

The Slowdown in Bay Area Charter School Growth: Causes and Solutions

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January 2018

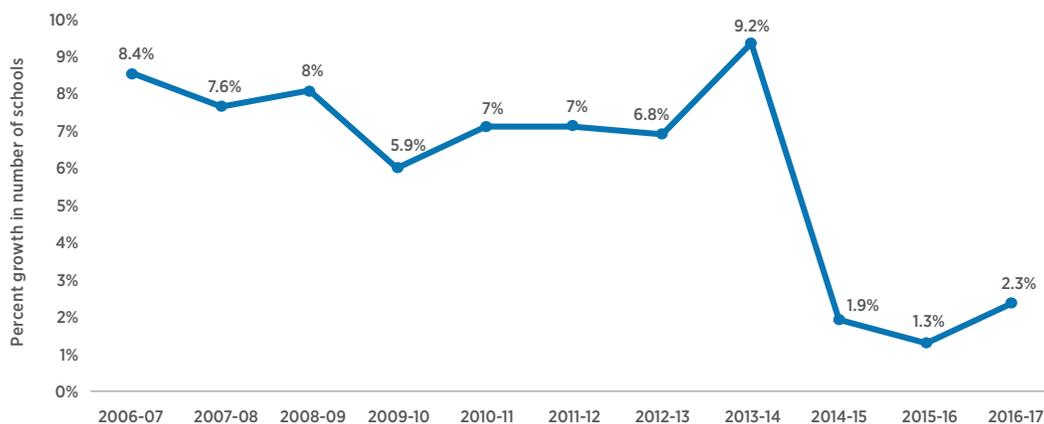
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INTRODUCTION

Since the first charter school law passed in 1991, U.S. charter schools have enjoyed steady and relatively rapid growth, now serving more than three million students nationally. That is nearly three times the number of students enrolled in charter schools in 2006-2007. In more than 58 cities, charter schools represent more than 20 percent of all public school enrollment. In seven cities, charter schools enroll more than 40 percent of students, and in three cities, charter schools enroll the majority of students (New Orleans, Detroit, and Flint, Michigan).¹ However, the rate of new charter school growth has slowed significantly in recent years. Until 2013, the sector enjoyed a very steady growth rate, with the total number of charter schools increasing by 6 or 8 percent each year. Since then, the number has fallen steadily, with the growth rate of new charter schools dipping below 2 percent in 2016.

FIGURE 1. National Charter School Net Growth Is Slowing



Source: *National Alliance of Public Charter Schools*.

There are many plausible explanations for the recent deceleration of charter growth, including a temporary slowdown in start-up funding, an increasingly hostile political and regulatory environment, and a lack of access to quality teachers and leaders. It's also possible that now, more than 25 years into the charter school movement, [other new dynamics have come into play](#) among the schools themselves that must be attended to in order to refresh and reinvigorate the growth of high-quality charter schools.

To begin to understand these national trends, the Center on Reinventing Public Education (CRPE) studied the charter school landscape in the San Francisco Bay Area, a region with historically rapid charter growth that has recently slowed. We set out to learn what factors are inhibiting charter growth in the Bay Area and how they can be addressed. As part of our research, we conducted telephone interviews with representatives from organizations that operate 74 different Bay Area charter schools, taking care to seek evidence and to corroborate with other interviewees as a check on individual views. We examined data on school openings, closings, authorizations, and enrollment, and reviewed data on Bay Area charter authorizers from the National Association of Charter School Authorizers. We reviewed demographic data

1. Rebecca David, Kevin Hesla, and Susan Aud Pendergrass, *A Growing Movement: America's Largest Public Charter School Communities* (Washington, D.C.: National Alliance for Public Charter Schools, 2017).

as well as facilities leasing and purchasing data. We also reviewed media coverage and public polling data.² We sought to confirm or deny the many hypotheses that could explain a slowdown in growth. Still, the available data were limited, and further analyses are likely needed to more precisely quantify some of the challenges we identify here.

Overall, our interviews revealed a fatigued sector dealing with a powerful trifecta of new factors: scarce facilities, rising costs, and rising political backlash. As one charter operator lamented: “Things are hard overall. What was a hard job is exponentially harder now.”

To a significant degree, these challenges are regional in nature and call for regional solutions. In Oakland (with a 28 percent charter share in 2015-2016), San Jose (11 percent), and increasingly in Richmond (12 percent), a high concentration of charters is creating a situation where charter schools in some neighborhoods face growing competition for teachers and students. These challenges may be greater for independent school operators and small charter management organizations (CMOs), which tend to have fewer staffing and networking resources to navigate facilities and political challenges.

Nationwide, the demand and need for more high-quality schools are evident, based on waitlists and overall school performance trends. For that reason, there is urgency to open new pathways to high-quality learning opportunities, including charter schools. Our recommendations focus on finding new ways to give quality charter schools access to facilities, expanding the pool of quality providers, supporting growth outside the most challenging political environments and real estate markets, finding new ways to help existing charter operators lower their operating costs and avoid unnecessary competition through coordinated supports, and developing strategies for dealing with hostile local political backlash to charter growth. While our focus was largely on the Bay Area, these recommendations may help guide the maturing charter sector nationwide as it faces similar challenges.

THE BAY AREA CHARTER SCHOOL LANDSCAPE

The California legislature first authorized charter schools in 1992. Since then, despite some cyclical fluctuations, Bay Area charter schools overall have boomed. Unlike many other states, charter school growth in California is not tightly capped (an additional 100 schools may open each year), and strong appeals processes ensure that school districts cannot arbitrarily deny a qualified charter application. For these reasons, California has been one of the nation’s fastest growing charter states.

In this report, we consider the Bay Area to be constituted by five counties: Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara. School governance in these counties varies: There are 108 total school districts, with 35 in Santa Clara County, but just 3 in San Francisco County (see table 1). These districts include traditional K-12 districts as well as nontraditional districts, such as vocational

2. We used the California Charter School Association’s database of schools to identify existing school leaders for our interviews. They were contacted by email, and interviews were conducted by phone. Before phone interviews occurred, schools were emailed a forced ranking survey. Data on school openings, closings, authorizations, and enrollment were obtained through the same database. The data span the school years 2008-09 to 2016-17. Charters in San Francisco, Santa Clara, Alameda, San Mateo, and Contra Costa counties were contacted. 17 interviews were conducted, 14 of which were with operators that ran more than one school. In total, those 17 operators run 74 charters, which represents 41 percent of the Bay Area charter sector. Some of these charters collocate, while some are divided up among several sites.

schools and K-8 or 9-12 districts, but not all these districts can authorize charter schools. The authorizing environment in California is decentralized: Local school districts are the primary authorizer for most charters, but charter schools can appeal to be authorized by their county or the state board of education if rejected by their local district board. Thus, authorizing practices can vary depending on the perspective and policies of each local board.

TABLE 1. Number of School Districts in Bay Area Counties

County	Number of Districts
Alameda	25
Contra Costa	20
San Francisco	3
San Mateo	25
Santa Clara	35
Total	108

Source: California Department of Education. Note that charter districts (charters schools approved by State Board of Education) are excluded from this count, and that not all districts here can authorize charter schools.

Demographics across Bay Area counties also vary, with the largest concentration of socioeconomically disadvantaged students in San Francisco and Alameda counties, and the largest concentration of English language learners (ELLs) in San Francisco County. All counties in the Bay Area serve a majority of non-white students and significant populations of students who are economically disadvantaged and enrolled in ELL programs. Table 2 provides more detail on Bay Area county demographics.

TABLE 2. Bay Area County Demographics of Public School Enrollment

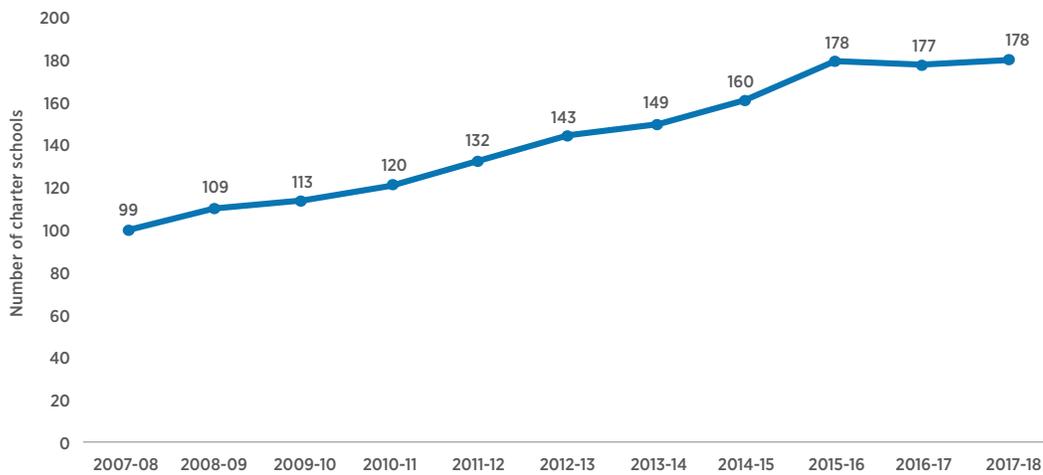
% Enrollment by subgroup	Alameda (226,904 students)		Contra Costa (177,370 students)		San Francisco (60,748 students)		San Mateo (95,620 students)		Santa Clara (273,264 students)	
	Total	Charter 9.9%	Total	Charter 4.8%	Total	Charter 12.1%	Total	Charter 7.5%	Total	Charter 11.4%
Total county enrollment vs. charter enrollment										
African American	10.4%	16.8%	9.3%	8.6%	9.1%	20.6%	1.6%	2.3%	1.9%	2.3%
Asian	24.6%	11.2%	12.5%	4.8%	31.9%	4.4%	14.5%	9.1%	29.1%	13.9%
Hispanic or Latino	33.9%	51.7%	35%	53.2%	30.3%	53.9%	37.9%	43.9%	38.7%	61.1%
White	18.9%	11.3%	31.7%	24.7%	14.1%	12%	27.9%	31.7%	20.1%	14.6%
ELL	21.1%	24.9%	17.6%	19.8%	27.4%	19.7%	23%	19.8%	22.6%	36.1%
Students with disabilities	10.3%	8.3%	11.1%	8.1%	10.9%	8.1%	9.8%	9.5%	10.1%	9.0%
Socioeconomically disadvantaged	44.1%	66.1%	40.6%	56.9%	56.5%	56.5%	34.8%	41.3%	38.4%	58.3%

Source: California Department of Education, 2016-17 Enrollment by Ethnicity for Charter and Non-Charter Schools, and Enrollment by Subgroup for Charter and Non-Charter Schools.

While individual school performance varies, Bay Area charter schools generally outperform traditional public schools. In a [2015 report](#), Stanford University’s Center for Research on Education Outcomes (CREDO) found that the average charter school student in the Bay Area attained significantly more growth over one year in reading and math scores than they would at a similar district public school. The average Bay Area charter school student also experiences significantly more growth the longer they stay in a charter school. Additionally, according to Innovate Public Schools’ [2016 analysis](#) of the Bay Area public schools that are achieving above-average results for low-income Hispanic/Latino and African American students, the majority are charter schools.

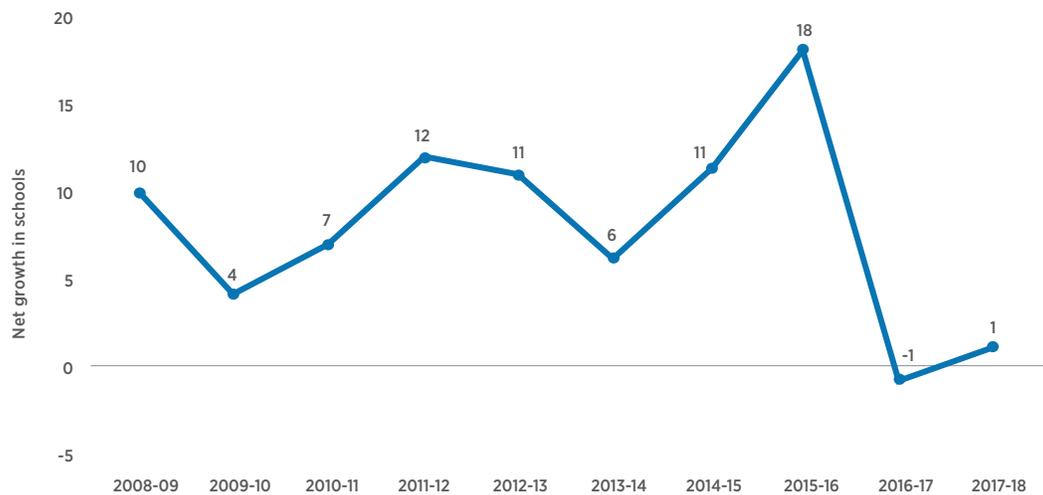
Networks of at least two affiliated schools dominate the Bay Area charter school operator landscape. As of 2017, 110 schools were part of a network or CMO, while only 68 schools were freestanding.

FIGURE 2. Total Number of Bay Area Charter Schools



Source: California Charter Schools Association.

FIGURE 3. Net Growth of Charter Schools in the Bay Area

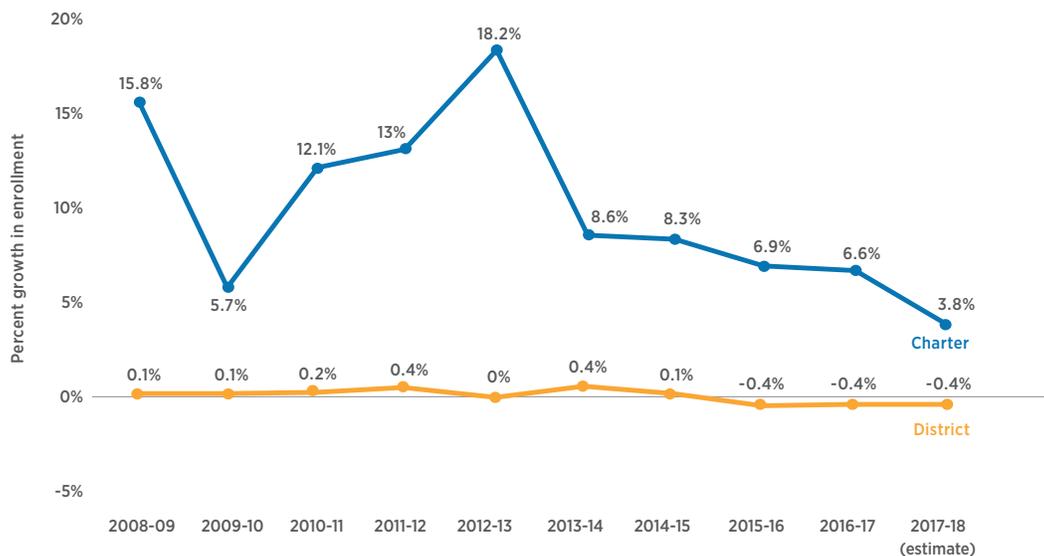


Source: California Charter Schools Association.

The rate of total Bay Area charter school openings has varied over the years, but one factor was notable: Going into the 2016-2017 school year, for the first time, more charter schools closed than opened (see figure 3). It should be noted, however, that many charter leaders feel that the continued closure of poorly performing charter schools is an important element of ensuring high-quality schools for all students.

While overall student enrollment in charter schools has continued to grow every year, the pace of enrollment growth (which we refer to as the “enrollment growth rate”) has slowed even more consistently than the new school growth rate. As figure 4 shows, the enrollment growth rate in Bay Area charter schools peaked in the 2012-2013 school year, with more than 18 percent additional students enrolled than in the previous year. Since then, the sector has added fewer students every year, enrolling only slightly less than 4 percent additional students in the 2017-2018 school year. District school enrollment in the Bay Area has been almost stagnant over that same period.

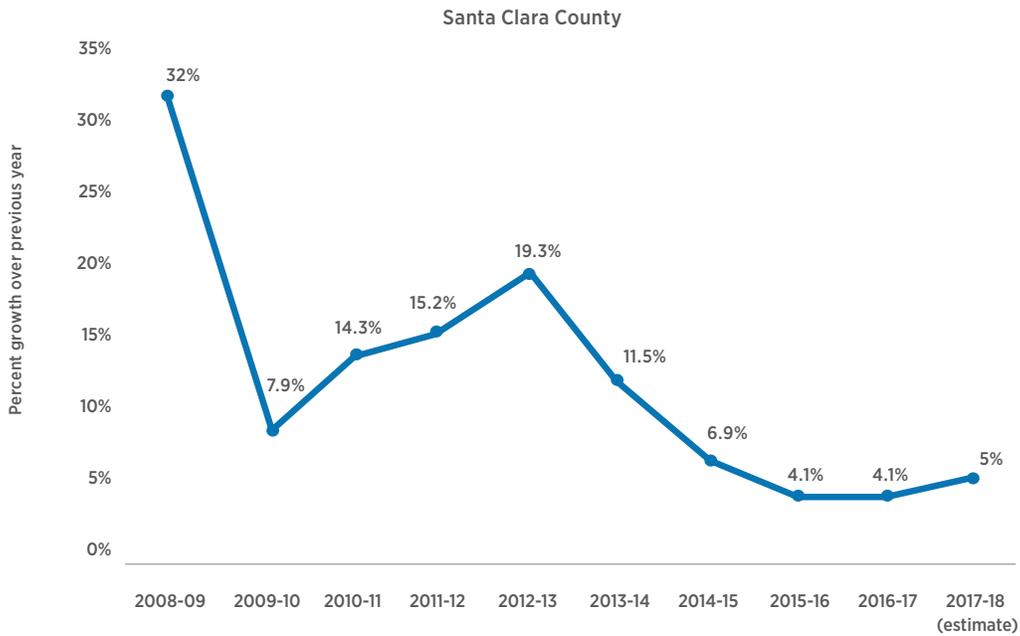
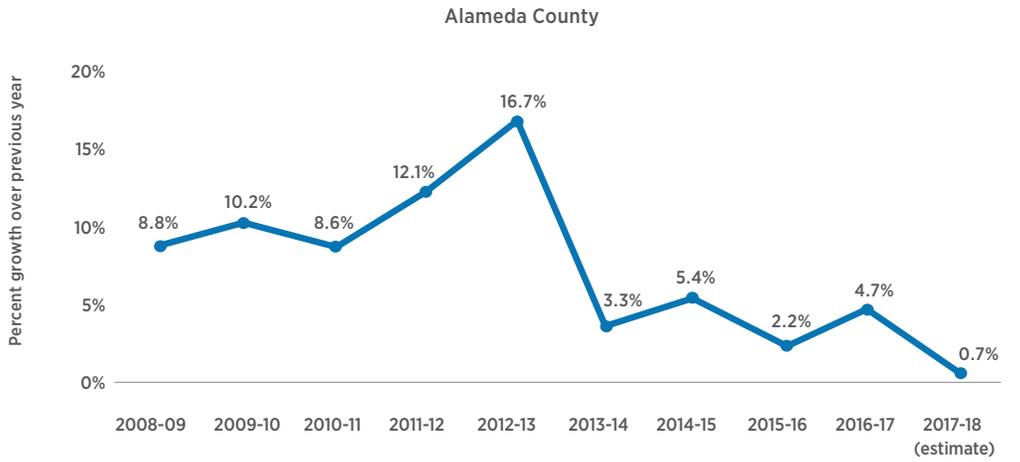
FIGURE 4. Annual Student Enrollment Growth Rates in Bay Area Charter and District Schools (2008-2018)



Source: California Charter Schools Association.

This trend is more notable in the largest counties: in Alameda and Santa Clara, enrollment growth peaked in 2012 and 2013, respectively. Census data and California State Charter School Association (CCSA) data show that these counties have the highest concentrations of charter schools and highest charter enrollment. Currently, approximately 7 percent of school-age children attend charter schools in Alameda County, while in Santa Clara County, charter enrollment sits at just over 8 percent.

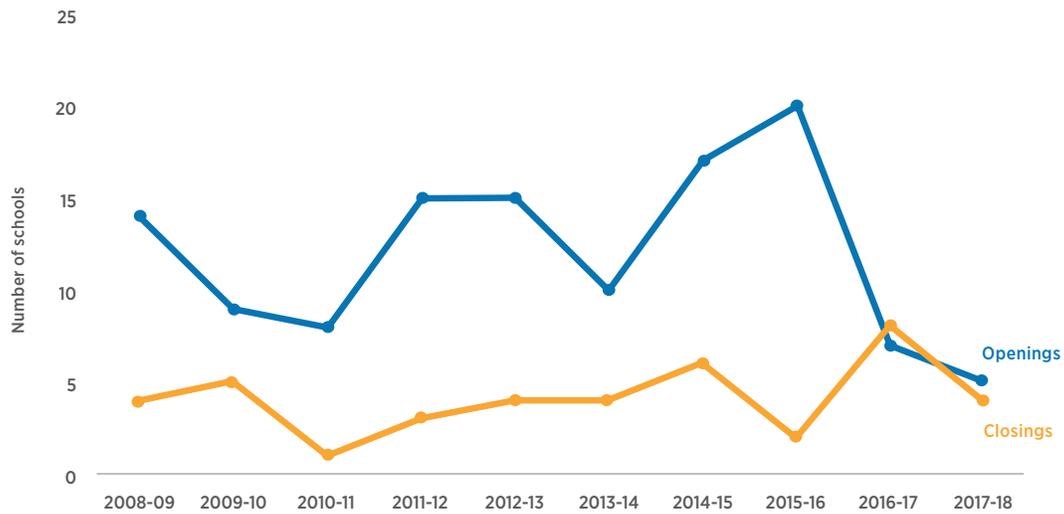
FIGURE 5. Charter School Enrollment Growth in Alameda and Santa Clara Counties (2008-2018)



Source: California Charter Schools Association.

We wondered if an increase in the rate of charter school closures might explain the overall slowdown in enrollment growth, but this does not appear to be the case. As figure 6 shows, the rate of charter closures has been remarkably steady over the last several years.

FIGURE 6. Bay Area Charter School Openings and Closings (2009-2018)



Source: California Charter Schools Association.

Given the decline in enrollment growth and the slowed rate of charter school openings, the bottom-line questions facing charter stakeholders are these: Why is growth slowing, and how can the Bay Area charter sector grow the number of high-quality charter school seats?

FINDINGS

1. Lack of access to affordable school buildings is the single immediate and overwhelming factor constraining growth.

To help identify the biggest barrier for charter operators, we asked each school leader we interviewed to rank the growth challenges they face in order of significance. The results are presented in table 3. Universally, charter operators told us that finding a suitable facility is the primary reason charter schools are not growing faster in the Bay Area.

“Slowed charter growth in the Bay Area comes down to two things: incredibly high real estate prices and lack of facilities. It’s hard to find something and keep it.”
 —Charter operator

TABLE 3. What Charter Operators Told Us Most Constrains Growth

Top Concern (average rank)	Second Tier Concerns (average rank)	Lesser Concerns (average rank)
Facilities (1.75)	Founding teachers (5) Start-up costs (5.34) Quality concerns (5.71) Leaders hard to find (5.71)	Regulatory burdens (6.29) Political backlash (6.75) Hostility from authorizers (7) Competition with other schools (8.5) Low demand (9.29) Applications too stringent (10.86)

Note: Numbers refer to the rank that charter operators assigned, on average, to each growth-constraining factor (1=most significant barrier, 10=least). Source: Forced rank survey conducted by the Center on Reinventing Public Education.

The second-tier concerns include teacher and leader talent, especially for new schools. Start-up costs are a concern especially for small schools, and many schools hesitate to grow rapidly out of concerns over maintaining quality. Operators are less immediately concerned with regulatory burdens, authorizer hostility, political backlash, competition between schools, low demand, or burdensome application requirements. It is important to note that these findings, while helpful, reflected school leaders’ perceptions and varied by the type and location of the school. Our research, which set out to test these hypotheses, revealed that while facilities are clearly the linchpin for growth, several other interlocking factors, including politics, competition, and regulation, do indeed influence charter growth, especially in areas where charter schools represent a large portion of all public schools.

Facilities are a hard cap on growth. Whatever other assets a charter school has, no building means no school. As one charter leader told us, “Our growth plan for the next year will be either 100 percent successful or 100 percent catastrophic if I don’t find a property in the next three months.”

For charter leaders, the ideal scenario would be to secure long-term facilities in unused district properties or to colocate in underutilized district buildings. Charters often pay to upgrade district-owned facilities, and school districts enjoy improved assets in addition to rent payments. In exchange, charter schools would have suitable long-term housing for all their students.

Prop. 39 helps, but it doesn't help enough. For the most part, districts have shown an unwillingness to share space or consolidate underenrolled schools, resulting in few of these longer-term facilities agreements with charters. Instead of long-term leases, charter schools in publicly owned facilities often rely on agreements through Proposition 39. “Prop. 39” is a statewide policy that compels districts to provide facilities for students within their boundaries who attend charter schools. These facilities must be reasonably equivalent to district facilities. Although Bay Area charter schools benefit from Prop. 39 in many ways, the policy has several insufficiencies that constrain the sector’s growth.

A common story that emerged in interviews was that charter schools often were offered several small spaces instead of one adequately sized building. For example, a charter school that serves 200 students might be offered two spaces capable of housing 100 students each in different buildings, which were sometimes not even near each other. In addition to likely not meeting legal requirements and exposing districts to potential litigation under Prop. 39, such as the cases that CCSA has [previously filed](#) against both Oakland Unified and Los Angeles Unified school districts, this situation is undesirable for charters because it hampers school functions like student recruitment, school culture, and potentially, student learning and enrichment opportunities. It’s also costly.

“One school was given four different locations for one school this year. It’s not affordable—imagine having four different office managers. You’ll need really high enrollment to offset costs.” —*Facilities funder*

While this is a debilitating situation for charters, it is politically easier for districts to prioritize utilizing space in underenrolled buildings than to consolidate and close schools. Moreover, because Prop. 39 mandates that districts provide facilities only for students that live within the district, charter schools that serve students from multiple districts often are offered facilities that cannot house all students. This challenge is especially pronounced in a place like San Jose, which is comprised of dozens of small school districts.

Prop. 39 is not a long-term facilities solution for charter schools. Charter schools in Prop. 39 facilities have one-year lease agreements with districts, and while districts may offer longer stays in those facilities outside of the Prop. 39 legal construct, when that offer is not extended, schools must move. One operator explained the burden this creates: “It’s hard to build continuity for staff and families if you don’t know by May where the school will be in August.” In the instances when Prop. 39 facilities are not renewed and charter schools cannot secure another location, they must close.

Many districts have reportedly become more sophisticated about fighting Prop. 39 requests. Often the strategy works simply because it becomes too time consuming and costly to keep fighting a resistant district.

A skyrocketing private real estate market dampens growth ambitions. In lieu of shared building arrangements, charter operators report that they would like to find affordable long-term leases on the private market. However, buildings in the Bay Area that are suitable for school facilities are both limited and expensive. According to some charter operators, high property values further disincentivize districts from leasing their property to charters, despite the legal obligation of Prop. 39.

“In the Southern Bay Area, the properties are so damn valuable that districts are resistant in sharing them with charters. They lease out to Home Depot and shopping malls.”
—*Charter operator*

Districts have the advantage of exercising zoning exemptions that allow commercial properties to be rezoned as schools. Districts use this power to convert open space for their own use, but reportedly often hesitate to do the same for charters. As a result, whenever charter schools want to rezone a building for their use, they must go through a relatively arduous city-level process with high costs (operators cited spending upward of \$65,000) and uncertain results. Small operators often cannot overcome this barrier, and even large CMOs are significantly slowed by the added burden. When schools do locate a facility, up-front costs can be prohibitive for schools that do not have the per-pupil revenue base or donor support to finance renovations. High costs also cause larger schools to delay facilities investments by years.

In the end, the Bay Area real estate market is simply pricing out the charter sector based on what they can afford given their public funding. Small CMOs and standalone “mom and pop” schools with limited central office capacity and limited funding are particularly challenged in the ongoing search for buildings.

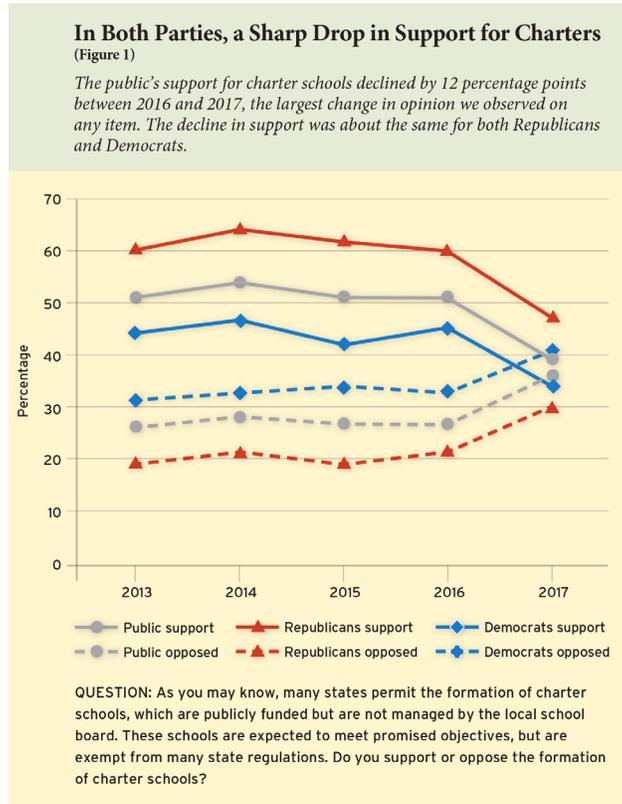
One operator described the situation neatly: “District Prop. 39 policies are prohibitive, and the market is crazy. It’s like trying to find a unicorn—financially and logistically an incredible challenge.”

2. Escalating political street fights can have a potentially chilling effect on growth.

Districts facing financial strains often see charters as responsible for their challenges (whether this perception is accurate or not). As a result, charter growth becomes an enemy of district financial security in the minds of some school boards. In response, districts have become skilled at limiting charter growth by blocking access to facilities, bringing lawsuits against growing schools, and making compliance with regulations like the California Environmental Quality Act (CEQA) more difficult. There are even reports of district officials trying to undermine charter expansion by recruiting teachers from charter schools and then using their interest as evidence that the charter school lacks internal support for expansion. [This is then used against charters in the approval processes.](#)

Teachers unions also [have reportedly](#) stepped up their resistance strategies and are increasingly coordinating opposition campaigns with local school districts and attorneys. Statewide advertising campaigns and targeted local resistance efforts are increasingly common nationwide. [A national poll](#) conducted by *Education Next* in 2017 showed that support for charter schools has recently fallen, particularly among Democrats, and opposition has grown (see figure 7).

FIGURE 7. National Poll Shows Decline in Support for Public Charter Schools



Source: Education Next, *The 2017 EdNext Poll on School Reform*.

On the other hand, charter advocacy is also on the rise, often resulting in successful campaigns for school board races. [By one accounting](#), the CCSA spent more than \$12 million on candidates for school boards and other races in 2016 and 2017. In 2017, charter advocates celebrated the successful election of two charter-friendly board members to the Los Angeles Unified School District, leading to a reform-friendly board majority. The Oakland and San Francisco boards have seen similar electoral successes.

Political opposition has always been a reality for charters, but those we interviewed reported that it is growing, in part because of national politics and in part because of local resistance to the growing presence of charters and the perceived fiscal impact on districts. Most of those we interviewed reported that the political dynamic is having a subtle effect on charter supply now and will likely become worse in coming years. Some told us that it is simply getting harder to find people who want to open a charter school or work in one. Some single-site, independent operators or would-be operators noted that the fights required to open their schools discourage them from attempting to expand or continuing to pursue the process. One charter operator suspected that the political climate can even affect schools' ability to access financing for facilities:

“Given the opportunity, a lot of private lenders want to go with a tenant that has no risk or negative association. They would rather go with an edtech that’s equally mission aligned.”
—Charter operator

Despite the rise in state and national political resistance, the general picture emerging is less about the national debate and more about increasingly serious and organized resistance from districts and teachers unions as charters have become a larger presence and a long-term threat. While that resistance is playing out most pointedly and painfully in facilities fights, it manifests itself in many other small but important ways. For example, several charter leaders reported in interviews that the California Teachers Association (CTA) has led campaigns for their teachers to unionize, which could potentially limit some schools' instructional or expansion strategies. Charter leaders also reported that even more minor efforts, such as public data requests from CTA or increasingly onerous application processes for charter authorization from districts, are a major energy, resource, and capacity drain. One charter leader summarized the environment surrounding charter interactions with the union and districts as “death by a thousand cuts.”

3. Start-up funding is difficult to secure for less connected leaders, and in areas operators consider the most viable.

Overall, most charter leaders we spoke with felt that start-up funding is reasonably easy to secure, especially for school networks with a strong track record of success. However, because of the political and facilities impediments described above, the rising cost of doing business is becoming untenable for most charter schools. Small CMOs and standalone schools in particular lack the resources and connections to fight the various battles required to grow, and the funding community is not sufficiently augmenting their finances to make it worth their while.

Many of those we interviewed believed that the Bay Area's supply of effective schools is limited today by the philanthropic funding strategies used in the past. In particular, a consistent perception exists that single-site schools and school leaders of color who are not tied into Bay Area funder networks have historically not been connected to traditional funding channels. For example, we interviewed one school leader whose school is now getting strong results on the new Common Core tests, but was passed by in the early years of CMO expansion grants. More recently, several local and national funders have prioritized start-up funds for leaders of color. No data exist on the prevalence of charter leaders of color, so we have no way to assess the impact of past or present funding efforts. It may be time to start collecting these data and to create even more avenues for identifying and supporting promising school and CMO founders who are not on funders' radars for whatever reason.

Charter leaders we interviewed said that start-up dollars are hardest to come by in regions of the Bay Area that operators consider most viable for charter school growth and having the lowest barriers to entry. Operators are finding it easy to access philanthropic funding in Oakland and San Francisco but see those places as “oversaturated”—making it difficult to find talent and facilities—and politically untenable. By contrast, western Contra Costa County has more available facilities and students that match most charter schools' target populations.

Operators also are increasingly observing trends of gentrification in the Bay Area, and they see start-up money targeted to the cities where their target population (low-income students and students of color) is leaving.

“People are moving farther and farther away from cities [because they can't afford to live there] and into poor-performing school districts. An organization like KIPP—if they want to double in the next five years—they'll need to go in these areas. But charters are not going there because there is no funding there.” —*Charter operator*

4. Lack of coordination and “survival of the fittest” thinking are self-inflicted wounds that constrain supply.

A consistent theme we heard from Oakland operators in particular was the view that the high concentration of charters in the city causes any new school to spend more time and energy competing with other charter schools for students, teachers, and facilities. Interviewees pointed to fierce competition for the few available and affordable facilities and missed opportunities to coordinate on common issues like staff recruitment. There are clearly not too many high-quality charters in the Bay Area. Need and demand are still strong. But because available facilities are so scarce and real estate prices so high, operators find themselves constrained to particular neighborhoods, and then fight among themselves for resources, resulting in new schools often not opening in the areas where students most need to be served.

“The buildings are a key detriment, especially when five different operators are looking at the same place—there’s no coordination around who goes where. Three brand new schools start up in a half-mile radius because of that.” —*Charter funder*

The Bay Area is also likely paying the price for a “survival of the fittest” supply strategy. Because there are so many high-quality CMOs interested in expansion, little attention has been paid to providing support and incubation for new school operators. The attitude among charter advocates seems to be that because running a successful charter school requires so much capacity, if potential operators are scared off from pursuing an application without a lot of hand-holding, it’s probably for the best. This was a reasonable strategy in the early days when the supply of savvy entrepreneurs was plentiful and charters were booming, but it may be time to look deeper for quality operators and provide more support. Oakland’s school incubator, Educate78, is a start but likely not enough, especially in supporting access to buildings. For example, we spoke to one community member whose group had managed to navigate the politics of the application process and get approved at the state level after being denied at the district and county levels, only to find they couldn’t secure a facility.

5. Mature CMOs are slowing their expansion plans to attend to instruction, talent development, and other internal issues.

Growth of the Bay Area charter sector has been largely fueled by CMOs, which comprise the majority of Bay Area charters. But many large CMOs are now rethinking their growth plans in order to refine and improve their models. Recent Common Core test results from the Smarter Balance Assessment Consortium (SBAC) test first administered in 2015 were a wake-up call to some CMOs that their students were not learning concepts deeply enough. Others are dealing with labor issues, such as increased efforts by the CTA to organize charter school teachers. According to *Oakland Magazine*, during the past two years teachers at five Bay Area charter school systems—which together comprise about 20 schools—have been attempting to unionize or have already done so.

In all our interviews, we heard a general sense of caution, a desire to attend to internal issues, and a nascent shift in thinking about the potential impact of charter schools. More CMOs are shifting away from growing as many schools as quickly as possible and toward looking at ways to share their knowledge with district-run schools. At least two well-recognized Bay Area CMOs have recently decided against further expansion for the time being and are instead starting consulting efforts or structured professional development workshops and materials with district-run schools.

“There’s a level of maturity that has happened in the sector that’s good for long-term stability but has led to large lead time. When there’s a fire, the instinct is not to open a school now.” —*Charter operator*

The uncertainty around facilities, shifting demographics, and political backlash are also clearly contributing to how CMOs are thinking about quality and growth. Charter boards in the Bay Area are increasingly hesitant to approve further growth until SBAC results and other issues are addressed, which could take years. Political instability and facilities questions only exacerbate those concerns. One operator described the issue of the quality/growth calculus as tightly related to Prop. 39 issues:

“The reason for not growing was not ‘growth for growth’s sake,’ but also to see better impact in student performance and college readiness. I had this condition with the board that we would only expand and grow if we were set up for success. [But] we didn’t have stability—we’ve moved six times in seven years.” —*Charter operator*

6. Parent demand is generally strong.

While schools’ recruitment success varies, parent demand does not appear to be a sectorwide factor in the growth slowdown. Gentrification is a more widely reported issue for schools. Charter schools are concerned that the students they seek to serve—usually low-income students, students of color, and English language learners—are being pushed out of the communities that charter schools tend to serve. Some charters are hesitating to grow because serving specific student populations is mission critical for schools.

“Our greatest vulnerability is what will happen to our target students. What if they get driven out of the neighborhood due to gentrification?” —*Charter leader*

7. Talent is an ongoing challenge, but usually not prohibitive.

“Talent is not stopping us from growth, but it’s still the second-highest thing on my mind for growth.” —*Charter leader*

Teachers, particularly in specialty areas like special education, have become more scarce, with reports of teacher pipelines that have traditionally fed charter schools nationwide drying up. An improved economy is encouraging people who might have become teachers during the recession to join other professions instead.

“The rise of edtech has drawn away teacher and leader talent. All of them at some point have decided to hire teachers either in product or business development. Teachers who had other talents and ambitions are going into edtech. It’s probably a national trend, but [it is] concentrated in the Bay Area.” —*Community leader*

However, we heard many reports of operators getting creative about recruiting talent and using a “grow your own” strategy for developing principals and teachers. The exception is schools that serve large populations of students with unique needs, disaffected students, or students who have been incarcerated. These schools’ recruitment and retention struggles are impeding growth. Otherwise, schools are finding ways to expand their staff. School leadership tends not to be an issue for most school networks, which report strong internal teacher-leader pipelines.

8. Authorizers remain unpredictable.

“It took me two years to open [because of authorizing requirements], even with a nine-year track record of success.” —*Charter operator*

While operators reported that authorizing processes are becoming more arduous, most are still able to complete the more stringent applications that are becoming commonplace. There are reports of authorizers going out of their way to block qualified charters, with some notable recent high-profile examples in Oakland and San Jose. Still, districts with a high proportion of charter schools have not yet stopped authorizing and most CMOs reported confidence that quality applications will eventually be approved on appeal to the county or state level. Most Bay Area charter authorizers approve 1-3 charters a year and this rate has not changed significantly in the past five years. In general, then, increasingly burdensome or hostile authorization does not explain the recent slowdown in charter growth. Tensions clearly exist between district authorizers and charters, but likely because of California’s appeal process and the ability for charters to go to more friendly county authorizers, these tensions are not yet significantly affecting charter growth.

However, California’s authorizing environment is highly decentralized, unpredictable, and puts districts in the primary authorizing role. Because of the political nature of elected boards, a local school board could be friendly one year and hostile the next. California’s appeals process means that this doesn’t always result in fewer schools, but it does result in a general environment of uncertainty and mistrust, which is not a healthy long-term environment for a thriving charter sector.

“It’s a political environment when you don’t trust the other party. When you get authorizers who change staffing and don’t have a process in place, charters get paranoid, which they should. I think we’re getting better at some of the fiscal stuff, but on the academic side it’s a mess.” —*Charter authorizer*

Overall, the Bay Area authorizing environment can be described as consistently unpredictable. Over the past 20 years, however, the steadily increasing demands made by authorizers have likely increased the necessary lead time for starting a school and the requirements for getting approved, which further dampens supply even for operators with a strong track record. Tough screening processes can be factors that work in favor of quality, but they need to be kept in check and based on merit, not politics. Authorizer political and regulatory overreach is something for California to attend to in the long run. CARNet, a recent statewide effort to develop consistent authorizer practices, is a positive development and should be expanded.

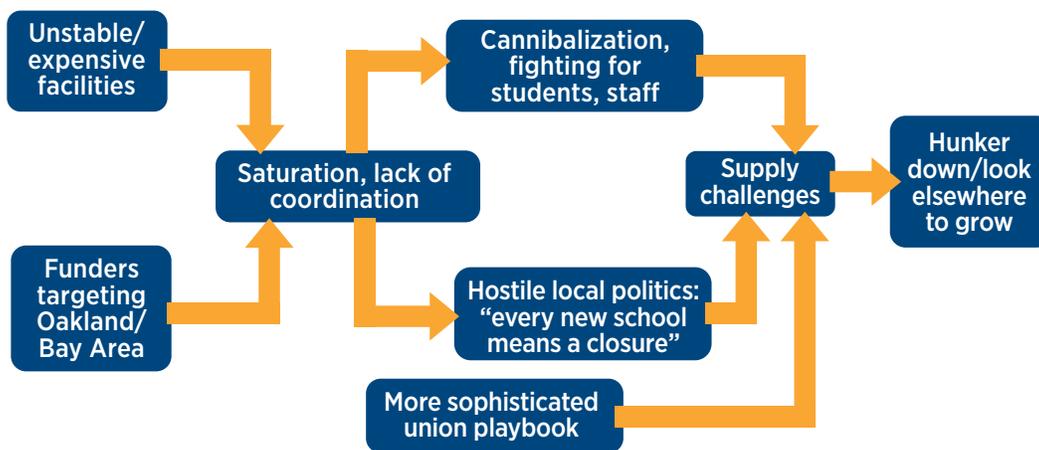
“We would want, more than anything, to have fair district and county approval processes based on what’s best for kids and providing parents the quality options. Charter petitions should be based on merit.” —*Charter operator*

9. The challenges are, to a large degree, regional and specific to the type of charter operator.

“The price of entry in [Oakland] is hard. It’s difficult to find a facility. It takes significant backing even if you have your charter.” —*Charter operator*

Charter schools in Bay Area cities such as Oakland, San Jose, and to some degree Richmond, which have high proportions of charter schools and scarce real estate, are experiencing a similar set of challenges. The challenge begins with expensive and unavailable facilities, a circumstance which is exacerbated by the large number of charters that opened in these cities, all competing for the same available and affordable facilities. Because of lack of coordination around plans for growth, the combination of scarce facilities and high demand can create intense competition for buildings, talent, and start-up funding among several operators all vying for resources in a given neighborhood where affordable facilities become available. School boards and unions that oppose charter school growth have developed sophisticated strategies to exploit these natural market barriers. The supply challenges culminate in the slowed or stalled addition of high-quality seats in the charter sector. Figure 8 illustrates these challenges and how they interact.

FIGURE 8. Local Challenges: The Oakland Story

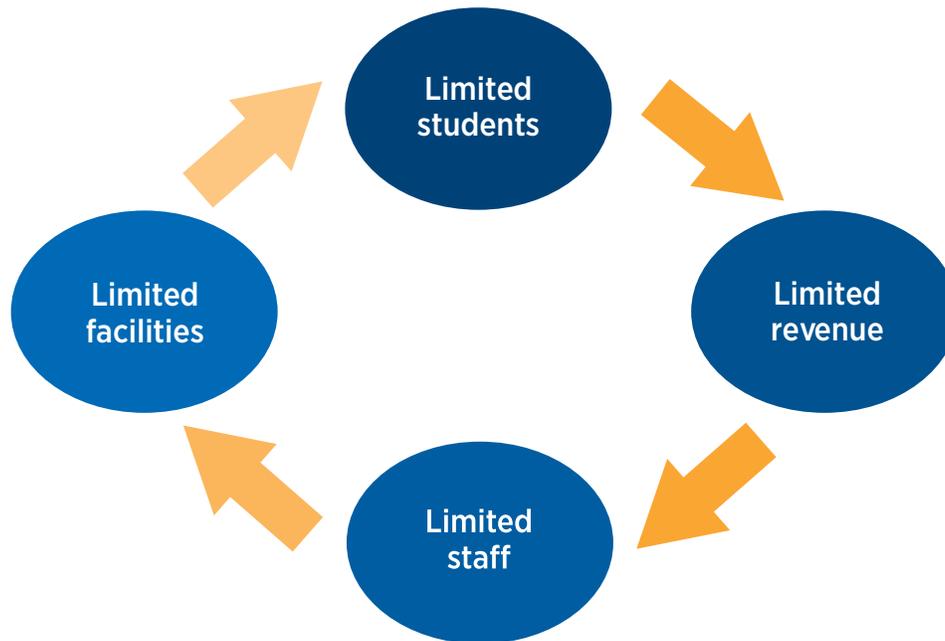


This dynamic is exacerbated by a rise in resistance to further growth because of Oakland Unified School District’s financial struggles. A [recent report](#) showed that there are rising legacy costs and many underenrolled buildings in Oakland. Charters didn’t cause these and similar problems in cities across the country, but they are contributing in some real ways (for example, in some cities, for various reasons including structural barriers, charters are serving a smaller proportion of costly students with severe special needs) and often receive political backlash, [whether deserved or not](#). Even if school board members and staff are fine with the concept of charters at this point, they often perceive that every new charter school means they will either have to close another district school or go bankrupt and face state takeover for failing to close schools and make other politically painful cuts.

“Oakland has a large number of charters. It’s a good shop on the authorizing side, but the district is struggling fiscally. It doesn’t have a good strategy to improve schools and their leadership continues to change. Anxiety levels are heightening there.” —*Charter authorizer*

As one charter operator put it, every school needs four things to expand: a facility, staffing, school quality, and funding. But different types of operators face their own unique challenges in attaining them. In particular, small CMOs and single-site charter schools face a broader set of challenges than larger CMOs, driven by differences in such crucial areas as capacity, enrollment, revenue, and capital.

FIGURE 9. The Small CMO and Single-Site Charter Story



As figure 9 shows, small networks or single-site charter schools that want to replicate face a cycle of impediments to growth. The cycle begins with limited facilities, which puts a cap on student enrollment. Limited enrollment means total per-pupil revenue is low, which keeps central offices relatively small. Since facilities are scarce, administrative and operations staff must dedicate extensive time to facilities searches and as a result, schools—especially those that don’t have access to up-front capital as they wait for state reimbursements—struggle to secure a space that would solve these problems.

“There’s a difference in paradigm in CMOs and single-site charters—our resources are limited to a very traditional school finance team. We’re not partners with any of the [big funders] The original reasons why charters came about were for creativity, innovation—now it’s more about what’s scalable. I don’t have a banker on my board, and these things play into [whether or not I’m funded].” —*Single-site charter leader*

The Large CMO Story

Large CMOs face the same core challenges as small CMOs, but are better equipped to overcome saturation and scarcity challenges. Facilities are the most difficult acquisition to make, and the lack of facilities in the Bay Area is making larger CMOs delay growth by several years. Because they can usually make the time commitment to find facilities, however, that scarcity stalls but does not stop their growth. Staffing and school quality are variable. Sometimes networks have trouble maintaining high performance or recruiting talent but choose to grow anyway. However, for some schools, the challenges are prohibitive and have caused some larger CMOs to slow growth. Large CMOs tend to have the funding they need to grow, but are constrained by the high political and financial costs of operating in some markets or by internal concerns about quality.

SOLUTIONS

Kick-starting the growth of high-quality charter seats that serve high-needs student populations is in the interest of all those in the Bay Area who care about educational opportunity and improvement. Based on our research and interviews with charter operators, leaders, funders, and authorizers, we have identified four high-leverage options for revitalizing high-quality charter growth:

- Helping schools that are attempting to secure suitable long-term facilities.
- Coordinating to address inefficiencies in cities with high concentrations of charters or to start growing charters in new localities.
- Building a more diverse supply of charter providers.
- Addressing toxic local politics.

Securing Facilities

Prop. 39 lies at the center of Bay Area charter school facilities challenges. Although charter advocates widely consider the policy to be an important “foot in the door,” it remains an insufficient solution to the challenges charters face. Updating and tightening Prop. 39 regulations through legislation is an important area of consideration for the sector. For instance, allowing or requiring multiyear Prop. 39 leases would give charter schools more security.

Currently, districts are only obligated to provide facilities for charter school students that live within that district’s boundary. This is highly problematic for charter schools serving students across many small districts, as is the case in San Jose. Requiring districts to guarantee space large enough for all students in a local charter school, regardless of residency, would address this issue. Implementing an arbitration process that addresses Prop. 39 disputes between districts and charters also would help lend stability and timeliness to an otherwise uncertain process.

Other legislative or regulatory fixes could also help charters secure facilities:

- Mandating that districts house charter students before the district seeks bond funding would help relieve facility shortages. Strong regulation around what it means for a district to comply with this policy would be necessary to avoid problems similar to those the sector faces in Prop. 39 negotiations.
- Allowing charter schools to pursue the zoning exemptions that districts use to turn commercial facilities into school facilities would help to open more options. Alternatively, one operator suggested provisions that would automatically trigger rezoning if charters meet a certain set of qualifiers. One such qualifier might be completing a CEQA environmental impact review, a process that many operators suggested needs streamlining. To be clear, operators have an interest in ensuring their students go to school in environmentally suitable facilities, but often have trouble raising the tens of thousands of dollars it takes to complete the process.

- Allowing schools with nontraditional approaches (like small-group instruction or one-to-one blended learning models) to use office occupancy standards instead of the usual school standards for rezoning would make it easier for innovative schools to find space that fits their needs by converting existing unused offices or other facilities.
- The final major legislative shift that surfaced through interviews would affect [SB 740](#): the statewide Lease Aid Program that reimburses charters for facilities costs on a per-pupil basis. The cap on the per-pupil amount charters can receive from the state was recently increased, which operators expect to be helpful. However, the total pool of money being given out didn't change, which means that some schools would go without funding or the per-pupil amount would be prorated if too many schools apply for funds. Increasing the amount of money available for SB 740 would be a straightforward subsidy for charter facilities. Alternatively, making SB 740 an entitlement program for schools not housed under Prop. 39 could act as a stopgap for some schools.

Non-legislative avenues also could help schools secure facilities. Setting up a process or organization to help single-site schools and small networks outsource facilities searches is a primary example. These operators do not have the economies of scale to dedicate staff to facilities searches. Having a central organization such as CCSA provide this support could help small but high-quality schools serve more students. Similarly, small operators would benefit if up-front facilities costs were supported with more subsidies or loan programs. Many facilities funding programs are lease or reimbursement programs that rely on schools raising funds or collateral, but up-front funds remain elusive. A legal action fund that would engage in lawsuits around Prop. 39 and other facilities issues also would support small schools that don't have the resources to engage in protracted legal battles.

Ultimately, the growth of charters will be fundamentally constrained as long as districts fail to consolidate or close underenrolled district schools. Serious attention needs to go into developing a strategy that requires or incentivizes these actions and provides political backing to district and board officials who are trying to make these adjustments. Offering “consolidation grants” to districts willing to use their space to maximum efficiency could help in some cases.

A more aggressive option would fall on an argument that districts with unutilized space should be required to pay a “tax” to the state for failing to use public buildings to public benefit. The collected funds would then be added to SB 740 funds. An even more aggressive move would be to take building ownership rights away from districts that fail to manage them efficiently. The state could simply require that districts that fail to reduce costs responsibly get out of the property ownership business by having the state assume ownership, by placing the buildings into a third-party trust, or by establishing a cooperative to which charter schools have equal rights.

Ultimately, the facilities challenge will require a robust, creative, and cooperative campaign to address. Failing to do so will continue to limit charter growth in the Bay Area.

Addressing Inefficiencies

“Other students in other areas should have the opportunities to be a part of charter schools, too. Ultimately charters should be about serving all children and giving parents the choice.” —*Charter operator*

High concentrations of school supply in certain neighborhoods is at the core of many challenges the charter sector is facing. Targeting more viable counties for growth is an important option. Whereas Bay Area localities like Oakland, San Jose, San Francisco, and Richmond are facing resource shortages, schools have reported more opportunity farther south and east in the region. In general, schools will have an easier time growing in places where there's a lower density of charters and where property values are more manageable.

Redirecting growth to these areas requires coordinated strategic shifts among funders. Funders should consider shifting their desired outcomes away from how many individual schools they can start to more global areas such as expansion of high-quality charter seats and high-impact partnerships between charters and districts.

“Need and demand are different. I don't think the big-name cities is where the future of growth in California is. Funders should be thoughtful about that.” —*Charter operator*

Within cities with a high charter market share like Oakland, a creative coordination function is urgently needed. One provider suggested a common teacher recruitment effort, arguing that it would help teachers find the right fit and give small operators with less name recognition greater opportunities to attract excellent teacher talent.

“A teacher recruiter clearinghouse in the Bay Area would be great. We all think we are special snowflakes and are trying to find unique candidates, but we're pretty much looking for the same type of teacher. It could be some sort of a collaborative way for people to find out about opportunities.” —*Charter operator*

Other cities have had success with targeted recruitment for specialized teachers in hard-to-staff areas like special education and ELL. There is also interest in finding ways to develop economies of scale across multiple schools and school networks.

“There should be some way for folks to share services, like human capital. If there was a consortium of resources to share cost and share expertise, that would be helpful.”
—*Single-site charter operator*

Coordinating between charter and traditional schools can also help address the facilities challenge. An independent commission of civic leaders empowered to advise district authorizers on where to place new charters could help to open new facilities options in oversaturated markets. This commission would help site new charters in underserved neighborhoods and minimize competition for scarce facilities. It is crucial that this commission be impartial to the self-interest of particular networks and district self-interests. It must base facilities decisions on school quality, student need, and efficient usage.

While few organizations currently provide this role of an impartial coordinator on school siting, Cleveland's Transformation Alliance (CTA) provides something of an example of what's possible. The independent CTA is governed by a board of representatives from Cleveland's mayor's office, the school district, multiple charter operators, and local community organizations. The board monitors school quality, provides information to families, and tracks the overall portfolio of options. Less formally, more than 20 cities, through the District-Charter Collaboration Compacts funded by the Bill & Melinda Gates Foundation, have

established cooperative working groups focused on a range of topics, such as solving shared problems, addressing gaps in service across sectors for students and families, and sharing innovative practices.³ These existing initiatives could provide a starting point for Bay Area cities to develop an independent commission on facilities and siting.

It is important to acknowledge that although charter operators point to a lack of coordination as a barrier to growth with quality, there are significant challenges to implementing a solution. Charter operators are skeptical that any central authority could be trusted with this role and fear a loss of autonomy. Progress on this front, then, will require trusted leadership. In different cities across the nation mayors, charter leaders, district, or community leaders—as in Cleveland—have provided this leadership. However, the Bay Area’s size and complexity make it a particularly challenging community to coordinate.

“There is no logical owner in the Bay Area—if someone owned this process, if there was a portfolio manager, things would probably be different.” —*Charter operator*

Building a Diverse Supply of Quality Charters

Increasing the supply of high-quality charter schools relies on cultivating a more diverse supply of operators. First, addressing the concern that school leaders of color are not fully supported by the charter movement is growth and mission critical. Investing in leaders of color requires an intentional effort by funders and sector leaders, in the same way that recruiting and retaining teachers of color continues to require a dedicated push in school systems nationwide.

Several funders have recently prioritized cultivation of a new charter pipeline, but more efforts to find and incubate promising school leaders and CMOs led by leaders of color in the Bay Area will require more widespread commitment. CCSA might be well positioned to create better resources for potential new charter leaders that would help them navigate funding sources, authorizer timelines and expectations, and other complex processes.

Sector diversity also means investing in unique and innovative school models, especially those that, by nature of their target population, face relatively little political opposition, such as drop-out recovery programs, schools for incarcerated students, or programs for students who are persistently “low performing” in traditional school settings. High standards of academic quality should not be compromised in the pursuit of more politically palatable schools, but given the unique populations served by these schools, current authorizing and accountability metrics may need revision.

It is also worth considering supporting and investing in the development of nimble and flexible instructional models like micro-schools, which can operate in smaller spaces than a traditional school. New CMOs could be developed to oversee learning across different providers rather than delivering all instruction within one building.

3. See CRPE’s body of work on [district-charter collaboration](#).

Solutions for many of the barriers to entry for potential charter operators and charter networks will rely on better data. CRPE researchers tried and failed to find resources and data on a number of critical issues. For example, no one collects systemwide data on authorizer policies and practices, which could help new applicants and researchers alike. There is also no centralized data on charter sector talent needs, which could help inform a Bay Area recruitment strategy. These types of data collection seem to be low-hanging fruit.

Addressing Toxic Local Politics

Charter schooling always has been and always will be a political street fight, but the new dynamics associated with a maturing sector could fundamentally threaten long-term charter growth in the Bay Area. In particular, the unwillingness or inability of school districts to close underenrolled schools or to reduce legacy costs like contractual or pension obligations increases district instability in the face of charter growth. Even the most sophisticated and costly campaigns to get charter-friendly boards in place will be a challenge when every new charter means districts must reduce costs through larger class sizes or school closures.

Those interested in helping charter schools grow should also consider helping districts find ways to cope with their legacy costs, an issue that is causing significant pain in places like San Jose and Oakland that might otherwise be open to more charter schools. In a [recent CRPE report](#) we proposed some potential district-charter-state “grand bargains” where the state might grant funding or loosen rules for districts that want to become more nimble and work in partnership with charters. For example, charters might get access to facilities or special education supports and in exchange would help contribute to a fund to buy down pension obligations. There are surely many other possible approaches to this issue. For example, reporting on all Bay Area school districts’ fiscal responsibility profiles could make transparent how much of a given district’s financial position is because of failure to consolidate underenrolled schools.

One interviewee suggested that the Bay Area would do well to invest in helping district leaders think of their jobs as overseeing a broad portfolio of options with various governance models, and even being open to having all schools operate with charter-like autonomies ([a concept CRPE developed](#)).

“If there’s one thing I could change, it would be portfolio management. If a district [leader] can go to bed each day and think what we can do for our kids, if the kid goes to a district or charter shouldn’t matter. That could solve the facilities problem in the Bay Area overnight.” —*Charter authorizer*

As much as possible, the state should try to push for a portfolio mindset, treating charters and districts as complementary and equal parts. A first step in this direction would be to have SB 740, the state’s facilities reimbursement fund, apply to districts as well as charters.

Some cities are finding political advantage in creating “hybrid” or “partnership” schools that have the full autonomy of a charter school but operate on contract with districts in district-provided buildings. Schools in Indianapolis, Indiana; Tulsa, Oklahoma; Atlanta, Georgia; and Camden, New Jersey are all examples. Besides gaining access to district buildings, these schools also tend to attract principals and teachers who like the idea of working more closely with districts and being part of systemic reform. These new models also help address the problems of saturation and economies of scale by operating

in collaboration with the district. There are potential downsides as well, such as the risk of diluted autonomy and accountability, but given the intensity of the challenge in the major Bay Area cities, this could be a good option to explore in state legislation.

Cities that have been successful in cooling down race and class politics—similar to issues seen in the Bay Area—have done deep community engagement work so that the drive for better schools is owned by the community and not done to the community. Camden’s work to develop Renaissance Schools is a model of these community-driven reforms. The superintendent and other reform leaders spent time working in-depth with community leaders to identify their concerns and priorities and built a new school strategy to meet those needs. This kind of investment may be worth considering in some Bay Area cities. Of course, it may not be possible to create partnerships, deals, and understandings with local districts, in which case charter supporters in the Bay Area will need to either double down on advocacy and political warfare or move on to other markets to see the kind of growth the sector has previously enjoyed. A largely untapped constituency for such advocacy are the parents in existing charter schools who have become powerful advocates and lobbyists in other cities.

CONCLUSION

Our study has revealed a Bay Area charter sector that, now well into its second decade, must adjust to its own maturity. At the most basic level, Bay Area charters have simply been priced out of a very expensive facilities market. That is a critical issue, but the story is complicated by a set of interlocking factors that are, in part, the natural outgrowth of what has been a very successful school improvement movement and, in part, a normal maturation process. Facilities scarcity, driven by political discord between charters and districts, puts a hard cap on charter growth. Funder preferences for certain locales, combined with the failure of districts to adjust to enrollment loss, create a pressure cooker for political backlash. The supply of operators is constrained by authorizers and funding decisions, as well as by reliance on highly motivated and savvy CMOs to singlehandedly provide most of the needed schools. Meanwhile, those CMOs are experiencing growing pains of their own.

What this story makes clear is that the easy days of Bay Area charter growth may be over. Anyone serious about finding a way to meet the still-desperate need for better education in the region can't afford to sit back and hope the old strategies will eventually work. While there are many potential paths forward to reinvigorate the growth of quality charter schools in the Bay Area, doing so will require new ideas and new strategic investments. In particular, we recommend the following efforts.

- Pursue revisions to Prop. 39, as well as an arbitration process that can sort through Prop. 39 disputes.
- Offer “consolidation grants” to districts that are willing to use their space to maximum efficiency.
- Create third-party facilities trusts or cooperatives to which charter schools have equal rights.
- Target more viable counties for growth and/or double down on advocacy in high-saturation markets.
- Cultivate a more diverse supply of operators: new operators with racial/ethnic diversity, and nimble, flexible innovative school models like micro-schools, which can operate in smaller spaces than traditional schools.

In some cases, district-charter-state “grand bargains” also might give charter schools access to buildings as part of a broader deal to stabilize district finances and address any state-driven “legacy cost” challenges.

Even beyond so-called “grand bargains,” many of these paths forward will be challenging, requiring a greater deal of coordination and collaboration than districts, charter operators, funders, and other stakeholders are typically accustomed to. But through innovation and cooperation, the Bay Area charter sector can be headed for a second generation of impact, both with the students they serve and the broader systemic improvements they can help leverage.

Acknowledgments

This report was made possible by a gift from the Silicon Schools Fund. We thank the Fund for its support. However, the analysis and views expressed are those of the authors alone. We would also like to thank the many Bay Area charter school leaders, community-based organizations, district officials, authorizers, funders, and advocates for quality schools who offered their time to help us understand the complex Bay Area environment and the challenges and opportunities they see in their work. The California Charter Schools Association, National Alliance for Public Charter Schools, and National Association of Charter School Authorizers generously assisted this project by sharing their data and insights. Finally, we thank Steven Wilson, CEO of Ascend Learning, for his detailed and thoughtful review of the report, and Mark Toner for his careful editing.

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Through research and policy analysis, CRPE seeks ways to make public education more effective, especially for America's disadvantaged students. We help redesign governance, oversight, and dynamic education delivery systems to make it possible for great educators to do their best work with students and to create a wide range of high-quality public school options for families. Our work emphasizes evidence over posture and confronts hard truths. We search outside the traditional boundaries of public education to find pragmatic, equitable, and promising approaches to address the complex challenges facing public education. Our goal is to create new possibilities for the parents, educators, and public officials who strive to improve America's schools. CRPE is a nonpartisan, self-sustaining organization affiliated with the University of Washington Bothell. Our work is funded through philanthropy, federal grants, and contracts.

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