

Community-Based School Districts Have Earned Our Full Support

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The Consequences of Funding Two Separate School Systems¹

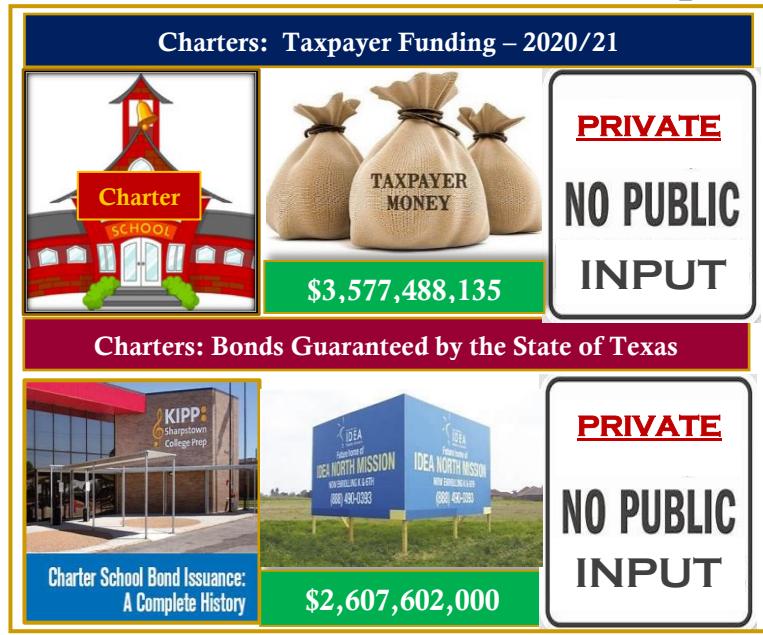
As locally governed public servants, Texas school districts are responsible for serving the educational needs of all students in their community. But at the same time, the State is imposing a separate system of schools ("Charters") to recruit students from school districts. Charters are private organizations 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.

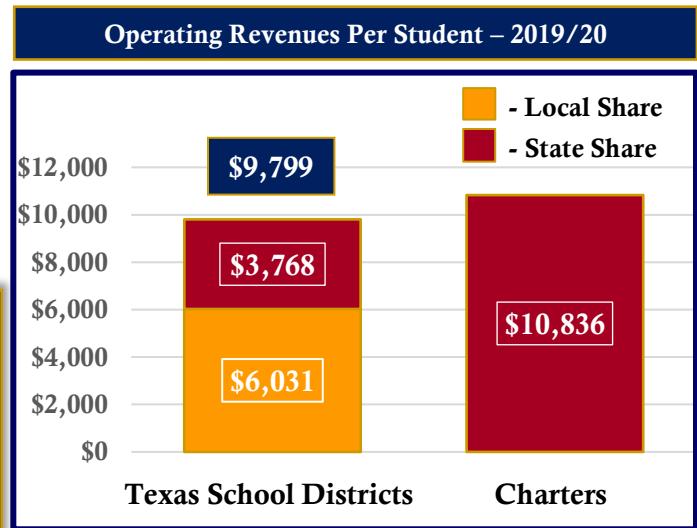
IDEA Public Schools: Advertising and Fundraising Expenses			
Expenditure	2018/19	2019/20	2019/20
Advertising	\$ 4,593,504	\$ 7,349,056	\$ 11,942,560
Fundraising	\$ 3,826,109	\$ 4,666,594	\$ 8,492,703
Total	\$ 8,419,613	\$ 12,105,650	\$ 19,985,263

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.

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

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.

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%.

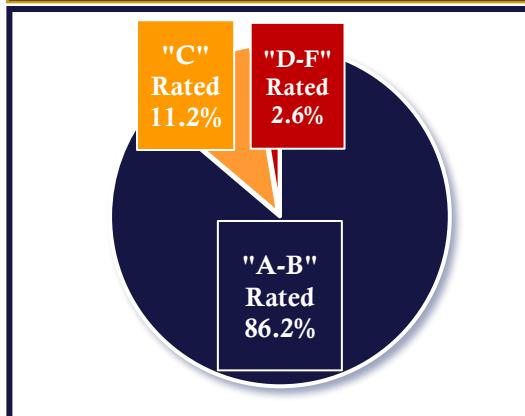
Annual Fiscal Impact to Remaining Students from 5-Years of Charter Expansion– 15 Examples

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

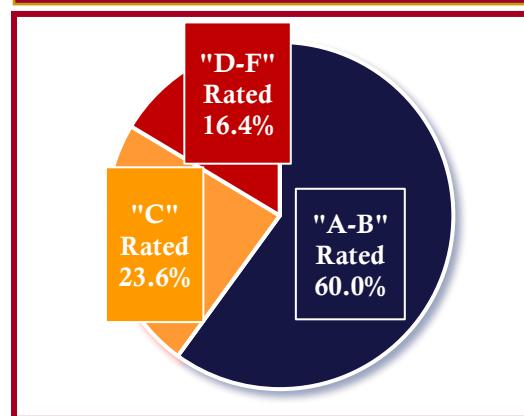
STUDENT PERFORMANCE⁸

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.

School Districts: Academic Ratings



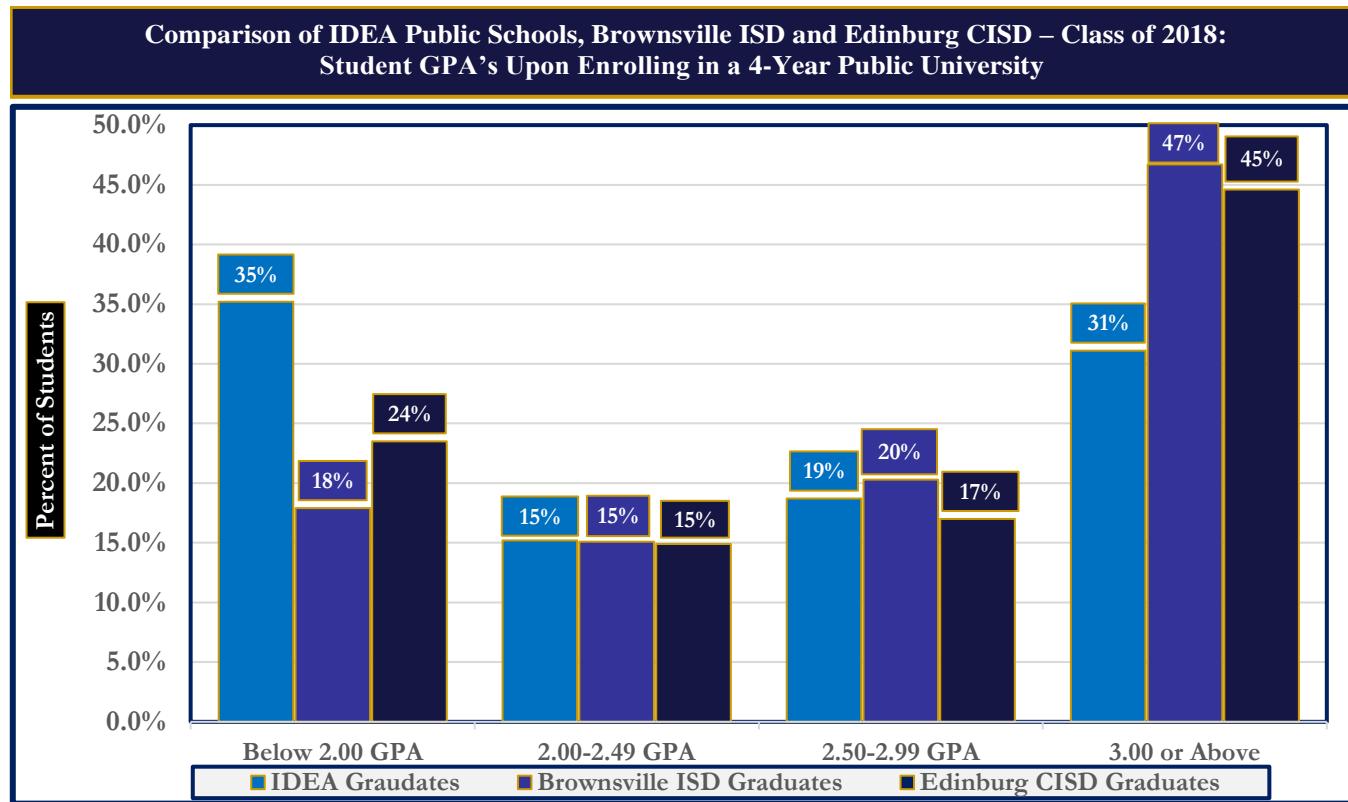
Charters: Academic Ratings



POSTSECONDARY RESULTS⁹

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.



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.

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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.