

Charter Law-Driven School System Reform: Politically Correct in Both Parties

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High officials of both major political parties profess enthusiastic support for school choice and school system (the full menu of schooling options, public and private, that serves 100% of the region's schoolchildren) change through a greater role for chartered public schools (CPS), more widely referred to as charter schools. That now well-established fact became even more significant with the re-election of President Obama, voter approval of another state law authorizing CPS, and a major upgrade of Georgia's charter law. Washington state's new charter law raises the number of charter law states to 42 (+ DC). There are big differences in the 42 charter laws, but this blog post will focus on the sad fact that *none of the 43 charter laws establish the parental choice basis or school system transformation catalyst we need.*

In 2008, CPS scholar Sheree Speakman argued that, "the charter governance experiment could be the backbone of the most successful outcomes-driven solution yet," but unless certain issues are addressed, "charters will continue to be small, under-funded, poorly housed recipients of inadequately prepared students." Indeed, and her issues list did not even include the price control that is likely the greatest shortcoming of charter law as a source of meaningful alternatives for the children for whom the assigned traditional public school (TPS) is not working acceptably and as a transformation catalyst. The CPS funding policies of all of the charter law states imply that the government pretends to know what the instructional approaches delivered by CPS should cost. Economists call that 'price control'; something that has generally always had disastrous consequences. Certainly our '[Nation at Risk](#)' school system is a 'gold-plated disaster.' Schooling is even more '[priceless](#)' than health care. There has never been a high-performing, 'priceless' industry.

The recurrent ‘priceless’ theme of K-12 schooling manifests itself in CPS directly through highly debilitating, lengthy wait lists for admission into most CPS. A Center for Education Reform [national survey](#) that surely understates the true scope of the price control-induced shortage of CPS slots found that there are about as many children waiting to enroll in a CPS as there are children enrolled in them.

The negative effects of the CPS slot shortage extend far beyond the major disappointment of the families unable to transfer their child from an assigned TPS to an existing CPS they believe will work better for them. Price change is a cornerstone of the market accountability process. When price increases eliminate shortages they also trigger market entry. The resulting increase in competition typically limits the net price change to the amount justified by the actual costs involved with unique CPS instructional approaches. Because the state government-chosen per pupil payments to CPS are below the launch and operation costs of many potentially popular instructional approaches, many of those remain stuck on a drawing board, and the availability of others like the very popular [KIPP academies](#) are kept at levels far below the demand for them.

That is all ECO 101 stuff. Price control yields shortages. Price control makes things disappear, or keeps them from appearing at all, and there is not enough of most of what is available. That means charter law, even where it is most supportive of CPS formation, does not produce meaningful school choice. Because of widespread, long CPS wait lists, most CPS, in most places, are not readily available to be chosen when a parent recognizes a match between the characteristics of a child and the unique mission of a CPS. So, incredibly contrary to conventional wisdom, charter laws mostly create *school chance*, NOT school choice. And price control reduces the number of potential school chance opportunities. Among the existing CPS, a wait list typically blocks access to all but a lucky few that win an annual lottery to fill vacated slots. The lucky ones – the first to seek enrollment - are not necessarily the children that would benefit the most from the TPS to CPS

transfer. So, in addition, to drastically shrinking the menu of instructional approaches, price control reduces ‘usefulness’; the total aggregate benefit derived from each new CPS.

A less obvious fact is that shortages (waitlists) are huge accountability buffers, which is very bad!! As theory predicts and some [emerging scandals](#) are beginning to show – with potentially disastrous consequences for school choice-based transformation strategies – there is very little, if any, meaningful school accountability to school customers when a long list of potential customers is eager to take their place.

So, what can we do to use the political correctness of charter law-based reform to achieve productive transformation of school systems? Price decontrol is imperative. That would require the per-pupil revenue of CPS to vary with scarcity, which means that it would have to vary with CPS production cost, and also be higher with popularity to avoid shortages and consequently to attract increased production. So, it is helpful when public officials subsidize CPS with different instructional approaches at different levels - something most states already do through what is called weighted student formula – but not by enough to eliminate price control problems. Political-administrative determination of the formula weights raises issues that future blogs will deal with.

To capture the shortage-avoiding and market entry-driving element of price change, CPS owners would need permission to seek a co-payment from families. To eliminate price control, CPS operators need the freedom to derive their revenue from a combination of the per-pupil government payment, donations, and competitively determined or regulated tuition.

With potential tuition public-private co-payment (shared financing), not all CPS would be ‘free’; something very controversial to put it mildly. We need to fully recognize and discuss the efficiency and equity trade-offs involved in tuition co-payment. For example, use of tuition co-payment would eliminate admission lotteries, and add much to CPS supply, but the increased schooling costs *could* exclude some children. Before leaving key details for future blogs, I will

note that I emphasized '*could*' because co-payment will 'free up' hundreds of millions in foundation money now paid directly to CPS to be used, instead, for means-tested funding of tuition co-payments. We can address equity concerns without the price control we have now, and the equity issue arises only for schooling options that will be readily available only with the co-payment possibility.

For more analysis: "[Charter Laws: Disaster, Detour, Irrelevant, or Reform Tool?](#)" by John Merrifield; [Journal of School Choice](#) (2006).

Find additional readings and links to evidence, [here](#). Originally posted [here](#), June 6, 2013.

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