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WHY IS CHARTER GROWTH SLOWING?

LESSONS FROM THE BAY AREA

SINCE THE NATION'S FIRST CHARTER-SCHOOL LAW was passed in 1991, charter schools throughout the United States have enjoyed steady and relatively rapid growth. Today, they serve more than three million students nationwide—nearly three times as many students as a decade ago. In cities like New Orleans and Detroit, which have especially robust charter sectors, more students attend charters than district schools.

But the rate of growth is slowing. Until 2013, the total number of U.S. charter schools was increasing by 6 to 8 percent each year. Since then, that number has fallen steadily, to less than 2 percent in 2016 (see Figure 1). At the same time, waiting lists remain long for many charter schools, and their overall academic performance is strong. So why is growth slowing, and

what can charter leaders, policymakers, and communities do to regain momentum and keep pace with demand?

To explore this question, we study charter growth in a single region as a case study: the Bay Area, which includes San Francisco and the cities, suburbs, and rural areas that surround it. California is one of the nation's leading charter-school states, and charters have boomed in the Bay Area in particular. The area also is in the midst of a five-year decline in the rate of charter growth, mirroring the national trend. We survey charter operators and analyze the policy environment, market forces, and other dynamics contributing to an overall slowdown in expansion.

Our study finds that charter schools are encountering a set

by ROBIN LAKE, TREY COBB, ROOHI SHARMA, and ALICE OPALKA

of interlocking barriers to growth that essentially reflect the price of success. As charters have become a more significant presence, especially in their target cities, they are encountering scarce facilities, increased competition with one another, and heightened political opposition. These intense new dynamics exacerbate the already challenging realities of a maturing sector: after a period of rapid expansion, many charter networks are also choosing to pause growth to attend to internal needs, including improving instruction and talent development. These conditions call for a range of interventions to restore strong charter growth, such as new measures to expand access to school facilities, increased coordination among charter operators, and stronger partnerships between charters, local districts, and state officials.

While the specific factors constraining growth in the Bay Area may not be strictly relevant elsewhere, they do shed light on factors potentially at play in multiple settings nationwide.

And with an estimated half million students on waiting lists across the United States, breaking through barriers to more quickly expand high-quality charters is an urgent need.

After a Charter Boom

Charter schools have a relatively long history in California, where the state legislature first authorized them in 1992. Several aspects of that law made it one of the fastest-growing charter states. Unlike many other states, charter growth is not tightly capped, with an additional 100 schools allowed to open each year. Local school districts are the primary authorizer for most charters, but charter schools can also be approved by their county or the state board of education if rejected by their district. This diverse pool of authorizers, loose cap, and strong appeals process work together to ensure applications are not arbitrarily denied. Today, California has the largest charter-school enrollment and greatest number of charter schools in the country, with 630,000 students at 1,275 schools statewide.

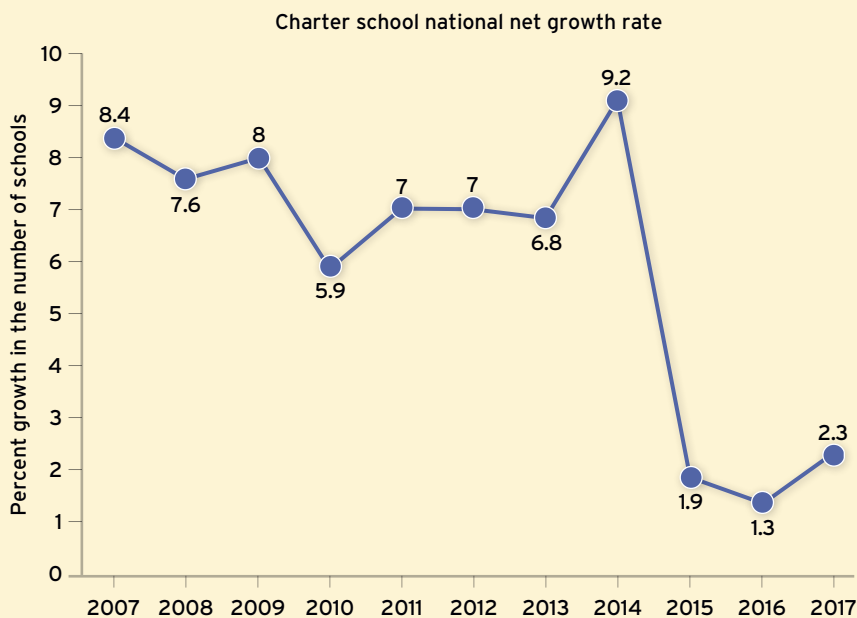
Charters have flourished in particular in the Bay Area, the five-county region we focus on in our study: Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara. The region includes 108 school districts in all, which enrolled 834,000 students in 2016-17. While demographics differ from county to county, each one serves a majority of non-white students and significant populations of students who are economically disadvantaged and enrolled in English Language Learner programs. There are currently 178 charter schools, serving about 10 percent of all students. Some 110 charter schools were part of a network or management organization, while 68 schools were freestanding.

While individual school performance varies, charter schools generally outperform district schools in the Bay Area. In a 2015 report, Stanford University's Center for Research on Education Outcomes (CREDO) found that the average charter-school student in the Bay Area attained significantly more growth in reading and math than similar students in nearby district schools—and that this difference increased the longer he or she stayed in a charter school. In addition, a

National Charter School Growth Rate Drops

(Figure 1)

Until 2014, the charter sector enjoyed a steady growth rate, with the total number of charter schools increasing by 6 to 9 percent each year. That growth rate has fallen sharply since, dipping below 2 percent in 2015 and 2016.



NOTE: Data presented by calendar year in which the school year ends.

SOURCE: National Alliance for Public Charter Schools

2016 analysis by Innovate Public Schools found the majority of Bay Area public schools achieving above-average results for low-income Latino and African American students were charter schools. Demand for charters has remained strong, based on data from schools' self-reported waiting lists. A 2015 study by Bellwether Education Partners found 91,000 students on charter school waiting lists in California as a whole, including 2,261 in Oakland.

However, the pace of new charter school openings and enrollment growth in the Bay Area has slowed in recent years (see Figure 2). New schools continue to open each year, but the rate slowed considerably from its peak in 2012–13, when more than 18 percent additional students enrolled compared to the previous year. Since then, the sector has added fewer students every year, enrolling about 4 percent additional students in 2017–18. Non-charter enrollment in the Bay Area has been almost flat during the same period.

We set out to learn what factors are inhibiting charter growth in the Bay Area, and to identify how they can be addressed. Our goal was to confirm or deny the many hypotheses that could explain the slowdown, and determine what strategies would support faster growth.

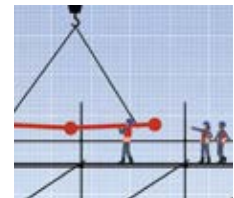
We conducted telephone interviews with representatives from organizations that operate 74 different Bay Area charter schools, taking care to seek evidence and to corroborate with other interviews as a check on individual views. We examined data on school authorizations, openings, closings, and enrollment, and reviewed information on Bay Area charter authorizers from the National Association of Charter School Authorizers (NACSA). Our research also included reviewing media coverage, public polling data, demographic data, and facilities leasing and purchasing information.

The available data were limited, and further analysis is needed to quantify more precisely some of the challenges we identify here. Still, we find clear, consistent barriers to charter school growth: a lack of access to affordable school buildings, increased competition among charter schools for students and resources, and a political backlash to the growing presence of charter schools. We also identify areas that are not directly contributing to the recent slowdown, such as parent demand and the availability of trained teachers. Below, we detail the three major speed bumps along with interventions that our research suggests could help

overcome them—both in the Bay Area and in communities facing similar challenges.

Barrier #1: Too Few School Facilities

The most immediate and overwhelming single factor constraining charter school growth in the Bay Area is a lack of access to affordable school buildings. This phenomenon is common across the United States, with charters fighting for space in high-cost cities without the legislative and financial supports that district schools enjoy (see “Whose School Buildings Are They, Anyway?” *features*, Fall 2012).



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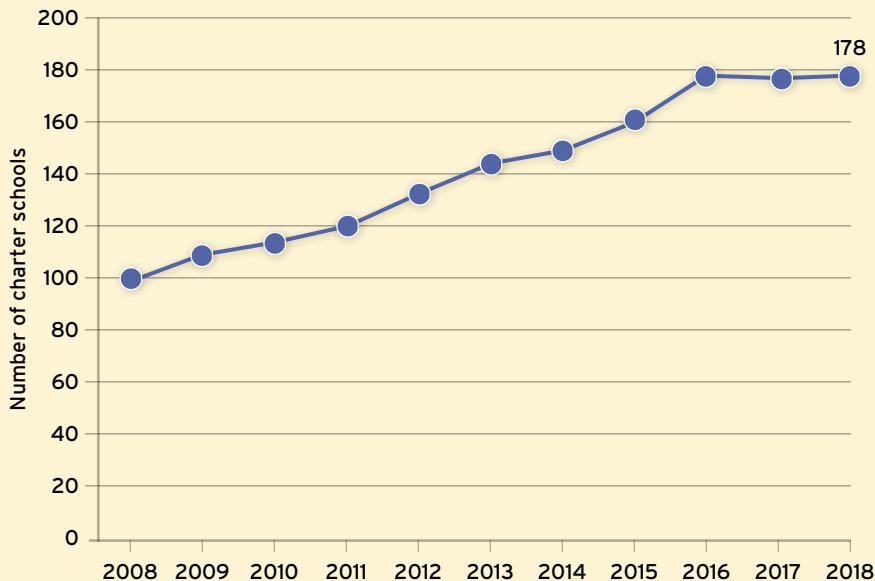
Facilities were named the primary reason that charters are not growing more quickly by the operators we interviewed and surveyed. The scarcity of school buildings acts as a hard cap on growth, because no matter what other assets a charter school has, no building means no school. As one charter leader said, “Our growth plan for the next year will be either 100 percent successful or 100 percent catastrophic if I don’t find a property in the next three months.”

Several factors contribute to the facilities squeeze, including the high cost of real estate and a policy environment in which district leaders can more easily access commercial real estate than charter leaders. Buildings in the Bay Area that are suitable for school facilities are both limited and expensive, making it very difficult to find affordable long-term leases on the private market. The logical buildings to look to, then, are those owned by local school districts.

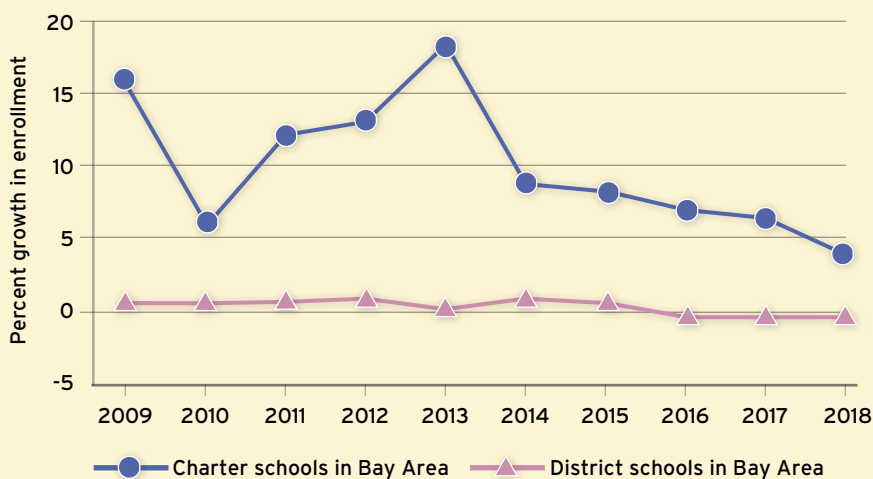
A 2000 state initiative was supposed to help. California Proposition 39 compels districts to provide facilities for students within their boundaries who attend charter schools. But too often, the buildings made available to them are insufficient for charters’ needs. And because the rule mandates that districts provide facilities only for students who live within the district, charter schools that serve students from multiple districts often are offered facilities that cannot house

Charter School and Enrollment Growth Stall in the Bay Area (Figure 2)

2a) Growth in the number of charter schools in the Bay Area has mirrored the national trend, with a sharp slowdown in recent years.



2b) The enrollment growth rate in Bay Area charter schools peaked in 2013, with over 18 percent more students attending than in the previous year. Growth has slowed steadily since and fell to 3.8 percent in 2018. District enrollment in the Bay Area has been almost flat since 2009.



NOTE: Data presented by calendar year in which the school year ends. In Figure 2b, data for 2018 are estimates.

SOURCE: California Charter Schools Association

all of the students in their school.

Alternatively, districts are required to give local charters first refusal to rent or purchase “surplus” space or buildings. But that option is only helpful when districts identify “surplus” space, and charter operators report that many have been unwilling to share their facilities or consolidate under-enrolled schools in order to do so.

Further complicating matters, Proposition 39 only requires districts to issue one-year leases, which are often inconvenient, inefficient, and expensive. For example, a charter school that serves 200 students might be offered two spaces capable of housing 100 students each in different buildings, sometimes not even near each other. Having disparate locations hampers school functions like student recruitment, school culture, and potentially, student learning and enrichment opportunities. And without long-term commitments, charters often have to move. One operator explained the burden this creates: “It’s hard to build continuity for staff and families if you don’t know by May where the school will be in August.”

Districts also have reportedly become more sophisticated about fighting Proposition 39 requests, and those bureaucratic delays can make it too time-consuming and expensive for a charter school to fight a resistant district for space. When district rental agreements are not available or renewed, and charter schools cannot secure another location, they must close.

Another facilities option is to rezone commercial buildings for school use, but again, the regulations in place make this far more difficult for charters than for school districts. While districts can exercise zoning exemptions to re-classify commercial properties as schools, charters cannot. And while districts could theoretically pursue rezoning on behalf

of local charter schools, they reportedly hesitate to do so. As a result, whenever charter schools want to rezone a building for their use, they must go through a relatively arduous and uncertain city-level process, with costs that operators cited at upward of \$65,000. Small operators often cannot overcome this barrier, and even large CMOs are significantly slowed by the added burden.

Finally, when schools do locate a facility, upfront costs can be prohibitive for schools that do not have the per-pupil revenue base or donor support to finance renovations. Such dauntingly high costs can cause larger schools to delay facilities investments by years. While state aid under Senate Bill 740 (SB740) does support some facilities expense, that program is not currently sufficient to offset the true cost. One operator described the situation neatly: “District Prop 39 policies are prohibitive, and the market is crazy. It’s like trying to find a unicorn—financially and logistically an incredible challenge.”

SOLUTIONS

While Proposition 39 acts as an important “foot in the door,” it remains an insufficient solution to charters’ challenges. Legislation to update and tighten the rules could help, particularly legislation requiring multi-year leases, and requiring districts to guarantee space large enough for all students in a local charter school, regardless of their home district. Implementing an arbitration process would help lend stability and timeliness to an otherwise uncertain dispute process.

We see other potential legislative or regulatory fixes as well. Mandating that districts house charter students before the district seeks bond funding could help relieve facility shortages. Allowing charter schools to access the zoning exemptions that districts use to turn commercial facilities into schools would also open up more options. Zoning flexibility for schools with non-traditional approaches (like small-group instruction or one-to-one blended learning models) would make it easier for innovative schools to find space that fits their needs, such as using office occupancy standards instead of the usual school standards for rezoning. And retooling SB740 to keep better pace with charters’ facilities costs could also help.

Ultimately, the growth of charters will be fundamentally constrained as long as districts fail to consolidate or close under-enrolled district schools. Serious attention needs to go into developing a strategy that mandates or creates incentives for these actions and provides political backing to district and board officials. The state could offer “consolidation grants” to districts willing to use their

space to maximum efficiency; levy a “tax” on districts with unutilized space, for failing to use public buildings to public benefit; or take building ownership rights away from districts that fail to manage them efficiently. Or the state could simply require that districts that fail to reduce costs responsibly get out of the property-ownership business, either by having the state assume ownership, by placing the buildings into a third-party trust, or by establishing a cooperative to which charter schools have equal rights.

Barrier #2: Internal Challenges

New charters in the Bay Area—particularly in Oakland—are spending a lot of time and energy competing with other charter schools for facilities and resources. In interviews, leaders point to fierce competition for the few available and affordable buildings, as well as missed opportunities to coordinate on common issues like staff recruitment. And because there are so many high-quality management organizations interested in expansion, little attention has been paid to providing support and incubation for new school operators. For example, we spoke to one community member whose group had managed to navigate the politics of the application process and get approved at the state level



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after being denied at the district and county levels, only to find they couldn’t secure a facility.

Charter advocates in the Bay Area seem to subscribe to a “survival of the fittest” ethic, which holds that because running a successful charter school requires so much capacity, if potential operators are scared off from pursuing an application without a lot of handholding, it’s probably for the best. This was a reasonable strategy in the early days when the supply of savvy entrepreneurs was plentiful and charters were booming, but it may be time to look deeper for quality operators and provide more support.

Larger management organizations, which have traditionally fueled a major portion of Bay Area charter expansion, are increasingly rethinking their growth plans

in order to refine and improve their models. For some, recent results from new Common Core-aligned tests were a wake-up call that their students were not learning concepts deeply enough. Other organizations are dealing with labor issues, such as stepped-up efforts by the California Teachers Association to organize charter school teachers. And many organizations are shifting toward sharing knowledge with district-run schools rather than simply growing as many schools as quickly as possible. At least two well-recognized Bay Area management organizations have recently decided against further expansion for the time being, and are instead starting consulting efforts or creating structured professional-development workshops and materials for district-run schools.

Overall, most charter leaders we spoke to felt that start-up funding is reasonably easy to secure, especially for school networks with a strong track record of success.



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However, because of the political and facilities impediments described above, the rising cost of doing business has made substantial growth untenable for most charter schools. Smaller management organizations and standalone schools in particular lack the resources and connections to fight the various battles required to grow.

Meanwhile, the funding community is not sufficiently supporting these smaller players to make it worth their while. In interviews, many leaders told us they believe that the Bay Area's supply of effective schools is limited today

by the philanthropic funding strategies used in the past. In particular, there is a consistent perception that single-site schools and school leaders of color who are not tied into local funder networks have historically not been connected to dominant funding channels.

Further hampering growth, the charter leaders we interviewed said that start-up dollars are the hardest to come by in the communities they consider most viable for charter school expansion. Operators are finding it easy to access philanthropic funding in urban Oakland and San Francisco, but see those places as “over-saturated” and gentrifying. By contrast, in the less urban area of western Contra Costa County, there are more available facilities and a growing population of students that match most charter schools’ target populations—but fewer opportunities to access philanthropic dollars to start up new schools.

As one charter-school operator said, “People are moving farther and farther away from cities [because they can’t afford to live there] and into poor-performing school districts. An organization like KIPP—if they want to double in the next five years—they’ll need to go in these areas. But charters are not going there because there is no funding there.”

SOLUTIONS

Charters share common challenges and can coordinate to support common solutions. A legal action fund to promote sector-wide interests in the Bay Area and to engage in lawsuits around Prop 39 and other barriers to growth could benefit all charter schools, especially the small schools that don’t have the resources to engage in protracted legal battles.

Funders should consider supporting growth where charter operators believe the need is greatest and barriers to entry are low. No data exist

on the prevalence of charter leaders of color, so we have no way to assess the impact of past or present funding efforts. It may be time to start collecting these data and to create even more avenues for identifying and supporting promising school and management organization founders who are not on funders’ radars.

A centralized process or organization to help single-site schools and small networks outsource facilities searches, such as through the state charter-school association, could also help ease a shared burden. In addition, small operators

would benefit if start-up costs were supported with more subsidies or loan programs, or with more philanthropic support. Many facilities funding programs are lease or reimbursement programs that rely on schools raising funds or collateral, but upfront funds remain elusive.

Barrier #3: Political Backlash

Political opposition has always been a reality for charters, but leaders we interviewed report that it is growing, in part because of national politics and in part because of local resistance to the charters' expanding presence and the perceived fiscal impact on districts.

Districts facing financial strains often see charters as responsible for their challenges (whether this perception is accurate or not). As a result, charter growth becomes an enemy of district financial security in the minds of some school boards. In response, districts have become skilled at limiting charter growth, not only by blocking access to facilities but also by bringing lawsuits against growing schools and making charters' compliance with state regulations more difficult. In addition, charters are being asked to jump through bureaucratic hoops and comply with complex public-records requests and onerous administrative requirements, which one leader described as "death by a thousand cuts."

Teachers unions also have reportedly stepped up their resistance strategies and are increasingly coordinating opposition campaigns with local school districts and attorneys. Statewide advertising campaigns and targeted local resistance efforts are increasingly common nationwide. An annual poll by *Education Next* in 2017 showed that public support for charter schools has recently fallen, particularly among Democrats, and opposition has grown (see "The 2017 *EdNext* Poll on School Reform," *features*, Winter 2018).

On the other hand, charter advocacy also is on the rise, often resulting in successful campaigns for school board races. By one accounting, the California Charter Schools Association spent more than \$12 million on candidates for school board and other races in 2016 and 2017. Also in 2017, charter advocates celebrated the successful election of two charter-friendly board members to the Los Angeles Unified School District (LAUSD), leading to a reform-friendly board majority. The Oakland and San Francisco boards have seen similar electoral shifts.

SOLUTIONS

Diffusing political fights isn't a matter of just winning elections. Truly stabilizing charters' role and ensuring their expansion can keep pace with demand calls for a new way of thinking about the charter-district school relationship. One interviewee suggested that the Bay Area would do well to help district leaders think of their jobs as overseeing a broad portfolio of educational options with various governance models, to potentially include having all schools operate with charter-like autonomies. As one charter authorizer said: "If there's one thing I could change, it would be portfolio management. If a district [leader] can go to bed each day and think, 'what we can do for our kids?' If the kid goes to a district or charter shouldn't matter."

This sort of thinking could be especially helpful in addressing the facilities challenge. One possibility would be to found an independent commission of civic lead-



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ers empowered to advise district authorizers on where to place new charters. This commission would help site new charters in underserved neighborhoods and minimize competition for scarce facilities, for example. It is crucial that such a commission is impartial to the self-interest of particular networks and district self-interests, and base facilities decisions on school quality, student need, and efficient usage.

The Cleveland Transformation Alliance (CTA) provides something of an example of what's possible. The independent CTA is governed by a board of representatives from Cleveland's mayor's office, the school district, multiple charter operators, and local community organizations. The board monitors school quality, provides information to families, and tracks the overall portfolio of options. Less formally, more than 20 cities, through the Gates Foundation-funded District-Charter Collaboration Compacts, have established cooperative working groups focused on a range of topics, such as solving shared

problems, addressing gaps in service across sectors for students and families, and sharing innovative practices.

Fueling Faster Charter Growth

It may be that, to help charters grow, we must first help districts cope with their particular challenges, including legacy costs. This issue is causing significant pain in places like San Jose and Oakland, which might otherwise be open to more charter schools.

We have recently suggested potential “grand bargains” between districts, state education agencies, and charter operators that might work to pool their strengths to address one another’s challenges, in a 2017 paper titled “Better Together.” In such arrangements, the state might grant funding or loosen rules for districts and charters that want to become more nimble and work in partnership with one another. For example, charters might gain access



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to facilities or special education supports, and would help contribute to a fund to buy down pension obligations in exchange.

Already, some cities are finding political advantage in creating “hybrid” or “partnership” schools that have the full autonomy of a charter school but operate on contract with districts within district-provided buildings, generally created by state legislation. Examples include schools in Indianapolis; Tulsa; Atlanta; and Camden, New Jersey. Besides gaining access to district buildings, these schools also tend to attract principals and teachers who like the idea of working more closely with districts and being part of systemic reform. These new models also help address the problems of saturation and economies of scale by operating in collaboration with the district. There are potential downsides, such as the risk of diluted autonomy and accountability, but given the intensity of the challenge in the Bay Area and cities across the U.S., this could be a good option to explore.

Even beyond so-called “grand bargains,” many of these paths forward will be challenging, requiring a greater deal of coordination and collaboration from districts, charter operators, funders, and other stakeholders than is the current custom. But through innovation and cooperation, charter schools in the Bay Area and beyond can nurture a second generation of impact, both in the students they serve and the broader systemic improvements they inspire.

What Comes Next After Easy Growth Ends

Our study has revealed a Bay Area charter sector that, now well into its second decade, must adjust to its own maturity. At the most basic level, Bay Area charters have simply been priced out of a very expensive facilities market. That is a critical issue, but the story is complicated by a set of interlocking factors that are, in part, the natural outgrowth of what has been a very successful school-improvement movement and, in part, a normal maturation process. Facilities scarcity, driven by political discord between charters and districts, puts a hard cap on charter growth. Funder preferences for certain locales, combined with the failure of districts to adjust to enrollment loss, create a pressure cooker for political backlash. The supply of operators is constrained by authorizers and funding decisions, as well as by reliance on highly motivated and savvy management organizations to singlehandedly provide most of the needed schools. Meanwhile, those organizations are experiencing growing pains of their own.

The easy days of Bay Area, and possibly national, charter growth may be over. Anyone serious about finding a way to meet the still-desperate need for better education in the region can’t afford to sit back and hope the old strategies will eventually work. While there are many potential paths forward to reinvigorate the growth of quality charter schools in the Bay Area, doing so will require new ideas and new strategic investments.

Robin Lake is director of the Center on Reinventing Public Education at the University of Washington Bothell, where Roohi Sharma is research coordinator and Alice Opalka is special assistant to the director. Trey Cobb is a graduate student at the University of Notre Dame and a middle-school math teacher. This article is adapted from “The Slowdown in Bay Area Charter School Growth: Causes and Solutions,” Center on Reinventing Public Education, 2018.