

Issue: MI Education

Michigan's Broken School System

School choice advocates, led by Betsy DeVos, unleashed one of the most aggressive and unregulated charter school experiments ever on Michigan. According to their theory, competition among charter and public schools would spur innovation in instructional practices, which would improve statewide educational outcomes. Instead, school rankings, on average, remain in the bottom third of the nation. While the rest of the states have enjoyed gains in educational outcomes, the improvements in Michigan have not kept pace.

Marketing, not innovation

Two studies looked at public schools' responses to charter school expansion within multiple districts and found little evidence that this competition stimulated any significant innovation in instructional practices. While public schools responded in diverse ways, most changes were not in the areas of educational reform. Instead, the competition for scarce resources forced public schools to focus on recruiting qualified teachers from a shrinking pool, retaining students who were being lured away by charter schools offering free gifts for enrollment, and scrambling for funding to cover fixed costs and special education students.

High student/teacher turnover

During a 24-year period when the student population declined 11 percent, Michigan opened more than 300 charter schools (a 50-percent increase in the total number of K-12 schools in the state—an increase from 600 to 900 schools). Without any regulation over the expansion and placement of new schools, the poorest, most urban areas were inundated with the bulk of the new charter schools. This saturation, coupled with the per-pupil funding system, created an intense competition for students. Charter schools offered enticements, including cash, laptops, sneakers and bicycles, to lure in students. This marketing approach resulted in a churn of students, with some students attending several schools in one year. Some schools employed recruiters, and many principals were forced to spend most of their time addressing enrollment just to stay open.

This same churn occurred with teachers in areas with the most charter school growth. Both large-city charter and public schools experience higher teacher turnover than average, and charter schools have double the turnover rate of traditional public schools. An overall shortage of teachers has forced schools to use substitutes in place of permanent teachers and to increase class size up to 40 students.

Education experts have described this situation as “an extraordinarily turbulent education setting” and “a messy and traumatic transition,” and they cautioned against underestimating how much the instability affects students.

Unequal funding

School funding is a complicated mix comprised mostly of a per-pupil amount from the state, supplemented by local taxes and various federal and state grants for specific educational programs.

The main source of funding is a per-pupil allotment from the state. The state pays a fixed amount per student within a district, and that amount follows the student to whichever public or authorized charter school s/he attends. However, the per-pupil amount varies by district, based on historical factors, not on need. The variance is due to past funding levels when local schools were supported by local property taxes (which resulted in underfunded schools in poor neighborhoods and better

schools in affluent neighborhoods with higher tax revenues). The state is narrowing the gap in the per-pupil allotment among school districts slowly over time, but significant inequities remain.

The gap between wealthy and poor school districts continues partly because localities can pass school bond and tax measures to supplement the state allotment. Those measures pass more easily in wealthier districts where parents can pay more but the need is less.

Vicious cycle from saturation

One study looked at how the Michigan charter school expansion affected the public school districts' financial health. It found very little effect in districts with a limited number of charter schools. However, when charter schools reach a 20-percent penetration threshold, public schools experience sizable adverse impacts. While much has been written about poor financial management in struggling districts, this study pointed to the much greater factor of costs over which local districts have no control.

When multiple charter schools open nearby and draw students away, neighborhood public schools experience a sudden, significant decline in revenue, forcing reductions in staff, salaries, and programs. These cuts drive additional students away, further reducing the school's per-pupil state funding. Some schools have had to close, leaving an educational void. In certain areas, there are no schools at all, or the only neighborhood choices left are full.

Special education students unwelcome

Many special education students require specially trained teachers and additional resources. While the 2018 budget allocated \$151 million in additional funding for these students, special education programs across Michigan still operate at a \$700 million dollar deficit. A study conducted by education and business leaders recommends that schools get 35 percent more for students living in poverty, 50 to 70 percent more for students learning English, and 70 to 115 percent more for students with mild to moderate disabilities. Many more special education students, particularly those with the most serious disabilities, are enrolled in traditional public schools than in charter schools. This same study recommends that all schools receive adequate funding for these students so that charter schools do not have an incentive to enroll less costly students and exclude those who require more.

Unfair performance comparisons

Comparing the educational outcomes of charter schools and public schools is inherently unfair because public schools have far more special education students. Furthermore, the volatility in enrollment and teacher turnover makes comparisons difficult. With students and teachers moving from school to school, it is difficult to understand which school is responsible for any student's test scores. Additionally, consideration must be given to the negative effects on public schools in the districts where charter schools reach the 20-percent saturation point.

Unequal access

Laws require charter schools to have open enrollment. However, some families find it more difficult than others to access their "free choice." Following are some reasons, ranging from the verifiable to the more anecdotal:

- Charter schools are not required to provide transportation, which leaves lower socioeconomic families with fewer options.

- Some charter schools have lengthy applications and require test results and documentation of special education and disciplinary records. Complicated paperwork can be daunting to less educated parents.
- One charter management company director admitted deliberately advertising the school's enrollment period in newspapers that most families in that area did not read.
- Based on anecdotal stories, some students transfer to public schools after the charter school asks them to leave due to low test scores. In one Buffalo charter school, 20 percent of the students who transferred were special education students.

Education Secretary's bias

Betsy and Dick DeVos were early promoters of charter schools in Michigan. As Betsy DeVos transitioned to U.S. Secretary of Education (a role suggesting stewardship over all students and every kind of school), she remained firmly supportive of charter schools. Articles about Michigan's charter schools' purported success have been written by DeVos-funded or Republican-funded research groups such as Great Lakes Education Project (GLEP), Mackinac Center, and the pro-charter lobbying groups Michigan Association of Public School Academies and Teach Michigan. However, those articles do not cover how the public schools are faring, even though promoters of charter schools promised that competition would improve educational outcomes in *all* schools.

In 2015, a broad coalition of experts representing education and business came together to study and make recommendations to address Detroit's educational issues. The coalition members agreed on many issues, such as the need for increased funding, improved charter authorizer practices, greater school accountability, a more empowered school board, and the creation of a commission to coordinate placement of new schools. The DeVos family, Republican leaders, and DeVos-funded interest groups opposed those reforms, particularly the school placement commission, and the legislation was not adopted.

Unregulated charter school authorizers

The state issues licenses to organizations called "authorizers" who can approve, monitor, renew, and close charter schools. In Michigan the authorizers who grant school charters include institutions of higher learning and local education agencies. Michigan gave licenses to more institutions than any other state—and did so without any oversight or coordination among them regarding the number or location of schools.

Authorizers receive a 3-percent share of the dollars that go to the charter schools and wield sole authority to shut down schools. The state commissioner and board of education have no say in closure decisions. As recipients of state funds, authorizers have no incentive to shut down a school unless it is losing money or receiving bad publicity.

Authorizers who grant the charters and the management companies who are hired to run the schools became major lobbying forces for the unchecked growth of charter schools, as did some of the state's biggest Republican donors, including the DeVos family.

For-profit charter school management companies

While charter schools are publicly-funded, nonprofit entities, more than half employ for-profit management companies to run the schools. One of the largest management companies, National Heritage Academies (NHA), contracts to purchase school property, then rents it back to the charter school. Once property costs have been recovered, rents do not decrease. This arrangement leaves the school board little ability to terminate the contract if the board members are unhappy with NHA's

leadership. If they were to do so, there would be no buildings, no books and no equipment to continue operations. Incidentally, NHA's founder, J.C. Huizenga, has given more than \$700,000 over the last 10 years to state lawmakers, their caucuses and their state parties. He is a board member for the Mackinac Center for Public Policy, an organization that lobbies for and produces pro-charter school articles, and he is affiliated with the conservative lobby group ALEC.

Recent articles have been touting NHA's success in registering slightly higher 4th grade math scores than public school scores. In addition to all the factors of inequality explained in previous sections, racial and socioeconomic imbalance calls NHA's accomplishment into question. For undetermined reasons, black and Latino students are less likely to enroll at an NHA school and are more likely to leave if they do enroll. NHA's students are primarily blue-collar white and Asian students, while public schools have a more diverse student population.

Financial accountability is another issue with for-profit management companies. For-profit companies do not have the same transparency and public oversight requirements as nonprofits. Many charter management companies use "sweep" contracts, which means they can deposit most of the school's public funding into their own accounts where cost breakdowns are not publicly reported.

Poor school rankings

According to 2017 NAEP results (tests given to a sample of students in every state in 2017), Michigan ranks 35th in fourth-grade reading skills—up from 41st in 2015, but still notably lower than 28th in 2003, the first year Michigan started administering the test. Michigan also saw a small improvement in state rankings in fourth-grade math (38th from 42nd), eighth-grade math (33rd from 34th), and eighth-grade reading (30th from 31st).

But beneath those rankings, there is little to celebrate. Consider the following data:

- Michigan's rank in fourth-grade reading went up six spots, but Michigan rose in rank mainly because other states' scores dropped. Michigan's average fourth-grade score in 2017 was below its 2011 average score.
- In fourth-grade math, Michigan's average score was the lowest in state history (since 2003).
- Eighth-grade math scores have remained virtually unchanged for 14 years.
- Low-income fourth-graders rank 49th in math, compared to poor students in other states; white students are 46th in fourth-grade reading, compared to white students elsewhere.
- Michigan ranks last in the Midwest in every category.

While the test indicates that Michigan may have arrested its more than decade-long educational slide, it also shows just how far the state is from reaching the Michigan Department of Education's goal to become a top-10 school by 2026.

Summary

One in ten Michigan students is enrolled in a charter school. Currently, charter schools collect nearly a billion dollars of Michigan public funds. About \$33 million go to authorizers (the institutions that grant the charters), and additional state funds go to for-profit management companies.

While there are outliers, the majority of charter schools are performing only slightly better than public schools, notwithstanding the fact that they enroll lower numbers of special education students and have crippled the financial health of many urban public schools. All in all, Michigan's charter school expansion has introduced a number of complexities and challenges to an already overburdened and underfunded system with few signs of any meaningful educational improvements.

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