

What Local Taxpayers Should Know About the State's \$20 Billion Privatization Experiment - Diverting Local School District Taxes to Privately-Operated Charter Schools

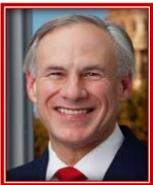
By: William J. Gumbert

History and Findings: In 1995, the Texas Legislature created our current “dual education” system by authorizing privately-operated charter schools (“charters”) to simultaneously operate schools in the boundaries of school districts. A charter is a private organization that is solely approved by the State to run separately managed schools with taxpayer funds. As such, taxpayers are funding 2 separate school systems: their locally-governed school district and State-approved, privately-operated charter schools.

After 23 years and more than \$20 billion of taxpayer funds, the State’s “privatization” experiment has not delivered on its promises. Without local taxpayer approval, privately-managed charter schools have:

- Failed to produce better student outcomes than locally governed school districts;
- Reduced the funding available for the 5.1 million students choosing their local school district;
- Increased the cost to taxpayers;
- Saddled taxpayers with over \$2.8 billion of “non-voter approved” charter school debt; and
- Further segregated the students in local communities.

Despite the facts and the documented success of locally-governed school districts, our elected officials continue to support the rapid expansion of privately-operated charter schools with tax dollars.



“...I will work to provide our children with the best education possible by expanding and improving charter schools in Texas.”

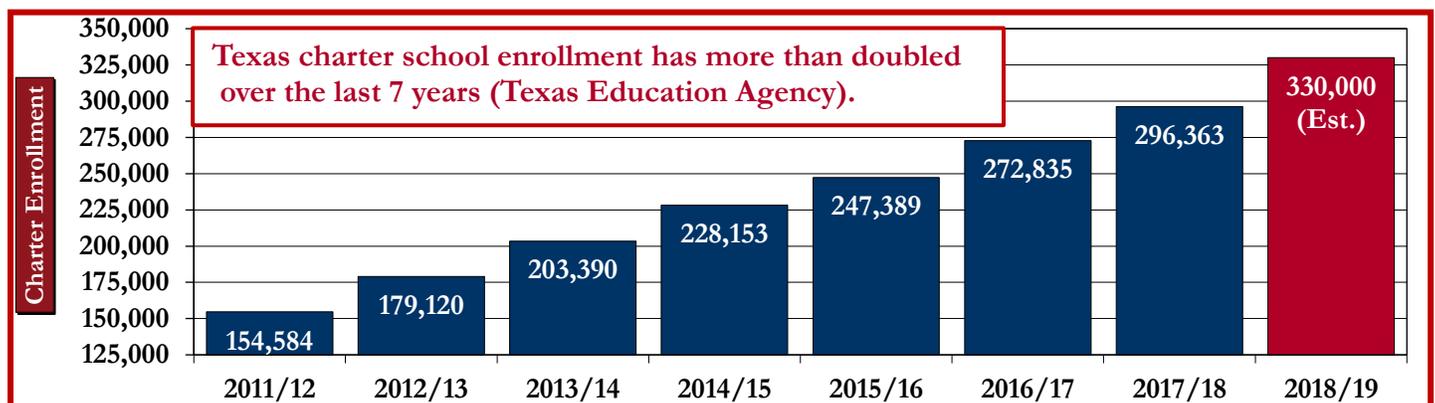
-Governor Abbott



“Together, we are going to make Texas the number one state for charter schools.”

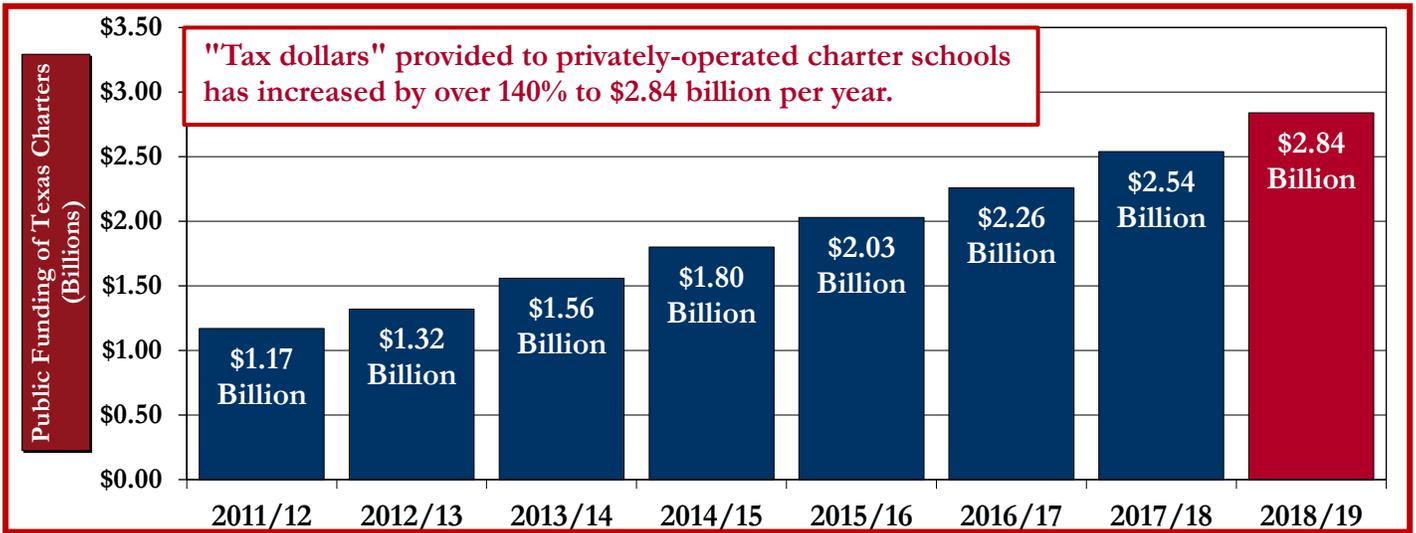
- Lt. Governor Dan Patrick

Expansion of Texas Charter Schools¹: There are 171 active charters in Texas and of the current 330,000 charter students, approximately 50% are served by 7 charter operators. The stated goal of the Texas Charter Schools Association is to have 1 million students in quality charters in 2025 (which would equal approximately 17% of all students) and the Commissioner has approved the opening of 101 new charter campuses.



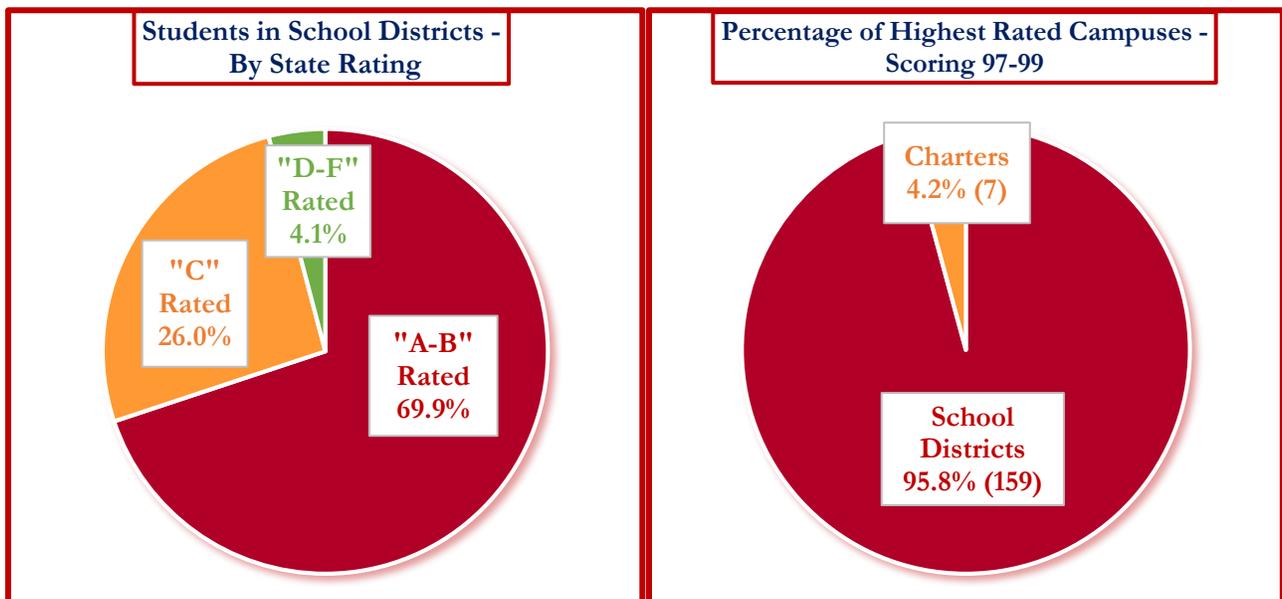
¹ Texas Education Agency and TCSA Strategic Plan

Tax Dollars Provided to Texas Charter Schools²: The State’s education budget is primarily funded with local school district property taxes and it funds both school districts and charters. As such, local school district property taxes are diverted to privately-operated charters each year. As charters have expanded with State approval, the annual taxpayer funding of charters has increased to \$2.84 billion.



Texas School Districts Continue to be Successful³: The State’s 2018 “A-F” Academic Accountability Ratings document the success that school districts continue to experience. Among those assigned an “A-F” rating, 95.9% of students attend a school district rated as “Exemplary” (A), “Recognized” (B) or “Acceptable (C). Additionally, 69.9% of students attend a school district rated “Exemplary” (A) or “Recognized” (B).

Texas school districts also operate 159 of the 166 highest rated campuses in the State (campuses assigned a score of 97-99). With 95.8% of the highest rated campuses, 77 school districts have campuses on the list – from Lubbock ISD to Brownsville ISD, El Paso ISD to Clear Creek ISD and Mansfield ISD to Northside ISD.



² TEA – Summary of Statewide Finance Reports

³ TEA – State Accountability Ratings - 2018

Best Texas High Schools - *U.S. News and World Report* Ranking⁴: Without much publicity, 4 of the 5 highest ranked Texas high schools by the *U.S. News and World Report* were in urban school districts.

Rank	School	Graduates - 2016	Average SAT Score	Eco. Disad. Students	State A-F Score
1	Meridian World School	17	1,758	10.2%	94
2	The School for the Gifted and Talented (TAG) – Dallas ISD	60	1,956	40.6%	99
3	Science and Engineering Management School (SEM) – Dallas ISD	89	1,908	60.7%	99
4	Carnegie Vanguard High School – Houston ISD	148	1,930	32.6%	99
5	Liberal Arts and Science Academy (LASA) – Austin ISD	252	1,971	8.3%	99

Highest-Ever Graduation Rate⁵: As Governor Abbott promotes on the campaign trail, “*Texas has its highest-ever high-school graduation rate*” and “*Texas has the second highest African American graduation rate in the nation*”. Since Texas school districts graduate over 300,000 students each year (96.5% of all students), these statements must reflect the educational success of locally-governed school districts across the State.

The State’s Push To “Privatize”: The State has not been shy in its efforts to expand the number of privately-operated charter schools. This is evidenced by the 101 new charter campuses currently approved to open and SB 1882 that provides financial rewards and reduced academic accountability requirements to school districts that turn campuses over to privately-operated charters. With over 500 school districts rated “Exemplary” (A) or “Recognized” (B) and with school districts operating 95.8% of the highest rated campuses, it is noteworthy that the incentives within SB 1882 excludes partnerships with high-performing school districts.

There is no data available to consistently support that privately-operated charters better serve students or that they are better equipped to improve student learning at low performing campuses. Since inception, TEA documents that 108 Texas charters have closed. In addition, 2 of the most high-profile examples of charters engaged to improve student learning at low performing schools have been unsuccessful.

- **Tennessee’s Achievement School District (ASD)⁶:** ASD was formed as a State-run, privately-managed district in Tennessee that promised to take 6 schools ranked in the bottom 5% to the top 25% within a 5-year period. After 7 years, 1 school was closed, and the 5 other schools remained in the bottom 5%. A study completed by the Tennessee Education Research Alliance also concluded that district-run turnaround efforts of the state’s lowest performing schools yielded greater results than ASD.
- **Washington D.C.⁷:** In 2014, the New York based charter network, Democracy Prep was engaged to take over Imagine Southeast that was on the verge of closure for low-performance. After promises of improved student achievement, Democracy Prep announced in August 2018 that it was leaving the school because they were unable to fulfill that promise. 12% and 16% of students are meeting or exceeding expectations on standardized tests in math and English, respectfully.

⁴ *U.S. News and World Report* – 2018 Best High Schools and TEA – TAPR Reports

⁵ TEA – 2016 Snapshot

⁶ *Nashville Tennessean*, June 18, 2018 – Jason Gonzales and Gary Rubenstein, September 23, 2018

⁷ *Washington Post*, August 11, 2018 – Perry Stein

Public Funding of Privately-Operated Charter Schools – By Geographic Region⁸: Based upon the average per student funding of charters, the following estimates the “taxpayer funding” of privately-operated charters by geographic region. Without taxpayer, community or school district consent, this is a representative listing of the taxpayer dollars annually provided to privately-operated charter schools across the Lone Star State.

Geographic Region	Charter Enrollment	Estimated Taxpayer Funding – Charters in 2017/18
Dallas-Fort Worth	97,661	\$857,134,258
Houston	70,428	\$618,120,350
South Texas	37,912	\$332,739,517
Austin/Central Texas	32,918	\$288,909,037
San Antonio	32,545	\$285,635,355
El Paso/West Texas	13,483	\$118,335,274
Tyler/Northeast Texas	4,578	\$40,179,402

The Negative Financial Consequences of State Approved Charters - Impact to School Districts⁹: With the State authorizing privately-operated charter schools to serve existing school district students, there are negative financial consequences to school districts and taxpayers. First, the revenues of a school district decline by an average of approximately \$6,600 for each student transferring to a State approved charter school. Second, a school district is unable to proportionately reduce its existing operating costs as students transfer. For example, the existing fixed costs of a school district for building maintenance, debt service, food service personnel, administration/campus leadership, utilities, student transportation, etc. remain highly unchanged. In addition, to maintain acceptable student/teacher ratios at each campus, a school district can only marginally reduce teacher staffing as students transfer from various grades and numerous campuses.

The May 2018 report entitled “*Breaking Point: The Cost of Charter Schools for Public School Districts*” reviewed the net cost of charter schools in 3 California school districts. Published by “*In the Public Interest*” and written by Gordon Lafer, Ph.D., the report concluded that school districts incurred a net cost of \$5,000 - \$6,600 per charter student. The report also cited other studies that portrayed a net cost of \$3,136 - \$6,701 per charter student. Assuming a net cost of \$4,000 per charter student (which is at the lower end of the studies), the State’s dual education system has forced school districts to annually absorb \$1.32 billion of existing costs.

Impact to Taxpayers¹⁰: Charter schools are funded at the statewide average and are projected to receive public funding of approximately \$9,600 per student (refined average daily attendance) or \$2.85 billion in 2018/19. Comparatively, the revenues of a school district decline by an average of approximately \$6,600 for each charter student transfer. Based upon this difference, the “money does not totally follow the student” and the result is that privately-operated charters increase the cost of taxpayers an estimated \$892.4 million per year.

The Legislative Budget Board (LBB) has previously acknowledged the savings that would accrue if the funding difference between charters and school districts was amended. While an estimate based upon certain assumptions, the LBB indicated a potential savings of \$882 million per biennium if charters were funded at the lesser of: the current statewide average or the funding level of the school districts they operated within.

⁸ TEA – District Transfer Reports and Statewide Summary of Finance Reports

⁹ Breaking Point: The Cost of Charter School on Public School Districts published by *In the Public Interest* and TEA data.

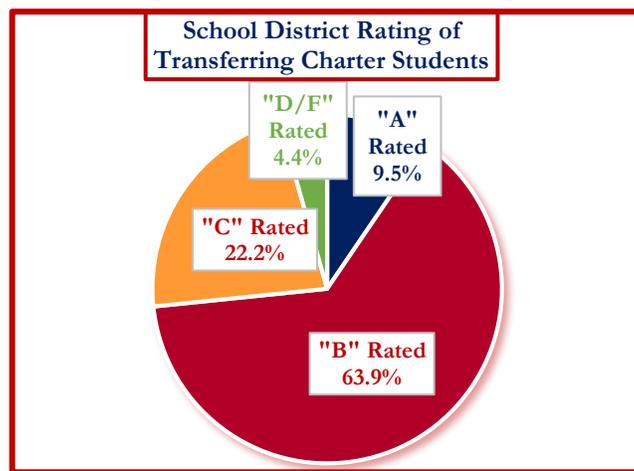
¹⁰ TEA – Charter School Statewide Summary and LBB

State Funding and Local School District Taxes¹¹: With rising school district property values resulting in higher local taxes, it is reasonable for taxpayers to question why school districts have not imposed lower tax rates. The answer is the State has taken the opportunity to reduce its percentage cost of the dual education system by using rising local property values to transfer the cost to local taxpayers.

As shown in the table below, since 2010/11 local property values and school district property taxes have increased by 49%-51% and the net State funding to school districts has declined by 3%. During the same time that local property taxes have increased, the funding of charter schools and school district recapture payments paid to the State have both increased by over 150% or a total of \$5.6 billion per year.

Description	Dollar Amount Year 2010/11	Dollar Amount Year 2018/19	Dollar Change	Percentage Change
School District – Property Values	\$1.72 Trillion	\$2.56 Trillion	+\$0.8 Trillion	+49%
School District – Property Taxes	\$22.3 Billion	\$33.7 Billion	+\$11.4 Billion	+51%
School District - Net State Funding –	\$18.2 Billion	\$17.7 Billion	-\$0.5 Billion	-3%
State Funding – Charter Schools	\$1.1 Billion	\$2.8 Billion	+\$1.7 Billion	+155%
School District – Recapture Payments	\$1.0 Billion	\$2.8 Billion	+\$1.8 Billion	+180%

Majority of Charter Students Reside in School Districts Rated “Exemplary” or “Recognized”¹²: It has been publicly stated that charters are needed to “save students from failing schools”. However, the State’s academic ratings indicate that 96.6% of charter students reside within school districts that have at least an “Acceptable” (C) rating and 73.4% of charter students reside within school districts rated “Exemplary” (A) or “Recognized” (B).



Examples of Charter Enrollment in School Districts Rated in Top 25%¹³: For a school district or charter to be rated in the top 25% of the State’s “A-F” ratings, a score of at least 87 (A or High B) must have been assigned. Although not all-inclusive, the State’s dual education system annually diverts over \$330 million of tax dollars from the school districts listed below that are rated in the top 25% of all school districts and charters in the State.

¹¹ TEA – Statewide Summary of Finance Reports and Charter School Statewide Summary

¹² TEA – 2018 Accountability Ratings

¹³ TEA – Student Transfer Reports, 2018 Accountability Ratings and Estimate of \$6,600 of Revenue Per Student

School District	A-F Score	Students at Charter Schools	Estimated Annual Revenue
Austin ISD	89	14,016	\$92,505,500
Birdville ISD	88	1,194	\$7,880,400
Carrollton-Farmers Branch ISD	87	3,027	\$19,978,200
Cypress-Fairbanks ISD	89	3,248	\$21,436,800
Edinburg ISD	90	3,525	\$23,265,000
Fort Bend ISD	89	3,545	\$23,397,000
Hurst-Euless-Bedford ISD	90	1,341	\$8,850,600
Katy ISD	90	2,508	\$16,552,800
Keller ISD	90	1,867	\$12,322,200
Leander ISD	89	1,286	\$8,487,600
Lewisville ISD	89	3,056	\$20,169,600
Mansfield ISD	90	1,554	\$10,256,400
Pflugerville ISD	88	2,161	\$14,262,600
Plano ISD	93	987	\$6,514,200
Richardson ISD	88	1,358	\$8,962,800
Round Rock ISD	90	3,170	\$20,922,000
Socorro ISD	88	1,232	\$8,131,200
United ISD	92	1,015	\$6,699,000

Low Performing Campuses¹⁴: Texas school districts are not perfect and there is room for improvement as 3.5% of school district campuses are rated “improvement required”. While low performing campuses in school districts are often scrutinized, privately-operated charters are not immune from low performing campuses. Charters currently enroll approximately 6% of all students and despite the mandatory closure of 20 charters in the last 4 years, charters have approximately 13% of the current campuses rated “improvement required”. While there may be variety of unique reasons, the following is a representative listing of ten “improvement required” charter campuses located from Austin and San Antonio to Dallas/Fort Worth and Houston.

Charter School	Campus Score	Campus Enrollment	Eco. Disad. Students
A+ Academy Elementary	52	794	85.9%
IDEA – Rundberg (Austin)	56	601	92.7%
International Leadership of Texas – Lancaster Elementary	53	885	81.0%
Jubilee Academies - Highland Hills	53	909	71.2%
KIPP Truth Elementary	48	618	95.9%
Life School - Lancaster	51	598	67.6%
ResponsiveEd – Founders Classical of Schertz	59	414	24.6%
Uplift Mighty School (Elementary)	55	516	86.2%
Wayside Schools – Altamira Academy	49	459	68.4%
YES Prep - Northline	56	149	43.6%

¹⁴ TEA – 2018 Accountability Ratings

Students Served and Student Outcomes¹⁵: Charter schools receive recognition for preparing “economically disadvantaged” students for college, which is applauded. However, the “economically disadvantaged” students that school districts successfully prepare for college is often overlooked. A review of TEA data indicates that many charters still have a limited number of graduates, serve a lower proportion of “At Risk” students, have lower average ACT scores and students have lower college success than Houston ISD (which has the most students attending charters). Collectively, the 178 privately-operated charter schools operating in 2016 produced a lower number of graduates than the 10,217 students that graduated from Houston ISD.

Description	IDEA Public Schools	International Leadership of Texas	Harmony – San Antonio	Yes Prep.	KIPP Inc. - Houston	Uplift Education	Houston ISD
Enrollment	29,344	10,239	3,705	10,258	13,346	15,768	215,408
Graduates - 2016	507	58	120	710	355	465	10,217
Students – At Risk	50.7%	41.7%	54.9%	42.6%	47.7%	61.0%	67.5%
Avg. ACT Score	20.3	N/A	17.5	18.9	19.2	20.7	21.1
Graduates - 2.5 GPA or Less in First College Year	53.8%	46.1%	40.5%	52.8%	69.2%	41.6%	45.4%

Class Size and Teacher Experience¹⁶: The table below compares the class size – grade 3, teacher experience and teacher pay among various charters and Dallas ISD (which has the second highest number of students attending charters). Based upon TEA reports, many privately-operated charter schools have higher class sizes, less teacher experience, higher teacher turnover, more teachers without degrees and lower teacher salaries.

Description	IDEA Public Schools	International Leadership of Texas	Harmony - San Antonio	Yes Prep.	KIPP Inc. - Houston	Uplift Education	Dallas ISD
Class Size – Grade 3	29.1	24.7	28.3	N/A	25.9	24.5	17.2
Average Teacher Experience	2.2 Years	1.9 Years	4.9 Years	2.9 Years	4.1 Years	2.0 Years	9.9 Years
Teacher Turnover	23.4%	32.4%	23.3%	27.6%	33.2%	26.5%	19.1%
Teachers – No Degree	9.8%	2.0%	0.0%	4.2%	1.4%	2.1%	2.5%
Beginning Teacher Salary	\$42,777	44,983	\$46,148	\$48,933	\$51,082	\$47,901	\$50,161

¹⁵ TEA – 2016/17 Texas Academic Performance Reports, 2018 Accountability Ratings, Texas Higher Education Coordinating Board

¹⁶ TEA 2016/17 Texas Academic Performance Reports and ILT Corrected Data

Comparison of Expenditures – 2016/17¹⁷: A common topic of debate is the need for Texas schools to use more of their funding for instruction and student-related services. In this regard, the table below compares certain expenditures of the 7 largest charters to Austin ISD (which has the third most students attending charters). On a per student basis, Austin ISD spends more on Instruction, Security Monitoring Services and Social, Health and Community Services than each of the charters. In particular, Austin ISD spends between \$260 - \$1,370 more per student on “Instruction”.

Expenditure	Harmony - All Charters	IDEA Public Schools	International Leadership of Texas	KIPP Inc.	YES Prep	Resp. Ed. – T CPA	Uplift Education	Austin ISD
RADA	30,357	27,502	9,915	11,977	9,812	13,291	14,947	75,397
Instruction, Resources & Media	\$5,972	\$4,933	\$5,203	\$5,042	\$4,948	\$5,372	\$4,862	\$6,232
Social, Health and Community Services	\$3	\$51	\$262	\$149	\$185	\$59	\$125	\$423
Security Monitoring Services	\$40	\$60	\$102	\$118	\$5	\$8	\$72	\$146

100% Charter College Acceptance Rate Explained: Although graduating classes remain relatively small, charters helping students attend college is applauded. The charters stating a 100% college acceptance rate for multiple consecutive years may be a success formula that could be replicated in school districts. Unfortunately, the success formula found in certain charter student handbooks is not transferrable to school districts and all students in public education: Acceptance to college is a mandatory requirement for students to graduate and receive a diploma from these charters (No college acceptance = No diploma).

Recent Study of Charter School Outcomes - Texas¹⁸: In November 2017, Will Dobbie (Princeton) and Roland F. Fryer (Harvard) published a report entitled “*Charter Schools and Labor Market Outcomes*” that analyzed Texas data. The study concluded:

- “At the mean, charter schools have no impact on test scores and a negative impact on earnings”;
- “No excuse charters increase test scores and 4-year college enrollment; but...have a statistically insignificant impact on earnings”; and
- “Other types of charters decrease test scores, 4-year college enrollment and earnings”.

¹⁷ TEA – Summary of Finances – Year 2016/17 and Audited Financial Statements – Year 2016/17.

¹⁸ Charter Schools and Labor Market Outcomes – Will Dobbie and Roland F. Fryer - November 2017

Segregation of Students¹⁹: While charters are open to all students and serve a higher proportion of “economically disadvantaged” students statewide, the difference in the percentage of “economically disadvantaged” students served at campuses within certain school districts portrays a different story. In addition, a review of numerous other campuses indicates that it is not uncommon for charters to serve a lower proportion of “economically disadvantaged” students in their chosen service areas.

School District Campus	Eco. Disad. Students	Distance	Charter School Campus	Eco. Disad. Students
Hedrick Elem. (Lewisville ISD)	87.5%	0.5 Miles	Founders Classical (ResponsiveEd)	12.5%
Riverchase Elem. (Carrollton-FB ISD)	43.7%	0.2 Miles	Universal Academy - Coppell	0.9%
McBee Elem. (Austin ISD)	94.6%	2.0 Miles	NYOS - Austin	29.6%
Guerrero Elem. (El Paso ISD)	76.0%	0.5 Miles	Burnham Wood Charter	40.9%
Garfield Elem. (Pasadena ISD)	83.2%	2.0 Miles	Beta Academy	38.6%
Slaughter Elem. (McKinney ISD)	50.3%	0.7 Miles	Imagine International Academy Of North Texas	8.1%
Ridgeview Elem. (North East ISD)	85.6%	1.9 Miles	Basis - North Central	4.6%
Beacon Hill Elem. (San Antonio ISD)	93.5%	1.0 Miles	Great Hearts – Monte Vista	17.7%

Charter Debt Outstanding²⁰: The debt of Texas school districts remains under the increased scrutiny of the legislature and at the same time, the State has provided privately-operated charter schools the flexibility to incur taxpayer supported debt without limit and without taxpayer approval. Unlike school districts, charters are not required to publish an Annual Local Debt Report for taxpayers and they are not required to obtain taxpayer approval to issue bonds for the facilities they construct in the boundaries of school districts. With the limited information available on charter debt, it is emphasized that the statistics below are estimates.

Currently, there is approximately \$2.8 billion of charter bonds outstanding and the PSF Bond Guarantee Program secures \$1.45 billion of charter bonds as of July 2018. The charters with the largest amount of outstanding debt are (not including leases):

- **IDEA Public Schools:** **\$750,648,767**
- **International Leadership of Texas:** **\$498,492,954 (projected June 2019)**
- **Harmony Public Schools:** **\$412,902,000**
- **Uplift Education:** **\$356,000,000**

¹⁹ TEA Data and Bing/Google Maps

²⁰ TEA - PSF Bond Guarantee Program and EMMA Official Statements

Non-Investment Grade Debt - Charter Schools²¹: The largest charter bond sale in Texas was authorized by International Leadership of Texas (ILT) in September 2018, totaling an estimated \$400 million of “non-investment grade” bonds. *InvestorWords* defines a “non-investment grade” bond as “low credit quality with a relatively high risk of defaulting...Also called “junk bonds”. The initial interest rate on the first bond installment is 8.2%, which will eventually convert to a floor of 6% and is subject to acceleration to 8.5% if the 30-year bonds are not repaid/refinanced within the next 10 years. The interest rate on a school district bond approximates 4.25% - which would reduce the interest cost of taxpayers by an estimated \$125 million.

While school districts may be enticed to receive an 8.2% investment return, the Public Funds Investment Act prohibits school districts from investing in any local debt obligation that is rated below “A”. In this regard, it is ironic that the State allows taxpayer funds to be used to repay “non-investment grade” charter bonds; but deem such bonds to be too risky for the investment of “public funds”. It is also noteworthy that despite not receiving an “investment grade” rating, the State assigned ILT a “Superior FIRST Rating” with a perfect score in 2017.

Limited Taxpayer/Parent Knowledge of Privately-Operated Charter Schools: While the legislature continues to increase the transparency requirements of school districts regarding the use of “public funds, a recent statewide study indicates there is limited community knowledge that privately-operated charter schools are funded by taxpayers. The study also indicates that taxpayers remain mostly unaware that the State’s dual education system reduces the funding available to their local school district. Discussions with various school district stakeholders has further identified a similar limited understanding among principals, teachers, PTA’s, education foundations and city leaders. Below are a few examples that further support these findings:

- A school district CFO was recently criticized by a homeowner for wasting taxpayer dollars by building a new charter elementary school so close to an existing elementary school;
- A charter school parent contacted a school district Superintendent to stop the bullying at their charter school; and
- There are waiting lists for “improvement required” charter campuses in high-performing school districts.

History of Failure - Privatization of the Public Sector: The privatization of public services is not a new concept. Based upon the premise that private enterprise will reduce costs and enhance services through competition, history tells us that prior privatization efforts have resulted in failures. A consistent theme in the privatization initiatives listed below is that the “economically disadvantaged” are the most negatively impacted. For example:

- **Higher Education²²:** With billions of student financial aid provided by the Federal government, “for profit” colleges/universities expanded and targeted the low socio-economic population. Students experienced accreditation issues, low career opportunities, higher tuition costs and campus closures. In 2008, for profit colleges represented 10% of all students in higher education, 23% of title IV funds and 44% of student loan defaults.
- **Healthcare²³:** From 1996-2016, the cost of our market-based healthcare system increased from \$3,964 to \$10,348 per person. The reliance on corporate private insurance created “health care inequality” as those without insurance (mostly the economically disadvantaged population) could not afford to go to a primary care physician. It has been estimated that 32 billion people are uninsured in the U.S.
- **Prisons:** In 1997, the Federal Government contracted with private companies to house and rehabilitate Federal prisoners. In August 2016, the program was eliminated due to safety and security problems, fewer rehabilitative services available (i.e. education, training for inmates, etc.) and no substantial cost savings.

²¹ International Leadership of Texas, Bond Official Statement, Series 2018 and Chapter 2256 Texas Education Code

²² For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success – Senate.gov.

²³ “The Rising Cost of Healthcare by Year and Its Causes” – Kimberly Amadeo (updated September 18, 2018).

Summary – Did You Know: Privately-operated charter schools in Texas:

- Are authorized by the State to operate as separately managed schools in the boundaries of school districts;
- Are funded from local school district property taxes;
- Decrease the funding available for students attending their local school district;
- Increase the cost of local taxpayers;
- Issue taxpayer supported bonds to build facilities in school districts, without taxpayer approval;
- Do not have any debt limitations and are permitted to issue “non-investment grade” bonds (commonly referred to as “junk bonds”) to fund their expansion;
- May construct facilities with public funds that the State and taxpayers may not own;
- Can close, relocate and stop serving existing students – TEA lists that 108 charters have closed;
- Are governed by an appointed board, which often reside and meet outside the service area of their campuses;
- Can expend “taxpayer dollars” in other states through management or construction agreements with affiliates;
- May have a lower academic accountability rating than the school district they operate within;
- Annually produce a total number of graduates that is less than Houston ISD; and
- Further segregate students in local communities.

School Districts Can Form Charter Schools: Given a charter school may benefit students within certain communities, the State also authorizes school districts to open charter schools in their school district, as locally deemed appropriate. According to Ask TED, there are currently 55 district-run charter campuses operated by school districts.

School Districts – An Economic Driver²⁴: Texas school districts are the “heartbeat” and “identity” of the communities that make up the thriving Lone Star State. School districts are one of the largest employers, directly impact housing demand/prices and successfully provide an educated and skilled workforce to support additional corporate investment throughout Texas. An analysis completed by “*AngelouEconomics*” entitled “*Economic Impact Analysis: Fast Growth School Districts in Texas*” stated that the spending in fast-growing school districts resulted in \$70.5 billion of increased economic activity between years 2000-2014. To put the economic importance of Texas school districts into perspective, the highly sought Amazon Headquarters 2.0 expansion is estimated to create 50,000 jobs and Exxon Mobil has 71,100 Texas employees - Texas school districts employ over 660,000 in our local communities.

²⁴ “*Economic Impact Analysis: Fast Growth School Districts in Texas*” – January 2018 (AngelouEconomics/FGSC), “*These are the 100 Largest Companies in Texas*” – Chris Kolmar and TEA 2016 Snapshot

Conclusion: While the topic of privately-operated charter schools can be polarizing; there is no doubt that certain privately-operated charter schools have positively benefitted students. For example, the 10% of charters providing “alternative education” programs and serving students with dropout recovery and residential treatment programs deserve many accolades. In addition, other charters have positively influenced students. However, in a society that stresses local control, the State unilaterally approving over 800 privately-managed charter campuses to serve existing school district students, diverting local taxpayer funds to fund privately-operated charters without community approval, permitting charters to issue taxpayer funded bonds without voter approval and providing financial incentives for school districts to partner with privately-operated charter schools are strong indications of the State’s preference to turn “Independent School Districts” into “Privately-Run State School Districts”.

The reality is that after 23 years of experimentation and \$20 billion of taxpayer funds, the facts do not support that students, parents and taxpayers are better served by the State’s dual education system. The facts do not support that privately-operated charters academically outperform local school districts. The facts do not support that privately-operated charters serve a higher proportion of “economically disadvantaged” students in their chosen service areas. The facts do not support the State’s continued expansion of privately-operated charter schools across Texas as 73.4% of charter students reside in school districts that the State currently rates as “high-performing”.

Despite the proven success of Texas school districts that serve communities with lower student/teacher ratios, more experienced teachers, more dollars for instruction, a wider array of co/extra-curricular choices and more social, health and community services, it is unfortunate that the facts do support that the State’s dual education system operates at the expense of local taxpayers and school districts that serve 94% of all students. The following quote exemplifies the potential consequences of the State’s dual education system and its privatization efforts: *“the ship of democracy, that has weathered all storms, may sink through the mutiny of those aboard”* – Grover Cleveland.

These are my observations and my conclusions. Given what is at stake, it is far more important for parents, taxpayers and communities to independently review the facts and reach their own conclusions. Since it is your tax dollars, your students and your community, you are encouraged to review other sources to determine if the State’s dual education system is best for your local community. You may just find that your local school district is pretty-damn good and as vested members of the community, administrators, teachers, support staffs and board members willingly serve without much fanfare because it is not about the money, enrollment growth or a certain segment of students – it is about caring for the unique needs of all students that enter their classrooms, every day and every year.

DISCLOSURE: *This material is based upon the sources identified herein. While the author believes these sources to be reliable, the author has not independently verified the information. The opinions herein are solely the authors and the author has not been compensated in any manner for the preparation of this material. The author is not employed by any entity that has a contractual agreement with a Texas school district or an employee thereof.*

William J. Gumbert has 32-years of prior experience as a public finance investment banker. During his career, he also held various management positions within the public finance departments at both national and regional financial service companies. Mr. Gumbert specialized in Texas school district finance and was fortunate to serve as a financial advisor to various school districts across Texas. Given the state of public education, Mr. Gumbert voluntarily retired in May 2018 to advocate for the interests of school districts and the communities they serve.