

Community-Based School Districts Have Earned Our Full Support

By: William J. Gumbert

The Consequences of Funding Two Separate School Systems¹

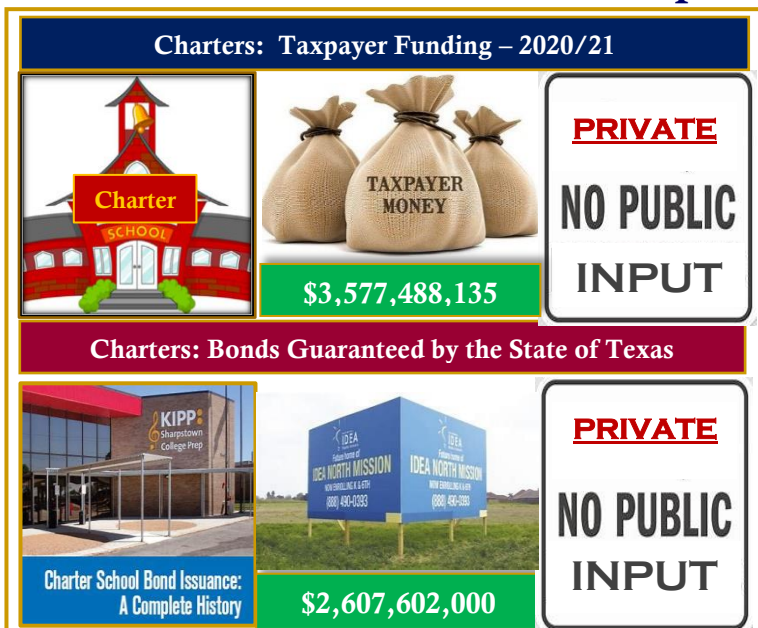
As locally governed public servants, Texas school districts are responsible for serving the educational needs of all students in their community. But at the same time, the State is imposing a separate system of schools (“Charters”) to recruit students from school districts. Charters are private organizations receiving a taxpayer funded State “contract” to simultaneously operate schools in the boundaries of school districts. The funding of two separate school systems is prudent to the degree that student outcomes improve for all students. But Charters are not producing higher student outcomes than school districts and Charters are devoting fewer resources to support the needs of students. As a result, the funding of a separate system of Charters is producing the following consequences.

- Charters receive \$1,037 more per student for operations than school districts, which is increasing the cost of public education by \$337 million per year.
- Despite receiving more funding per student, Charters devote an average of \$608 less per student for Student Instruction than school districts. As such, Charter students would annually receive an additional \$197.6 million for Student Instruction by attending a school district.
- Charters also devote an average of \$315 less per student than school districts for Career & Technical Training and Extracurricular Activities, which prepares students to be successful in life. As such, Charter students would annually receive an additional \$102.4 million for Career & Technical Training and Extracurricular Activities by attending a school district.
- While allocating fewer resources to support the educational needs of students, Charters are dedicating \$579 more per student for Administrative costs than school districts. As a result of the higher Administrative costs, Charter students would annually be afforded an additional \$188.2 million of educational resources by attending a school district.
- As Charters recruit students, the operating revenues of school districts decline. But the existing costs to school districts remain relatively unchanged. As a result, the educational resources available to students remaining at school districts declines by over \$291 million per year.
- While lower “Student to Teacher Ratios” are noted to positively impact student achievement in the applications of Charters and with teacher experience contributing to higher student performance, Charters are recruiting students to classrooms with higher “Student to Teacher Ratios” and less experienced teachers than school districts.

Billions of Taxpayer Funding is Provided to Charters – Without Local Input²

To obtain taxpayer funding for operations, school districts have received voter approval to levy a property tax. To construct school facilities, school districts have received voter approval to issue bonds. In fact, during the November 2020 bond elections, taxpayers cast 3.1 million votes, in favor or against, school district bond propositions.

However, the State provides Charters with taxpayer funding to operate in school districts without the approval of taxpayers. The State allows Charters to issue tax-supported bonds to construct facilities in school districts without the approval of taxpayers. Without input from any taxpayer, Charters are projected to receive \$3.57 billion of taxpayer funding this school year and the State is currently guaranteeing the repayment of \$2.61 billion of Charter bonds.



Charters Spend Millions of Dollars to Advertise and Recruit Students³

To attract families and taxpayer funding, Charters annually spend millions of dollars to advertise and recruit students from school districts. As shown, IDEA Public Schools (“IDEA”) devoted a total of \$19,985,263 for “Advertising” and “Fundraising” in the last two years. During this time, \$11,942,560 was spent on “Advertising” to influence families to attend IDEA.

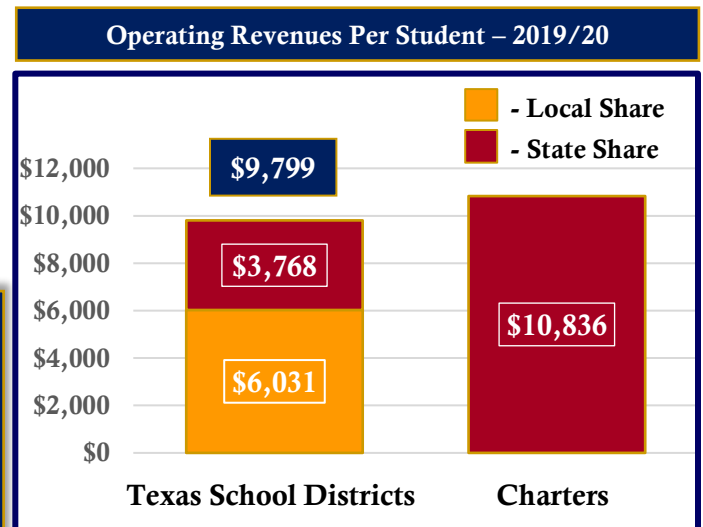
| IDEA Public Schools: Advertising and Fundraising Expenses | | | |
|---|--------------|---------------|---------------|
| Expenditure | 2018/19 | 2019/20 | 2019/20 |
| Advertising | \$ 4,593,504 | \$ 7,349,056 | \$ 11,942,560 |
| Fundraising | \$ 3,826,109 | \$ 4,666,594 | \$ 8,492,703 |
| Total | \$ 8,419,613 | \$ 12,105,650 | \$ 19,985,263 |

In addition to the advertising expenditures, many Charters also employ full-time student recruitment teams and marketing professionals to recruit students. For example, Responsive Education Solutions, Inc. deploys a marketing department of 22 employees to promote its schools and influence families to enroll.

Comparison of Operating Revenues⁴

The revenues of school districts and Charters is set by the State’s appropriations to the public education budget. School districts receive operating revenues from local property taxes, which are supplemented by the State to average \$9,799 per student. The operating revenues of Charters consists of only taxpayer funding from the State and averages \$10,836 per student.

As a result, Charters receive an average of \$1,037 more per student than school districts for operations. Based upon the enrollment of 325,000 students, the higher per student funding provided to Charters increases the costs of public education by an estimated \$337 million per year.



Charters Devote Fewer Resources to Support the Needs of Students⁵

Despite receiving more per student funding for operations, Charters devote fewer resources to support the educational needs of students than public schools in Texas. Collectively, IDEA Public Schools and KIPP Texas Public Schools (“KIPP”) enroll 92,976 students and receive \$925 million of taxpayer funding per year. This represents 25% of the total taxpayer funding of Charters. In return, **both IDEA and KIPP dedicate over \$890 LESS PER STUDENT for Student Instruction and Instructional Resources than the average Texas public school. At the same time, both IDEA and KIPP allocate over \$1,000 MORE PER STUDENT for Administrative costs than the average Texas public school.** In total, Student Instruction and Instructional Resources comprise 57.2% of operating expenses in all public schools. At IDEA and KIPP, Student Instruction and Instructional Resources account for only 45% of operating expenses as summarized on the following page.

If the 92,976 students at IDEA and KIPP were attending a school district, such students would annually be afforded an additional \$83,027,568 for Student Instruction and Instructional Resources.

| IDEA Public Schools – 2020/21 | |
|-------------------------------|-----------------|
| Enrollment: | 62,155 Students |
| Taxpayer Funding: | \$ 621,869,051 |

| KIPP Texas Public Schools – 2020/21 | |
|-------------------------------------|-----------------|
| Enrollment: | 30,821 Students |
| Taxpayer Funding: | \$ 303,320,680 |

Comparison of Operating Expenses by Function

| Description | All Texas Public Schools | IDEA Public Schools | KIPP Texas Public Schools |
|---|--------------------------|---------------------|---------------------------|
| Student Instruction and Instructional Resources | 57.2% | 45.6% | 44.6% |
| Guidance & Counseling, Health Services, and Extracurricular | 8.5% | 5.6% | 4.5% |
| Food Services and Transportation | 8.5% | 11.4% | 11.5% |
| Facilities Maintenance and Operations | 9.7% | 10.8% | 12.4% |
| Other | 6.9% | 8.2% | 9.4% |
| General Administration/School Leadership | 9.2% | 18.4% | 17.6% |

Student Instruction and Instructional Resources – Per Student

All Texas Public Schools \$ 5,670

IDEA Public Schools \$ 4,777

KIPP Texas Public Schools \$ 4,742

Administrative: General Administration/School Leadership – Per Student

All Texas Public Schools \$ 911

IDEA Public Schools \$ 1,925

KIPP Texas Public Schools \$ 1,874

Support Services: Guidance & Counseling, Health, and Extracurricular – Per Student

All Texas Public Schools \$781

IDEA Public Schools \$ 583

KIPP Texas Public Schools \$ 478

Charter Administrative Fees Paid to Affiliated Corporations⁶

Unlike school districts, Charters commonly create affiliated corporations to provide support services to its schools. The corporations can be “non-profit” or “for-profit” and typically have common governance. The fees to affiliated corporations include management fees and fees for facility construction, student recruitment, and/or the leasing of facilities owned by the affiliate.

| Charter Administrative Fees Paid to Affiliated Corporations | | |
|---|------------------------|---------------------------------------|
| Charter | Affiliated Corporation | Recently Reported Administrative Fees |
| BASIS Texas | BASIS.ed and BCSI | \$ 15,478,000 |
| Great Hearts Texas | Great Hearts America | \$ 2,079,287 |
| IDEA Public Schools | IPS Enterprises, Inc | \$ 18,360,469 |
| Schools of Science/Technology | Riverwalk Foundation | \$ 4,816,066 |
| TCPA and PHS Charters | ResponsiveEd | \$ 23,247,412 |

Although the fees are paid with taxpayer dollars, affiliated corporations are not required to expend the funds to support the educational needs of Texas students. Totaling over \$60 million per year, the affiliated corporations may also expend such funds for unrelated purposes outside of Texas.

FISCAL IMPACT TO REMAINING SCHOOL DISTRICT STUDENTS⁷

Fiscal Impact to School Districts: As the State has approved the proliferation of Charters to recruit school district students, the fiscal impact to students choosing to remain at their local school district has been ignored. As Charters recruit students, the operating revenues of school districts decline. But school districts cannot sufficiently reduce their operating costs to offset the loss of revenue, without negatively impacting remaining students. The result is fewer resources are available to support the educational needs of students choosing to remain at their local school district.

Why? Charters recruit students from multiple campuses within a school district and from multiple grades at each campus. As shown in the table, Charters have lowered the enrollment at these 15 school districts by 38,861 students over the last 5-years. But the students were recruited from 1,264 school district campuses, which is an average loss of 31 students per campus. For an elementary school serving grades PreK-5, the average student loss totals 4.4 students per grade.

With the need to continue serving the needs of the remaining students, a loss of 4.4 students per grade at an existing campus does not permit school districts to materially reduce teaching and support staffs. In addition, the existing costs to school districts for utilities, maintenance, transportation, custodial, etc. remain and must be funded from lower operating revenues.

Fiscal Impact to Remaining Students Choosing Their Local School District: The State's Charter school system is creating a losing proposition for many school districts, lower annual revenues and higher per student costs, and students attending school districts are suffering the consequences. Unfortunately, economically disadvantaged students are experiencing most of the consequences. Based upon a conservative revenue estimate of \$7,500 per student, the educational resources available to the students remaining at the school districts listed on the following page have annually declined by over \$291 million due to Charter expansion in the last 5-years. Over the next 10-years, students remaining at these school districts will have \$2.91 billion fewer educational resources due to Charter expansion.

5-Year Enrollment Decline from Charters – 15 Examples

| School District | 5-Year Enrollment Decline from Charters | Number of Traditional Campuses | Average Enrollment Loss Per Campus |
|-----------------|---|--------------------------------|------------------------------------|
| Aldine ISD | 1,417 | 74 | 19 Students |
| Alief ISD | 1,893 | 41 | 46 Students |
| Arlington ISD | 2,222 | 74 | 30 Students |
| Austin ISD | 3,473 | 119 | 29 Students |
| Brownsville ISD | 3,041 | 51 | 60 Students |
| Dallas ISD | 6,364 | 223 | 26 Students |
| Fort Worth ISD | 2,991 | 130 | 23 Students |
| Harlandale ISD | 654 | 22 | 30 Students |
| Irving ISD | 1,074 | 36 | 30 Students |
| Lewisville ISD | 1,185 | 60 | 20 Students |
| Houston ISD | 5,153 | 271 | 19 Students |
| Pasadena ISD | 1,658 | 64 | 26 Students |
| North East ISD | 3,196 | 69 | 46 Students |
| San Antonio ISD | 3,445 | 89 | 39 Students |
| Spring ISD | 1,095 | 37 | 30 Students |
| Total | 38,861 | 1,264 | 31 Students |

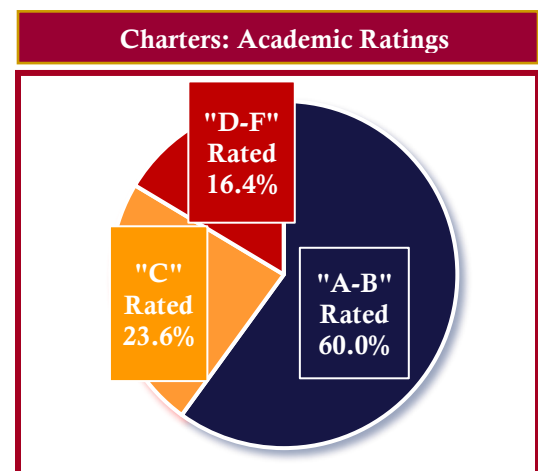
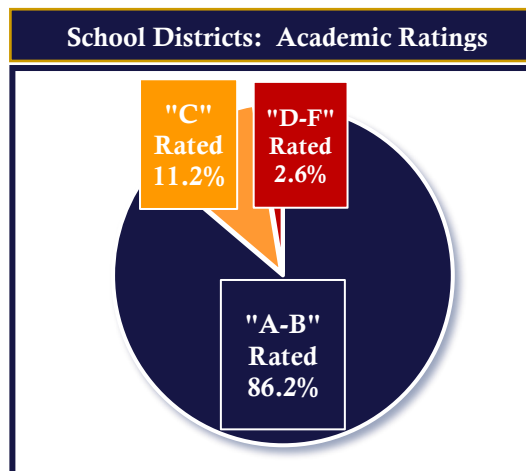
The fiscal consequences to school districts from the rapid expansion of Charters is reducing the educational resources to each of the 1,041,346 students at these 15 school districts by an average of \$242 per year. The average economically disadvantaged student population at these school districts is 82%.

Annual Fiscal Impact to Remaining Students from 5-Years of Charter Expansion– 15 Examples

| School District Example | 5-Year Enrollment Decline from Charters | Annual Revenue Loss – \$7,500 Per Student | 2019/20 Enrollment | Economically Disadvantaged Student Population | Revenue Loss: Each Remaining Student |
|-------------------------|---|---|--------------------|---|--------------------------------------|
| Aldine ISD | 1,417 | \$ 10,627,500 | 67,130 | 88% | \$ 150 Per Student |
| Alief ISD | 1,893 | \$ 14,197,500 | 45,281 | 84% | \$ 267 Per Student |
| Arlington ISD | 2,222 | \$ 16,665,000 | 59,453 | 72% | \$ 250 Per Student |
| Austin ISD | 3,473 | \$ 26,047,500 | 80,718 | 53% | \$ 271 Per Student |
| Brownsville ISD | 3,041 | \$ 22,807,500 | 42,989 | 90% | \$ 450 Per Student |
| Dallas ISD | 6,364 | \$ 47,730,000 | 153,784 | 86% | \$ 251 Per Student |
| Fort Worth ISD | 2,991 | \$ 22,432,500 | 82,704 | 84% | \$ 240 Per Student |
| Harlandale ISD | 654 | \$ 4,905,000 | 13,654 | 89% | \$ 323 Per Student |
| Irving ISD | 1,074 | \$ 8,005,000 | 33,453 | 80% | \$ 215 Per Student |
| Lewisville ISD | 1,185 | \$ 8,887,500 | 52,085 | 34% | \$ 161 Per Student |
| Houston ISD | 5,153 | \$ 38,647,500 | 209,309 | 79% | \$ 154 Per Student |
| Pasadena ISD | 1,658 | \$ 12,435,000 | 52,792 | 79% | \$ 222 Per Student |
| North East ISD | 3,196 | \$ 23,970,000 | 64,215 | 50% | \$ 337 Per Student |
| San Antonio ISD | 3,445 | \$ 25,837,500 | 48,495 | 89% | \$ 438 Per Student |
| Spring ISD | 1,095 | \$ 8,212,500 | 35,284 | 83% | \$ 217 Per Student |
| Total (All 15) | 38,861 | \$ 291,457,500 | 1,041,346 | 82% | \$ 242 Per Student |

STUDENT PERFORMANCE⁸

In 2019, the last year academic ratings were assigned, school districts received higher ratings than Charters from the State's Academic Accountability Rating System. In this regard, 86.2% of school districts received an "A" or "B" rating. In comparison, only 60% of Charters received an "A" or "B" rating. Charters also had a higher percentage of "C", "D", and "F" ratings as compared to school districts.

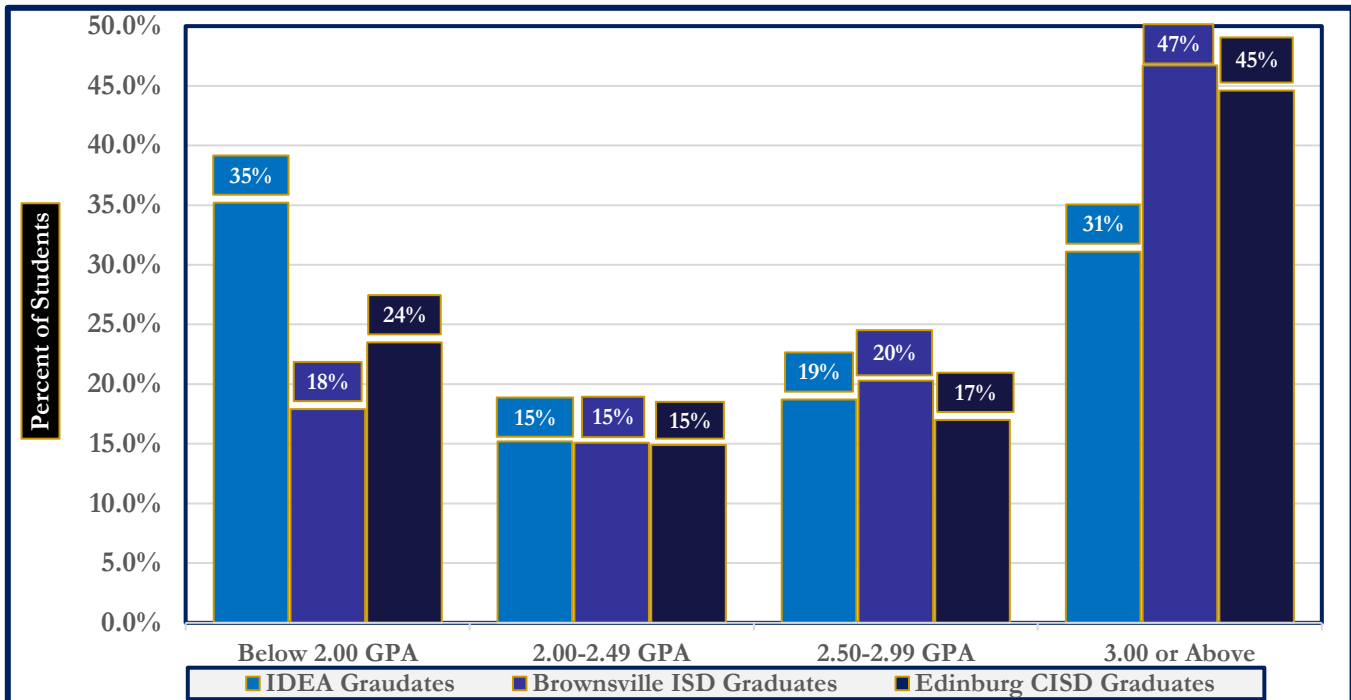


POSTSECONDARY RESULTS ⁹

College Enrollment: A higher percentage of school district students enroll in college as compared to Charters. Texas school districts enroll approximately 94% of students, but account for 97% of college enrollees. Charters enroll 6% of students, but only account for 3% of college enrollees.

Success in College: IDEA Public Schools has been approved to enroll 78,200 students in Texas, which is about the number of students at Austin ISD. But upon enrolling in college, IDEA graduates have significantly lower GPAs than comparable school district graduates. As summarized below, upon enrolling in a 4-year Texas public university, graduates of Brownsville ISD and Edinburg CISD achieved higher GPAs than IDEA graduates.

**Comparison of IDEA Public Schools, Brownsville ISD and Edinburg CISD – Class of 2018:
Student GPA's Upon Enrolling in a 4-Year Public University**



Uplift Education Example - Charter Students with College Degrees:¹⁰ After 22 years of recruiting low-income families with promotions of 100% College Acceptance Rates and proclamations of “Closing the Opportunity Gap”, Uplift Education (“Uplift”) admitted in its 2019 Annual Report that their College Prep Model is not working for many graduates. In this regard, Uplift announced that over one-third of graduates earning college degrees are earning below the “living wage standard”. During its February 2019 Board Meeting, Uplift reported that 40% of college graduates are earning less than \$35,000 per year.

Career and Technical Training:^{1,10} As many Uplift graduates with college degrees are struggling in the workforce, Uplift announced: “We realized we need to be facilitating viable career pathways for those scholars for whom college is not an ideal fit.” Despite promoting its College Prep Model as a needed education reform, Uplift is acknowledging “career and technical training” is vital to prepare many students to be successful in the workforce.

Since the inception of Charters, “career and technical training” has consistently been provided by school districts. However, many Charters continue to offer limited “career and technical training”. As summarized below, less than 3.7% of high school students attending IDEA and KIPP were enrolled in “career and technical training” in 2019/20.

Comparison of High School Students Enrolled in Career and Technical Training

| Description | All Texas Public Schools | IDEA Public Schools | KIPP Texas Public Schools |
|--|--------------------------|---------------------|---------------------------|
| Students Provided Career & Technical Training (9-12) | 50.8% | 0.0% | 3.6% |

TEACHER EXPERIENCE AND STUDENT TO TEACHER RATIOS^{1, 11, 12}

As evidenced by the positive correlation between teacher experience and student scores on the “STAAR” test, teacher experience does contribute to higher student achievement. In addition, lower “Student to Teacher Ratios” are also proven to produce higher student outcomes as noted in the Charter application of Great Hearts Texas. Due to the positive impact on students, school districts are serving students with more experienced teachers and lower “Student to Teacher Ratios” than Charters. For all public schools in Texas, the average teacher has 11.1 years of experience or 6 more years than the average teacher at IDEA and KIPP. The average “Student to Teacher Ratio” for all Texas public schools is 15.1, which is 6.5 students less per teacher than IDEA’s “Student to Teacher Ratio” of 21.6 students.

Comparison of Teacher Experience and Students Per Teacher

| Description | All Texas Public Schools | IDEA Public Schools | KIPP Texas Public Schools |
|----------------------------|--------------------------|---------------------|---------------------------|
| Average Teacher Experience | 11.1 Years | 4.0 Years | 4.1 Years |
| Students Per Teacher | 15.1 | 21.6 | 19.0 |

CONCLUSION

Despite accepting and serving all students, community-based school districts outperform Charters by most measures. In comparison to Charters, school districts have higher academic ratings, devote more resources to Student Instruction and Student Support Services, employ more experienced teachers, deploy lower “Student to Teacher Ratios”, send a higher percentage of graduates to college and graduates perform better in college, and more career and technical training is provided to prepare students for the workforce. In comparison to school districts, Charters serve students with significantly higher Administrative costs.

At the same time, the funding of two separate school systems is reducing the resources and opportunities for students attending both Charters and school districts. Like the long-time saying: “one’s actions will tell you everything you need to know”, the actions of Charters and school districts should tell us all we need to know: Community-based school districts have earned our full support! It’s your schools, children, families, and tax dollars.

REFERENCES

1. TEA – 2019/20 TAPR Reports: <https://tea.texas.gov/>
2. TEA – State Funding Reports and PSF Guarantee: <https://tea.texas.gov/>
3. IDEA Public Schools – 2019/2020 Audits: <https://emma.msrb.org/IssueView/Details/ER394296> and ResponsiveEd – Dec. 2020 Board Meeting
4. TEA – Statewide Summary of Finances and Charter School Statewide Summary: <https://tea.texas.gov/>
5. TEA – Summary of Finances, 2018/19 PEIMS Financial Reports, and TAPR Reports: <https://tea.texas.gov/>
6. Notes – Financial Audits of Charters: <https://emma.msrb.org/>
7. TEA – PEIMS Student Transfer Reports and TAPR Reports: <https://tea.texas.gov/>
8. <https://txschools.gov/>
9. Texas Higher Education Coordinating Board – Data – High School to College: <http://www.txhighereddata.org/>
10. Uplift Education – 2019 Annual Report: <https://www.uplifteducation.org/domain/3127>
11. tpeir-Texas Education Reports – Educators – Student Success: <https://www.texaseducationinfo.org/>
12. TEA – Great Hearts Texas Charter Application: https://castro.tea.state.tx.us/charter_apps/content/downloads/Applications/015835.pdf

DISCLOSURES: With limited disclosures required by the State’s separate system of privately managed Charters, this material was prepared to provide publicly available information for parents, families, and taxpayers. The author is a voluntary advocate for public education and the author has not been compensated in any manner for the preparation of this material. No other party has requested this material or participated in the preparation of this material.

The material herein is based upon various sources, including but not limited to, the Texas Education Agency (TAPR, PEIMS, etc.), tpeir-Texas Education Reports, Texas Higher Education Coordinating Board, Txschools.gov., Electronic Municipal Market Access System, and other information on public websites, including those noted herein. While the author believes these sources to be reliable, the author has not independently verified the information.

Any opinions expressed herein are solely the opinion of the author and do not reflect the opinions of any other party. The material also contains certain estimates. All readers are strongly encouraged to complete their own review of the two components of the State’s public education system and make their own independent conclusions.