where student characteristics play an important role in determining the amount of funding a charter receives.[9] Charter schools can also solicit private contributions.

Since the act's establishment in 1996, charter enrollments have grown substantially; however, these schools have largely been concentrated in urban areas with high concentrations of student poverty. The figure below shows the distribution of charter students by District Factor Group (DFG), a measure of socio-economic status.

[8] https://www.njleg.state.nj.us/2006/Bills/A0500/500_I2.PDF

[9] For a complete discussion of charter school funding, see: Rubin, Julia Sass. *New Jersey Charter School Funding***.** Retrieved from: https://doi.org/doi:10.7282/T3KS6TN1



Two-thirds of charter students reside in DFG-A districts; these are the districts that have the greatest educational challenges, due to high levels of student poverty and high concentrations of Limited English Proficient students. However, about one in seven charter students reside in the more advantaged DFG-C through DFG-J districts.

TEN IMPORTANT FACTS ABOUT NEW JERSEY'S PUBLIC SCHOOLS

1) On average, charter schools do not promote student achievement growth any better than public schools.
2) Charter schools do not enroll as many Limited English Proficient (LEP) students as their hosting district public schools.
3) Charter schools do not enroll as many special education students as their hosting district public schools.
4) Charter schools do not have the same obligations as public district schools.
5) These last three points largely explain why charter schools receive less funding per pupil than public district schools.
6) Charter schools spend proportionately more on administration, and less on instruction and student support services.
7) Some high-profile charter schools shed many students between grades.
8) Charter school teachers are, on average, less experienced than public school teachers, and are paid significantly less, even adjusting for experience.
9) Some charter schools draw from well beyond their hosting public districts to enroll students.
10) New Jersey charter school financial deals are often lacking in transparency and accountability.

FIVE WAYS TO IMPROVE THE NEW JERSEY CHARTER SCHOOL SECTOR

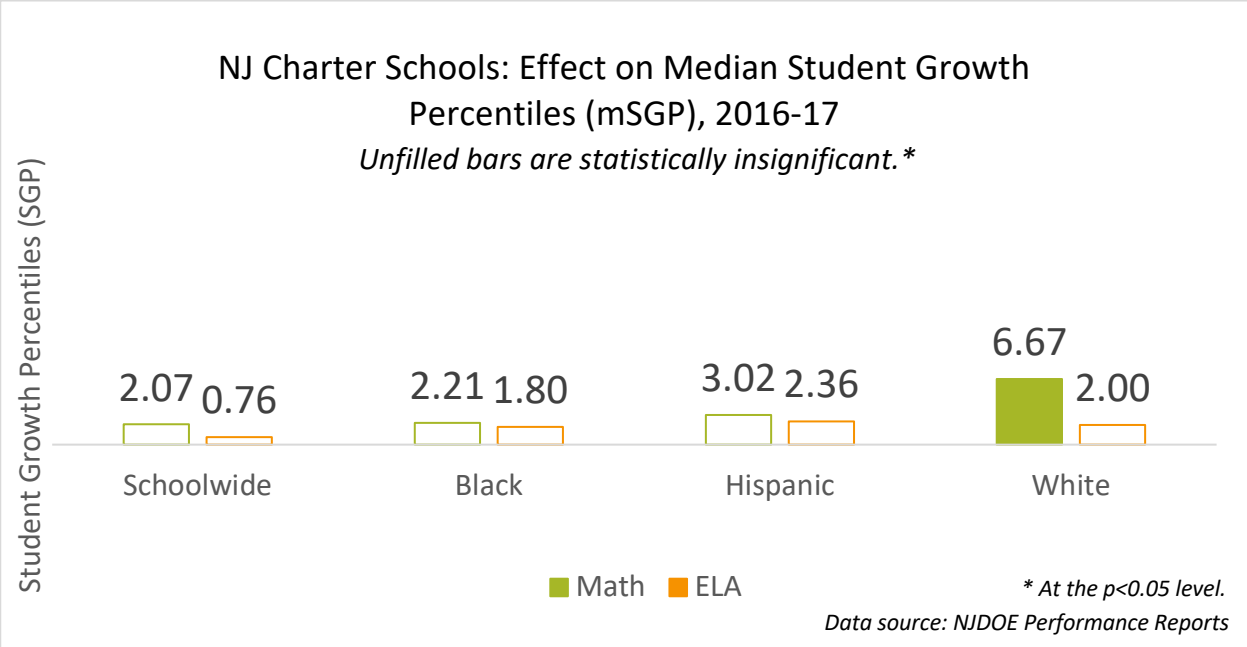
1) Give local public school districts a say in charter approvals, renewals, and expansions.
2) Adjust the charter funding system to acknowledge that public schools have fixed costs, greater obligations than charters, and more experienced teachers.
3) Improve the standards of fiscal transparency and reporting for charter schools.
4) Make charter assets purchased with public funds the property of state or local governments.
5) Have the New Jersey Department of Education collect and publish more data about charter schools so stakeholders can make better charter policy.

TEN IMPORTANT FACTS ABOUT NEW JERSEY'S CHARTER SCHOOLS

1) ON AVERAGE, CHARTER SCHOOLS DO NOT PROMOTE STUDENT ACHIEVEMENT GROWTH ANY BETTER THAN PUBLIC SCHOOLS.

It is true that charters sometimes get higher average test scores than the public school district in which they are located. **But those scores must be adjusted for differences in student characteristics when making comparisons.** This is why the state measures academic *growth* in Student Growth Percentiles (SGPs), which take into account students' test scores in previous years and then measure how much they have progressed.

I have developed a statistical model to show how the statewide charter sector compares to public, district schools in SGPs (see the Technical Report for details). The model accounts for student population differences; however, it cannot tell us whether student growth is due to teacher or school quality, unmeasured student characteristics, the length of the school day and year or many other factors that influence test score outcomes.

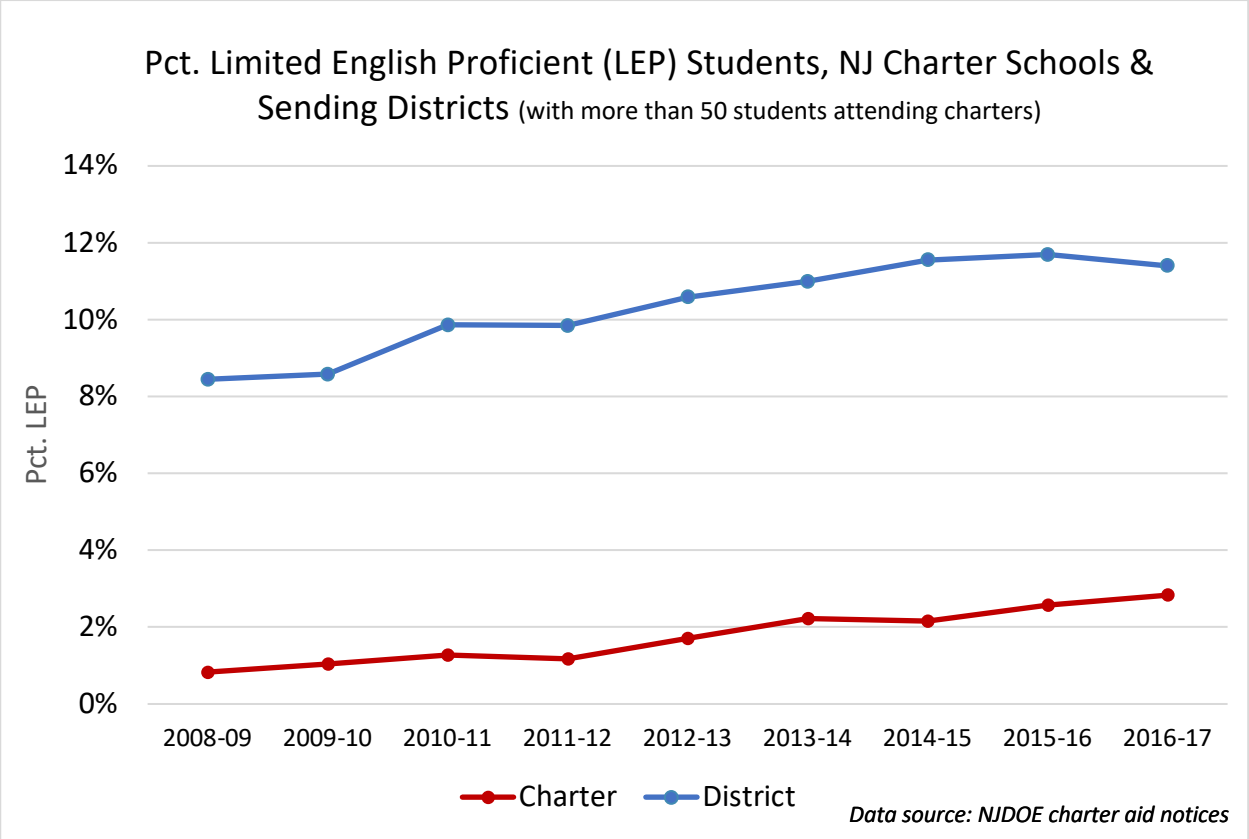


Statistically significant results are filled-in bars; the unfilled bars are not statistically significant. **There are no significant differences in math or English test score growth between New Jersey's charter schools and its public, district schools.** This is true when focusing only on African American and Hispanic students as well. White students do show a statistically significant gain in math, but not in English.

After adjusting for student differences, there is little reason to believe the New Jersey charter sector on average shows superior student growth compared to public district schools.

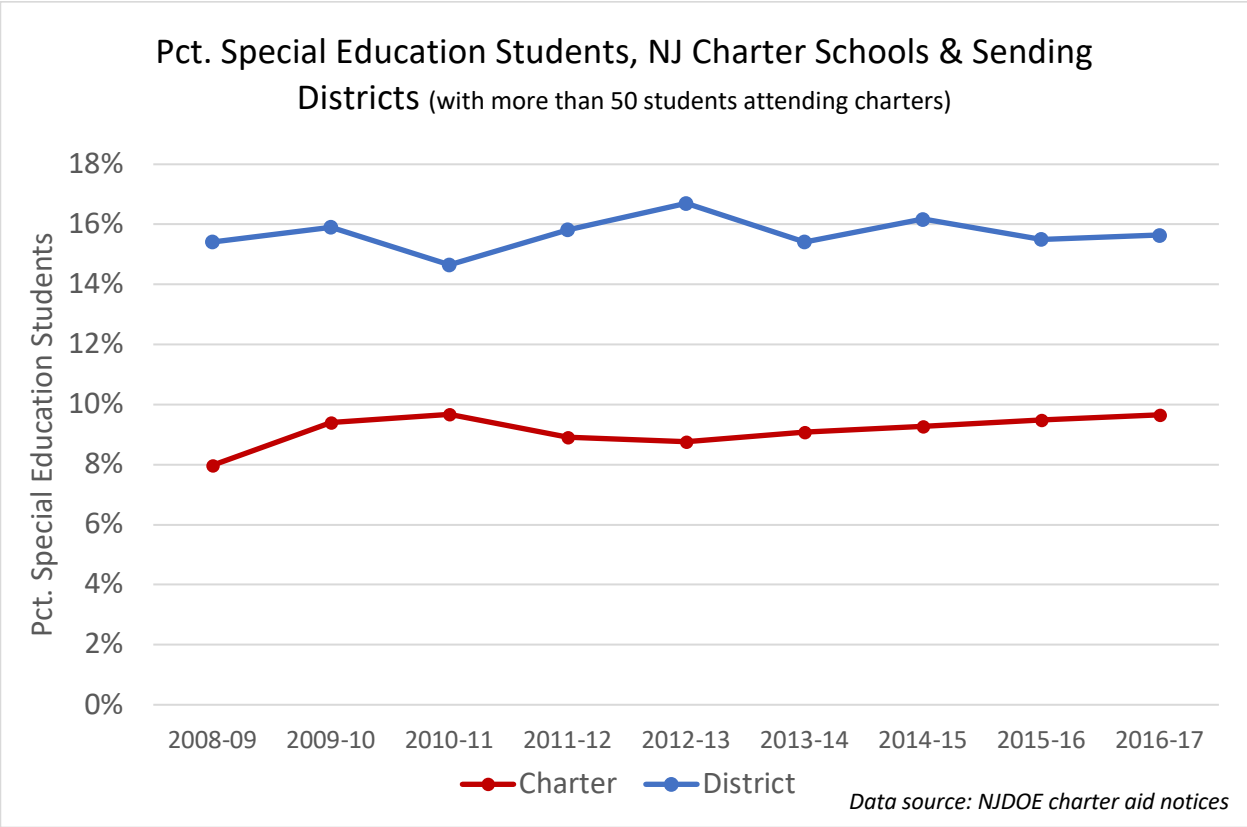
2) CHARTER SCHOOLS DO NOT ENROLL AS MANY LIMITED ENGLISH PROFICIENT STUDENTS AS THEIR HOSTING PUBLIC SCHOOLS.

Year after year, **the New Jersey charter sector enrolls a much smaller proportion of students who are Limited English Proficient (LEP) compared to their host districts.** The charter-district gap in LEP enrollments has not diminished over the past decade.



3) CHARTER SCHOOLS DO NOT ENROLL AS MANY SPECIAL EDUCATION STUDENTS AS THEIR HOSTING PUBLIC SCHOOLS.

New Jersey charter schools enroll proportionally fewer students classified as having a special education need compared to public, district schools.



In addition, the special education students charters do enroll tend to have less profound, lower-cost disabilities than the special education students in public district schools.

When students who require more resources are disproportionately in public district schools, the cost per pupil for a district will rise. As I show below, public district schools spend far more, on average, on student support services than charters do; these are the services special education students are most likely to need. Further, it is more difficult for public district schools to mainstream special education students when the concentration of those students is greater than in the charters.

4) CHARTER SCHOOLS DO NOT HAVE THE SAME OBLIGATIONS AS PUBLIC DISTRICT SCHOOLS.

Public district schools have fundamentally different obligations than charter schools. Public school districts, for example, must provide transportation for students who attend charter schools, even if the charter is outside of the district's boundaries. Charter schools, on the other hand, do not have to provide transportation for their students. Public school districts are also obligated to provide or finance transportation to private school students who are residents; charters have no obligations to private school students.

Public school districts must accept students mid-year; charter schools have no obligation to accept students after the school year has started. Public school districts must educate all students in all grades (K-8 districts and regional high schools may divide these grades upon mutual agreement, but students in all grade levels must have a school in which to enroll). Charter schools only have to enroll students in their designated grades.

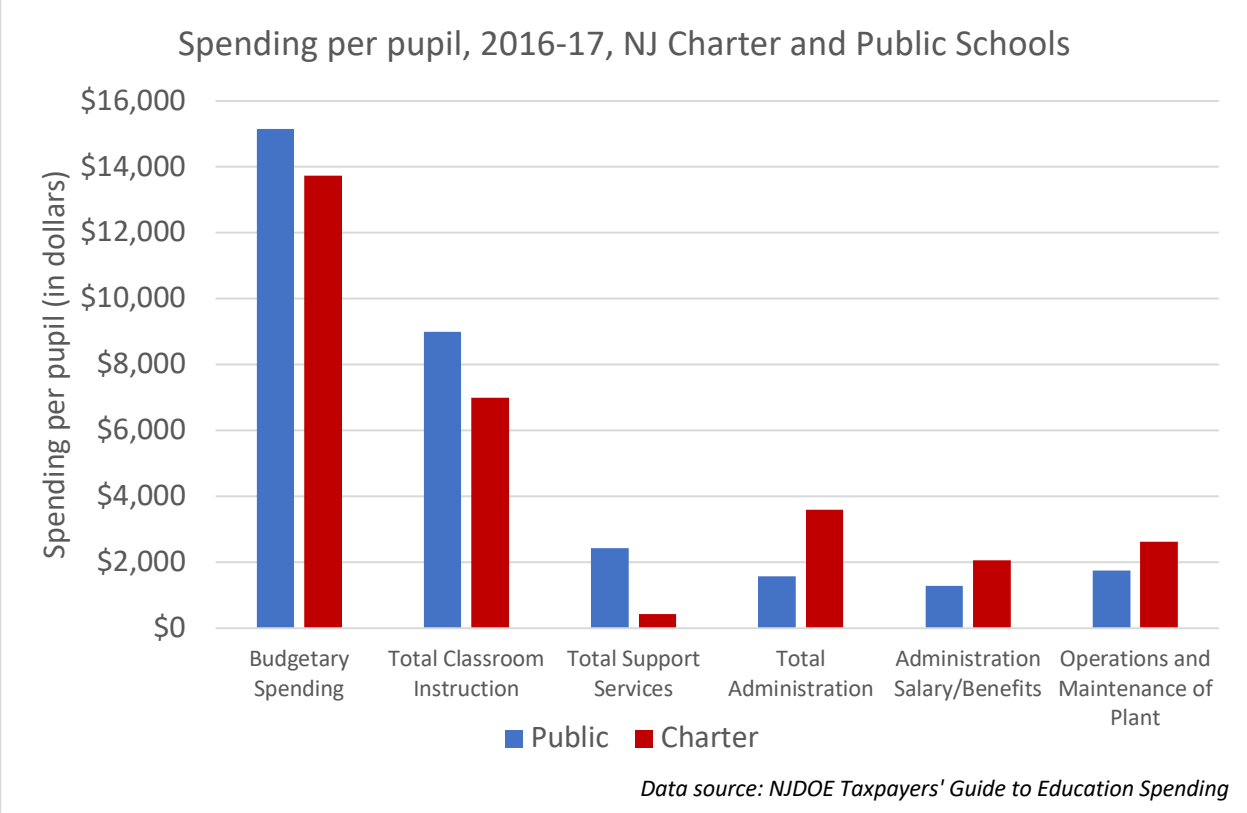
5) THESE LAST THREE POINTS LARGELY EXPLAIN WHY CHARTER SCHOOLS RECEIVE LESS FUNDING PER PUPIL THAN PUBLIC DISTRICT SCHOOLS.

New Jersey's charter advocates often complain that they receive less funding per pupil than public district schools. But there are two good reasons for that:

1) Charter schools are funded using a formula similar to the state's aid formula: this means schools that enroll fewer at-risk, special needs, LEP, and high school students receive less funding. **One of the primary reasons charter schools get less funding per pupil than public school districts is that their students are less costly to educate.**
2) Charter schools don't have to provide transportation, take students mid-year, take more students than they planned for (which is why they must select students via a lottery if applications exceed spaces), provide resources to private schools, or perform a variety of functions that public district schools must. **Charter schools get less funding because they have different responsibilities than public, district schools.**

6) CHARTER SCHOOLS SPEND MORE ON ADMINISTRATION, AND LESS ON INSTRUCTION AND STUDENT SUPPORT SERVICES.

It is true charters spend less per pupil, but that's largely due to the fact that **public district schools spend more "in the classroom" and on support services than charters.**



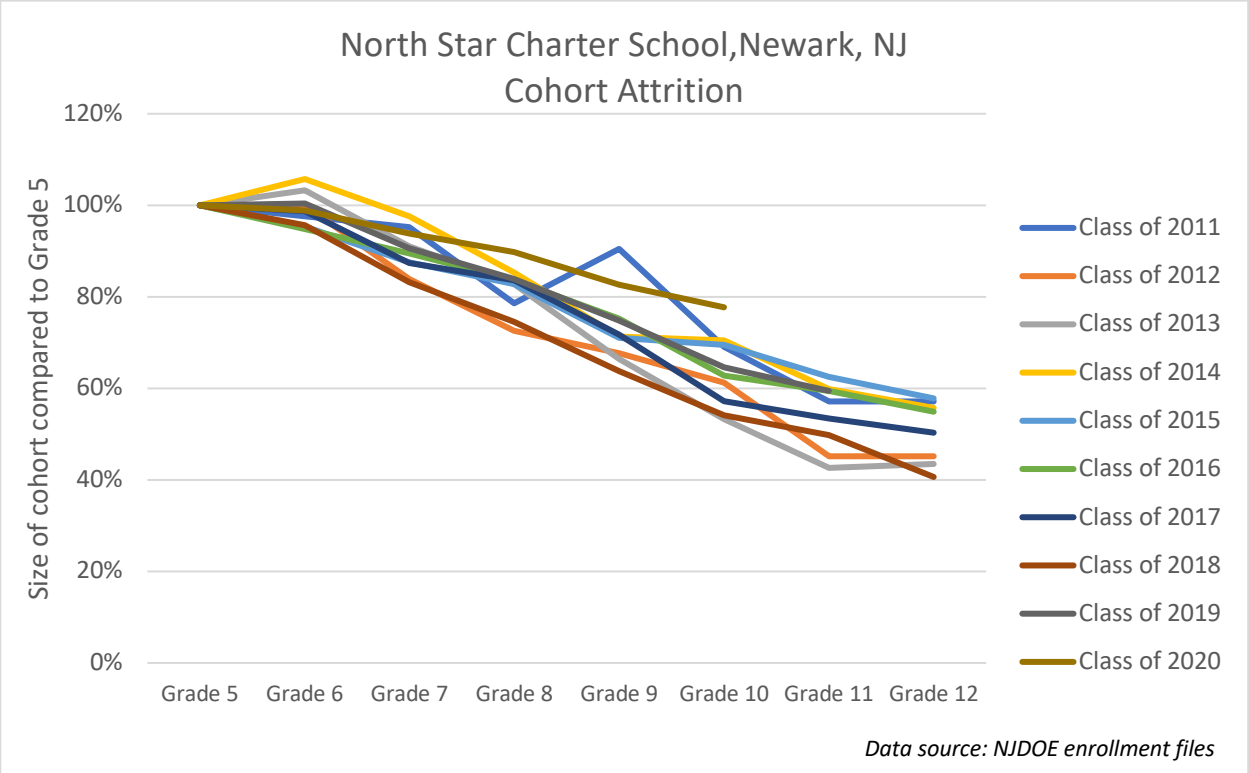
Charters also spend more than public district schools on administration, including administrative salaries. Many of the urban districts that host charter schools are more likely to realize economies of scale in their administrative functions because of their relatively larger size compared to charters.[10]

7) SOME HIGH-PROFILE CHARTER SCHOOLS SHED MANY STUDENTS BETWEEN GRADES.

North Star Charter School in Newark has been repeatedly praised for its test scores. Less discussed, however, is that North Star's student cohorts – its "Class of 20xx's" – shrink

[10] For a further discussion, see: Baker, B. D. (2016). *Exploring the consequences of charter school expansion in U.S. cities*. Washington, D.C.: Economic Policy Institute. Retrieved from http://www.epi.org/publication/exploring-the-consequences-of-charter-school-expansion-in-u-s-cities/

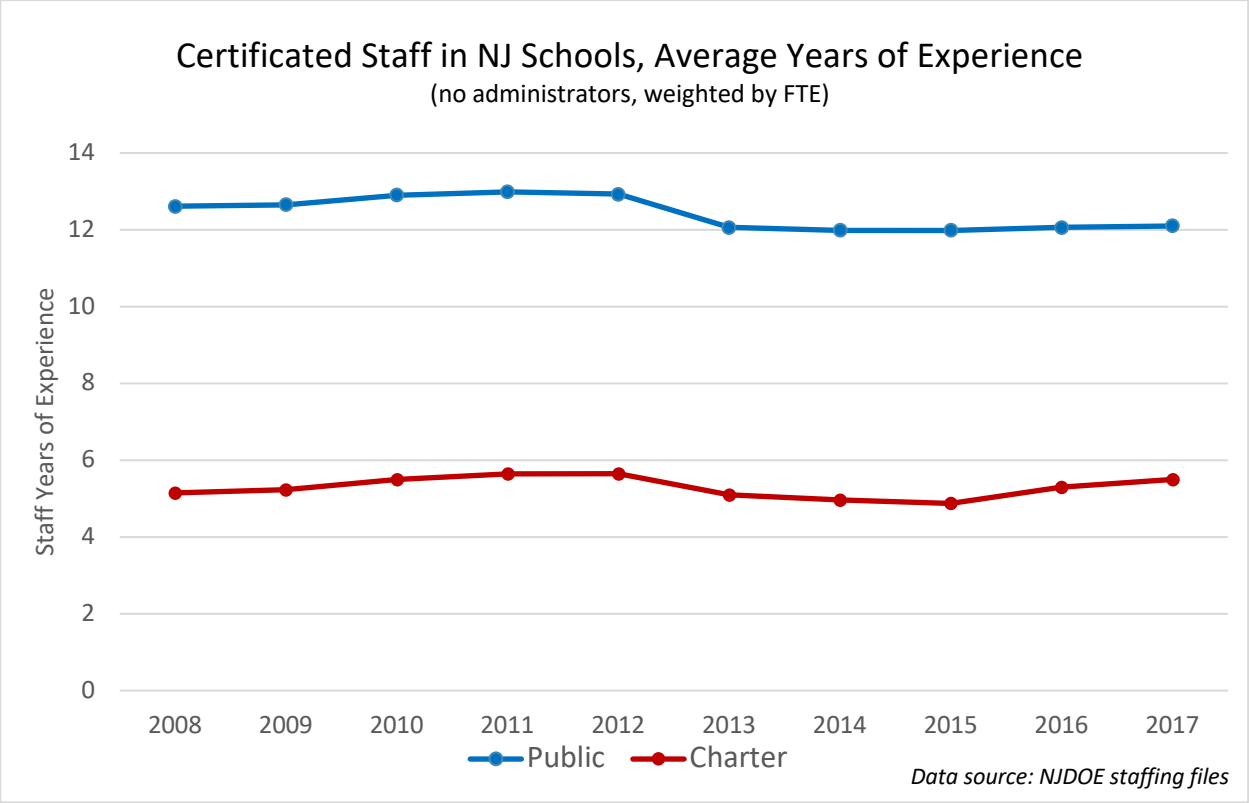
substantially as students move from grade to grade. The figure below shows how North Star loses students as its cohorts move from Grade 5 to Grade 12.



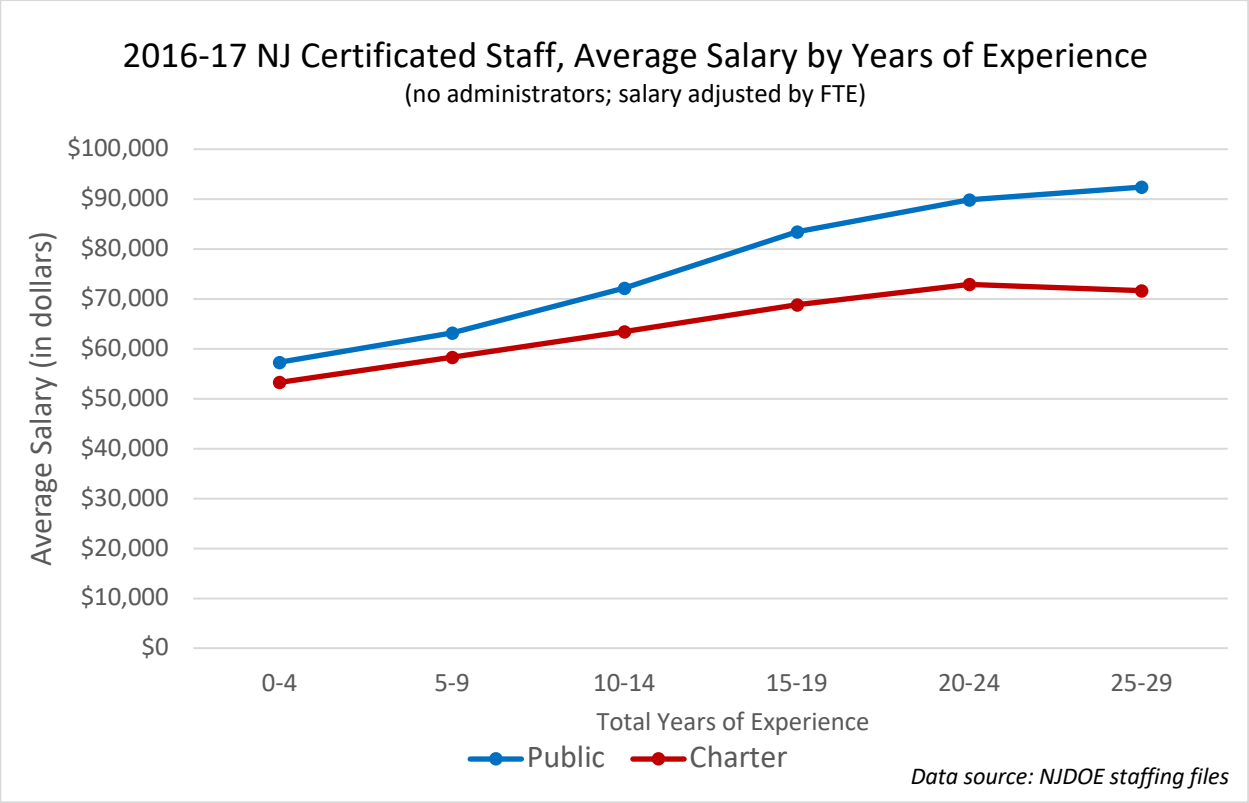
Charter schools sometimes claim students leave as they move to magnet or private schools in high school. Yet North Star continually loses students before and after the transition between Grade 8 and 9, when we would expect most of the losses due to transfers. This cohort attrition, particularly in the high school grades, may help explain differences in outcomes such as graduation rates and attendance at 4-year colleges when comparing North Star to the Newark Public Schools. Other charter schools in Newark demonstrate similar trends; see the Technical Report for details.

8) CHARTER SCHOOL TEACHERS ARE LESS EXPERIENCED THAN PUBLIC SCHOOL TEACHERS, AND ARE PAID SIGNIFICANTLY LESS, EVEN ADJUSTING FOR EXPERIENCE.

Year after year, **charter school teachers have much less experience than public district school teachers.**



Because charter schools employ less experienced teachers, their payrolls per student are lower. **But even after accounting for experience, charter teachers are paid less than public district school teachers.**



It is likely that charter schools "free ride" on public district school salaries: because charter teachers who are pursuing careers in education know they will have an opportunity in the future to move to better paying jobs in public school districts, they may be willing to put up with lower wages in the present.

There is an important exception to the above trend: in Newark, high-profile charters affiliated with national charter school networks – specifically, North Star Academy and TEAM-KIPP – pay their teachers more than teachers with similar experience levels in the Newark Public Schools (NPS).

It is clear that the only way these charters can pay their teachers comparatively more is by maintaining staffs with much lower levels of average experience than NPS. As in many other professions, experienced teachers earn higher wages; a staff with more experienced teachers, therefore, is more expensive. These charters save money by keeping their staff relatively inexperienced and, therefore, relatively cheap.

One consequence of this reality is that these charter schools can offer their students longer schools days and longer school years, which may contribute to test score gains. The table below, which I explain more fully in the Technical Appendix, shows the differences in staff experience, instructional spending per pupil, and school day length for North Star Academy, TEAM-KIPP, the rest of Newark's charter sector, and NPS.

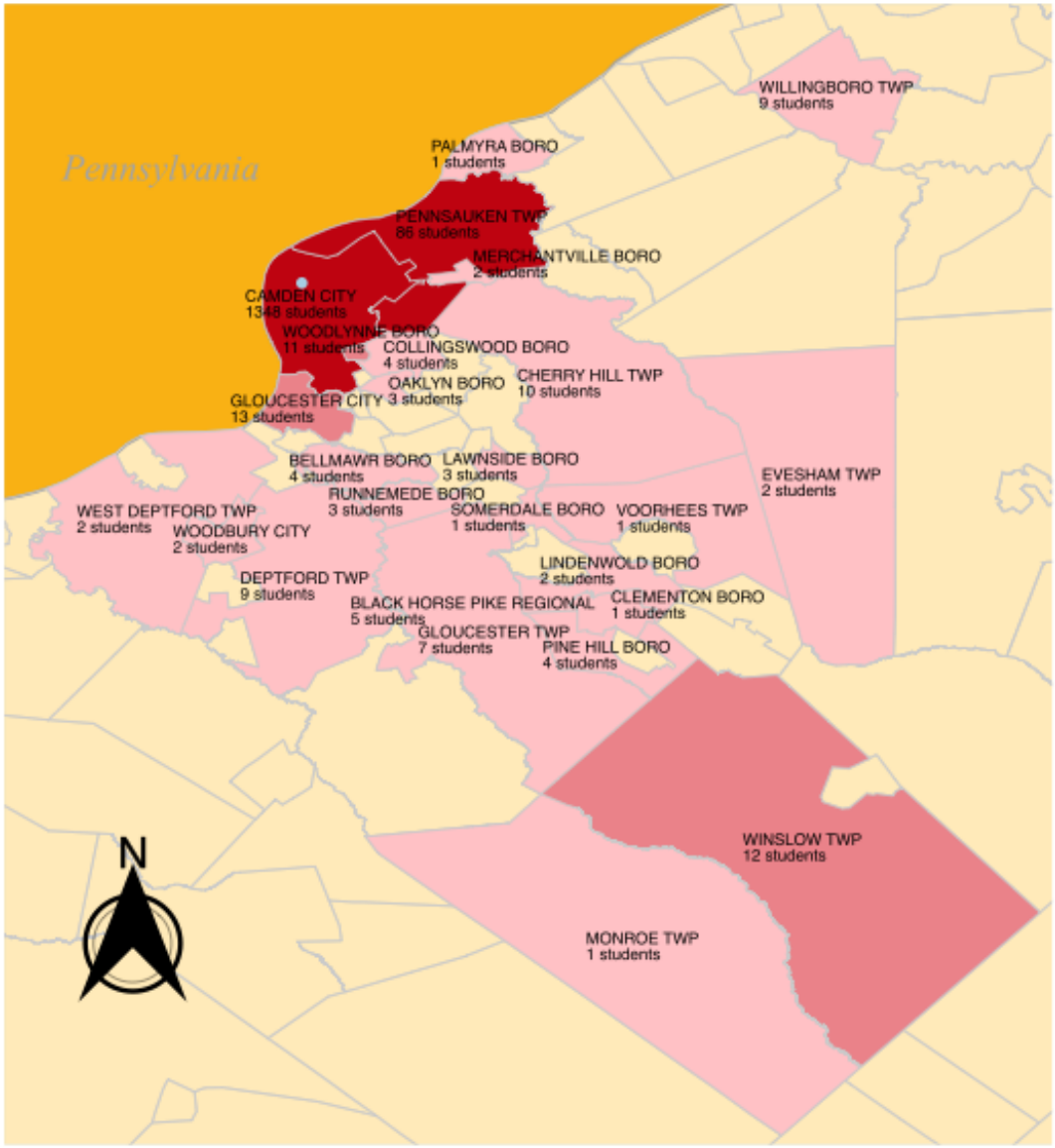
2016-17	Average Staff Experience, Years	Instructional & Support Staff Salary per pupil	Length of Day, mins.
NPS	13.5	$11,042	390
Other Newark Charters	4.7	$7,126	477
North Star	3.6	$6,453	510
TEAM-KIPP	5.0	$6,178	540

Students at North Star and TEAM-KIPP have a longer school day than students in NPS schools. It is reasonable to assume this longer day contributes significantly to any gains in educational outcomes; however, this advantage is only fiscally sustainable if these schools continue to employ staff members with much less experience, on average, than NPS personnel.

9) SOME CHARTER SCHOOLS DRAW FROM WELL BEYOND THEIR HOSTING PUBLIC DISTRICTS TO ENROLL STUDENTS.

The map below shows the public school districts that had to pay for their resident students to attend LEAP Academy Charter School, in Camden, NJ in 2016. **Some charter schools draw from far beyond the borders of their hosting district to enroll students.**

LEAP Academy Charter School, 2016
Sending Districts by Enrollment



LEAP Academy Sending Districts

Student Enrollments

- 1-10
- 10-25
- 25-50
- > 50
- LEAP Academy CS

0 5 10 15 miles

Data source: 2016 Charter Aid Notices, NJDOE.

School district boundary data: 2016 TIGER/Line Shapefiles, prepared by the U.S. Census Bureau, 2016.

This is problematic for at least two reasons: First, at least some of these districts are, by any standard, successful at educating their students. Yet they must provide funding and transportation *at their expense* to students who wish to attend a charter. Second, districts that send their resident students to distant charters have no mechanism to challenge the establishment, renewal, or expansion of a charter school that draws funding from them**.**

10) NEW JERSEY CHARTER SCHOOL FINANCIAL DEALS ARE OFTEN LACKING IN TRANSPARENCY AND ACCOUNTABILITY.

A recent series of reports in the *Bergen Record*[11] document the growth of a network of charter schools linked to the Turkish Gulen movement. One report notes that taxpayer funds flow from the Paterson Charter School for Science and Technology to its landlord, a private firm that received state financing to purchase the property. **New Jersey taxpayers are essentially providing the funding for a publicly-financed charter school to be housed in a building that is paid for, but not owned, by the public.**

In addition, charter schools can and do have contracts with for-profit firms that take over a large portion of their administrative work. For-profit charter management organizations (CMOs) have run schools in Camden, Newark, and Trenton.

Of course, public district schools also have contracts with private firms. But public school districts do not outsource the majority of their management functions to for-profit companies. Nor do they regularly sign lease deals with for-profit third parties for their school facilities. **The nature of charters requires better standards of transparency and reporting to protect the interests of taxpayers.**

FIVE WAYS TO IMPROVE THE NEW JERSEY CHARTER SCHOOL SECTOR

1) GIVE LOCAL PUBLIC SCHOOL DISTRICTS A SAY IN CHARTER APPROVALS, RENEWALS, AND EXPANSIONS.

As the sole authorizer of charter schools in the state, NJDOE can approve a charter start-up, renewal, or expansion over any objections from the hosting school district. In addition: charters can draw students from any other district in the state at any time. These districts must then

[11] https://www.northjersey.com/story/news/watchdog/2017/02/15/fethullah-gulen-charter-schools-islamic-cleric-new-jersey/94574618/

provide funding for charters regardless of the impact on their own budgets, the performance of their schools, or the wishes of the districts' taxpayers.

The entities that fund charter schools – namely, school districts – should have a meaningful role in charter school authorization and regulation.

Charter advocates object to the idea of school districts having a say in charter approvals: they argue parents and students can "vote with their feet," and that a charter that does not draw enrollments will not flourish. This argument ignores a critical point: taxpayers *without* school-aged children also have a stake in charter funding policy. How districts should participate in charter school authorization and regulation is open to debate; however, policy makers should acknowledge that all taxpayers have a stake in maintaining an effective and efficient school system.

2) ADJUST THE CHARTER FUNDING SYSTEM TO ACKNOWLEDGE THAT PUBLIC SCHOOLS HAVE FIXED COSTS, GREATER OBLIGATIONS THAN CHARTERS, AND MORE EXPERIENCED TEACHERS.

Currently, the charter funding system acknowledges that school districts have additional obligations by requiring districts to only pay 90 percent of the per pupil budgeted amount to charters. But the state has never studied whether 10 percent accurately reflects the additional costs public schools bear due to charter expansion.

Charter funding roughly follows the School Funding Reform Act (SFRA) formula. While this formula may be justified as a way to allocate state school aid, it does not fully account for the differences between charters and public school districts in obligations, fixed costs, student characteristics, and staff costs.

"Free riding" on public school salaries allows charters to pay their staff less, or impose longer workdays and work years, on the implied promise teachers can later move to better paying jobs in public schools. The fiscal burden of attracting high-quality candidates into the teaching profession is, therefore, not equally shared.

New Jersey must reevaluate the current charter funding system and adjust it to more accurately reflect the costs charters impose on the *entire* public school system.

3) IMPROVE THE STANDARDS OF FISCAL TRANSPARENCY AND REPORTING FOR CHARTER SCHOOLS.

By design, charter schools have unique organizational structures – which means they often have unique arrangements with contractors. Charters can enter into agreements with third-

parties to provide management services and curriculum that are completely different than the contracts public school districts have with vendors.

Charter schools should be required to post all major contracts for services on their websites. All charter management organizations operating in New Jersey should be required to register as such, and their organization, personnel, and financial statements should be a matter of public record.

In addition, charter schools should be part of NJDOE's User-Friendly Budgets database. The public should be able to easily access the spending and revenue figures for charters, and the salaries of charters' highest-paid employees, just as they can for public school districts.

4) MAKE CHARTER ASSETS PURCHASED WITH PUBLIC FUNDS THE PROPERTY OF STATE OR LOCAL GOVERNMENTS.

As scholars of education finance have noted[12], when charters pay leaseholders from their operating funds, they are using taxpayer money to move school facilities into private control. This is often a bad deal for the taxpayers, who end up paying for a building that they don't own.

There may be times when rental agreements make sense for charter schools. However, as a general rule, charter facilities paid for with taxpayers' funds should remain in taxpayer hands. One way to determine whether rental or purchase agreements for school facilities make sense would be for the state to establish a Charter Facilities Control Board, which would oversee the ownership and financing of charter school buildings to ensure that the best interests of taxpayers are served.

5) HAVE THE NEW JERSEY DEPARTMENT OF EDUCATION COLLECT AND PUBLISH MORE DATA ABOUT CHARTER SCHOOLS SO STAKEHOLDERS CAN MAKE BETTER CHARTER POLICY.

There are many questions about New Jersey's charter sector that, as of today, cannot be answered using publicly available data:

- What is the attrition and retention rate for charter students?
- What is the attrition and retention rate for charter teachers?
- How many charter teachers who leave move to positions in district schools?
- How do *individual* charter schools within large charter networks vary on student population characteristics and outcomes?

[12] https://nepc.colorado.edu/publication/charter-revenue

- Are claims from charter advocates about “wait lists” accurate? How many parents apply to multiple charter schools?
- How do charter enrollments change at different times of the year?
- When charters increase the school day and year, do students realize a benefit?

NJDOE should convene a task force of education researchers, school leaders, and other stakeholders to reassess how the Department collects and disseminates information about charter schools.

Better data can only lead to better charter school policy.

ABOUT THE AUTHOR

Mark Weber, a New Jersey public school teacher, recently received a doctorate in Education Policy from The Graduate School of Education at Rutgers, The State University of New Jersey, where he also worked as a part-time lecturer in public school finance. Weber has authored numerous peer-reviewed papers on education policy, as well as education policy briefs for the National Education Policy Center, the Shanker Institute, the Education Law Center, the Daniel Tanner Foundation, and the New Jersey Education Policy Forum. His opinion pieces have appeared in *The Washington Post, Education Week*, *The PBS Newshour*, and *NJ Spotlight* among other media outlets.

TECHNICAL REPORT: "TEN IMPORTANT FACTS ABOUT NEW JERSEY CHARTER SCHOOLS… AND FIVE WAYS TO IMPROVE THE NEW JERSEY CHARTER SECTOR"

Mark Weber, PhD
April, 2019

INTRODUCTION

The following Technical Report gives an in-depth description of the methods, models, and sources used in *Ten Important Facts About New Jersey's Charter Schools… and Five Ways to Improve the New Jersey Charter Sector.* The purpose of this report is to explain how I reached the conclusions I did in the main report, and to give an in-depth, data-rich view of the New Jersey charter sector.

All of the data used in this report comes from the New Jersey Department of Education. Citations of data sources are given throughout.

I hope readers find this Technical Report useful and illuminating.

Mark Weber, PhD

NOTE: As I state in the main report, renaissance schools are excluded from all analyses herein.

TEN IMPORTANT FACTS ABOUT NEW JERSEY'S CHARTER SCHOOLS

1) ON AVERAGE, CHARTER SCHOOLS DO NOT PROMOTE STUDENT ACHIEVEMENT GROWTH ANY BETTER THAN PUBLIC SCHOOLS.

Student Growth Percentiles (SGPs) are the state's preferred method of assessing student growth at the school level. NJDOE publishes the median SGPs (mSGPs) in math and English Language Arts (ELA) for all relevant schools as part of its School Performance Reports[1] database.

SGPs were developed by Dr. Damian Betebenner, who has written peer-reviewed papers on their construction and use. One point Betebenner has made often about SGPs – a point that, unfortunately, has either been misunderstood or ignored by too many stakeholders and policy makers – is that they are *descriptive* measures of student growth, and cannot determine the *cause* of why students' test scores change. As Betebenner notes:

> *Borrowing concepts from pediatrics used to describe infant/child weight and height, this paper introduces student growth percentiles. These individual reference percentiles* ***sidestep many of the thorny questions of causal attribution and instead provide descriptions of student growth*** *that have the ability to inform discussions about assessment outcomes and their relation to education quality.* [2]

In other words: SGPs cannot tell us whether student growth is due to teacher quality, school quality, student characteristics, test characteristics, or many other factors that influence test score outcomes. This said, SGPs at least make an attempt to hold a students' starting point constant when comparing test outcomes. As such, they are the most appropriate outcome to use in an evaluation of the state's charter sector.

[1] https://rc.doe.state.nj.us/PerformanceReports.aspx

[2] Betebenner, D. (2009). Norm- and Criterion-Referenced Student Growth. *Educational Measurement: Issues and Practice, 28*(4), 42–51. https://doi.org/10.1111/j.1745-3992.2009.00161.x (Emphasis is mine.)

Betebenner and his coauthors have noted that SGPs are prone to bias; specifically, students with lower scores will tend to have lower SGPs, and students with higher scores will have higher SGPs.[3] This is due to a well-known statistical phenomenon called *attenuation bias*. While the underlying concept is complex, the basic idea is as follows: because test scores are measurements with error, the effects of previous scores on SGPs will tend to be biased; therefore, students with lower scores will have lower SGPs. Since schools with higher proportions of students who are at-risk or have a special learning need tend to have lower average test scores to begin with, those same schools will tend to have lower mSGPs.

To mitigate against this bias, I employ a regression model that takes into account student characteristics for each school. The form of the model is:

$$SGP_i = \beta_0 + \beta_1 pctFL_i + \beta_2 pctLEP_i + \beta_3 pctDisability_i + \beta_4 charter_i + \varepsilon_i$$

Where *SGP* is the Student Growth Percentile for school *i*, *pctFL* is the school's percentage of students who qualify for the federal free lunch program, *pctLEP* is the school's percentage of students who are Limited English Proficient, and *pctDisability* is the school's percentage of students who are classified as having a learning disability. The variable of interest, *charter*, is a dummy variable that indicates whether a school is a charter or not. The regression model uses the school's total enrollment as an analytic weight.

mSGPs are reported by NJDOE for different student populations. I run separate models for the following mSGPs as outcome variables: "Schoolwide," "Black or African American," "Hispanic," and "White." The regression tables are reported in Appendix A. The covariates of the "Schoolwide" model are all statistically significant at a high level ($p<0.01$), with the exception of *pctDisability* in the Math SGP model. For consistency's sake, I employ the same model for the three student subpopulations.

The *charter* estimate is statistically significant ($p<0.05$) only in the model for white students' mSGP in math. This tells us that, within this model, whether a school is a charter or not does not predict, at a statistically significant level, a difference in that school's mSGP.

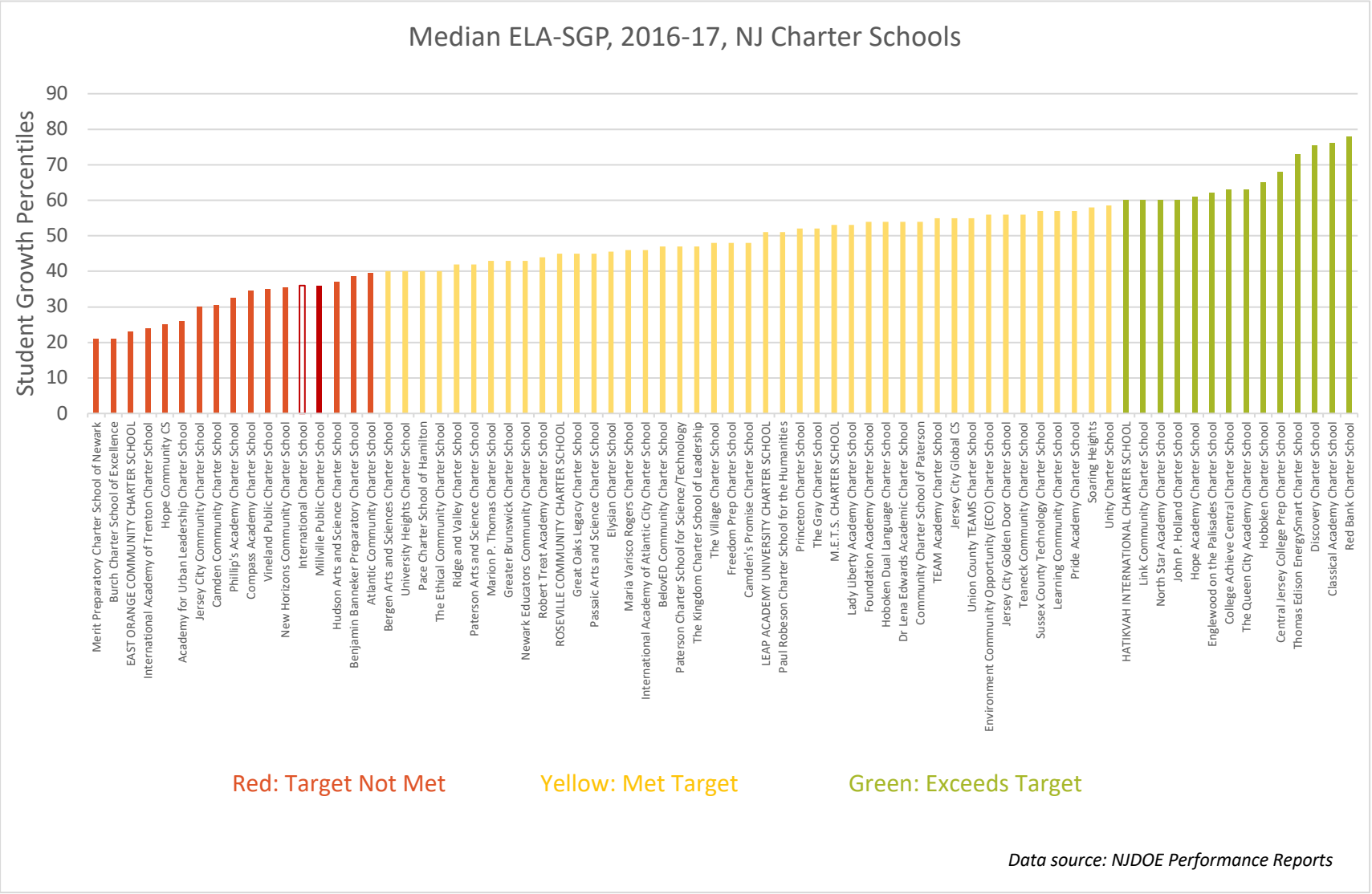
NJDOE has three classifications for mSGP scores: "Target Not Met," "Met Target," and "Exceeds Target." The mSGP scores in math and ELA for 2016-17 are given below in Figure 1 and Figure 2.[4] The SGPs for charters are distributed roughly normally: most scores are in the middle, a few are at the top, and a few are at the bottom. This suggests that, in the aggregate, the charter sector shows no greater gains in student growth than public school districts.

Again: SGPs are one limited piece of evidence to judge school quality. They are, however, an attempt to hold some student characteristics constant, which is a minimal requirement for any valid analysis.

[3] Shang, Y., VanIwaarden, A., & Betebenner, D. W. (2015). Covariate Measurement Error Correction for Student Growth Percentiles Using the SIMEX Method. *Educational Measurement: Issues and Practice*, *34*(1), 4–14. https://doi.org/10.1111/emip.12058

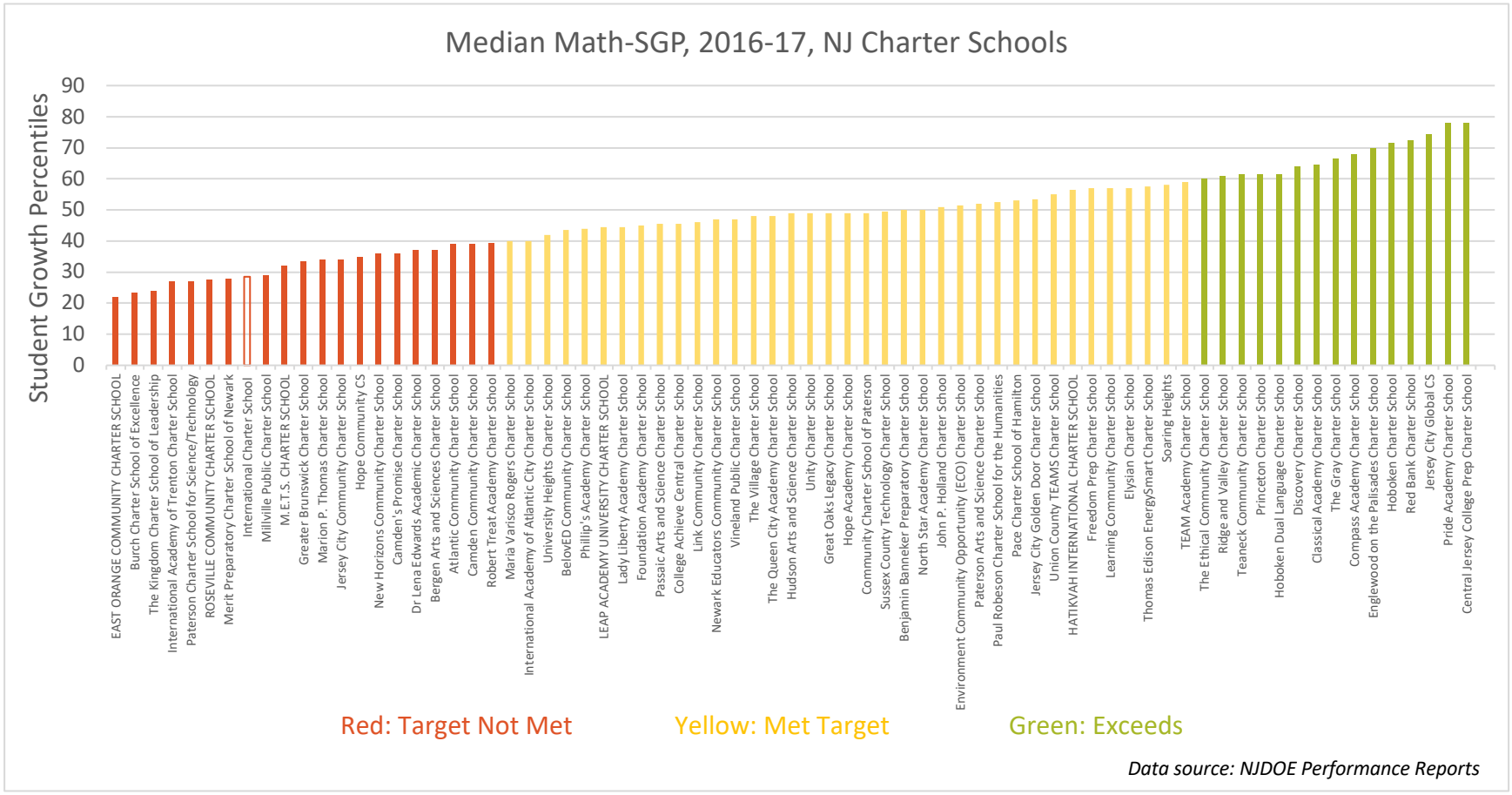
[4] International Charter School was not classified.

Figure 1



Data source: NJDOE Performance Reports

Figure 2

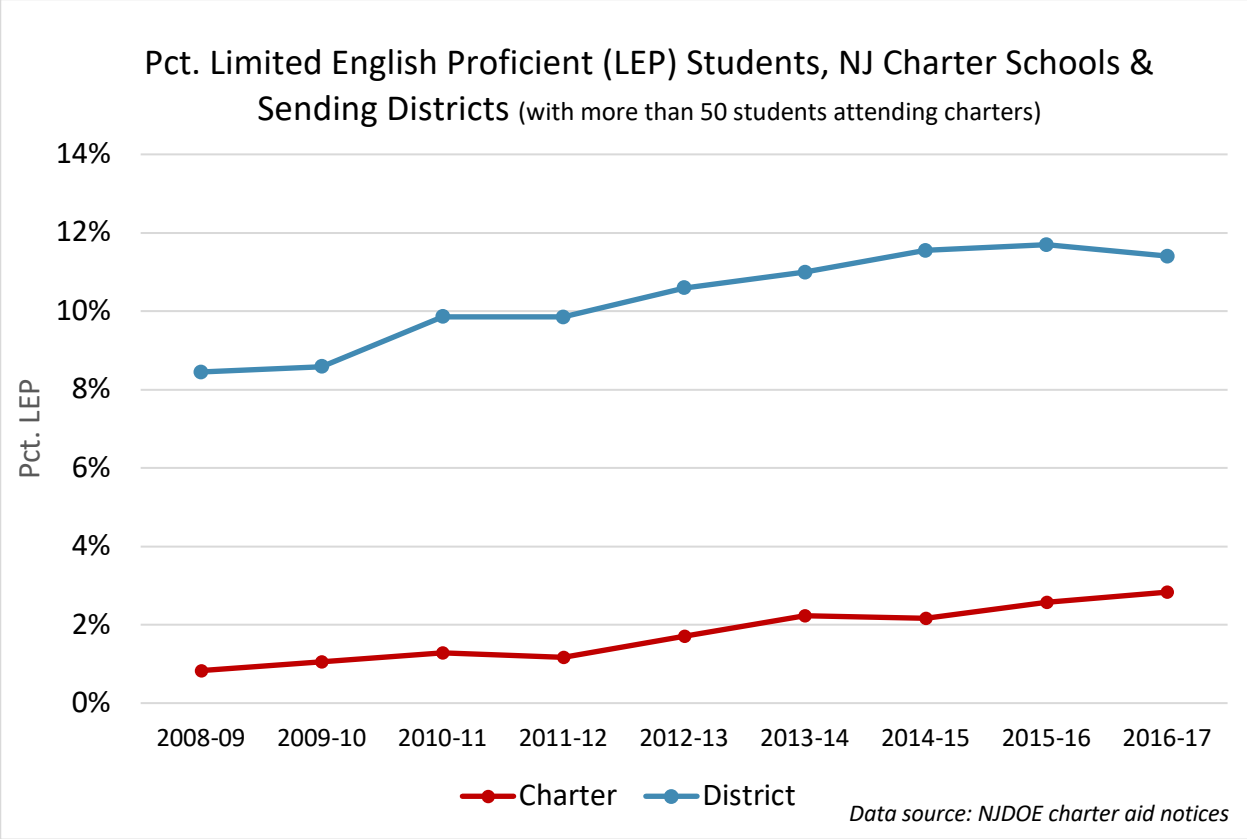


Data source: NJDOE Performance Reports

2) CHARTER SCHOOLS DO NOT ENROLL AS MANY LIMITED ENGLISH PROFICIENT STUDENTS AS THEIR HOSTING PUBLIC SCHOOLS.

The graph from the main report, which is replicated below, uses charter aid statements from the NJDOE.[5] To make relevant comparisons, the district data is restricted only to those districts that send 50 or more students to charter schools; including districts that only send a few students to charters would lead to a less relevant comparison.[6]

Figure 3



Readers will note that while the percentage of LEP students in charters has risen slightly, the gap between charters and public district schools in their percentages of LEP students has not appreciably changed in the past decade.

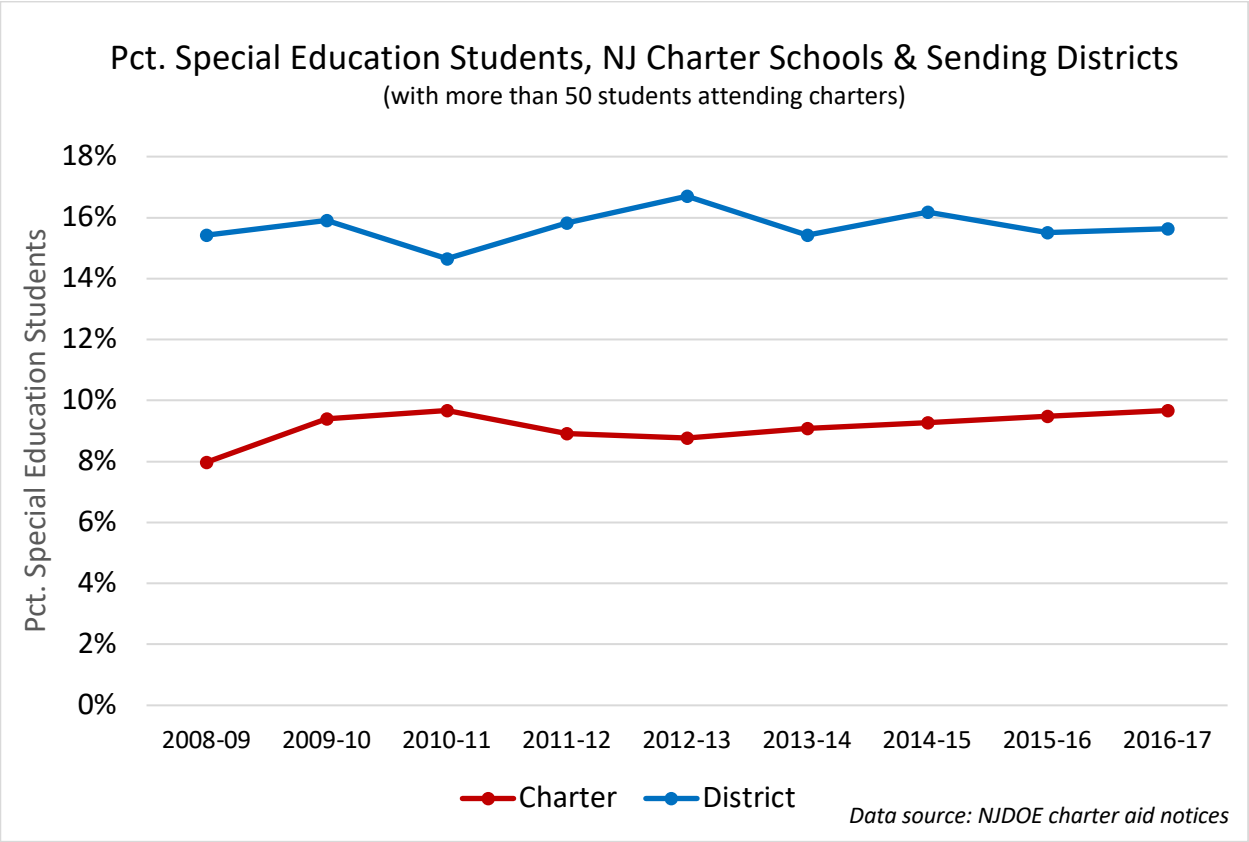
[5] The charter aid statements were obtained through an Open Public Records Act (OPRA) request made by Dr. Julia Sass Rubin of the Bloustein School of Planning and Public Policy at Rutgers, The State University of New Jersey. I thank Dr. Rubin for sharing these files for this report.

[6] For a more detailed discussion of the methodology used here, see: Weber, M. A., & Rubin, J. S. (2018). *New Jersey Charter Schools: A Data-Driven View - 2018 Update, Part I*. https://doi.org/10.7282/t39z983m

3) CHARTER SCHOOLS DO NOT ENROLL AS MANY SPECIAL EDUCATION STUDENTS AS THEIR HOSTING PUBLIC SCHOOLS.

The graph below, which is from the main report, uses the same aid statements as the LEP graph above.

Figure 4



Charter advocates have made the claim that New Jersey's charter schools are enrolling more special needs students than in the past.[7] The truth, however, is that the gap between the percentages of these students in charter and public district schools was at its smallest in 2010-11; there is no indication it has become substantially smaller since.

While important, this graph does miss a critical point: **The special education students charters do enroll tend to have less-costly disabilities compared to the special education students in public school districts.** To illustrate this, I use data from the NJDOE for 2016. In that year, data for the differing disability classifications of students was

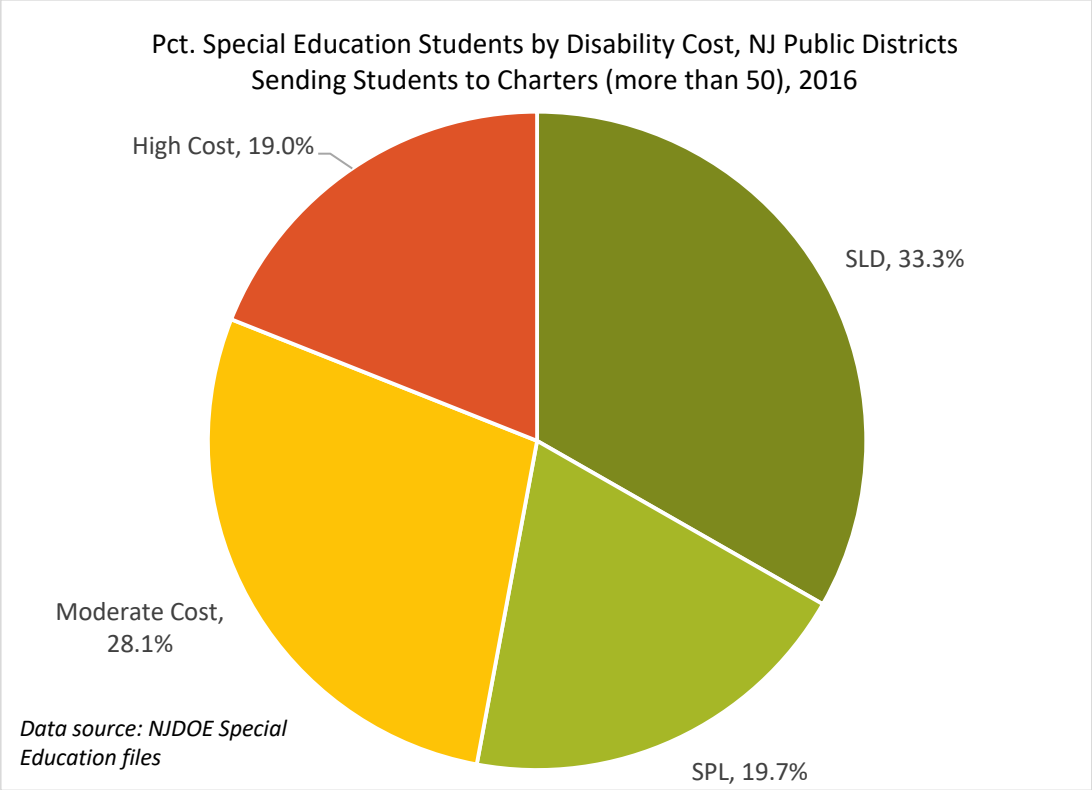
[7] https://www.nj.com/opinion/index.ssf/2015/02/nj_charter_schools_are_fulfilling_the_needs_of_spe.html

published in full, despite claims on the NJDOE website that counts of less than ten per disability are suppressed. Cells in the spreadsheet containing the data regularly had counts under 10, including counts of 0.[8]

Figure 5 shows the breakdown of students by disability cost for 2016-17 in public school districts. Figure 6 gives the same breakdown for the New Jersey charter sector. The cost classifications come from a study commissioned by the NJDOE in 2011.[9] The authors note there is substantial variation in cost within a disability classification, and this data should be approached with caution. Nonetheless, the classifications are useful for informing policy.

Specific Learning Disabilities (SLD) and Speech/Language Impairments (SPL) are the two low-cost disabilities. Moderate-cost disabilities are: Emotional Disturbance, Hearing Impairment/Deafness, Intellectual Disability (previously called Mental Retardation), Orthopedic Impairment, Other Health Impairment, and Traumatic Brain Injury. High-cost disabilities include Autism, Deaf-Blindness, Multiple Disabilities, and Visual Impairment/Blindness.

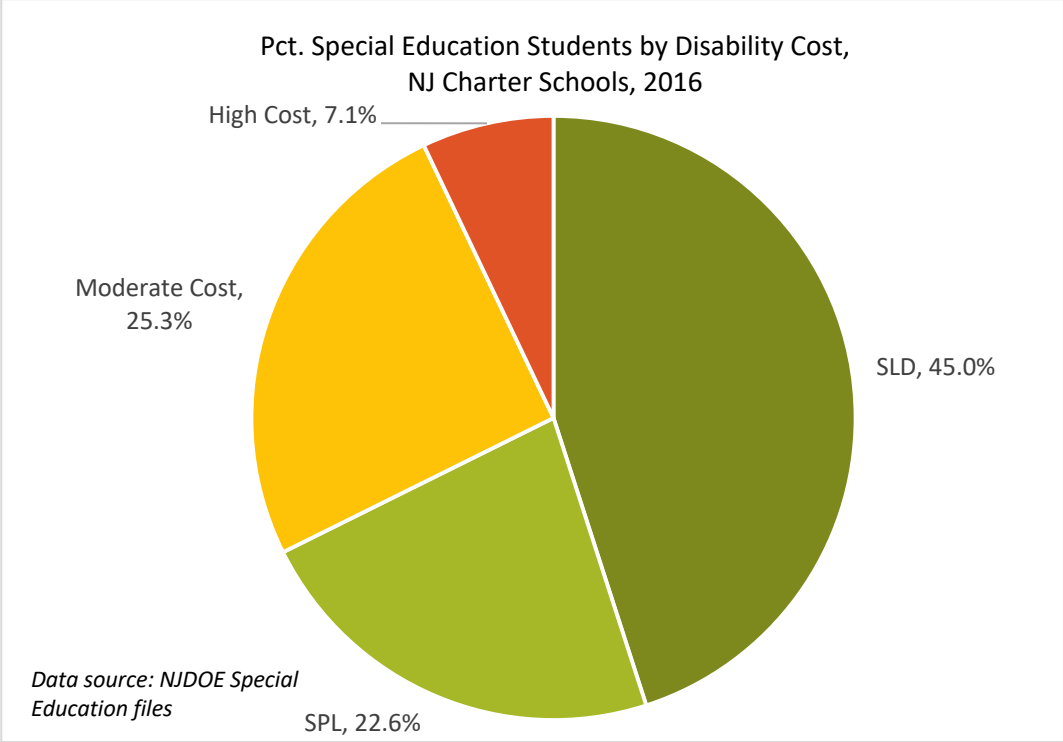
Figure 5



[8] A side note: in previous years, NJDOE has claimed the counts under 10 should be suppressed to protect the privacy of students. I am unaware, however, of any evidence the Department has put forward to show student privacy rights are compromised by fully publishing these data.

[9] Augenblick, Palaich and Associates. (2011). *Analysis of New Jersey's Census-Based Special Education Funding System*. Retrieved from http://nj.gov/education/sff/sereport.pdf

Figure 6



As the two graphs show, the special education students charter schools enroll – and again, charters enroll a smaller proportion of these students overall – tend to have less-costly disabilities compared to the special education students in public school districts. 68 percent of classified students in charters have low-cost disabilities, compared to 53 percent in public school districts.

This is problematic when we consider how charter school aid is calculated. The charter aid formula only makes a distinction between students with speech disabilities and all other special education students.[10] Charters receive less per pupil for a student classified with a speech impairment than any other disability; however, that distinction is not carried over to other disabilities. A student classified as SLD, therefore, would cause the charter to receive the same amount of aid as a student classified with a more costly disability.

The charter funding formula should accurately reflect the costs of education students with varying needs. It also should not create financial incentives for charters to enroll only students with the least-costly disabilities. More finely-grained classifications in the charter aid formula would greatly improve the system for determining how charters receive funding from public school districts.

4) CHARTER SCHOOLS DO NOT HAVE THE SAME OBLIGATIONS AS PUBLIC DISTRICT SCHOOLS.

[10] Rubin, J. S. (2015). *New Jersey Charter School Funding*. Rutgers, The State University of New Jersey. Retrieved from https://rucore.libraries.rutgers.edu/rutgers-lib/49673/

The obligations that public school districts have, but charters do not, are codified in state statute and administrative code.

- Transportation: N.J.A.C. 6A:27-3.1 states: "The transportation of students to and from a charter or renaissance school shall be the responsibility of the district board of education of the school district in which each student resides."[11]
- Admissions: N.J.S.A. 18A:36A is the Charter School Program Act of 1995.[12] The Act has no provision requiring mid-year admission. Administrative code[13] requires that a charter should maintain a waiting list; however, there is no requirement for charters to fill seats from that waiting list once the school year has begun.
- Private school transportation: I note here that New Jersey played a key role in the history of private school funding jurisprudence; see: *Everson v. Board of Education of the Township of Ewing*.[14] Districts are responsible for nonpublic school student transportation, as stated in N.J.A.C. 6A:27-2.1. Students are eligible for transportation if their private school is more than two miles away (two and one-half miles for secondary students).
- Extracurricular sports: From N.J.A.C. 6A:11-4.14: "If a secondary charter school does not offer the particular sport in which one of its full-time students wishes to participate, the student may participate in the sport at his or her school of residence upon agreement of both principals, regardless of the number of sports programs offered at the charter school."[15]

5) THESE LAST THREE POINTS HELP EXPLAIN WHY CHARTER SCHOOLS RECEIVE LESS FUNDING PER PUPIL THAN PUBLIC DISTRICT SCHOOLS.

In 2015, Dr. Julia Sass Rubin, a scholar of public policy, released a study[16] that explained the funding formula used in New Jersey to determine the payments local school districts must make when resident students enroll in charter schools. Rubin explains:

> Advocates' claims that charter schools are receiving almost 50% less than they should convinced the Christie Administration and the New Jersey Legislature to shift an additional $107.6 million from school districts to charter schools for the combined 2014-15 and 2015-16 academic years.
>
> However, claims of dramatic underfunding of charter schools are based on faulty comparisons and are not accurate. The reality of charter school funding is much more complicated than advocates suggest.
>
> There are differences in the per-pupil funding levels of individual charter schools, just as there are differences in funding levels among school districts. However, all New Jersey charter schools are receiving at least what they should

[11] https://www.nj.gov/education/code/current/title6a/chap27.pdf
[12] https://www.nj.gov/education/chartsch/cspa.htm
[13] https://www.nj.gov/education/code/current/title6a/chap11.pdf
[14] https://www.oyez.org/cases/1940-1955/330us1
[15] https://www.nj.gov/education/code/current/title6a/chap11.pdf
[16] Rubin, J. S. (2015). *New Jersey Charter School Funding*. Rutgers, The State University of New Jersey. Retrieved from https://rucore.libraries.rutgers.edu/rutgers-lib/49673/

> under the state's charter school law. And, some charter schools are actually funded at higher levels than their sending school districts, particularly when considering their much less expensive to educate student populations.

Some charter school advocates have argued[17] that New Jersey charter schools receive less funding than they should because charters are not eligible for "adjustment aid," a category of state educational aid that was designed to shield districts from losses of aid when the state implemented its current funding formula, SFRA, in 2009. It is true that some charter schools do not receive this aid while their hosting district does; however, it is also true that some charters do receive adjustment aid, as they were established before SFRA was implemented. Further, as Rubin points out, adjustment aid is a small part of total revenues for many districts where resident students enroll in charters.

Adjustment aid is a factor in charter funding disparities; however, student differences, and how they affect the allocation of aid, is a much greater factor in many districts. I will explore the relative impact of these factors more fully in future work.

6) CHARTER SCHOOLS SPEND MORE ON ADMINISTRATION, AND LESS ON INSTRUCTION AND STUDENT SUPPORT SERVICES.

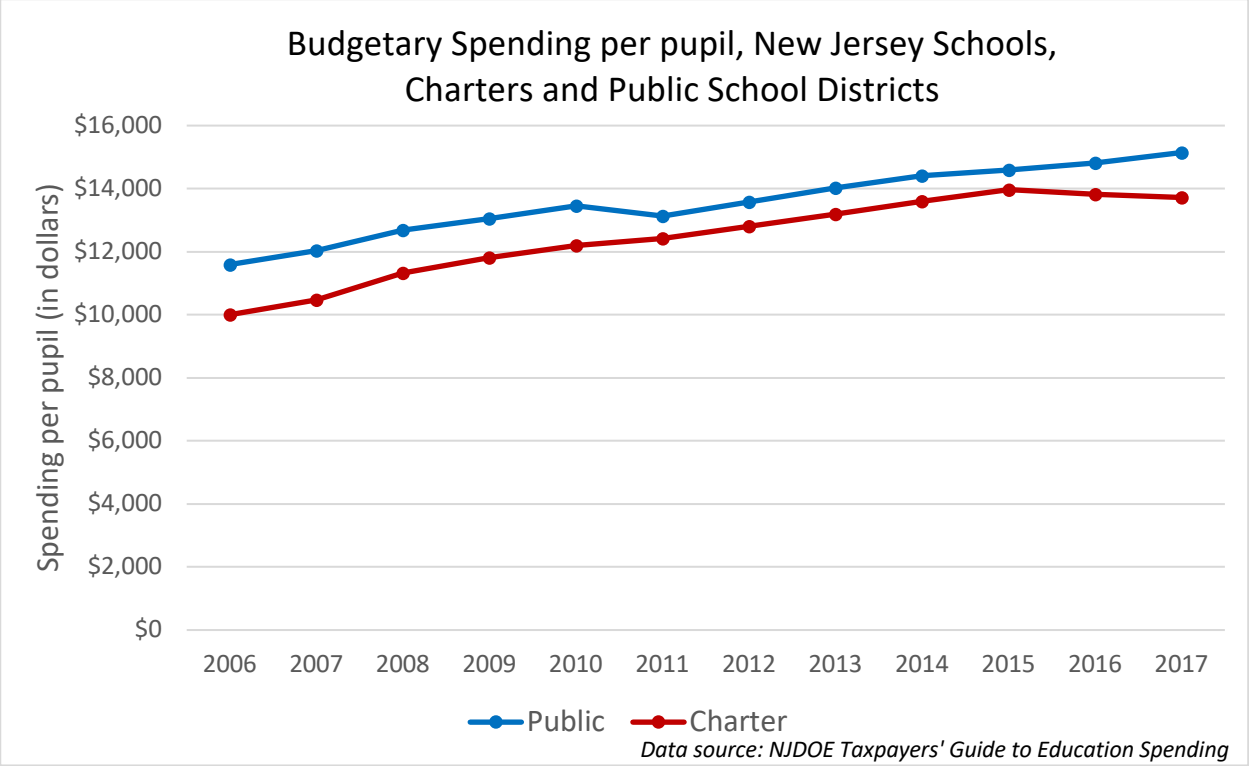
All figures in the main report and here are from the NJDOE's Taxpayers' Guide to Education Spending.[18] The comparisons exclude county special services and county vocational schools. I only report "actual" costs, using the latest files available for the school year (for example: 2014-15 costs come from the 2017 files).

To show longitudinal trends, I present here the spending per pupil figures for charters and public school districts over a 12 year span. I begin with Budgetary Spending in Figure 7. NJDOE notes:

> *While these costs do not provide an exhaustive picture of the cost for educating all students, they do allow school administrators and citizens to compare specific measures of school district spending. Generally, the BPP measures the annual costs incurred for students educated within district schools, using local taxes and state aid.* ***These costs are considered to be more comparable among districts, and may be useful for budget considerations.***[19]

[17] See, for example: https://www.njspotlight.com/stories/15/02/12/op-ed-dollars-don-t-make-sense-time-to-improve-charter-school-funding/
[18] https://www.nj.gov/education/guide/
[19] https://www.nj.gov/education/guide/2017/intro.pdf (emphasis mine)

Figure 7



The gap between charter and public districts in budgetary spending has actually *decreased* over time: from $1,591 in 2006 to $1,418 in 2017.

Figure 8 shows Total Classroom Instruction spending per pupil. Consistently, public district schools spend more "in the classroom" than charters. As I discuss below, much of this is driven by the difference in experience – and consequently, pay – between charter and public district teachers.

Figure 8

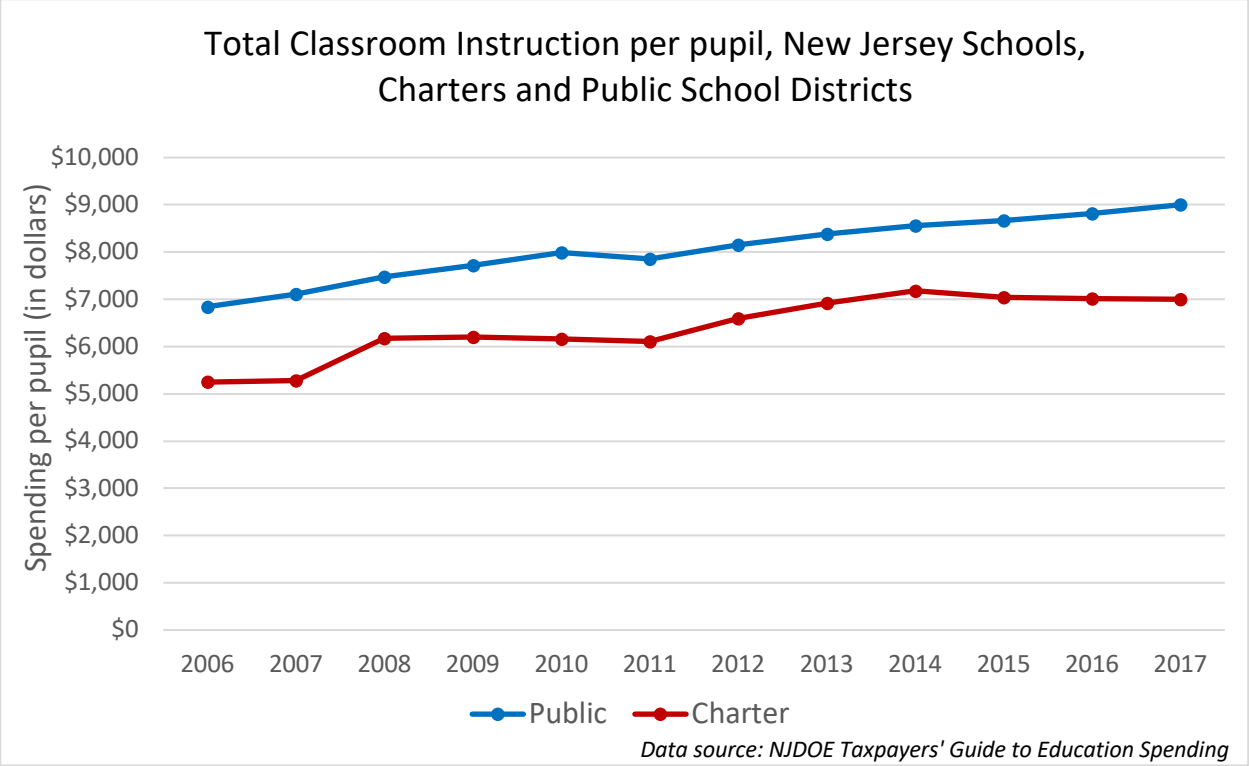


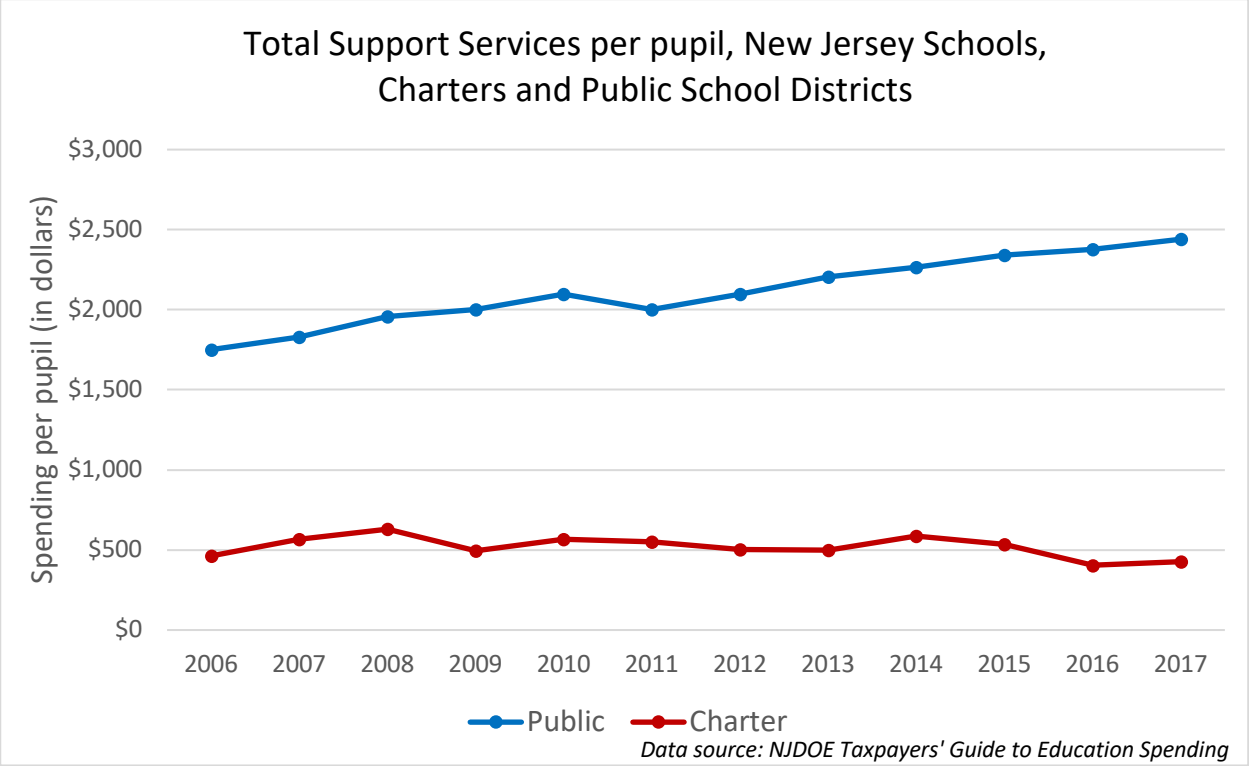
Figure 9 shows changes over time in Total Support Services per pupil. NJDOE notes these costs include:

> ***Attendance, social work, health and guidance services, educational media/school library services and child study team services*** *are student support services under the NCES definition. This area also includes the* ***costs associated with physical and mental health services*** *that are not direct instruction, but are nevertheless provided to students…. The* ***school library services*** *include books repairs, audiovisual services, educational television services, and computer assisted instruction services.*[20]

As I note in the main report: many of these services are necessary for students with special educational needs; therefore, we would expect spending per pupil to be higher in public school districts, because they have higher percentages of special education students. This is indeed the case; further, the gap in spending between the two sectors has *grown* over the past decade.

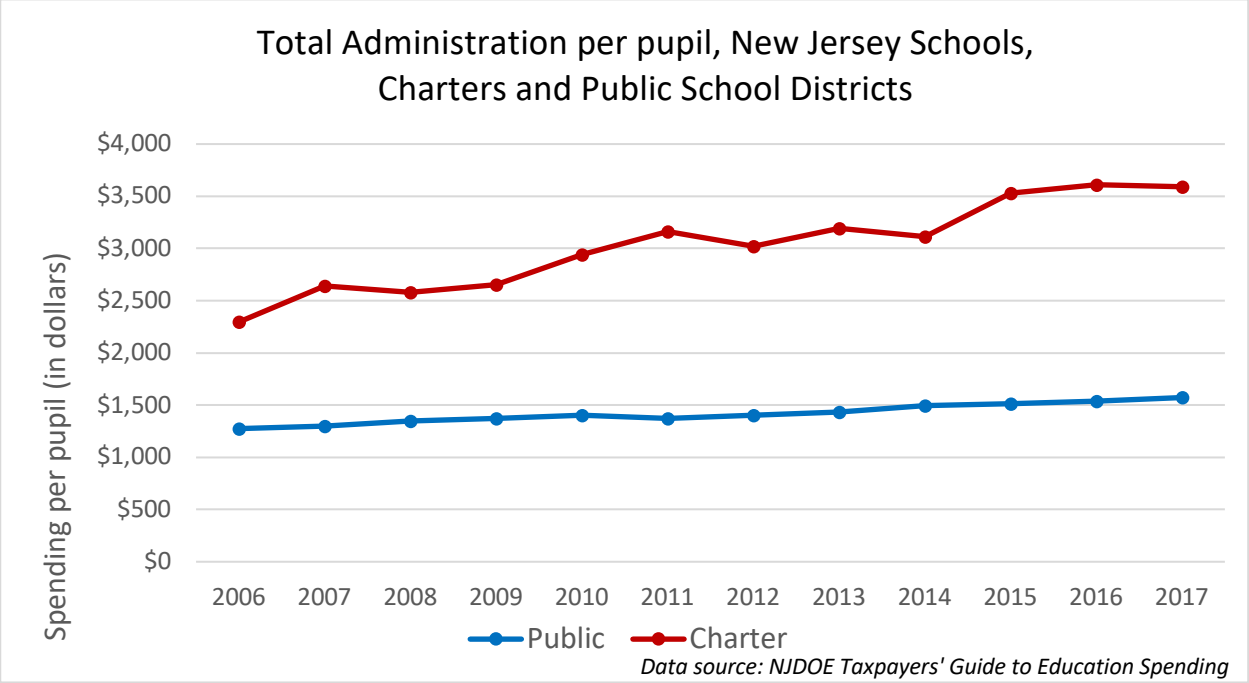
[20] https://www.nj.gov/education/guide/2017/intro.pdf

Figure 9



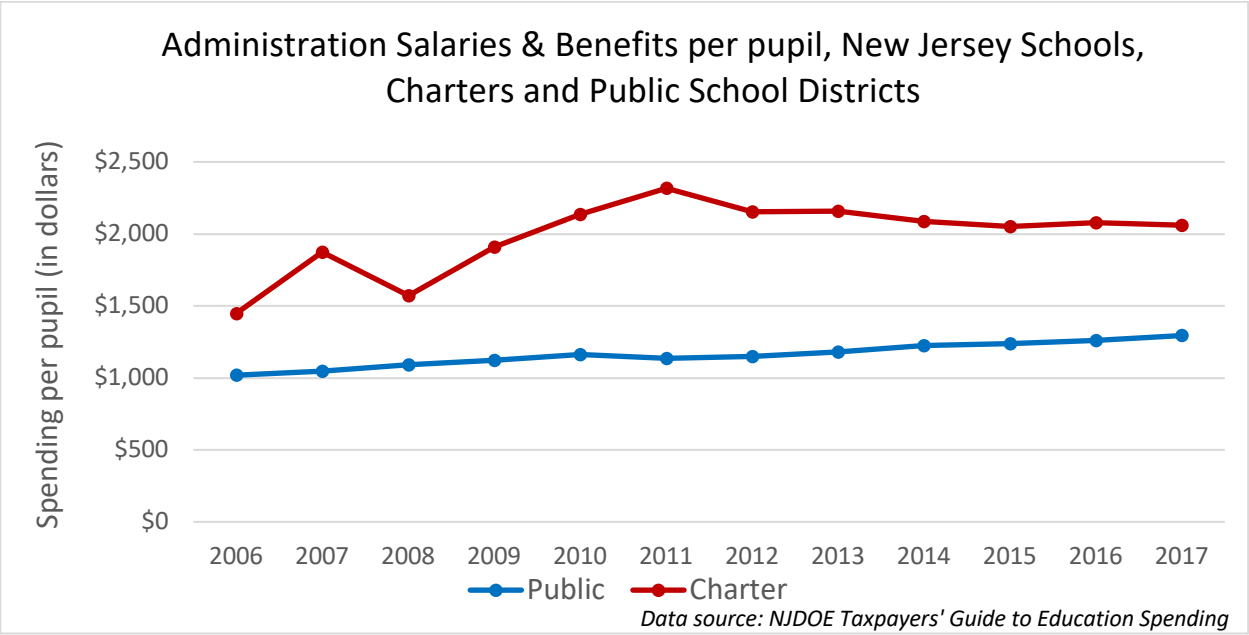
In contrast, Figure 10 shows spending on Total Administration. Not only do charters consistently spend more on administration – the gap between charters and public school districts has *expanded* substantially.

Figure 10



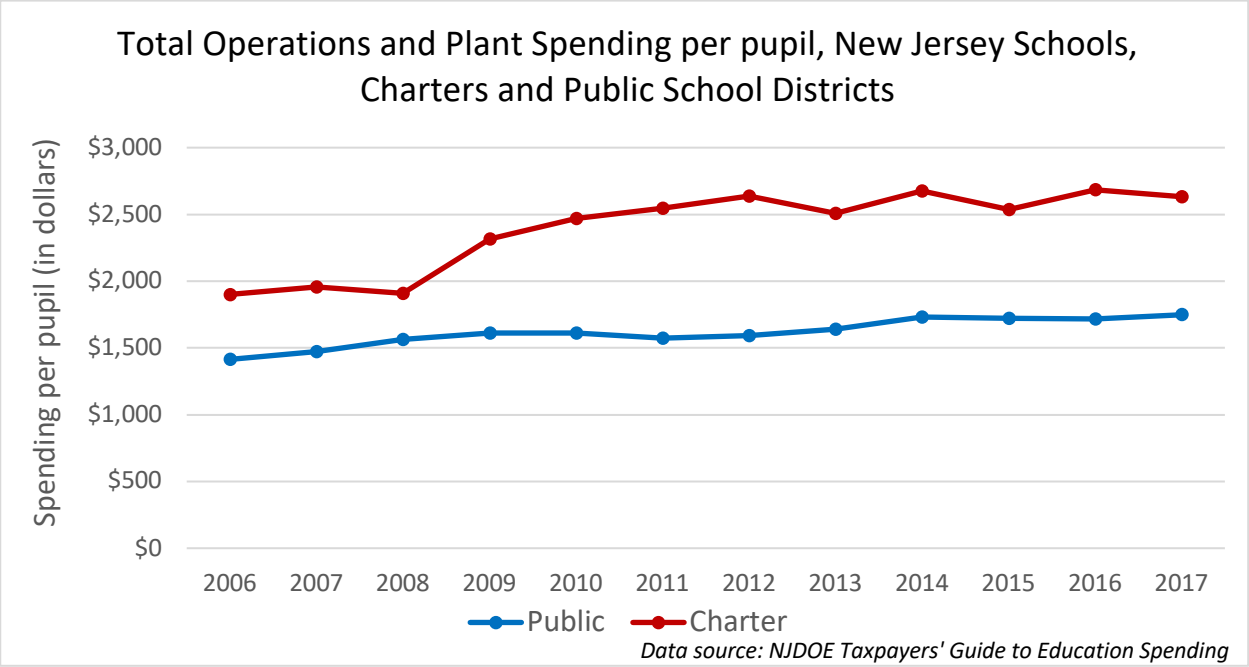
As Figure 11 shows, much of the difference in administrative spending between charters and public school districts is driven by differences in spending on administrator salaries.

Figure 11



Finally, Figure 12 shows the changes in Total Operations and Maintenance of Plant per pupil. Again, the gap between charters and public school districts has *increased* since 2006.

Figure 12



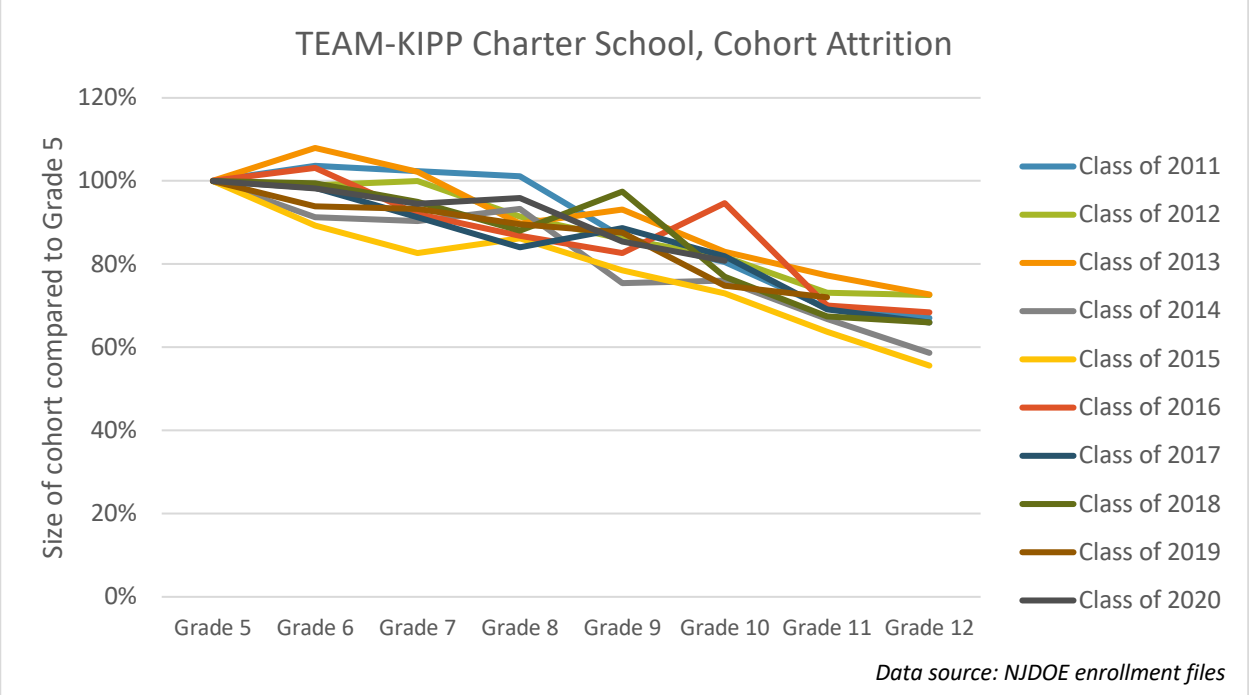
7) SOME HIGH-PROFILE CHARTER SCHOOLS SHED MANY STUDENTS BETWEEN GRADES.

Cohort attrition is the change in the size of a cohort – in other words, the "Class of 20xx" – as that cohort moves from grade-to-grade. A cohort with no attrition will be the same size in Grade 5 as it is in Grade 12. As I note in the main report, some charter schools with substantial cohort attrition claim their classes shrink because students are accepted into private or magnet schools. But again: the cohorts shrink between almost all of the grade levels, not just the ones where there would be falloff from transfers, like between Grades 8 and 9.

Below is the cohort attrition for TEAM-KIPP Charter School, which, like North Star, enrolls students in both elementary and secondary grades. The senior class in 2018 was two-thirds its size in Grade 5.

I note here that cohort attrition varies for charters across the state. Some charters have much more stable cohort sizes, even through high school. But it is difficult to state for certain whether they do a better job at keeping students without also knowing how many students are retained and made to repeat a grade for another year.

Why some charters shed more students than others is a topic worthy of further study; however, New Jersey doesn't collect or publish the necessary data. Massachusetts, in contrast, reports grade retention rates[21] and attrition rates[22] for its districts, including charter schools. Such information is necessary to conduct a complete analysis of charter cohort attrition, although other data would also needed.



Data source: NJDOE enrollment files

[21] http://www.doe.mass.edu/infoservices/reports/retention/

[22] http://profiles.doe.mass.edu/state_report/attrition.aspx I note that these attrition rates are by grade from the end of one school year to the beginning of the next. Attrition rates *during* the year, however, are not included; NJDOE should include this measure in its reporting.

8) CHARTER SCHOOL TEACHERS ARE LESS EXPERIENCED THAN PUBLIC SCHOOL TEACHERS, AND ARE PAID SIGNIFICANTLY LESS, EVEN ADJUSTING FOR EXPERIENCE.

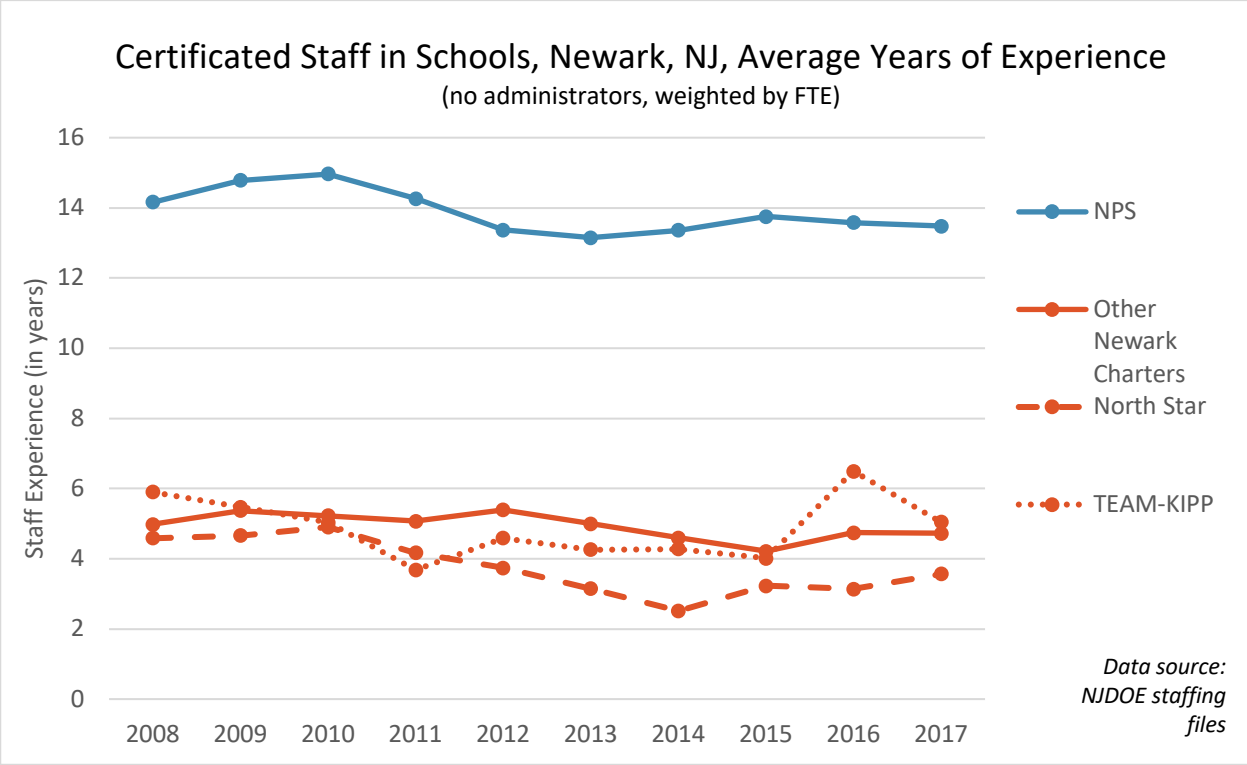
As the main report shows, charter teachers have less experience than public school teachers. Charter teachers are also paid less than public school district teachers, even when accounting for differences in experience. There is a notable exception to this second trend, however: large network charter schools in Newark.

Figure 13 shows the average experience for four different groups of teachers: Newark Public Schools (NPS), North Star, TEAM-KIPP, and all other charter schools in Newark. Data is from staffing files from the NJDOE.[23]

There are three important points here: first, all of the charter groups are well below NPS in the average experience of their staffs. Second: North Star's staff is consistently lower than the other charters in average experience. Third: **while there are fluctuations year-to-year, the experience levels of Newark charter staff have barely changed over the past decade.**

This last point is critically important, because it suggests that the charters – including North Star and TEAM-KIPP – are not retaining much of their staff. If staff were staying at the charters, we'd expect to see average experience go up each year. Clearly, that's not the case.

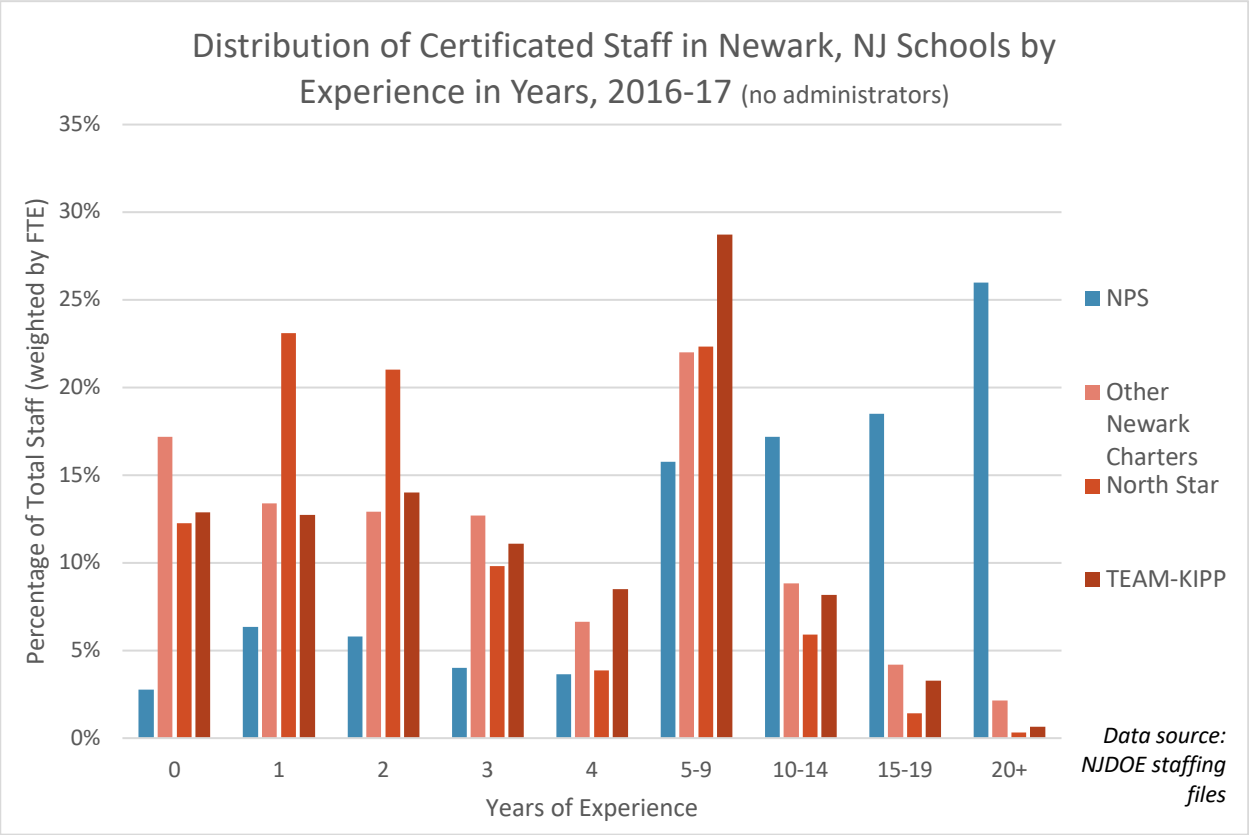
Figure 13



[23] Staffing files were obtained through an OPRA request by Dr. Danielle Farrie of the Education Law Center, Newark. NJ. I thank Dr. Farrie for sharing this data.

Figure 14 shows the distribution of Newark school staff by experience for the 2016-17 school year. The vast majority of charter staff have five or fewer years of experience. This contrasts sharply with NPS, where the majority of teachers have more than five years of experience.

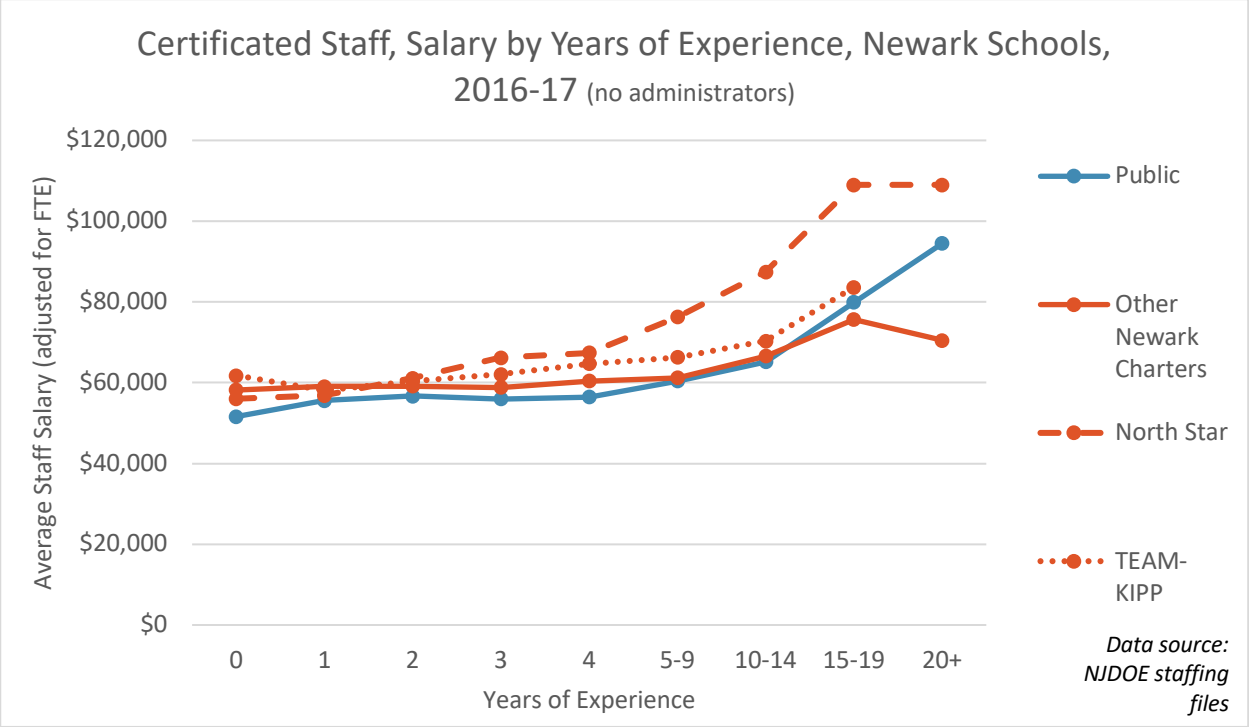
Figure 14



Keeping the last two graphs in mind, Figure 15 shows the average salary for Newark staff for teachers of different experience levels in 2016-17. NPS staff see their salaries rise considerably after their 15th year; but as the previous graphs showed, there are very few charter teachers in Newark with that much experience.

North Star salaries are consistently higher than NPS salaries, particularly from years 2 through 10. TEAM-KIPP salaries are also higher, though not by as much. The other charters track NPS fairly closely for the first five years.

Figure 15



Taken together, we can use these three graphs to draw the following conclusions about teacher pay in Newark:

- Both North Star and TEAM-KIPP have proportionally many more teachers with relatively little experience than NPS.
- North Star pays its relatively younger teachers considerably more than teachers with the same experience level at NPS; TEAM-KIPP pays somewhat more.
- **North Star and TEAM-KIPP can afford to pay their teachers more and still have smaller salary costs per pupil compared to NPS.**

How does this play out in terms of salary per pupil and teacher workloads? This table, drawing from several NJDOE sources[24], goes a long way toward explaining exactly how the charter school model in Newark works.

2016-17	Average Staff Experience, Years	Instructional & Support Staff Salary per pupil	Length of Day, mins.
NPS	13.5	$11,042	390
Other Newark Charters	4.7	$7,126	477
North Star	3.6	$6,453	510
TEAM-KIPP	5.0	$6,178	540

[24] The experience measure comes from the NJDOE staffing files. The staff salary per pupil figures are from the NJDOE Taxpayers' Guide to Education Spending. The length of day figures are from the NJDOE Performance Report database.

The staff and support salary costs per pupil for NPS are much higher than for the charters. But that's not because similarly experienced teachers make more at NPS; to the contrary, they make *less.* Instead, per pupil salary costs are low because charter teachers have much less experience.

It's clear, however, that not all of the savings from having a relatively inexperienced staff go into higher teacher salaries. **Instead, Newark charter schools – especially TEAM-KIPP and North Star – expect their teachers to work in schools with longer days (and years).** North Star's day is *two hours* longer than NPS's; TEAM-KIPP's is even longer. In the absence of other learning opportunities after school for NPS students, that extra time likely accounts for much of the gain on tests scores charters see relative to NPS.

Lengthening the school day may be beneficial for students in Newark's charter schools; however, there is reason to doubt this employment model can be sustained, let alone expanded (I discuss this further below). In addition: NPS already must bear a higher cost of staff per pupil due to having to educate more students with special needs, or who are English language learners.

Some critics of teacher tenure and seniority policies have suggested that teaching could be converted into a temporary profession, where young people teach for few years, then move on to other careers. Setting aside a significant body of evidence that shows teachers gain in effectiveness as they accrue more experience[25], the notion that schools could attract the level of talent they need after making such a radical change in the profession is untested. Taking such a risk on a whim is simply bad policy making.

A better solution is for charters to begin funding a more equal share of the burden of recruiting qualified candidates into the teaching corps. Adjusting the charter aid formula to account for differences in staff experience would be a good start.

9) SOME CHARTER SCHOOLS DRAW FROM WELL BEYOND THEIR HOSTING PUBLIC DISTRICTS TO ENROLL STUDENTS.

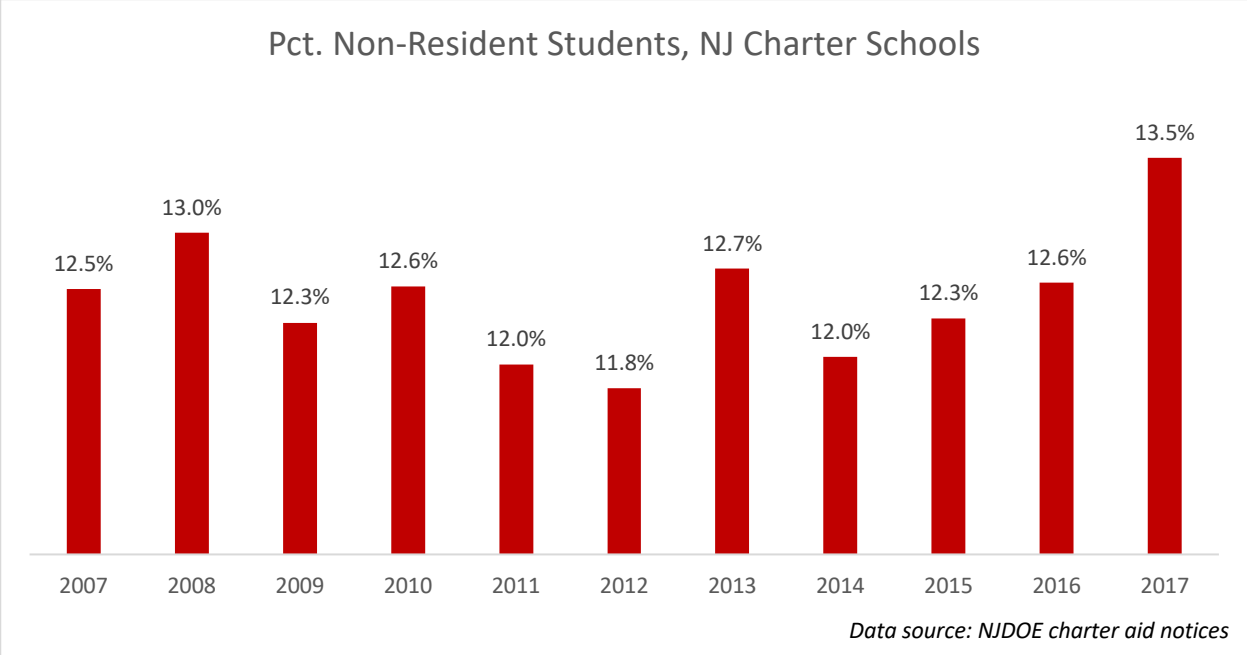
LEAP Academy Charter School is one of the more extreme examples of a charter drawing from well beyond its host district – but it is hardly alone. Appendix B features maps from other charter schools drawing well beyond the borders of their home districts.

There is considerable variation in the percentage of charter students who live in districts other than the one where their school is located. As Figure 16 shows, however, the percentage of non-resident charter students is generally between 12 and 14 percent.[26]

[25] Kini, T., & Podolsky, A. (2016). *Does Teaching Experience Increase Teacher Effectiveness? A Review of the Research*. Retrieved from https://learningpolicyinstitute.org/product/does-teaching-experience-increase-teacher-effectiveness-review-research

[26] Figures from the NJ Charter Aid statements.

Figure 16



10) NEW JERSEY CHARTER SCHOOL FINANCIAL DEALS ARE OFTEN LACKING IN TRANSPARENCY AND ACCOUNTABILITY.

New Jersey law states:

> A charter school may be established by teaching staff members, parents with children attending the schools of the district, or a combination of teaching staff members and parents. A charter school may also be established by an institution of higher education **or a private entity** located within the State in conjunction with teaching staff members and parents of children attending the schools of the district. If the charter school is established by a private entity, representatives of the private entity shall not constitute a majority of the trustees of the school, and the charter shall specify the extent to which the private entity shall be involved in the operation of the school. The name of the charter school shall not include the name or identification of the private entity, **and the private entity shall not realize a net profit from its operation of a charter school**.[27]

While the spirit of the law is clear in that charters should not be established by private entities with the goal of making a profit, the reality over the past several years is that New Jersey has had for-profit entities overseeing large parts of the day-to-day operations of charter schools. The International Academy of Trenton was managed by

[27] https://www.nj.gov/education/chartsch/cspa.htm (emphasis mine)

SABIS Education Systems.[28] Newark Prep's principal was selected by K12 Inc., which also drafted its budget.[29] Camden Community Charter School was operated by CSMI[30], a for-profit firm based in Pennsylvania.[31] All three of these charters were denied renewals of their charters by NJDOE, calling into question the wisdom of approving their original charters and the efficacy of allowing for-profit firms to operate charter schools. Currently, CSMI oversees the operations of Atlantic Community Charter School.[32]

Public school districts can and do enter into contracts with private, for-profit vendors all the time. But I could not find any instance of a New Jersey public school district turning over the bulk of its operations – including administrative personnel and budgeting decisions – to an outside, for-profit firm.

FIVE WAYS TO IMPROVE THE NEW JERSEY CHARTER SCHOOL SECTOR

1) GIVE LOCAL PUBLIC SCHOOL DISTRICTS A SAY IN CHARTER APPROVALS, RENEWALS, AND EXPANSIONS.

In 2017, the Piscataway Board of Education appealed to the Commissioner of Education to stop payments to charter schools that were not located within their boundaries.[33] The district argued that it was being forced to make payments to charter schools that had large surpluses, which was inefficient and a burden to local taxpayers.[34] What's notable is that one of the charter schools, Hatikvah International Academy, was originally approved to enroll students in East Brunswick as its "district of residence."[35] And yet, according to 2017 charter aid notice data, Hatikvah drew students from an additional 25 school districts.

The fiscal impact of enrolling these students on New Jersey public school districts has not been studied carefully. But even one student requires a school district to make payments and provide transportation (within the guidelines of state law). Yet this fiscal burden is imposed on districts by the state without any mechanism for school districts to meaningfully challenge these enrollments.

Hosting districts – the districts that must contend with the greatest fiscal burdens of charter expansion – also have limitations on their right to appeal charter approvals, renewals, and expansions. New Jersey charter law gives the Commissioner of Education the final authority to grant or reject a charter application.[36] A local district may appeal the Commissioner's decision to the Appellate Division of the Superior Court; however, there is no stipulation in law

[28] http://www.njspotlight.com/stories/13/10/02/state-education-department-approves-just-three-out-of-38-charter-proposals/
[29] https://www.nj.com/news/index.ssf/2013/09/newark_charter_school_contract_with_k12_inc_shows_influence_of_for-profit_companies_in_public_school.html
[30] https://www.courierpostonline.com/story/news/local/south-jersey/2017/03/02/camden-community-charter-revoked/98623448/
[31] https://www.delcotimes.com/news/auditor-general-pa-charter-school-law-is-absolute-worst/article_053cb0e4-7b9b-5b2a-bab6-17a62a978994.html
[32] https://www.atlanticcommunitycharter.com/about/
[33] https://www.state.nj.us/education/legal/commissioner/2017/jul/208-17.pdf
[34] http://www.edlawcenter.org/assets/files/pdfs/Newsblasts/ELC%20amicus%20brief%20in%20support%20of%20Piscataway.pdf
[35] https://law.justia.com/cases/new-jersey/appellate-division-unpublished/2011/a5977-09.html
[36] https://www.nj.gov/education/chartsch/cspa.htm

that either the Commissioner or the Court must take into account the fiscal impact of a charter's presence within a public school district.

2) ADJUST THE CHARTER FUNDING SYSTEM TO ACKNOWLEDGE THAT PUBLIC SCHOOLS HAVE FIXED COSTS, GREATER OBLIGATIONS THAN CHARTERS, AND MORE EXPERIENCED TEACHERS.

Empirical research from New York State[37] and North Carolina[38] shows that charter expansion induces fiscal stresses on hosting public school districts, due to those districts having fixed costs that are inelastic to charter enrollment. Yet NJDOE has never, to my knowledge, attempted to ascertain the extent of the fiscal stresses of charter expansion in New Jersey on public school districts. In effect, the Commissioner has the power to place a charter school in a district, and then force that district to pay for the charter, no matter the additional costs.

The Newark teacher compensation discussion above is a classic example of what economists call the "free rider" problem. In a related discussion of the fiscal impact of private school vouchers, economist Martin Carnoy notes:

> *Third, many voucher (and charter) schools "free ride" the bigger teacher labor market by hiring much younger teachers with no promise of permanent employment.*
>
> ***The "free rider" aspect of teacher costs in private schools, whether voucher or charter, means that the supply of young people entering the teaching profession is maintained by the salary structure and tenure system in public education.*** *Without this structure, many fewer individuals would take the training needed to become certified to enter teaching. Since teaching salaries are low compared with other professions, the prospect of tenure and a decent pension provides the option of security as compensation for low pay. This pool of young, trained teachers is available to voucher and charter schools, generally at even lower pay than in the public sector and without promise of tenure or a pension, but with the possibility of training and experience. Thus, the public education employment and salary system "subsidizes" lower teacher costs in private and charter schools****. In other words, for private schools to have lower costs, it is necessary to maintain a largely public system that pays teachers reasonable (but still low) salaries and provides for a teacher promotion ladder and job security***.[39]

Another source of fiscal stress from charter expansion is noted by Rutgers education researcher Dr. Bruce Baker: charter schools are *de facto* school districts that are often too small to achieve optimal economies of scale.

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[37] Bifulco, R., & Reback, R. (2014). Fiscal Impacts of Charter Schools: Lessons from New York. *Education Finance and Policy*, *9*(1), 86–107.

[38] Bifulco, R., & Ladd, H. F. (2006). The impacts of charter schools on student achievement: Evidence from North Carolina. *Education*, *1*(1), 50–90.

[39] Carnoy, M. (2017). *School vouchers are not a proven strategy for improving student achievement*. Washington, D.C.: Economic Policy Institute. Retrieved from http://www.epi.org/publication/school-vouchers-are-not-a-proven-strategy-for-improving-student-achievement/ (emphasis mine)

> *Finally, it is conceivable that the dissolution of large centralized school districts and introduction of multiple school operators into a single geographic space could compromise efficiency associated with economies of scale, which operate at both the school and district level. Numerous studies of education costs have found that the costs of providing comparable services rise as district enrollments drop below 2,000 students and rise sharply at enrollments below 300 students. Further, a comprehensive review of literature on economies of scale in education by Andrews, Duncombe, and Yinger (2002, 245) find "there is some evidence that moderately sized elementary schools (300–500 students) and high schools (600–900 students) may optimally balance economies of size with the potential negative effects of large schools."* ***To the extent that charter expansion creates independent "districts" operating with fewer than 2,000 pupils and/or increases shares of children attending schools with smaller enrollments than those noted above, inefficiencies may be introduced.*** [40]

Some states have acknowledged the fiscal impacts of charter expansion on public school districts. Massachusetts charter law[41] requires the state to provide extra funding to districts to help with the costs of charter tuition under the implicit idea that districts must have time to adjust their costs as they lose enrollments to charters.[42]

New Jersey should consider a similar program to help offset the costs to public school districts of charter expansion. Absent this, the state should adjust the charter aid formula to acknowledge that "choice" places additional fiscal burdens on districts due to fixed costs, scale inefficiencies, wage free-riding, and unequal obligations. Empirical study of this issue is the logical first step the state should take to address it.

3) IMPROVE THE STANDARDS OF FISCAL TRANSPARENCY AND REPORTING FOR CHARTER SCHOOLS.

In a 2015 report for the National Education Policy Center[43], education researchers Dr. Bruce Baker and Dr. Gary Miron presented a series of recommendations regarding charter schools that would increase transparency and protect the rights of taxpayers. These recommendations would be an excellent place to start when revising New Jersey charter school law.

4) MAKE CHARTER ASSETS PURCHASED WITH PUBLIC FUNDS THE PROPERTY OF STATE OR LOCAL GOVERNMENTS.

Baker and Miron also note that charter facility deals are often bad for taxpayers:

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[40] Baker, B. D. (2016). *Exploring the consequences of charter school expansion in U.S. cities*. Washington, D.C.: Economic Policy Institute. Retrieved from http://www.epi.org/publication/exploring-the-consequences-of-charter-school-expansion-in-u-s-cities/

[41] http://www.doe.mass.edu/charter/finance/tuition/reimbursements.html

[42] http://massbudget.org/report_window.php?loc=Charter-School-Funding,-Explained.html Note this report states the Massachusetts charter reimbursement formula has never been fully funded.

[43] Baker, B. D., & Miron, G. (2015). *The Business of Charter Schooling: Understanding the Policies that Charter Operators Use for Financial Benefit*. National Education Policy Center. Retrieved from http://nepc.colorado.edu/publication/charter-revenue

> Second, there has been a significant transfer of public assets to private hands at public expense. **There is no conceivable public policy justification for using taxpayer subsidies to buy a facility for the second time, resulting in that facility being transferred to a private entity.** Beyond the obvious fiscal absurdity, there also exists the danger that this practice will lead many urban education systems to a point of no return. If at some point policymakers decide that "chartering" has simply become too ineffective or inefficient a method for delivering education, options for reversing course may not be possible if urban districts no longer own the necessary land and facilities, with additional expenses required for furniture, equipment, and learning materials.

As an example: veteran New Jersey journalist Bob Braun[44] recently reported that Lady Liberty Charter School, which is now closed due to poor academic performance, was using its public funding to pay rent to a for-profit entity, which was actually sub-leasing the facility from the property owner. Now the school has closed, and taxpayers have no equity in the facility.

New Jersey charter advocates have complained in the past that the state does not provide charters with facilities funding. This is an overly-simplistic complaint: charters often have access to all sorts of public funding and financing for facilities. Teachers Village in Newark, for example, houses three charter schools and was built with substantial public support.[45] LEAP Academy Charter School in Camden used a variety of public financing to build new facilities.[46] Journalist Owen Davis reported in 2014 that the vast majority of financing from federal Qualified School Construction Bonds in New Jersey went to charter schools.[47]

This said, there is a legitimate point to be made about New Jersey charter facilities: unlike public school district facilities, many are not owned by public entities. Consequently, lease agreements charters make may be bad deals for the state's taxpayers, who often wind up paying for a building they never own. This is particularly problematic when, as with Lady Liberty, the school is shuttered.

A solution to this problem would be to establish a statewide Charter Facilitates Control Board, with the power to approve and oversee charter lease agreements and facilities financing. The mandate of this board should be to protect the interests of taxpayers and ensure that any public assets used to house charters remain in public hands.

5) HAVE NJDOE COLLECT AND PUBLISH MORE DATA ABOUT CHARTER SCHOOLS SO STAKEHOLDERS CAN MAKE BETTER CHARTER POLICY.

As I note above: Massachusetts collects and publishes attrition and retention data for its school districts and charter schools. New Jersey should do the same, but also include student attrition *within* the school year.

The problems of teacher attrition and free-riding I discussed above should be studied by publishing data on teacher mobility within and outside of the state. Of particular interest would be how many charter teachers leave

[44] https://www.bobbraunsledger.com/how-nj-boosts-profits-for-charter-school-developers/
[45] http://prospect.org/article/can-affordable-housing-help-retain-teachers
[46] https://www.state.nj.us/education/finance/fp/cafr/search/12/7109.pdf
[47] https://truthout.org/articles/flipping-schools-the-hidden-forces-behind-new-jersey-education-reform/

their schools to take positions at public school districts. Currently, NJDOE reports one-year retention rates for district staff; while useful, the scope of this information should be expanded.

TEAM-KIPP 's website shows it has eight different locations in Newark[48]. North Star Academy shows 13 locations[49]. These networks are, for all intents and purposes, their own school districts, running sites at multiple locations. Yet state enrollment, assessment, and other data for both networks is aggregated; all of the locations are treated as one school. As the Education Law Center has pointed out,[50] "satellite" campuses can have a profound impact on the extent of charter school growth. Disaggregating charter school's data by campus would allow for more finely-grained study of charter schools.

Charter school waitlist data was last reported for 2010-11 as part of the School Performance Reports. Determining how many students are on a waitlist for a charter is complicated by universal enrollment systems, such as in Newark and Camden, which ask families to give several choices of schools they may never act upon. Further complicating any analysis is the likelihood that students are on waitlists for multiple charters. The claim sometimes made by charter advocates that 35,000 students are on charter waitlists[51] is therefore probably incorrect: the total number of names on waitlists may be that high, but students may be on multiple lists.

Reporting on charter waitlists should be reinstated; however, better methods should be used to account for duplicated students.

ABOUT THE AUTHOR

Mark Weber, a New Jersey public school teacher, recently received a doctorate in Education Policy from The Graduate School of Education at Rutgers, The State University of New Jersey, where he also worked as a part-time lecturer in public school finance. Weber has authored numerous peer-reviewed papers on education policy, as well as education policy briefs for the National Education Policy Center, the Shanker Institute, the Education Law Center, the Daniel Tanner Foundation, and the New Jersey Education Policy Forum. His opinion pieces have appeared in *The Washington Post, Education Week*, *The PBS Newshour*, and *NJ Spotlight* among other media outlets.

[48] http://kippnj.org/schools/
[49] http://northstar.uncommonschools.org/nsa/campuses
[50] http://www.edlawcenter.org/news/archives/nj-charter-schools/njdoe-again-disregards-law-in-proposing-charter-school-expansion.html
[51] https://www.njcharters.org/files/NJCSA_StateOfTheSector2017.pdf

APPENDIX A: SGP REGRESSION MODEL TABLES

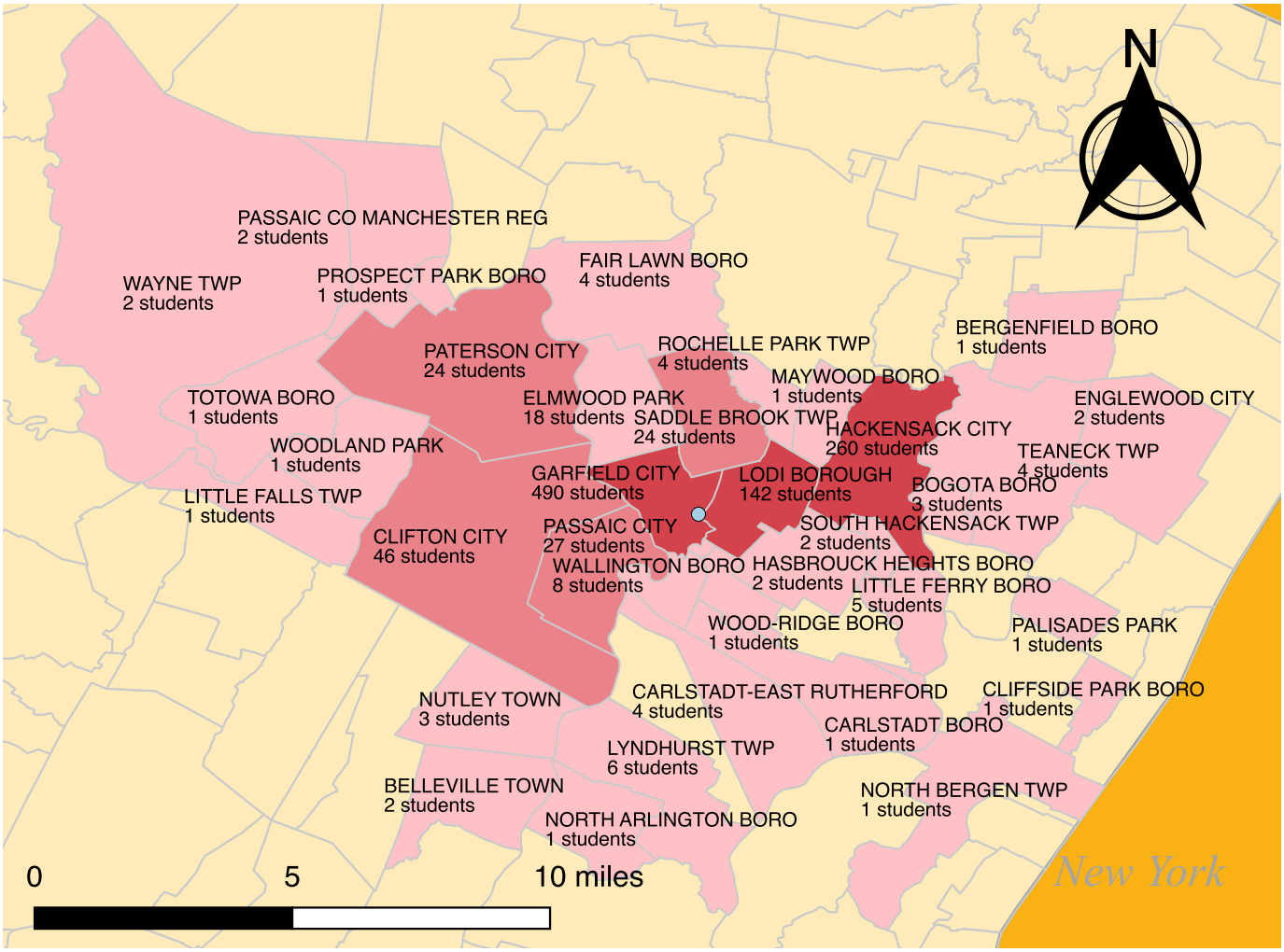
	Schoolwide		Black		Hispanic		White	
	Math	**ELA**	**Math**	**ELA**	**Math**	**ELA**	**Math**	**ELA**
pctFL	-16.920***	-10.698***	-11.506***	-4.230**	-8.445***	-2.325	-11.754***	-8.104***
	(1.149)	(1.055)	(2.120)	(1.908)	(1.563)	(1.456)	(1.716)	(1.573)
pctLEP	23.592***	14.683***	9.230	4.073	17.821***	10.104**	34.993***	23.043***
	(3.826)	(3.517)	(6.701)	(6.256)	(4.883)	(4.587)	(6.783)	(6.340)
pctDisability	1.342	-14.973***	11.698	-9.504	6.456	-5.597	4.164	-10.125*
	(4.755)	(4.367)	(8.429)	(7.829)	(6.389)	(5.967)	(5.846)	(5.433)
Charter	2.073	0.763	2.213	1.804	3.017*	2.360	6.672**	2.001
	(1.301)	(1.192)	(1.820)	(1.668)	(1.819)	(1.657)	(2.897)	(2.587)
constant	54.287***	55.605***	46.640***	48.371***	48.846***	49.458***	52.622***	53.469***
	(0.929)	(0.852)	(1.688)	(1.534)	(1.250)	(1.161)	(1.121)	(1.048)
N	*1749*	*1755*	*714*	*765*	*1234*	*1272*	*1365*	*1388*
R-sq	*0.119*	*0.064*	*0.049*	*0.011*	*0.024*	*0.007*	*0.038*	*0.024*

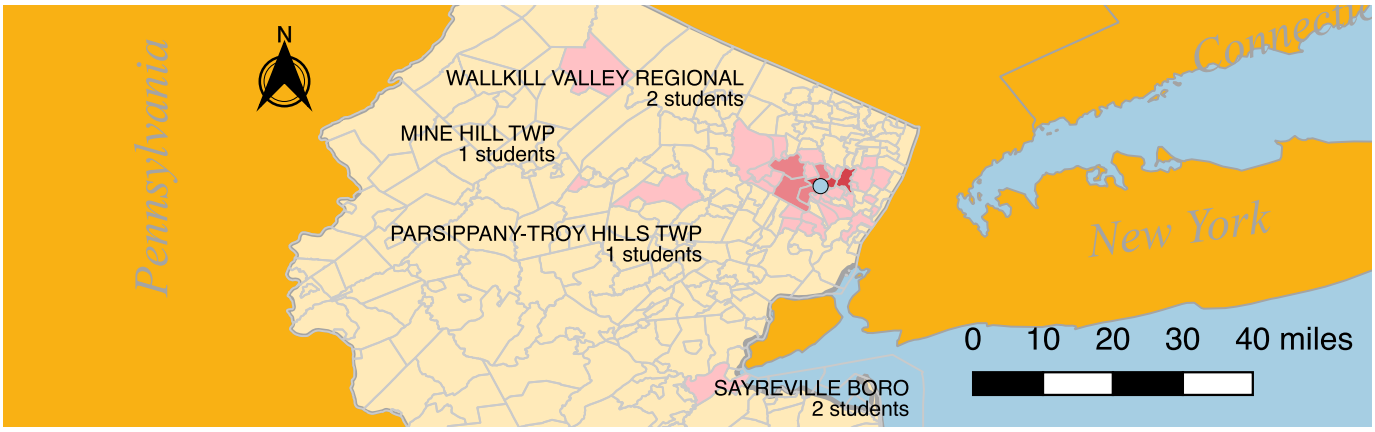
**p<0.10, **p<0.05, ***p<0.01*

Note: The standard errors reported here are non-robust and non-clustered. I also ran the regression with robust, non-clustered s.e.'s, and clustered s.e.'s at the district level. In both cases, standard errors were larger than those reported above. The inferences above, therefore, are the most generous toward showing a positive charter school effect.

APPENDIX B: MAPS OF CHARTER SCHOOL STUDENT RESIDENCY

Bergen Arts & Sciences Charter School Sending Districts by Enrollment, 2016





Bergen A&S Sending Districts

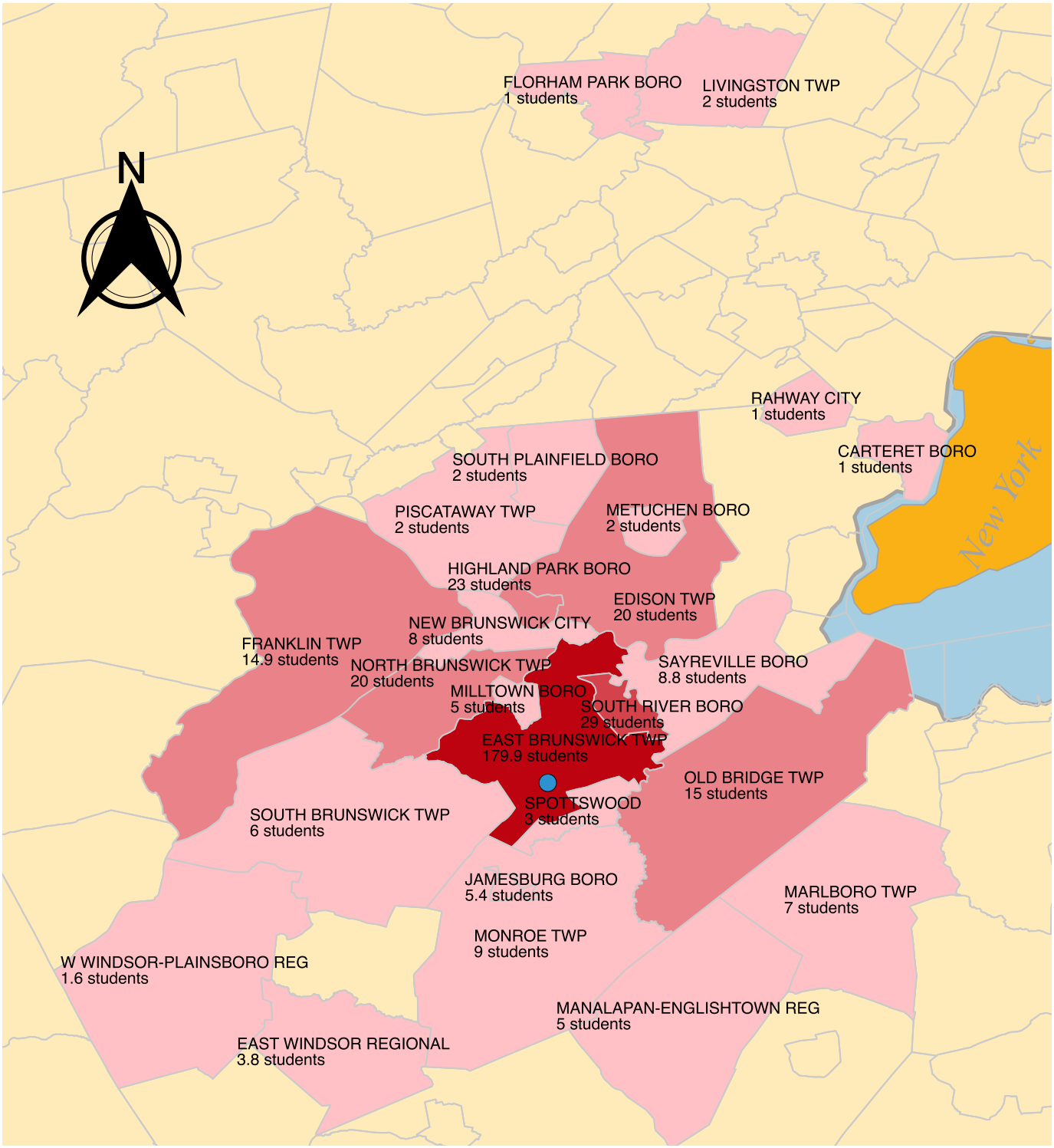
Student enrollments

- 1-20
- 20-100
- 100-500
- > 500
- Bergen A&S

Data source: 2016 Charter Aid Notices, NJDOE.

School district boundary data: 2016 TIGER/Line Shapefiles, prepared by the U.S. Census Bureau, 2016.

Hatikvah Charter School, 2016
Sending Districts by Enrollment



Hatikvah CS Sending Districts

Student Enrollments

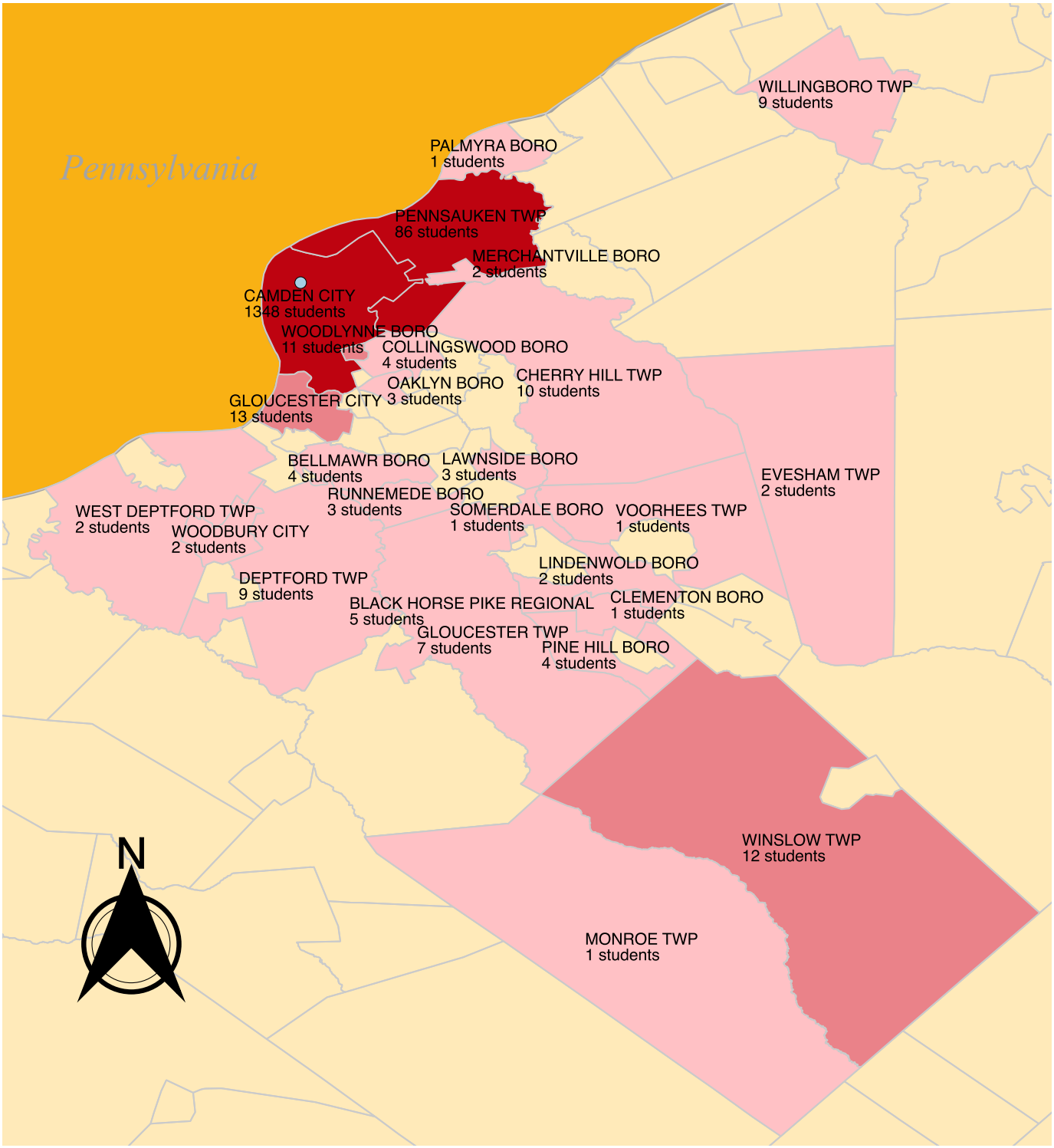
- 1-10
- 10-25
- 25-50
- > 50
- Hatikvah CS

0 5 10 15 miles

Data source: 2016 Charter Aid Notices, NJDOE.

School district boundary data: 2016 TIGER/Line Shapefiles, prepared by the U.S. Census Bureau, 2016.

LEAP Academy Charter School, 2016 Sending Districts by Enrollment



LEAP Academy Sending Districts

Student Enrollments

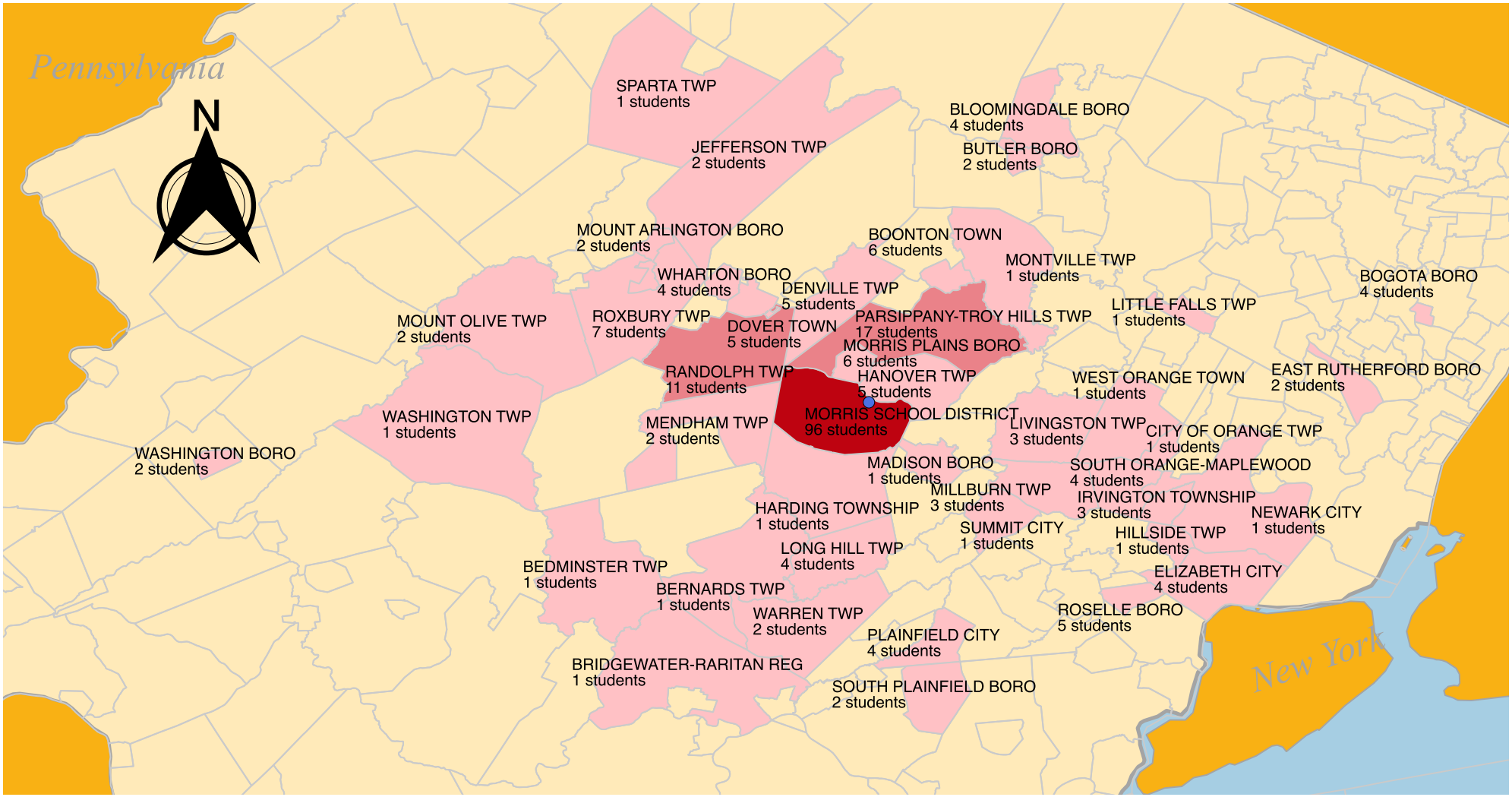
- 1-10
- 10-25
- 25-50
- > 50
- LEAP Academy CS

0 5 10 15 miles

Data source: 2016 Charter Aid Notices, NJDOE.

School district boundary data: 2016 TIGER/Line Shapefiles, prepared by the U.S. Census Bureau, 2016.

Unity Charter School, 2016
Sending Districts by Enrollment



Unity CS Sending Districts

Student Enrollments

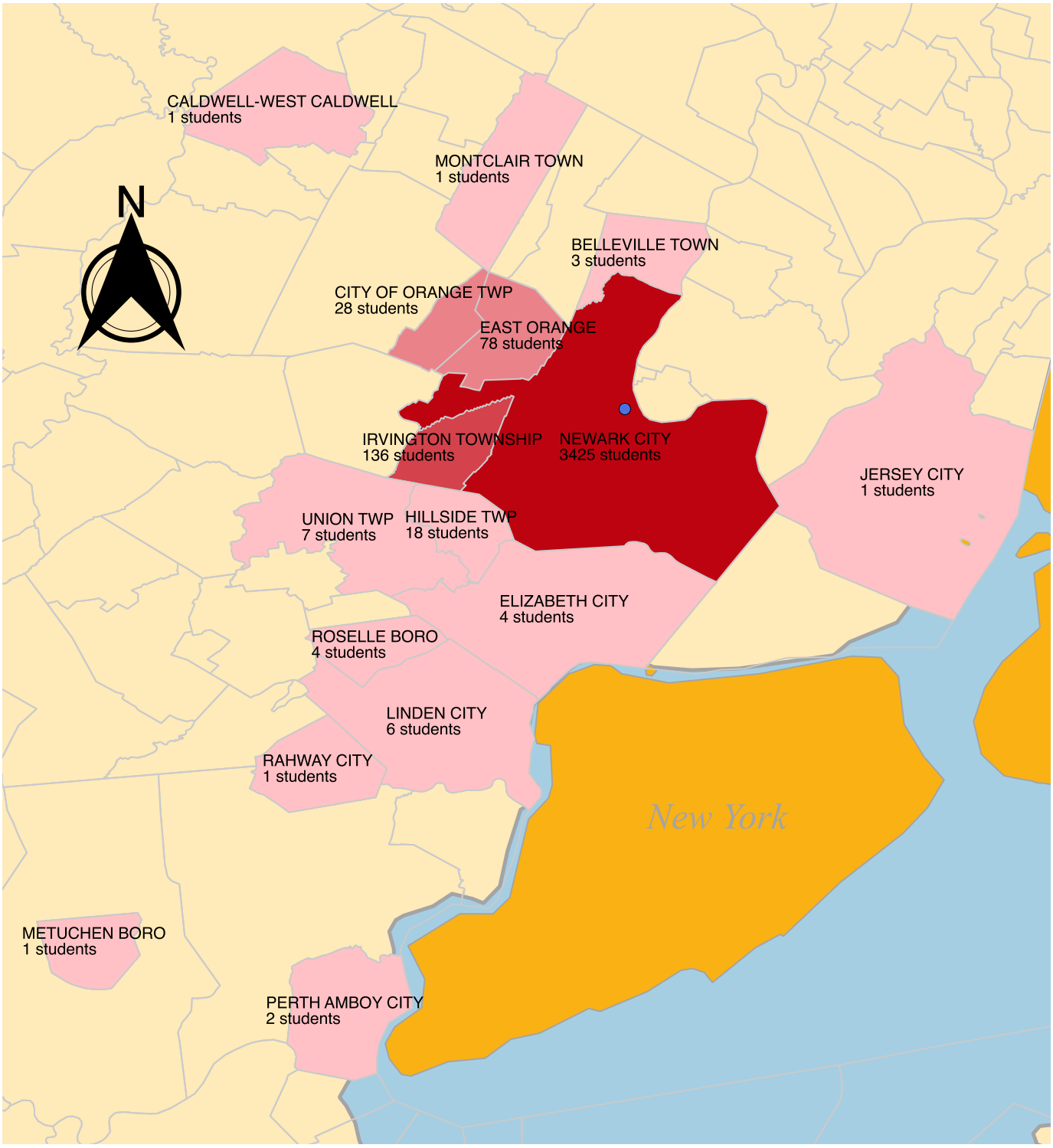
- 1-10
- 10-20
- 20-50
- > 50
- Unity CS

Data source: 2016 Charter Aid Notices, NJDOE.

School district boundary data: 2016 TIGER/Line Shapefiles, prepared by the U.S. Census Bureau, 2016.

0 5 10 15 20 miles

TEAM/KIPP Charter School, 2016 Sending Districts by Enrollment



TEAM/KIPP Sending Districts

Student Enrollments

- 1-20
- 20-100
- 100-500
- > 500
- TEAM/KIPP CS

0 5 10 miles

Data source: 2016 Charter Aid Notices, NJDOE.

School district boundary data: 2016 TIGER/Line Shapefiles, prepared by the U.S. Census Bureau, 2016.