Such a powerful ripple effect is one reason why Jaime Molera, the assistant to Arizona Governor Hull, likes to quote his boss as saying that her goal is for all of Arizona's schools to be charter schools—that is, schools of such spectacular variety and independence that parents choose them for their kids.

Healthy Competition

David Osborne

This selection first appeared in *The New Republic Online* on 16 September 1999. David Osborne is a managing partner of Public Strategies Group, a consulting firm, and co-author of *The Reinventor's Fieldbook: Tools for Transforming Your Government* (Jossey-Bass, 2000).

A decade ago, a group of parents in Forest Lake, Minnesota, decided they wanted to create a Montessori elementary school. They had kids in a Montessori preschool, and some had older children in the local public school. The parents were afraid the love of learning they saw emerging in their preschoolers, who were encouraged to follow their interests and initiate their own projects, would be squelched in the public school. They looked into starting a private school but quickly realized they couldn't afford the tuition. So they approached their school district and proposed a public Montessori school. And they got nowhere.

"Every meeting resulted in, 'No, we can't do this,'" said Mark Gilchrist, a public school teacher in another district. "And the reasons weren't that it was an educationally poor concept. In fact, every school administrator and teacher we talked to agreed that this was very sound educationally. But it was, 'We don't know how we would arrange the busing,' or 'We don't have magnet schools, we have neighborhood schools,' or 'How would we train teachers?' It was, 'Yes, this is a good program, but we can't do it, we can't do it, we can't do it.'"

Then, in 1991, the Minnesota legislature passed the nation's first charter school law, which allowed parents and others to create new public

schools that would be free from most district regulations, contingent upon local school board approval. The parents passed the hat, hired a consultant to help them draft a charter school proposal, and made their case to the school board.

These were voters, so the board members didn't want to say no. But the board members also knew that, if they authorized the school, several hundred thousand dollars would be deducted from their district budget each year to fund the charter school. "You could see them adding and subtracting the amounts of money that each child represented," said Jane Norbin, one of the parents.

Finally, one board member asked, "Why don't we find a way to do this in the public school?" The board directed the administration to work with the parents, and, when they met, it was as if night had become day, according to Norbin. "One at a time, all the barriers that just weeks before were there, we started finding ways around. It was just amazing how those could be taken down when you wanted to take them down." The result was not a charter school but a better public school—a small Montessori-school-within-a-school that provided exactly what the parents had wanted all along.

This fall, eight years after the initial charter school law was passed, some 350,000 students will enroll in 1,684 charter schools in 32 states and the District of Columbia. Since the first charter school opened in 1992, the debate over whether to expand the number of charter schools has focused almost exclusively on the performance of individual schools. But those who invented charter schools were not just out to create a few thousand good schools. Rather, they wanted to improve all 88,000 public schools in the country by creating enough competition for money and students to force school districts to innovate. They wanted to create a public school system in which the Forest Lake story was repeated—in different permutations—thousands of times each year.

The most important question policymakers should ask about charter schools is whether they are achieving this goal. Until recently, the evidence was anecdotal. But, over the past year, several empirical studies have demonstrated that, indeed, competition works just as the reformers predicted. Unfortunately, it only happens when state charter laws unleash true competition for funds and students—and that still occurs all too infrequently.

Charter schools can be created by parents, teachers, nonprofits, or, occasionally, for-profit companies. They typically have three- to five-

year charters—that is, performance contracts—with the government organizations that authorize them: local school boards, city councils, county boards, state boards of education, or, in some states, even colleges and universities. They are schools of choice, and their public funding normally comes with the students who choose them, from the district the students leave. To succeed, they must attract—and keep—enough students to finance their operations.

Although Albert Shanker, the legendary former American Federation of Teachers president, played a pivotal role in putting charter schools on the political agenda, most teachers' unions and administrators' associations still resist them. In state after state, these organizations have fought to kill or weaken charter school bills. The big issue is competition: They don't want to see public school districts laying off teachers and administrators because they have lost funding to charter schools. Unions also fear losing bargaining rights and teacher tenure in charter schools. For the adults in the system, competition can be painful—no matter how much it helps the children.

Sometimes opponents talk openly about this issue, accusing charter school proponents of trying to "destroy" the public schools. Since charter schools are public schools—forbidden by law from charging tuition, using selective admissions, teaching religion, or discriminating by race, religion, or gender—this argument is specious on its face. So, more often, the unions and their allies accuse charter schools of being elitist or of "skimming"—luring the best students out of inner-city schools. Occasionally, they allege that charters are outright scams perpetrated by con artists who seek to profit at the expense of children. Perhaps the most-often-heard argument, however, is that we should go slowly until we know whether charter schools really work. Unions have used this argument repeatedly to win and protect statewide caps on the number of charter schools, as well as provisions that charters must be approved by local school boards—the same local monopoly that charter schools are designed to break.

There is ample evidence to prove that no "skimming" effect exists in charter schools. Indeed, their percentages of minority students are equal to or higher than those of other public schools in their states. As for the argument that some charters are outright scams, the few bad apples have been quickly closed down by their chartering authorities—something that rarely happens to failing public schools. And the numbers are hardly cause for concern: The Center for Education Reform reports that

charter-granting authorities had closed only 28 schools—2.3 percent of the total—by last January.

And how about the "go slowly" argument—do we know whether existing charter schools are working? Unfortunately, it's hard to prove anything related to performance, because little meaningful data exists. In the few areas where test scores are available to allow a comparison among charter schools and their surrounding districts, the data usually measures absolute test scores, not student gains from one year to the next. Hence, it doesn't tell us whether charter schools are creating more educational gains or whether they started with students who were already ahead.

One thing is certain, though: Charter schools are passing the market test. Their number continues to expand rapidly, and 70 percent of them have waiting lists, according to the most recent annual report published by the U.S. Department of Education. In a nationwide survey, 65 percent of parents rated their children's charter schools better than their former public schools; fewer than 6 percent rated them worse.

But what about the competitive effect? Have charter schools really jolted education bureaucracies into greater innovation? The first nationwide empirical study of this question was published last year by an independent research unit of the University of California at Berkeley called Policy Analysis for California Education. Doctoral candidate Eric Rofes, now an assistant professor of education at Humboldt State University, interviewed 227 administrators, principals, teachers, and charter school founders in 25 school districts. He included eight states and the District of Columbia, all of which had at least two years of experience with charter schools.

Rofes found that, when charter schools took enough students and dollars away from school districts, the districts usually made significant changes. Overall, six districts "had responded energetically to the advent of charters and significantly altered their educational programs," opening new schools organized around themes or methodologies, adding courses at existing schools, and creating their own charter schools. In Bartow County, Georgia, the district had turned eight of its ten elementary schools into charter schools. Colorado's Adams County School District Twelve had "chartered numerous schools," "responded to parent requests for more 'back-to-basics' programs, and created stronger thematic programs in its traditional schools."

Another six districts exhibited what Rofes called a "moderate" response. But even these had made significant changes: Boston had re-

sponded by creating nine charterlike "pilot schools," each with a particular focus such as health sciences or dropout prevention; Mesa, Arizona, had launched all-day kindergarten and new "back-to-basics" schools; and Grand Rapids, Michigan, had opened a new school focused on environmental education and had plans for additional thematic schools. "Charter laws throughout the nation have spurred a revival of the alternative educational programs popular in the 1960s and '70s," Rofes added, "and expanded open-classroom, Montessori, Waldorf-type programs, and developmental-focused pedagogies within public schooling."

Competition has a very clear psychological effect, an administrator in Grand Rapids told Rofes. "It's a morale issue in terms of the staff. At first, they have some initial fear: Is the government out to destroy public schools? Then there's an urgency, people recognizing we're in a competitive market. When you visit a staff room in a building located near a charter school, you sense an immediate change in psychology: now we're in competition with the charter. We have to market our schools."

Indeed, the day after a charter school was awarded in one Massachusetts town, the superintendent walked into an administrators' meeting, tossed a copy of David Halberstam's book *The Reckoning* on the table, and asked, "Who do you want to be—Honda or General Motors?" As the superintendent told Rofes, "Our middle school, which is the school at which the charter school is aimed, was by any rational standard the least successful school in the district. Its test scores were mediocre. . . . It had a faculty that was defensive and complacent."

"The charter school was a wake-up call, like it or not," the superintendent continued. "The fact is that the parents of more than a hundred kids said, 'We want our kids out. . . .' Charter schools served notice to everybody that complacency wasn't an option."

Rofes is not the only one who has uncovered evidence of charter schools' success. Separate studies on Arizona, Michigan, Massachusetts, and Los Angeles came to similar conclusions. The study in Arizona, undertaken by researchers at James Madison University, found that the mere possibility of competition from charters was enough to prompt "low-cost" reforms such as teacher training, while actual competition stimulated "high-cost" reforms such as all-day kindergarten programs and significant changes in curriculum. The Michigan study, by researchers at Western Michigan University, found that charter schools were stimulating districts to create all-day kindergarten programs, before- and after-school programs, and more foreign-language programs, while

encouraging more parental involvement and more attention to performance on standardized tests.

The lone discordant note has come from a study done by a research team at the University of California at Los Angeles, focusing on ten school districts in California. That study found little or no perception of pressure "to change the way they do business." But, with the exception of one very large urban district with 15 charter schools, the other nine had a total of just 24 charter schools among them. Five of the districts were large urban districts where charters had not drained enough resources to pose a real threat to the system, according to lead investigator Amy Stuart Wells. In the five rural and suburban districts, Wells reports, administrators had used the law to begin creating their own charter schools. Hence, they had seized on the charter law as a way to innovate before any outside pressure emerged.

It doesn't always take competition to spark innovation. But, particularly in the larger districts, bureaucracy stifles all but the most capable and persistent reformers. Those who run the monopoly—in this case, the school board, the superintendent, the central administration, and the principals—usually want to do what's best for the children. The problem is that innovation requires taking risks. Ted Kolderie, a pioneer of the charter school movement, explains the dynamic well: "As they consider proposals for change, the superintendent, board, principal, union, and teachers weigh the potential benefits to the kids against the risk of creating 'internal stress.' They want to help the kids. But upsetting people might create controversy. It might produce a grievance. It might lose an election. It might cause a strike. It might damage a career." Robert Wright, a teacher in San Jose, California, who once founded a public-school-within-a-school, calls it "the rule of the ringing telephone." Change brings complaints, and when the phone rings often enough—no matter how trivial the complaints are nor whom they are from—the typical administrator clamps down.

Competition forces administrators to take the initiative. If they don't shake things up, their districts and schools will shrink. They will have to lay teachers off. Angry voters may overthrow school boards, angry boards may fire superintendents, and angry superintendents may even fire principals. Consider what has happened in Massachusetts, where David J. Armor and Brett M. Peiser studied the impact of interdistrict choice for the Pioneer Institute. They conducted detailed surveys and interviews in nine of the ten school districts that had seen the most stu-

dents leave for other districts. Those that lost the most students (5 to 6 percent) and felt the most financial pain made the most changes to increase their competitiveness; those that felt the least financial pain did nothing. In general, it took a loss of 2 to 3 percent of the students to wake a district up and stimulate significant innovation.

Charter schools add power to public school choice by creating both new choices and excess capacity in the system. "The important part of school choice is that we have lots of different choices," explained former Minnesota State Representative Becky Kelso, another sponsor of the original charter school law. "If your only choice is another public school right next door that's just like the public school you're in, that's not much of a gift. I think charter schools are a part of that choice system that means there will be new and unique choices, and that's a very critical ingredient."

In many school systems, there are so few empty seats that, while parents theoretically have choices, most of the schools they would choose don't have room for new students. In a closed market such as this, schools face very little real competition for their dollars. But if new schools are springing up all the time, creating excess capacity in the system, the competition increases dramatically. As new schools emerge, other schools shrink, losing money. When they lose enough to feel the pain, they begin making changes to win back their customers.

So why aren't there more charter schools already? At the national level, the idea has support from presidential front-runners Al Gore and George W. Bush. Yet many state legislatures continue to stall. While there are 37 charter school laws on the books, fewer than a dozen of those laws create significant competition. As Bryan Hassel, author of *The Charter School Challenge*, explained in a recent Progressive Policy Institute brief: "Fifteen of the first 35 charter laws allow local school boards to veto applications. Fifteen make charter schools part of their local school districts, denying them legal independence. Only 17 of the laws permit full per-pupil operating funding to follow the child from a district to a charter school; fewer than five allow capital funding to follow the child. And many laws restrict the number of charter schools that can open, the types of people and organizations that can propose charter schools, or both."

Consider California, which jumped on the charter school bandwagon back in 1992 and is considered to have a fairly aggressive program. Those who want to start a charter school still have to ask the local

school board for approval. If their request is denied, they can appeal to the county board of supervisors. But elected officials on school boards are often quite influential with their elected colleagues on county boards, so winning such an appeal can be hard. When Wright considered starting a charter school, he knew he couldn't get his school board to vote for it, so he talked with the president of the county board, a charter school supporter. But the board president couldn't get the votes either. So Wright created a school-within-a-school instead, which the district bureaucracy quickly neutered. California law was amended last year, and prospective charter operators can now appeal to the state Board of Education. But no one knows yet how well that will work; the board has rejected the only appeal so far. San Jose, a city of 900,000 in the heart of the hyperinnovative Silicon Valley, still awaits its first charter school.

Charter schools can create sufficient competition to force existing districts to reform, but only if the conditions are right: if there are enough charter schools, if diverse groups can create them, if they can get charters from somebody other than the local monopoly, if they take significant money away from the monopoly, and if they are free to operate independently from any district bureaucracy. In the states where all or most of these conditions exist—such as Arizona, Michigan, Massachusetts, Minnesota, North Carolina, and Texas—the competition strategy is working. Why shouldn't more states allow their own citizens the same opportunities?