

SENATE EDUCATION COMMITTEE

Public Testimony on SB 28



Dr. Mike Waldrip, Superintendent

Introduction

Senate Bill 28, dubbed the Charter Equity Act, is primarily designed to ease the expansion of charter schools. While the bill makes changes to the way local governments must treat charter schools, it does nothing to address the inequities in oversight of charter schools and traditional public schools. In fact, Senate Bill 28 actually further erodes oversight of charter schools by granting the Commissioner of Education, an unelected state official, sole authority to grant new charter applications. Under current law, the public's representatives at the State Board of Education have the authority to overturn the Commissioner's decisions granting charters and the public has an opportunity to provide input on charter applications.

Concerns

It is unclear what problem the repealer is attempting to solve as current charter capacity in Texas far exceeds actual enrollment. Additionally, Texas already has over 170 charter operators, making the state one of the largest charter authorizers in the country. Additionally, there are very few limits on current charter operators opening new campuses. Current law is not hindering charter expansion.

In September of 2020, the State Board of Education reviewed 8 charter applications that had been approved by the Commissioner, and after 3 hours of public testimony, overruled the Commissioner on 3 of the 8 applications.

Additionally, providing the Commissioner sole authority to grant charter applications also results in the Commissioner having the authority to encumber millions of dollars of state taxpayer dollars for an indeterminate amount of time without any direct oversight from elected officials.

Charter Expansion Costs

Currently, the Commissioner's process for granting Charter applications does not take into account the fiscal impact of charter expansion on local school districts. Regardless of system-level funding implications, everytime a new charter school opens in a school district, that school district loses funding, but without being able to reduce costs. See *attached*. In Frisco ISD, 1,865 students attend charter schools, but because they are spread out throughout the District, even conservative estimates of resulting cost reductions net a multi-million dollar funding loss for the students attending Frisco ISD.

At the same time, every time a new charter school opens, state system-level costs for maintaining public education increase. Because charter schools are 100% state taxpayer-funded, it is more expensive for the state to educate students in charter schools than in local school districts. Yet, as several Senators mentioned in the committee meeting last week, it's important not to merely throw money at an issue, but instead utilize data to support funding decisions. However, charter schools in Texas continue to expand despite state accountability data which shows that charter schools in Texas are consistently outperformed by traditional ISD's statewide, including in the "Closing the Gaps" domain which specifically looks at how well schools do at meeting the needs of disadvantaged students.

Additionally, charter expansion has been unrestrained and despite repeated statements that charter expansion is about helping students get out of failing schools, charters have been approved in areas with some of the highest performing school districts in the state, such as Frisco ISD. Targeting funding at specific challenges is certainly an appropriate strategy, and charters schools may have a role to play. But everytime a new charter operator is approved, general administration costs are increased as a new system with its own overhead and set of central administrators is created. This is why charters spend on average twice as much on general administration as traditional ISDs and significantly less on instruction and instructional support.

Because of the significant additional costs associated with charter schools, the state should ensure that they are performing the job they are designed to do while also ensuring that new charters are not damaging school districts in an area where they are not needed. Public input and oversight by the elected representatives of the people should be no-brainers in ensuring that state taxpayer dollars are being spent wisely. The State Board of Education should continue to be involved in the process to approve new charter applications and the repealer in SB 28 should be removed.

THE CASE FOR PRIORITIZING TRADITIONAL PUBLIC SCHOOL DISTRICTS

FISCAL IMPACT OF FRISCO ISD STUDENTS MOVING TO CHARTERS

STATE FUNDING REQUIREMENT PER STUDENT

Every student eligible to enroll in Frisco ISD who enrolls in a charter school costs the state an average of **\$5,600 more** to educate, compared to the average state share of entitlement funding in Frisco ISD.

State Share of Entitlement/WADA
Local Share of Entitlement/WADA



When an FISD student enrolls in a Charter school, the District loses **\$7,300 in funding**, but Districts cannot reduce their costs dollar-for-dollar when losing revenue to charter schools. Many costs associated with educating students are expenses that cannot be eliminated despite a loss of revenue. Districts often cannot reduce either variable costs, such as teachers, who are still needed in each classroom to serve remaining students, or fixed costs, such as utilities, building maintenance, janitorial services, and transportation which remain largely the same with little or no savings possible.

The Texas Education Agency (TEA) does not consider the fiscal impact to public school districts and students in its approval process for new charter campuses.

CURRENTLY, 1,865 STUDENTS WHO RESIDE IN FRISCO ISD ARE ENROLLED IN CHARTER SCHOOLS. THE CHART BELOW DESCRIBES THE ANNUAL REVENUE LOST COMPARED TO THE COSTS THAT COULD BE ELIMINATED FOR THOSE 1,865 STUDENTS DEPENDING ON THE NUMBER OF CAMPUSES AFFECTED. BECAUSE THE CHARTERS IN FRISCO ISD SERVE K-12 STUDENTS, THE LOWEST ROW OF THE CHART IS THE MOST LIKELY SCENARIO.

1,865 STUDENTS

# CAMPUSES LOSING STUDENTS	# TEACHERS ELIMINATED	STATE COST	FISD COST		
			REVENUE LOSS	EXPENSE REDUCTION	NET LOSS TO REMAINING STUDENTS
3	70	\$ 10.4 M <small>\$5,600 additional cost x 1,865 students</small>	\$ 13.6 M <small>\$7,300 total funding x 1,865 students</small>	\$ 4,235,000	\$ 9,379,500
34	26			\$ 1,573,000	\$ 12,041,500
69	1			\$ 60,500	\$ 13,554,000

Frisco ISD has 69 non-special programs campuses. The chart above is illustrative of the cost savings that could be achieved depending on the number of campuses losing students to charters. Expense reduction accounts for the number of teaching positions that could be eliminated, using an average FISD teacher salary of \$60,500. Revenue figures in both charts above are based on Tier I and Tier II entitlement funding only and do not include special allotments, facilities funding, or other unique revenue that Districts or Charters may have the ability to generate.

STATE-WIDE PERFORMANCE



- Districts have outperformed charters on STAAR on all subjects in the last 5 years ¹
- The dropout rate for charters is almost three times higher than districts (4.1% vs. 1.4%) ³
- District campuses outperform charter campuses in closing the gaps domain (5% fewer charter campuses received an A or B; 4% more charter campuses received a D or F) ⁴

RATING	DISTRICTS	CHARTERS
A	25.0%	23.5%
B	60.1%	31.3%
C	11.1%	21.8%
D	2.1%	12.3%
F	0.6%	3.9%
NOT RATED	0.2%	6.1%

(5) Source: TEA 2019 Accountability State Summary

21% of charter campuses fall under alternative education accountability (AEA) provisions, which have significantly lower accountability standards. By comparison, only 3 percent of school district campuses are under AEA.

THE CASE FOR PRIORITIZING TRADITIONAL PUBLIC SCHOOL DISTRICTS

STATE-WIDE CHARTER CAPACITY

CHARTER SCHOOLS HAVE RECEIVED APPROVAL FROM TEA TO ENROLL A MAXIMUM CAPACITY OF 577,768 STUDENTS STATEWIDE. YET THEY ENROLLED ONLY 336,900 STUDENTS IN 2019-20, LEAVING EXCESS CAPACITY TO ENROLL AN ADDITIONAL 240,868 STUDENTS⁸



- Charter schools self-report a “wait list” of 140,000 students which they use to justify a demand for new charter schools, while leaving 240,868 empty seats.²
- Even with a “wait list,” some charter schools spend significant funds on marketing and advertising to recruit new students. For example, IDEA Public Schools spent \$7.3 million in one year on advertising alone.

FUNCTIONAL SPENDING COMPARISON

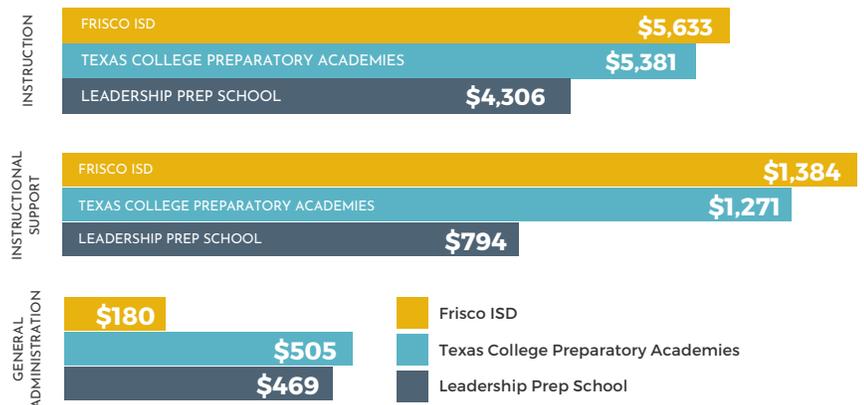
STATE-WIDE:

- Charters spend almost double the percentage of their budget on central office administration.⁹
- Charters spend an average of \$526 less per student on instruction annually.¹⁰
- Districts spend more than double the percentage of their budget on career and technical education programs per student than charters.¹¹



Frisco ISD spends over \$200 per student annually on career and technical education, compared to \$37 per student spent by Texas College Preparatory Academies. Leadership Prep School also spends over \$200 per student annually.

FY 2019 FUNCTIONAL SPENDING PER STUDENT



IMPACT TO TAXPAYERS

- To build and operate facilities, school districts must receive approval from voters to issue bonds.
- The State allows Charters to issue tax-supported bonds without the approval of taxpayers and provides facilities funding to help repay those bonds through the Foundation School Program.
- The Foundation School Program revenue that helps pay for these bonds comes, in part, from property taxes collected by property wealthy school districts like Frisco ISD and recaptured by the State.

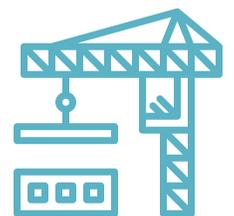
BONDS ISSUED FOR FRISCO CHARTER SCHOOLS WITHOUT TAXPAYER INPUT

\$13.4 M

FOUNDERS CLASSICAL ACADEMY

\$19.3 M

LEADERSHIP PREP SCHOOL



Some charter school bonds, like those that paid for Founders Classical Academy in Frisco, are guaranteed by the State of Texas Permanent School Fund.

REFERENCES

- 2014-18 TEA Snapshots (STAAR performance), <https://rptsvr1.tea.texas.gov/perfreport/snapshot/2018/index.html>
 - 2018 TEA Snapshot, line 19, <https://rptsvr1.tea.texas.gov/perfreport/snapshot/2018/index.html>
 - Ibid., line 18
 - TEA 2019 Accountability State Summary, https://rptsvr1.tea.texas.gov/perfreport/account/2019/State_Summary_Nov_2019.html
 - TEA 2019 Accountability Data
 - Data compiled from TEA list of charter amendments 2020 received via PIR as of 3.18.20; also TEA charter applications and charter amendments 1996-2019 on TEA website, http://castro.tea.state.tx.us/charter_apps/production/applications.html
 - Texas Public Charter School Association website, https://txcharterschools.org/wp-content/uploads/2020/01/TCSA_charter-schools-101_v15.pdf
 - IDEA Public Schools Annual Financial Statement for year ending June 30, 2020 – Page 18.
 - Letter from Legislative Budget Board dated 9.26.18 as requested by Member of Texas House of Representatives, line 84
 - Ibid., line 89
 - 2018 TEA Snapshot, line 94, <https://rptsvr1.tea.texas.gov/perfreport/snapshot/2018/index.html>
- General reference: “Setting the Record Straight on Charter Schools in Texas”, TASB
 Note: Frisco Area Charters include Leadership Prep School and Founders Classical Academy, a Texas College Preparatory Academies campus.