

Going Charter? A Study of School District Competition in Wisconsin

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Abstract

The question that drives this paper is why some school districts decide to open up charter schools and others do not. The answer to this question may involve a number of different theories. In this paper we explore three theories: 1) entrepreneurial initiative; 2) structural explanations; and, 3) spatial competition. We use data on the state of Wisconsin derived from extensive case studies of 19 charter schools and quantitative data on Wisconsin school district from state files and the U.S. Department of Education common core data bases. We find evidence to support all three explanations for why districts “go charter.” First, in almost every school and district we visited for case studies, at the heart of either the district or the charter school, and often both, there were entrepreneurial administrators, school board members, teachers, or parents. Our evidence was anecdotal but very consistent across 19 case studies. Second, there are two general sets of structural characteristics that were shown to be quantitatively correlated with becoming a charter district. The first were resource characteristics (size, federal revenue, and for suburbs available seats); the second were indicators of unmet students needs (the percent of students eligible for free lunch). Finally, we argued and believe we provided significant evidence that competition is also a motivation for going charter. We posited and the data supported that open enrollment and charter schools are working together to enhance the flows of students from home schooling, private schools, dropouts, and from other public school districts into charter school districts. Thus using several different indicators and models, estimating either which districts become charter districts, or the flow and net gain directly from open enrollment, there is no question that charter schools are increasing competition for students in Wisconsin.

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I Introduction

Public schools throughout the United States have been consistently looking for ways to improve the educational achievement of their students and maintain a competitive advantage over other educational options. Charter schools, first created in Minnesota in 1991, became an option for public school districts in Wisconsin in 1993. Charter schools have the ability to free their administrators from many of the state regulated mandates on schools that charter proponents argue drags down the overall level of instruction that can be offered in traditional education settings. The flexibility given charter schools allows them to offer different curriculum, schedule, staffing, and other options to provide a successful educational environment. This autonomy is exchanged for specific standards of accountability. All of these conditions are written in a charter that must be approved by an authorizing authority, most often a public school board. They are funded in various forms across the states, but the funding is always public.

Given the attractiveness of the charter school option, the question that drives this paper is why some school districts decide to open up charter schools and others do not. The answer to this question may involve a number of different theories. In this paper we explore three theories: 1) entrepreneurial initiative; 2) structural explanations; and, 3) spatial competition.

We analyze these theories with data from the state of Wisconsin. Our analysis will be based on a wide variety of data gathered through the Wisconsin Charter School Study based in the Robert M. La Follette School for Public Affairs at the University of

Wisconsin. Included in the data are elite interviews with district superintendents across the state of Wisconsin as well as school principals and other administrators who led the movement for charter schools in their districts. Many of these school districts were visited by the research team which provided valuable insights into a district's decision to charter schools. We have also conducted a teacher survey to which more than 2,350 charter and comparable non-charter teachers responded.

These data are supplemented with a quantitative analysis of data received from the Wisconsin State Department of Public Instruction. The quantitative analysis will first estimate logistic equations for chartering or no and then maximum likelihood equations for expansion in the number of charter school over time. Wisconsin provides a very interesting case in which to study the choice of "going charter." It has a long established and well-used system of charter schools that maintains one of the highest per capita enrollments in charter schools in the United States.

Following a background section describing the conceptual and legal foundations and growth in charter districts in Wisconsin, we discuss the three theories we pose as explanations for why districts might choose to go charter. We then present evidence on each theory drawn from a combination of qualitative and quantitative data.

II Background

The Concept of Charter Schools. The use of "charter" in charter schools was a late development in the life of school choice. The original use of the term "charter" in connection with education seems to have been Ray Budde, who, in 1988, wrote *Education by Charter: Restructuring School Districts*. The idea was to give schools the same kind of grant Budde argued that European monarchs had given to early explorers.

Other early uses included the Philadelphia school restructuring projects in the early 1990s, which was called “chartering.”

In some ways, charter schools are the middle-way response in the twenty-plus year arguments over school choice. While they are not the free-range schools of choice that some voucher proponents have advocated (e.g. Friedman, 1956; Chubb and Moe, 1990), neither are they the traditional school down the street. Laws vary from state to state, but many similarities exist. In exchange for considerable flexibility in their operation and curriculum, charter schools agree to certain standards of accountability with an authorizing authority. They are public schools in that they are funded by some combination of state and local funding (the actual amount varies widely by state and district) and that charter schools, in most states, must admit any student that a similarly-situated traditional public school would admit. Depending on the state, private schools may convert to public charter schools. While charter schools, to date, may not be religious, some states allow religious schools to become charter if they drop religious instruction. Charter laws usually require charter schools to have teachers that are state-credentialed.

There are numerous rationales given for charter schools. They are often seen as a spur to innovation that will provide alternative forms of education for specific types of students. Some, for example, are linked to at-risk students at the middle and high school levels. In Wisconsin, approximately half of the charter schools in the state serve some at-risk students.¹ Charter school also provide a distinct option for some teachers who are

¹ Our research was not always able to classify schools definitively by the type of curriculum or the student group targeted. The reason is that both literature from the school and interviews indicated that many schools had multiple missions that changed over time as they adjusted to family needs and student demands. We therefore had to code schools in multiple categories.

looking for a non-traditional working environment. A mailed teacher survey of charter and non-charter teachers found that when we asked teachers why they took the job they had, charter teachers were much more likely to stress the mission of the school and the autonomy in classroom and general governance of the school than non-charter teachers.

Charter schools are sometimes spurned as non-public schools, and sometimes the resentment is reciprocated. We found some “anti-public” sentiment in a few charters, particularly in “non-instrumentality” schools. Most of these schools are in Milwaukee. These are schools that are not legal “instruments” of school boards, and most are authorized by non-school board agents (universities and technical colleges and the City of Milwaukee). They also are very distinctive in that the employees of the school *cannot* be employees of the school district, and therefore are not in the teacher’s unions. The opposite is the case for instrumentality charter schools – they must be district employees and hence are all in the union.

In the last decade charter schools have expanded to include close to 3,000 schools in the United States (Center for Education Reform, 2004). Charters enroll about 1-1/2 percent of the public K–12 students in the country (Center for Education Reform, 2004; NCES, 2003). The states with the most charter schools are California (500), Arizona (491), Florida (258), and Texas (241), Michigan (210), and Wisconsin (136). The most students who attend charter schools are in California, Texas, and Arizona, as might be expected, but a different pattern emerges when one controls for total public enrollment. Charters have potentially larger impact in smaller states (plus D.C.): Washington, D.C., has the most charter schools per public school student (one for every 1,591 students), followed by Arizona (one for every 1,878), Wisconsin (one for every 6,465) and Alaska

(one for every 6,717). Florida is eleventh; California is twelfth; and Texas is seventeenth on this measure.²

Charter Laws in Wisconsin. In most states, charter school laws have become more flexible overtime with regards to the number and operation of charters. Often, these amendments have increased the number of charters a state may open, increased the exemptions from the state's school code, and increased fiscal support. Wisconsin's charter school law follows this pattern. Wisconsin's charter school program began in 1993, and it has been revised in each legislative session since. In 1993, the law only allowed 10 school districts to establish up to two charter schools each. Only one school district, Stevens Point, took advantage of the law. In 1995, the law was amended to allow all school districts to charter schools and allowed unlimited charters. In 1997, the legislature again changed the law to allow for non-instrumentality charters. In the most recent session, the legislature attempted to expand chartering authority to all University of Wisconsin campuses, but the governor vetoed the bills.

Wisconsin's law is among the more flexible in the country in that it leaves a number of issues unspecified. For example, while law explicitly sets the amount of funding given to charter schools in the Milwaukee area, it implies that all other school districts may set the per-pupil funding in charter contracts. At present, there is no data on per-pupil revenues for charter schools outside Milwaukee. While districts may be restrictive with per-pupil revenue for charter schools, there is no incentive to be too stingy if districts act competitively, as we argue they do.

² The attendance data is from the Center for Education Reform (2004) except for Wisconsin, for which we have more accurate data.

Wisconsin's Open Enrollment Law. Although not initially related to charter schools, during this liberalization process, Wisconsin's legislature enacted an inter-district open-enrollment program in 1998. Open enrollment was an early attempt to introduce choice and competition into school districts without instituting a voucher system. Some argued that inter-district choice could force low-performing school districts to improve (e.g. National Governors' Association, 1986). As with charter schools, Minnesota was also first to permit state-wide open enrollment in 1987, although voluntary inter-district transfer had existed as early as 1980. By 2002, eleven states had state-wide open-enrollment laws; twenty-one others had limited forms of open-enrollment (often requiring approval from the sending and receiving district; *Education Week*, 2002).

Open enrollment began in Wisconsin in the 1997–98 school year. The program has been growing in popularity every year it has been in existence. In 2003-04, nearly 10,000 students were going to school in districts other than their own.³ Until 2005–06, the number of students that may leave a district is capped (at 3 percent in 1998–99 and increasing by one percent a year). After that year, there will be no cap. Receiving districts may refuse students on account of space, class size, or “racial imbalance.” Aside from the cap, the sending district may refuse to let a student attend another district only if the child has an IEP and the cost would be burdensome to the sending district or for reasons of racial imbalance.⁴

Wisconsin's law also includes three features that almost invite districts to compete for students. Indeed, an early report on the program found that a third of district

³ Students may also use “part-time” open-enrollment under the law. These are not included in our data.

⁴ The term “racial imbalance” is not defined in law. Only the Madison Metropolitan School District has used the “racial imbalance” provision to deny open-enrollment (to five students in 1999).

administrators were considering ways to retain students or attract students under open enrollment (Public Policy Forum, 1998). First among these provisions is that the receiving district (“non-resident” district) receives state aid for each child that enters the district—but that state aid is not factored either into the formula for state equalization aid or its own revenue limits. Second, the sending district (“resident” district) must pay for special education services. Third, a student’s parents, not either district, are responsible for transportation to and from school. In essence, each student means “free” revenue where space is easily available.

Debates around charter schools usually focus on “publicness,” accountability, and accessibility. Many people are reluctant to discuss funding, instead focusing on student composition, the variety of curriculum, teacher autonomy, or other governance aspects. Yet for open enrollment, the debate in education circles appears to revolve around finances (see, e.g., Odden and Kotowski, 1992; Meadows, 1975). In Wisconsin, when open-enrollment appeared certain to pass, three major educational interest groups [School Administrators’ Alliance (SAA), the Wisconsin Education Association Council (WEAC), and the Wisconsin Association of School Boards (WASB)] issued position statements supporting open enrollment, largely contingent upon the financial strings attached to the program. The SAA was blunt: “Incoming transfer students *must* bring revenue into the receiving district which is *at least equivalent* to per pupil cost” WASB also insisted that any choice legislation must include an “option for districts to limit the number of students leaving the school district . . . if the school board believes that number is large enough to threaten the viability of the district” (Wisconsin Legislature, 1996).

Several studies have tried to analyze the reasons parents and administrators gave for using open enrollment. An evaluation of the Wisconsin open enrollment program conducted for the state legislature found that district administrators thought that most students transferred for reasons of geography (Public Policy Forum, 1998). “Convenience,” a category including geographic proximity, parent work in the district, and daycare, among others, was also the most numerous reason given by parents in the Minnesota program (40 percent). Only half as many reported that the academic quality of or opportunity in another district led them to use open enrollment (Minnesota House of Representatives, 1990). What we will argue is that the use of open enrollment has changed and become linked to charter schools in a competition over students and state aid.

III Theories of Charter School Initiation

Charter schools are by their nature and intent unique and diverse organizations. Thus we have to expect that the reasons for “going charter” will vary across school districts and individual schools. And it is important to realize that the route to chartering a school varies across states. For example, in many states—but not Wisconsin—there exist alternative statewide authorizing or appeal boards that allow potential schools to avoid applying to local school districts. Some states allow these state-level boards to overturn school board decisions to not charter a school. In Wisconsin, the only alternative route is for the non-instrumentality school described above. Formal boards authorize them but the boards are not connected to school districts in most cases.⁵

⁵ To further complicate the complex situation in Milwaukee, the Milwaukee Public School (MPS) Board can also authorize non-instrumentality charter schools. There were 11 non-instrumentality schools in Milwaukee at the start of the 2003–04 school year.

For most charter schools and districts, the process of initiating a charter school is an interactive process involving both district authorities and school-level entrepreneurs or groups of teachers and parents. Thus we need to ask why do school districts, or other authorizing agents, encourage or allow the development of charter schools? And what motivates the initiators of the schools themselves? If authorizers either encourage, or at least acquiesce, to requests from initiators charter schools are likely to emerge. On the other hand, if they continually deny charters to new schools, or offer no support, in Wisconsin they can block charter creation. Similarly, if school-level groups fail to come forward with ideas and energy to suggest new schools, districts may be thwarted even if they attempt to encourage charter schools.

These two basic premises – the unique and often independent nature of charter schools and the interactive process required to start a school – suggest that there are likely to be multiple explanations and theories for the creation and expansion of charter schools. We offer three: 1) an entrepreneurial model; 2) a structural model; and 3) a spatial competition theory.

Entrepreneurial Model. The entrepreneurial model assumes that individuals or groups are the moving force behind school creation. They may be district superintendents or school board members at the district level, or principals, teachers or parents at the school level. They may be stimulated by the simple need to “innovate” or to provide new options, perhaps for specific sets of students. Or they may be motivated by a unique type of school or curriculum (e.g. Marva Collins, Montessori, or Core Knowledge) or a specific type of pedagogy (e.g. individual guided instruction, open classrooms, or direct instruction). The entrepreneurial model is difficult to present

formally and, as will be shown below, hard to quantify. However, our case studies, and earlier research (Mintrom, 2000; Schneider, Teske, and Mintrom, 1995) clearly indicates its importance.

Structural Model. The structural model assumes that charter schools are most likely to emerge: 1) as a function of certain structural constraints such as size of the district, resources available, open seats, and geographic location; and 2) to meet a generalized need of the student body that is not being successfully served in traditional schools. This model is presented formally below where we will estimate the probability of a district being a charter district based on variance across a set of independent structural variables. One group of structural variables describes general district characteristics, including size, budget levels, and the availability of “empty seats” in their schools. Another structural variable is the presence of nearby charter districts. This overlaps with the spatial competition theory. Another set of structural variables includes students characteristics of the school district, such as the percentage of poor and white students. The model will be tested statistically using logit regressions, first as a logit model based on districts being charter districts or non-charter districts then as a hazard model.

Our hypotheses concerning district structural characteristics are:

Hypothesis 1.1. Districts with higher enrollments will be more likely to start charter schools.

Hypothesis 1.2. Districts with more federal revenue will be more likely to start charter schools.

Hypothesis 1.3. Districts with more open seats will be more likely to start charter schools.

Hypothesis 1.4. Districts next to an existing charter school district will be more likely to start charter schools.

Hypothesis 1.5. Districts next to more charter school districts will be more likely to start charter schools.

Our hypotheses concerning student characteristics of districts are:

Hypothesis 2.1. Districts with more poor students will be more likely to start charter schools.

Hypothesis 2.2. Districts with more non-white students will be more likely to start charter schools.

Spatial Competition Model. The spatial competition model assumes that there is a utilitarian motivation for districts and schools to start charter schools. This model posits that *schools* will be motivated by, and families attracted to, an expected utility derived from the unique mission of the school and the quality of its education. On the other hand, it posits that *districts* will begin charters, at least in part, to enhance revenues coming into the district from outside sources (whether state or federal). They do this by attracting non-attending students from private schools, home schoolers, dropouts, or students from nearby school districts.

We adapted this model from the literature on economic development and the market equilibrium location of various types of firms. The economic model is based on a standard, micro-economic, profit maximization theory. It is different in that it explicitly incorporates the transportation costs of inputs (of labor and materials) and outputs (of products, or customers coming to the firm). We adapt this theory to the location and creation of charter schools by assuming that, instead of maximizing profit, district authorities maximize revenue from non-district sources by maximizing enrollment of non-attending students (e.g. home school, private schools, open-enrollment students).

Because families do not pay a price for public education as they would for a product we assume that schools created expected utility based on the mission of the school and the quality of the educational product. We assume that some families will prize the school's particular traits and enroll their students, either switching schools or attending school in the first place (dropouts or home schoolers). Case studies conducted in our larger project indicate that these assumptions capture what we found to be the general motivations of those who started and worked in schools and the most often stated reasons for why families enrolled their children in them. This model is formally developed in another paper (Witte, Shober, Schlomer, and Engle, 2004), but will be tested here using data on Wisconsin open enrollment patterns.

The theory applied to the flow of students using the open enrollment program is somewhat more complex than simply predicting where charter schools will arise, as was presented in a companion paper (Witte, Shober, Schlomer, and Engle, 2004). The spatial theory would predict that as a district charters schools and begins drawing students from other districts, those districts will also become active in attempting to attract students, either as a defense mechanism or by simply copying the idea. In some cases this will be done through charter schools and in some cases using other mechanisms. Thus, the general flow of students under open enrollment is likely to increase in areas where charter schools exist. However, we further posit that chartering itself will provide a relative advantages over all districts that fail to create charter schools, and that the larger the number of charter schools in a district will further increase the incoming students attending under open enrollment.

The two sets of outcomes can be stated in terms of the following hypotheses. Hypotheses 3.1 and 3.2 address the effect of chartering “regions,” and hypotheses 3.3, 3.4, and 3.5 the explicit effects of chartering and the number of charter schools created in a district.

Hypothesis 3.1. Charter “regions,” including charter districts and their adjacent districts are more likely to have more students in the open enrollment program than regions without charter schools (i.e. non-charter districts and non-adjacent districts);

Hypothesis 3.2. The more adjacent districts to a charter district, the greater the number of students in open enrollment;

Hypothesis 3.3. The larger the number of charter schools in charter districts the greater the number of open enrollment students;

Hypothesis 3.4. Being a charter district will increase the number and percentage of district students enrolled in a district under open enrollment compared to non-charter districts;

Hypothesis 3.5. The larger the number of charter schools in a district, the higher the number and percentage of students enrolled in a district under open enrollment compared to non-charter districts.

*IV Data*⁶

Case Studies. The first set of data was derived from 19 case studies of charter schools in the state. The cases were selected based on the type, grades, and locations of the schools, and if they were instrumentality or non-instrumentality schools. Within these categories, schools were randomly ranked. One of the original sample of schools refused to be included, and one school never returned messages after repeated contacts,

⁶ The data for this paper come from the Wisconsin Charter Schools Study (WCSS) funded by the U.S. Department of Education. We are very grateful for these funds allocated under the Charter Schools program, Grant No. S282F010035.

which we assume to be a refusal. Substitutes were added in order from the randomized list.

The case studies included one, two, or three day site visits depending on the size of the school. As few as one, and as many as four researchers were employed for any given site. The visits always included the following:

- 1) *collection of documents* from the school, including their charter (which we collected centrally for all charter schools in the state), budgets, pamphlets, posters, application forms, mission statements, etc.;
- 2) *interviews with key personnel* at the district, school, parental, and community level;
- 3) *classroom observation* using structures observation of the teaching approach, what occurred in the classroom in terms of what teachers and students were doing, how classroom instruction was organized, the degree to which students were on task, disciplined, engaged in academic activities, and the organization, appearance and general demeanor of the rooms;
- 4) *teacher interviews* that were semi-structured interviews concerning why teachers were there, what they liked and disliked about the school, administration, and students, their general approach to teaching, and their attitudes toward other, non-charter public schools.

Depending on the opportunity we would also attend board meetings, authorizing board meetings, school events, or parent involvement activities.

District Data. We also collected data on all of the school districts in Wisconsin for the 1993–94 to the 2002–03 school years. These data were obtained from the Wisconsin Department of Public Instruction and the United States Department of Education’s Common Coreof Data.⁷ Because we use data across several years, a statistical problem arises because residuals are correlated because of multiple

⁷ Most data were publicly available from the websites of these two organizations: <http://nces.ed.gov> and <http://dpi.state.wi.us>. Some variables used in the analysis were constructed from others found in the available data. Most of the variables on the charter schools in districts were constructed from the annual “Wisconsin Charter Schools” published by the Wisconsin Department of Public Instruction.

observations in districts over time. We use robust standard errors in multivariate analysis to account for these effects.⁸

The variables included in the study offer information on both the academic and administrative life of the school district—two things that greatly impact the decisions made within the competitive education environment. Most of the variables are quite simple and self explanatory.⁹ The only slightly confusing indicator used in the analysis is the percentage of empty seats in the district. We wanted to find an appropriate measure for the amount of student capacity being used in each school district. Our variable measures the enrollment of any given year in a district against the highest enrollment in the district in the past 10 years. We then took that difference and made it into a percentage of the maximum enrollment creating a variable measuring the amount of unused school space.¹⁰ Finally, the variable measuring “charter school percent” is in terms of schools, not students. This was done to measure the administrative presence that the charter program has in the district as well as the academic impact.

V Results

We present the results following the three theoretical explanations described above.

⁸ One should also pay attention to the years we use in each part of the quantitative analysis. Even though our data covers a 10-year span, some models use fewer years—often beginning in 1998 because Wisconsin’s open enrollment program began that year. All models using open enrollment variables only include the last 5 years of our data.

⁹ See the tables in Appendix A for all summary statistics of the variables included.

¹⁰ This may not be the most accurate measurement of school capacity used, but we feel that it is the best that we could do with the data available to us. However, with the ever-changing nature of school facility usage, a specific count of student capacity may not be always available. Schools will say they are full one year only to let in more students the next to cope with a large incoming class. Enrollment capacity is often a game of long-term prediction meeting competing reality. We feel that our measure is a reliable indicator for our purposes. Our variable will measure “0” in some districts in years where their peak 10-year enrollment is in that particular year.

Entrepreneurial. Although several researchers have successfully quantified the effects of entrepreneurs on public policy formation and implementation (Mintrom, 2000; Schneider, Teske, and Mintrom, 1995), we cannot do that for our limited sample in Wisconsin. However, the importance of individuals, groups and organizations in initiating and implementing charter schools is simply undeniable and came across in nearly every one of our 19 cases studies. And they were relevant at both the school and district levels. We begin with some examples at the school level.

Charter schools tend to fall into two general patterns: either they are very independent, some almost isolated, or they tend to be linked closely to outside organizations. The latter still may be run independently. One school in the former group, which is now five years old, was almost the single-handed creation of one woman.¹¹ Being a former (dissatisfied) public school teacher she conceived of the school's mission. With help from choice support groups, she secured funds to build a new school building, which she designed. Then, with the aid of two other teachers, she staffed the school, hiring all the teachers, aids, and staff. In terms of operation, by the third year she had in place a curriculum coordinator who seemed to run the day-to-day operations of the school as she had turned more to seeking outside support and dealing with external affairs for the school.

Another school, for seriously at-risk students most of whom had been kicked out of other schools, was similarly the brainchild and creation of two people. One, who had experience in similar situations in the Wisconsin Department of Corrections, was a charismatic leader who clearly was in charge of the day-to-day operation of the school,

¹¹ Confidentiality requires us to be somewhat obscure on missions and locations of schools because when their uniqueness would lead to possible identification.

including continuous interaction with the students and the staff. He admittedly hated dealing with bureaucracies and outside distractions. Thus the second person, who was instrumental in getting the initial charter through the process, handled all office matters and dealing with outside vendors, the school bureaucracy, etc. They jointly hired staff.

A final example, was a combined middle and high-school that was designed and initiated by three women, with one of the women connected to another entrepreneur that ran a number of independent schools, including another charter, one in contract with the public school district, and one a voucher school. She provided a great deal of expertise and guidance to the three key leaders. This small group, secured a building, led extensive remodeling efforts, hired staff and recruited students to meet their first year contract goals. After a very difficult first year in which they went through 20 expulsion hearings, they also wrote a lengthy handbook and created a stringent application process. They relied on the school district to provide service for disabled students and help with other problems. However, as with the schools above (and many others), if it had not been for these key people, the school would not be in existence.

One of the burning questions with these types of arrangements is the issue of what would happen to these schools if these leaders were no longer there. We asked all key personnel this question in our case studies. And not surprisingly, nearly all of them had thought about that possibility. Some said outright that it would be disastrous and may end the school; others were making administrative arrangements for that possibility; and others seemed to deny it was that critical, often stating that this is a strong school, with a clear mission and organization and it could go on despite the loss of any individual or

group of individuals. We were not so certain of the latter in several cases, especially relatively “young schools.”

Other schools resulted from a core group of parents and teachers. In one case in a middle-sized city, a group of parents, most connected to a local college, were attracted to a particular type of high-expectation curriculum and they went to an accommodating school board that agreed to the charter. In another case, a prior traditional public school that had a specific form of organization and pedagogy, was assigned a new principal who decided to change radically the school, dropping the designation of the school that some teachers had worked with for over twenty years. In response, with a small group of very active parents, a group of about a dozen teachers, decided to propose a charter school in the old format in a new, nearby school location. They claimed, and there was some evidence for the fact, that they were very successfully competing with the old school that now had a very different focus.

Other schools had their origins in the entrepreneurial actions of formal organizations. For example, several schools were connected to YWCAs, YMCAs, or other organizations. They were able to use the administrative, financial, and even physical resources of these organizations in the creation and running of their schools. In one interesting case of a conversion from a private voucher to a charter school,¹² the original school was connected to a church, which built the school (connected to the church by a hallway) and leased it back at a low rental rate. The church decided to stop subsidizing the school, and the school subsequently sought and received charter status,

¹² There were as of this writing, seven conversions of voucher schools to charter status. The reasons for this were diverse, but charter status brought more per pupil funding and removed the family income limit that in the voucher program is 175 percent of the poverty line. They of course had to submit to many more reporting and accountability requirements with charter status, but they seemed willing to accept that.

ceasing all religious instruction and observance. Again, a very important leader in the school was instrumental in making this transition.

In some instances, districts also act in a very entrepreneurial fashion. Usually this is led by a superintendent, but may be by another key administrative person who becomes inspired and operates with the support of the superintendent. And this seems to occur in all sizes and types of districts. One very early charter school, for example, was created by three enterprising superintendents from middle-class cities ranging in population from 6,000 to 10,000. The cities were in relatively close proximity, and all had a small group of students they felt could benefit from a non-traditional, alternative high school. Individually they could not justify such a school, but by combining together they had the requisite number of students to create such a school. The charter school law allowed them to accomplish this unique arrangement.

We also observed that district leaders had different views on choice and competition. Nearly all said they were strong supporters of public schools (unlike some of the individual school entrepreneurs). Some embraced the competitive and innovative promise of charters ideologically, while others were dragged into charters more reluctantly. School boards were very similar. In several cases, boards were dominated by business people, who embraced charter schools early on and consistently as a way to provide competition within and outside the district. Others were very reluctant, either because the concept was foreign to them, or they were suspicious of the basic idea of choice and the possible independence of choice schools. In a number of cases of reluctant boards, after the first schools were created, and demonstrated some success, the reluctance disappeared. However, in one case in the state, in a district we did not visit,

changes in the board and the superintendent led to the closing of charter schools in the district.

Finally, we also witnessed several instances where charter schools were created to take advantage of convenient opportunities. These were cases of conversion schools not schools starting from scratch. In one instance, a very small school simply needed an infusion of funds to help maintain and improve an ancient facility. The \$300,000 state planning grants they received served that purpose. They became a charter school, but essentially operated in the same non-traditional way they had been for decades. In another very interesting case in Milwaukee, a group of middle schools converted to charter status to facilitate organizational changes of different kinds, but mainly to reduce their regulatory and paperwork burden with the central administration. The district and school board accepted both rationales.

Thus, while we cannot provide quantitative evidence for the importance of entrepreneurs in chartering and operating schools, we believe the phenomenon is very widespread. Because of the potential organization fragility this may present, we strongly recommend that solid, formal governance structures be established for charter schools and that they begin to plan for leadership succession from the very beginning.

Structural and Spatial Models. It is evident that individuals and/or groups can have a definite impact on the creation of charter schools in school districts. However, there are other factors that impact the decision on whether or not to involve a district in charter schools. First there are structural characteristics of each school district that may affect the need for and ability of districts to form charter schools. Structural features include both district and student characteristics. The former often relate to resource

capacity (e.g. size) and opportunity (e.g. available seats), and the latter to student needs (e.g. poor students). Table 1 and Figure 1 depict expansion in the number of charter school districts by size of enrollment.

At the outset of the charter school movement in Wisconsin, the number of school districts that had a charter school was very low.¹³ Four years after the charter law was passed in 1993, only fourteen districts had started charter schools, and most of those were in the larger cities across the state. In 1998, due primarily to changes in the law, the charter school movement began to boom, doubling the number of charter districts over the previous year. By the 2003–04 school year, 66 school districts had initiated at least one charter school. Nine of ten districts with 10,000 or more students had charter schools. Most charter districts had fewer than 2,000 students (33 of 66). However, 75 percent of the state’s 426 districts have 2000 or fewer students. The increase in the number of charter districts is compelling, but the growth in charter districts appears to be slowing. Our theory presented earlier described an environment where demand and supply were also contingent on the location of the individual and service provider. It could be possible that Wisconsin has reached some sort of saturation point where the charter option is available and dispersed in enough districts to satiate the demand for more districts to start charters.

(Table 1 about here)

(Figure 1 about here)

¹³ In some subsequent tables, we use charters in Metropolitan Statistical Areas from the U.S. Department of Education’s Common Core of Data. We categorized districts surrounding “MSA” districts as suburbs and all others as “non-MSAs.” We use district student size here to emphasize the market share charter schools may serve without open-enrollment, even in small districts (which may or may not be rural).

Table 2 highlights the growth in both charter schools and enrollment over the past decade. Enrollment has increased from an estimated 343 students in 1995–96 (the first year of reliable data) to 20,131 in 2003–04. Of this total, 60 percent are charter school students in Milwaukee.¹⁴ Of the new schools, the majority (106) were new startup schools and 46 were conversion schools. There have been 16 closings, 13 of which were in startup charter schools. Of the 426 public school districts in the state, 66 have charter schools. There are also a small number of charter schools chartered by regional education service organizations. Most districts have granted one charter, with 20 districts granting two or more charters. (Approximately two percent of all public school students in the state attend charter schools in Wisconsin.) While there may be a ceiling effect for the number of districts, there is no slowing in the expansion of charter schools. Thirty-four schools are slated to open in 2004–05 (personal communication).

In addition to the growth of charter schools, the tables also show that larger districts tend to have more charter schools. Districts of 10,000 or more students have, on average, 2.88 charter schools while those under 2,000 have but 1.15. More importantly, though, is that mid-sized districts, of 5,000 to 10,000, have almost the same number as the larger districts, 2.42, in 2003–04.¹⁵ While the smallest districts have the fewest charters per district, these schools are especially significant because the number of schools in the district will also be low. If there is one charter school but only three

¹⁴ This percentage is skewed by the fact that in Milwaukee there are five middle- and high-school charter schools with enrollments over 800. These account for the majority of charter students in the city. Note also that school attendance figures are approximate because some schools' data are missing.

¹⁵ One might also think of the numbers in terms of students per charter. For the smallest districts, there are, on average, 1,019 students per charter; 2,464 for those between 2000 and 5000; 4,913 for those between 5,000 and 10,000; and 8,569 for those over 10,000. In Milwaukee, there is one charter for every 2,216 students in 2003–04.

traditional public schools, a charter may have greater impact than it would in, say, Milwaukee, Madison, or Appleton. Thus districts of all sizes have availed themselves the opportunity to use charter schools.

(Table 2 about here)

(Figure 2 about here)

Table 3 provides information on both student characteristics and district resources by comparing charter and non-charter districts in Wisconsin for the 2002-03 school year. Because of Milwaukee's unique size and student population relative to the rest of the state, we also compute the charter district figures without Milwaukee. The average charter district has more minority and poor students than non-charter districts. They also tend to have considerably higher total enrollments, even without Milwaukee. They also get somewhat more federal revenue and do considerably better in terms of open enrollment.

(Table 3 about here.)

One element of the demographic picture provided in Table 3, racial composition of Wisconsin school districts, needs elaboration because the average figures mask considerable variation. Figure 3 depicts a histogram of minority enrollment in charter and non-charter districts. The bars represent 5 percent intervals. There are very few minority students in non-charter districts. About 84 percent of the districts have 10 percent minority students or fewer and 64 percent have fewer than 5 percent. While charter districts in general have more minority students, over 50 percent of charter districts have 10 percent or fewer minority students, with the remainder having widely varying percentages up to over 90 percent.

(Figure 3 about here.)

The data presented in Table 3 provide face validity for a number of our structural hypotheses (1.1, 1.2, 2.1, and 2.2). However, looking at mean differences does not allow us to make statistical causal arguments. We need to integrate these data into multivariate analyses to control for the impact of each factor on the others.

The first statistical model that we introduce is our general model on whether or not a school district has a charter school program or does not (Table 4). This model uses a basic logistical regression over the entire 10 years of our dataset, and then just for the last year we have data.¹⁶ The structural factors emerge quite strongly in this initial analysis. The enrollment of a school district is very important and statistically significant. This supports our initial hypothesis 1.1. Schools with higher enrollments will have a larger administrative infrastructure where charter schools can find the support to begin. Large districts would also have the ability to offer more educational options. Whereas, small districts would be taking a higher risk to start charter schools when they may only have a couple schools to begin with.

(Table 4 about here.)

Districts with higher percentage of revenue coming from the federal government are significantly more likely to have a charter school. This is probably a reflection of student characteristics, especially that charter districts have a larger percentage of poor students. Both poorer districts and those that have more white students are more likely to have charter schools. The relationship between districts with higher percentages of poor

¹⁶ The dependent variable is dichotomous with 1 as a charter district and 0 a non-charter district. Because this model is using a logit distribution in its estimation, the coefficients cannot be easily interpreted as in OLS regressions. However, the size of the coefficients relative to those for the other variables along with the sign of the coefficients provides important basic information.

students and charter schools in those districts should not be surprising. Charter schools are often created to serve populations of students who are not functioning well in the traditional school system. Whether that means schools focusing on individualized instruction or those catering to at-risk populations, charter schools are one method for school districts to address a large population of poor students.

The question that is a bit puzzling is why districts with more white students would be more likely to have charter schools, especially since the mean percent of minority students was higher for charter schools in Table 3. This is likely an artifact of the state we are analyzing. Wisconsin's ethnic minority population is largely centered in one urban area Milwaukee, with significant minority populations in other mid-size cities across the state. These large numbers will affect the averages across all charter districts. Just as important, they also produce the high standard deviation on percent minority in Table 3 and the distribution of minority students depicted in Figure 3. The rest of the state is largely rural, populated mainly with white students, with the exception of several sizeable Native American communities throughout the state. Thus the positive coefficient for white percentage in a district can be an artifact of the large number of non-charter districts that are white, combined with charter districts that vary considerably in their racial composition. Further evidence for this is offered in Table 5 below.

To provide an initial test to the spatial theory for charter school utilization, we included variables indicating whether or not the school district was adjacent to any school district with charter schools. We also tested whether the number of adjacent charter districts seemed to matter. Our spatial theory would support the argument that districts that are faced with competition from neighboring charter districts will respond in kind to

maintain their student population and remain competitive in the education market. In the initial model over the full period, both of the spatial variables are positive and significant, thus supporting our hypothesis.

When we run just the final year with 66 of 426 districts as charters, the coefficients on the adjacent variables are in the right direction, but they are not significant. We believe this is because larger cities were the first to charter schools, with smaller more isolated districts (in rural areas) coming in later and thus by 2002-03 the spread across the state is considerably higher.

We offer evidence for that explanation and the explanation for the percent white coefficient in Table 5, which breaks out the data by location of the charter district. It is very obvious that the white-student effect is outside our cities and suburbs. Indeed, in suburban charter districts it appears that a higher percent minority is associated with creating a charter school. Also, for suburbs of cities, being adjacent to a charter district and the number of charter schools in those districts, indicates a higher probability that the district will also become a charter district.

(Table 5 about here.)

Finally for all districts and years, it does *not* appear that the percentage of empty seats has a reliable and consistent effect on the district becoming a charter district. In most instances the signs are in the correct direction (more empty seats, more likely to be charter), but they do not approach the standard 5 percent significance level.

One of the problems with our basic “stacked” model is that repeat cases have a continuing impact on the results and thus earlier charter districts have an inordinate impact on those results. A hazard model is one way to remove that problem. Hazard

models apply to situations where the units of analysis reach some distinct level (often death in biological situations) and then are eliminated from the sample for subsequent time periods. This amounts in our case to dropping charter school districts from the subsequent year's data once they charter a school. The data are still stacked, but the repetition effect is terminated for charter districts.

The results of such an analysis is presented in Table 6. The results strongly confirm our basic model results and clearly support our major hypotheses. In terms of the spatial effects, it would seem that the sheer fact of being adjacent to a charter district has more influence on subsequent chartering than the number of charter schools in the adjacent district. Again, while the empty seat percentage is in the correct direction it is not significant under either specification.

(Table 6)

When we apply the hazard model to a breakdown of districts by location (Table 7), we confirm the results from the basic model. Because the sample size of MSAs (large cities) is quite small, especially when we remove the repeated cases of chartered districts, nothing is significant. One interesting result is that enrollment size seems to also matter outside of MSAs. Thus the larger suburban, small cities, and rural districts are more likely to become charter school districts than smaller districts in those areas. Also in non-MSA districts, those with more poor students (and hence higher federal revenue) are more likely to become charters. The white effect is similar to that in Table 5. And finally, for suburban districts, it does appear that the number of available seats has an impact on whether they start charter schools or not.

(Table 7 about here)

The basic and hazard models provide significant evidence for the spatial competition hypotheses. However, considerably more evidence can be garnered by analyzing the actual flow of students using open enrollment laws.

Spatial Theory and Open Enrollment. Open enrollment has grown quickly since its first year in 1998. In that year, 2,464 students took advantage of open enrollment. In 2002–03, the last year of available data, the number of students entering districts under the program was 12,379. Open enrollment does not appear to be uniform across types of districts. For 2002-03, MSA districts only received money for 1,241 students, while suburban districts had 6,428 students enter their districts. All other districts accounted for 4,710 students. Thus it appears that students are using open enrollment to flee large city districts in part. Our question, however, is whether charter schools have an impact on open enrollment flows.

The answer is a definitive yes. Charter schools have a significant effect both in terms of the sheer number of students coming into a district or by the percentage net flow of students (incoming minus outgoing district enrollment). The first of these measures is modeled in Table 8 and the second in Table 9. In Table 8, all the “competition” coefficients are in the right direction and all but one are significant at the 0.05 level of statistical significance. Thus, being a charter district means between 6 and 8 more students in 2002–03 come in under open enrollment. Also, simply being next to a charter district attracts students. Finally, the number of adjacent districts with charters also matters. *Thus, after controlling for a large set of district characteristics, being a charter district has the largest effect on open enrollment, but regional clusters of charter districts also increase the flow of open enrollment students.*

(Table 8 about here.)

The regional effects are not significant when we look at the net effect of open enrolment as percentage of district enrollment, but having charter schools in the district has the same positive effect on acquiring open enrollment students and thus state aid. And the larger number of charter schools in a district the higher the expected net percentage. The coefficients measuring adjacent locations, while not statistically significantly different from zero, actually have negative coefficients. *The most straightforward interpretation of these results, and those above, is that chartering in a concentrated region increases the flow of students in the region considerably, but it is the charter school districts that gain from the flow.*

(Table 9 about here.)

VI Conclusions

This paper has argued and provided evidence that forces are at work in decisions of school districts to charter schools. First, in almost every school and district we visited for case studies, there were entrepreneurial administrators, school board members, teachers, or parents at the heart of either the district or the charter school, and often both. Our evidence was anecdotal but consistent across 19 case studies.

Second, we showed structural characteristics of school districts that affect the probability of them becoming charter districts. There are two general sets of structural characteristics that were shown to be quantitatively correlated with becoming a charter district. The first were resource characteristics (size, federal revenue, and for suburbs available seats); and the second were indicators of unmet students needs (the percent of students eligible for free lunch).

Finally, we argued and believe we provided significant evidence that competition is also a motivation for going charter. We posited and the data supported that open enrollment and charter schools are working together to enhance the flows of students from home schooling, private schools, dropouts, and from other public school districts into charter school districts. *Thus using several different indicators and models, estimating either which districts become charter districts, or the flow and net gain directly from open enrollment, there is no question that charter schools are increasing competition for students in Wisconsin.*

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