

Dangerous Chartering Malaise

John Merrifield

June 21, 2015

In 1993, Vice President Al Gore's "[Re-Inventing Government](#)" pointed out that "scandal," not routine inefficiency drives policy change, and makes/breaks government careers. And I pointed out that the [circumstances of chartered public schools](#) were ripe with potential for a school choice movement-imperiling scandal. That would be devastating, and recently, there have been warning signs that such peril may be imminent. It might nothing more than a particularly eye-popping scandal and an especially effective demagogue messenger to launch a [doomsday scenario](#) that could even engulf non-charter forms of school choice; for example, perhaps slowing or even totally stifling the copying of [Nevada's universal education savings account law](#) by other states.

There is a [website](#) devoted to reporting such scandals, and two major reform-supportive organizations (Fordham and Center for Education Reform) are reporting widespread allegations of chartered public school-related scandals. They have responded with a mixture of dismissiveness and attempts to discredit. Of course, some of the reports may be fiction motivated by the desire to leverage the power to destroy through scandal. But many are grounded in fact. Even if exaggerated, they provide empirical support for what economic theory says about the charter law propensity to mix the profit motive and the chronic shortage circumstances that are the chartered public school norm. It is arguably a serious problem even in states that don't allow for-profit charter authorizers. Not-for-profit can feel very profitable if the large gap between revenues and minimum operating expenses facilitates very attractive compensation packages for the charter operators.

The June 9, 2015 Center for Education Reform's *Education Reform Newswire* mentioned "media reports on the scandals and "scurrilous motives" of [charter] schools." So, such alleged scandals are quite common. And the Dec 9, 2014 [Education Gadfly](#) e-mail from the Fordham

Foundation contained this: “lackluster performance and shady self-dealing of some Florida charter schools,” including [this one](#) I reported previously. Definitely the “shady dealing” and quite possibly much of the “lackluster performance” is the result of near-zero [subjective accountability to clients](#) (parents) that results when chartered public schools have long waitlists (shortages). Since unhappy customers are readily replaced from the waitlist, a chronic shortage eliminates the normal relentless market pressure to improve. The “shady dealing” temptation arises from the toxic combination of the profit motive and the pricelessness that yields chronic shortages. With the waitlist as a buffer, cutting corners can lower costs without reducing revenue; voila, a bigger profit margin. Again, customers driven away by corner-cutting (reduced quality) are readily replaced from the wait list. When obvious profit is not allowed by the charter law, cutting corners yields more money to spend on glitzy circumstances and higher salaries. To prevent “lackluster performance” and “shady dealing,” the current system relies on [accountability to public officials](#), based on what they objectively measure. Appropriately low expectations from that accountability process arise from direct experience with charter authorizers, and because we gradually became a ‘[Nation at Risk](#)’ as political accountability to public officials failed to yield a high quality mix of schooling services.

Until we [decontrol the price of charter slots](#), there is probably not much we can do to prevent “shady dealing” and cutting corners that yield “lackluster performances.” But what advocates of transformational change can and must do is respond to each genuine scandal with the same basic point: the core reason for the persistent, periodic scandalous behavior is the opportunity created by the pricelessness that invariably yields long wait lists. Choice per se is not the cause of charter scandals. It can’t be! Choice only barely exists among chartered public schools, or between chartered and traditional public schools. All of the desirable schools are full. At the government-set per pupil payment (the controlled price), plus whatever philanthropic support they can muster, most chartered public schools cannot supply enough slots to meet the demand.