SECTOR SWITCHERS

Why Catholic Schools Convert to Charters and What Happens Next

Michael Q. McShane
and Andrew P. Kelly

APRIL 2014

The Friedman Foundation for Educational Choice
edchoice.org
About the Friedman Foundation for Educational Choice

The Friedman Foundation for Educational Choice is a 501(c)(3) nonprofit and nonpartisan organization, solely dedicated to advancing Milton and Rose Friedman’s vision of school choice for all children. First established as the Milton and Rose D. Friedman Foundation in 1996, the Foundation promotes school choice as the most effective and equitable way to improve the quality of K-12 education in America. The Friedman Foundation is dedicated to research, education, and outreach on the vital issues and implications related to school choice.
SECTOR SWITCHERS

Why Catholic Schools Convert to Charters and What Happens Next

Michael Q. McShane and Andrew P. Kelly

APRIL 2014
Table of Contents

Executive Summary .................................................................1
Introduction ...............................................................................3
Why is Sector Switching Important? The Decline of Catholic Schooling ............4
   Explaining the Decline............................................................5
   Increased Competition from Public Charter Schools .......................6
Catholic Schools’ Experiences in Three Cities ................................7
Sector Switching .....................................................................8
   Survival of the Fittest Organization ..........................................8
   The Importance of Law and Policy ..........................................9
   The Role of the Diocese: Closure or “Divestiture”? .....................10
Method ....................................................................................10
Findings ..................................................................................12
Enrollment Growth over Time ..................................................12
Qualitative Results ..................................................................13
   Decision Criteria .....................................................................14
   Effect on Switching Schools ..................................................15
   Effect on Non-Switching Schools ............................................15
      More Money for Remaining Students ..................................15
      New Competition ..............................................................16
   Is “Switching” the Correct Term? ..........................................16
   The Role of Private School Choice Programs ..........................17
Conclusions and Implications ..................................................17
Appendix ..................................................................................21
Notes ......................................................................................22
About the Authors ..................................................................25
Executive Summary

For decades, Catholic schools, particularly inner-city Catholic schools, have seen declines in enrollment and an increasing need for subsidies from their dioceses. Many dioceses, however, have been unable to shoulder that burden, forcing schools to close. In response to difficult financial circumstances, the archdioceses of Indianapolis, Miami, and Washington, D.C., put a new twist on the typical story, “closing” a set of their inner-city schools, but allowing them to reopen as independently managed public charter schools.

That phenomenon raises interesting questions about the future of urban Catholic schooling. In this paper, we examine, both qualitatively and quantitatively, the effect of this conversion on the schools and communities involved.

By tracking enrollment information from before and after the conversion for both schools that switched as well as schools with similar demographics, we are able to conclude:

1. Switching from private to charter significantly increased enrollment in affected schools.

2. Switching from private to charter meaningfully increased the percentage of minority students in the schools.

Through interviews with key personnel in those school systems, we discovered several interesting implications from the decision to convert schools.

First, and most directly, is the crowding out that happens as unbalanced choice markets develop. At the time the schools in our sample switched, neither D.C., Miami, nor Indianapolis had what could be described as a level playing field between school sectors. Though a small voucher program existed in D.C., political instability caused school leaders to avoid staking the financial well-being of a school on vouchers as a viable revenue stream. Thus, in all three places, Catholic schools were required to compete against “free” alternatives. As charter schools grew and provided a superior, free option to traditional public schools, families chose to attend those schools. The central lesson here is somewhat counterintuitive: Choice programs that concentrate students in one particular sector over another can lead to the dissolution of one set of providers, actually narrowing the set of choices students have. If increasing quality while preserving diversity is a goal, overinvesting in one sector can work at cross purposes.

Second, our analysis raises a question: Was this an example of “creative destruction” or organizational evolution? To the outside observer, it would appear to be a clear-cut case of organizational evolution among schools. The central task of the organizations, educating students, remained the same. The buildings were the same, the grade levels served were the same, and many of the same workers were employed by both organizations. When they converted to new management, their enrollment grew without fundamentally changing their client base. However, based on our interviews with those involved in the switch, particularly on the side of Catholic schools, school leaders wholly reject that interpretation. They argue that Catholic schools cannot be separated from their religious mission and thus must close and end operation before a new school can begin.

Third, switching schools raise issues regarding the strength of institutional isomorphism, or the tendency for institutions in a given sector to imitate their more successful or politically advantaged peers. Catholic schools have an identifiable and respected brand. They are known for their discipline, high expectations, and formation of moral values in students. Thus, schools that are able to mimic some of those characteristics without bringing along the financial issues that have plagued Catholic schools are in a position to take over some of the Catholic school market share, absent any mechanisms to lower the cost of Catholic schools to potential consumers.

Finally, switching schools bring a new perspective to divestiture. It is clear from our interviews that Catholic leaders identified school buildings as revenue streams, not unlike a firm that looks to isolate what is profitable within itself. Decisions about what school to switch were based on the likelihood that the building would be rented and how the church could share some rooms
of the building with the school. After making that
determination, they “spun off” part of their organization
to raise money to support the rest of their operations. We
tend not to think of nonprofit organizations, particularly
school systems, in terms of strategic divestiture, but for
systems that have financial problems, such action offers
a path forward.

The question of what to do with struggling inner-city
Catholic schools is still an open one. Evidence in the
academic literature, confirmed by the lived experiences
of the school leaders we interviewed, makes a strong
case that private school choice programs can stem the
tide of private school closures. But, as more communities
consider school choice (both public and private) as a
policy to give more options to low-income families,
it is important to emphasize that how those programs
are structured affects the schools that will be able to
participate—and ultimately the set of choices available
to families.
Introduction

St. Joseph’s Parish school in Miami Beach, Florida served 263 students in kindergarten through eighth grade in the 1997-98 school year. Like many private schools across the country, it saw its enrollment decline in subsequent years, and, by August 2009, it enrolled just 130. That year, the school operated at an 80 percent financial loss, relying on loans from the Archdiocese of Miami to stay afloat. In March 2010, officials decided the school was no longer financially viable. It closed its doors that May.¹

St. Joseph’s fate was similar to hundreds of private schools, Catholic schools in particular, all across the nation that year. The economic downturn, the rising costs of delivering a private education, and the increasing effect of competition from public schools took their toll on private school enrollment, shuttering schools coast to coast.²

In any market, organizations close and organizations open; so-called “creative destruction” is evidence of the market at work.³ But what happened next to St. Joseph was different. Following the lead of a small group of schools in Miami and Washington, D.C., the building reopened that fall as a public charter school named Mater Beach Academy. By 2012, enrollment had climbed to 470 students and the school earned an A grade performance rating by the Florida Department of Education. Whereas many former private schools sit empty, waiting for the day when parishes might be able to support them again, Mater Beach Academy now bustles with children.⁴

But was this creative destruction or something else? Perhaps this is what political scientists Paul DiMaggio and William Powell call “institutional isomorphism,” a tendency for organizations in a given sector to imitate their more successful or politically advantaged peers.⁵ Charter schools that are able to mimic almost all of the facets of Catholic schools without the tuition cost to consumers are in a place to take serious market share, as Catholic schools have a recognized brand that parents trust.⁶

Although the number of private schools undergoing a similar conversion is small, trends suggest that absent mechanisms to lower the cost of private schooling for consumers, this behavior may increase in the future. The Institute for Education Sciences predicts private school enrollment will continue to fall in the coming years.⁷ Meanwhile, although charter schooling is still controversial, the sector is growing in terms of both size and political popularity. In other words, those conversions may be a sign of things to come rather than an anomaly, raising important questions about the education marketplace.

Such developments prompt the following questions:

- Why do private schools decide to convert to public charter schools, and how does conversion affect them?
- What, if anything, is lost—in terms of the mission and values that often make Catholic schools unique—when they reopen as charter schools? What is gained?
- How might “sector switching” affect the school choice market?
- Do efforts to promote public charter schools actually make it more difficult for private schools to compete, potentially detracting from the variety of school choice options available to families?

To shed light on those questions, we conducted an in-depth, mixed-method analysis of a set of schools in Washington, D.C., Miami, and Indianapolis that switched from private Catholic schools to public charter schools. We set out to understand the impact the switch had on their enrollments, operations, and roles in the community.

Our empirical analysis examines two questions:

1. Did switching to charter schools increase enrollment in these schools?
2. Did switching to charter schools affect the racial makeup of these schools?
We compared switching schools to a set of demographically similar schools to determine whether the trends that emerged were unique to the schools that switched, and thus likely influenced by switching, or if changes in enrollments and demographics were because of secular trends at work in each city over that period.

In conducting that analysis, we found that in each city the switch from private to charter led to both increases in enrollment as well as increases in the percentage of minority students enrolled. The schools that did not switch saw no such trend.

Our qualitative analysis was more far-reaching. We contacted individuals related to both schools that switched and similar schools that did not and asked them about the decision-making process at the time, the effects of the conversion, and what they learned. Those interviews helped us flesh out important implications for policymakers and advocates interested in cultivating a thriving public-private market for school choice.

Why is Sector Switching Important? The Decline of Catholic Schooling

Education in America began as a system of what we would now consider private schools. Though often supported by public funds, they were typically operated by local religious organizations to educate the children of a given town or village. Horace Mann, who became the first state-level secretary of education in Massachusetts in 1837, began the transition from that decentralized system to a public, progressive and standardized education structure (the “Common School Movement”).

But many religious and secular schools have remained independent. Enrollment in those schools grew from the time of Horace Mann to their zenith in the late 1950s.

As shown in Figure 1, U.S. private school enrollment hit its peak in 1959 with 12 percent of the total U.S.

**FIGURE 1** U.S. Private School Enrollment as a Percentage of Total Students, 1900-2009

![Graph showing U.S. private school enrollment as a percentage of total students from 1900 to 2009 with peak in 1959 at 12%](image-url)
school population. Since then, enrollments have fluctuated with the national economy, bottoming out at 9 percent in the early 1970s and experiencing a slow rise to just less than 12 percent by the early 2000s. From there, though, enrollments declined; from 2001 to 2009, private school enrollment dropped to 10 percent of the total student population, a decrease of approximately 800,000 students (from 6.3 million in 2001 to 5.5 million in 2009).

The post-1960 decline in private school enrollment has been particularly acute among Catholic schools, which hit their peak enrollment in the 1960s. Figure 2 shows the steady decline in the overall number of Catholic schools in the United States for the last 30 years, from just over 9,600 schools in 1979 to just exceeding 6,800 in 2011.

**Explaining the Decline**

Research suggests that several factors help explain the downturn in Catholic school enrollment. Financial troubles loom the largest. As the cost of delivering a Catholic education has risen, it has become more difficult for parents to afford tuition, particularly during tough economic times. As James Cultrara, director for education for the New York State Catholic Conference, put it, “The answer is fairly simple: The rising cost of providing a Catholic education has made it more difficult for parents to meet those rising costs.”

The well-documented shift in teachers and leaders from clergy to laity has caused schools to become more expensive to operate over time. Lay educators command higher salaries, raising the cost of delivering a Catholic school education. When costs of operation increase, tuition must rise to cover those costs and the resulting increase can price many urban families out of the private school market. In fact, in a 2007 paper in the *American Economic Review*, Maria Ferreyra used a simulation of a potential voucher program enacted in Chicago to show there are more people willing to enroll in private schools, particularly Catholic schools, than there are people that can afford them. In addition to rising costs, changing demographics in urban areas also have affected demand; cities have gone from having predominately Catholic Irish, Italian, Polish, and Slavic immigrants to having predominately non-Catholic African Americans. In short, economic and demographic trends have eroded the market share of urban Catholic schools.

To stem that tide and to keep the price of tuition lower, Catholic schools subsidize their operations with contributions from parish members. On average, Catholic elementary school tuition is $3,673 per year, even though the average cost to educate an elementary

---

**FIGURE 2** Number of U.S. Catholic Schools, 1979-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>9,640</td>
</tr>
<tr>
<td>1981</td>
<td>9,494</td>
</tr>
<tr>
<td>1983</td>
<td>9,401</td>
</tr>
<tr>
<td>1985</td>
<td>9,220</td>
</tr>
<tr>
<td>1987</td>
<td>8,992</td>
</tr>
<tr>
<td>1989</td>
<td>8,719</td>
</tr>
<tr>
<td>1991</td>
<td>8,508</td>
</tr>
<tr>
<td>1993</td>
<td>8,345</td>
</tr>
<tr>
<td>1995</td>
<td>8,250</td>
</tr>
<tr>
<td>1997</td>
<td>8,223</td>
</tr>
<tr>
<td>1999</td>
<td>8,144</td>
</tr>
<tr>
<td>2001</td>
<td>8,114</td>
</tr>
<tr>
<td>2003</td>
<td>7,955</td>
</tr>
<tr>
<td>2005</td>
<td>7,589</td>
</tr>
<tr>
<td>2007</td>
<td>7,378</td>
</tr>
<tr>
<td>2009</td>
<td>7,094</td>
</tr>
<tr>
<td>2011</td>
<td>6,841</td>
</tr>
</tbody>
</table>

school student in a Catholic school is $5,387. The story is the same in high schools, with an average tuition of $9,622 and an average cost of $11,790. In addition, 93.9 percent of Catholic elementary schools and 97 percent of high schools provide additional tuition assistance to lower their already subsidized tuition rates, further burdening congregations to come up with supplementary funds. Unfortunately for those schools, religious giving as a percentage of personal income has declined significantly in recent decades across the country, from a little over 1.2 percent of personal income in 1963 to less than 0.9 percent of personal income in 2003. That problem is particularly acute in Catholic communities, which saw a more severe decline in religious identification, attendance, and giving than Protestant communities since the 1960s.

Increased Competition from Public Charter Schools

Another important factor driving the decline of private and religious schools is the boom in the charter school sector. In a paper prepared for the United States Census Bureau, Stephanie Ewert analyzed three commonly attributed causes for decreases in private school enrollment: economic downturns, increases in homeschooling, and increases in charter school enrollment. Whereas small changes can be attributed to individual economic downturns, Ewert found that the general downward trend of private school enrollment has occurred without major interruption from times of recession or boom. Similarly, she did not find evidence that increased rates of homeschooling were related to decreased enrollment in private schools. However, she did find that increases in charter school enrollment have driven down enrollment in private schools.

In an analysis prepared for the Cato Institute, Richard Buddin used data from the Private School Universe Survey (PSS) as well as the National Center for Education Statistics’ (NCES) Common Core of Data to assess the effect of charter school competition on private schools. Buddin’s analysis suggested 8 percent of all charter elementary school students and 11 percent of charter middle and high school students came from private schools. He found the pattern was even more apparent in urban areas, where 32 percent of elementary students, 23 percent of middle school students, and 15 percent of high school students in charter schools came from private schools. Those findings echo work by Eugenia Toma, Ron Zimmer, and John Jones, who concluded 20 percent of all charter school students in Michigan came from private schools. Roy and Chakrabarti found similarly that 13 percent of charter school students in Michigan came from private schools. Interestingly, Matthew Ladner’s analysis of school market share in Arizona did not find this pattern, though, as Ladner pointed out, Arizona has a large and robust system of public support for private school choice.

Other anecdotal accounts place some of the responsibility of Catholic school closings on charter schools. Father Ron Nuzzi, director of the Mary Ann Remick Leadership Program for the Alliance for Catholic Education at the University of Notre Dame, described charter schools as “one of the biggest threats to Catholic schools in the inner city, hands down. How do you compete with an alternative that doesn’t cost anything?”

In addition to being free to students, which is clearly a comparative advantage in competition with private schools, many charter schools spend more per pupil than private, and particularly Catholic, elementary schools. Figure 3 (next page) breaks down spending across traditional public, charter, and Catholic schools. On average, traditional public schools nationwide spend $10,560 per student, whereas charter schools average $7,286. Catholic high schools spend on average $11,790 at the high school level and $5,381 at the elementary school level.

It seems reasonable to suggest that, in many cases, converting to a charter school, especially for a Catholic elementary school, would result in both increased funding and, potentially, more demand from families that may not be able to afford private school tuition. If Catholic schools cannot survive under their current business model, conversion would be one way to survive.
Catholic Schools’ Experiences in Three Cities

National trends have been magnified in Washington, D.C., Miami, and Indianapolis—three school districts known for their large and growing charter school sectors.

The District of Columbia’s Catholic schools struggled long before the decision was made to convert some to charter schools. In 1997, the District’s archdiocese created the Center City Consortium to work with 14 struggling inner-city schools. From 1997 to 2006, it invested more than $52 million to try to keep the schools afloat, but it became clear that no Band-Aid could solve the fundamental financial problems plaguing the schools. The archdiocese created a comprehensive plan to reorganize the schools in the upcoming years. Two schools, St. Benedict the Moor in the northeast and Our Lady of Perpetual Help in the southeast, were closed in 2007 after posting annual deficits of $376,000 and $600,000, respectively. The remaining 12 were kept open for one additional year while the archdiocese worked with parish and community leaders to develop a plan to consolidate existing resources into a smaller set of schools.23

Initially, the archdiocese decided to close all but four of the schools after the 2008-09 school year, which would be consolidated into a new consortium, the Consortium of Catholic Academies. Those four would band together to use the consortium as a conduit for tuition assistance from the archdiocese and to share resources that any individual school might not be able to afford on its own. One additional school, St. Augustine in northwest D.C., worked with the archdiocese to remain open independent of the consortium.

Control of the schools that did not join the consortium and closed was given to the Center City Public Charter Schools organization. It opened six new campuses the following year, with many of the same students and staff members of the Catholic schools that had closed.24

In Miami, the story was similar.25 In November 2008, Archbishop John Favalora announced that, because of the economic downturn, the archdiocese would no longer be able to provide the financial assistance it had in the past. In January 2009, six schools decided to close after determining they could not stay open without archdiocesan support. In all, eight schools had closed by the end of the 2008-09 school year.
The eight parishes that operated those schools were allowed by the archdiocese to rent their buildings to charter schools, and several different charter operators chose to run those campuses. In spring 2010, two more schools closed and were opened the next year as charter schools, bringing the total number of Catholic-to-charter conversions in Miami to 10.26

Indianapolis, however, took a different approach. In 2010, the Archdiocese of Indianapolis was struggling to sustain two Catholic schools serving low-income populations. It had already combined two schools in 2003 (St. Andrew and St. Rita), but it continued to struggle to keep the combined school open. On the other side of town, St. Anthony School, which served primarily Hispanic students, was in a similar situation. As was the case in D.C., the Archdiocese of Indianapolis created a special unit within its organization focused on urban Catholic schools. Six urban schools composed the Mother Theodore Catholic Academies (MTCA), including the two schools that eventually became charters. Starting in the early 2000s, the archdiocese contributed $1 million per year to split among those six schools. But as deferred maintenance built up and costs increased, it became clear to the leadership of the schools that existing funding would be insufficient to sustain them. It was decided that two of the schools would convert to charters.

Indianapolis took to chartering differently. Rather than turn those schools over to independent charter authorizers, the archdiocese decided to start its own board to oversee the schools. MTCA created a managing organization, ADI Charter Schools, and obtained a charter from the Indianapolis mayor’s office in 2010. MTCA is the charter management organization for those two schools, in addition to running the schools that remained private. As Connie Zittnan, MTCA’s former executive director, told us, she might be the only person in America that manages both Catholic and charter schools.

Each charter school was designed to maintain the archdiocese’s commitment to particular Indianapolis communities. Andrew Academy (formerly St. Andrew and St. Rita) is located in the northeastern section of Indianapolis and serves a predominately non-Catholic, African-American population. Padua Academy (formerly St. Anthony) is situated on the western side of town and serves a predominately Catholic, Hispanic population. A portion of the rent paid by the charters for the building (approximately $40,000 per school) is set aside for the parishes that house the schools to provide optional, wraparound religious instruction for interested students.

## Sector Switching

Sector-switching schools in Washington, D.C., Miami, and Indianapolis are leading what may well become a new trend. In October 2013, for instance, two private schools in Newark, New Jersey made news when they asked to convert to charter status.27 The trends in Catholic school enrollments and supportive charter school policies seem to foreshadow more such conversions.

Though sector switching is still a new phenomenon, it raises a number of questions for education policy and, more specifically, school choice. What explains the decision to switch sectors and who makes it? Are individual schools deciding to convert to public charter school status, or are those decisions made at a higher level of governance? How does switching affect schools? Finally, how might the policy environment affect the incentives to switch sectors?

To our knowledge, the research on schools that switch from private to charter is scant and primarily descriptive. However, scholars from different disciplines have studied the causes and consequences of organizational adaptation and can provide some insight into these questions.

## Survival of the Fittest Organization

All organizations—public, nonprofit, for-profit—need resources to survive. Competition over those resources with other organizations shapes the evolution and demise of organizations.
Organizational ecology theory posits that organizations, like species, follow a logic of natural selection. Once organizations are born they often tend to become inert and slow to change. Such inertia can be a good thing, in that it makes for enduring institutions. But it also can be a liability, as inertia leads to rigidity and an inability to respond to new challenges in the environment. If barriers to creating new organizations are low, existing firms may be subject to increased competition from new providers, many of which will be better able to capitalize on new demands.28

Whether good or bad, inertia suggests that established organizations are unlikely to change fundamentally. As conditions change, those organizations are supplanted by others better adapted to the environment. Observers have used various labels to describe that process—Schumpeter’s “creative destruction” or Clayton Christensen’s more modern “disruptive innovation”—but the implication is typically the same: The transformation of particular markets is driven more by the birth and death of organizations than the adaptation of individual organizations over time.29

For our purposes, the research on organizational ecology raises a couple of important questions. First, does switching to charter status actually lead to improvements in sustainability, in the short or long term (i.e., higher enrollments, improved finances)? Second, does sector switching constitute a form of organizational adaptation, or is it akin to organizational mortality and rebirth?

This is partly an empirical question: Do sector switchers keep the same staff, students, and buildings? But it also touches on the malleability of organizational mission in nonprofit enterprises. Catholic identity is central to the mission of Catholic schools. As Pope Benedict said to a collection of Catholic educators in Washington, D.C., “First and foremost, every Catholic educational institution is a place to encounter the living God who in Jesus Christ reveals his transforming love and truth.” Going a step further, he said that in Catholic schools “each and every aspect of [their] learning communities reverberates within the ecclesial life of faith.”30 It is hard to imagine any way in which schools could lose that Catholic identity and still be considered the same organization.

Sector-switching schools are certainly not the first nonprofit organizations that have had to adapt their missions to keep up with changing circumstances. In a landmark case study in organizational change, David Sills documented the changes in the National Foundation for Infantile Paralysis, known today as the March of Dimes.31 Originally founded to fund a cure for polio in the late 1930s, the organization had to change its mission when a vaccine was developed in 1955. Rather than disband, it broadened its mission to include preventing birth defects and infant mortality. One could argue that Catholic school leaders faced with changing circumstances made a similar choice: They adapted their schools to fit with new times. However, others maintain the transition to a secular public charter school does not leave much of the original organization behind. We touch on this issue in our interviews.

The Importance of Law and Policy

Market forces are just one part of a private school’s environment; laws and policies also shape the way schools behave. A distinct strand of research shows those institutional variables are essential to understanding organizational decision-making.32 In particular, laws and policies often favor some organizational types more than others, providing them with access to resources and legitimacy. Organizations, in turn, compete for such legitimacy and recognition, and new organizations take cues about how to organize from those that are successful. Even if other models are technically more efficient, over time the institutional environment creates pressure to adopt those seen as legitimate.

The end result of those pressures is what Paul DiMaggio and William Powell call “institutional isomorphism,” or a tendency for institutions in a given sector to imitate their more successful or politically advantaged peers, creating a more homogeneous market overall.33 In American education, public
schools look remarkably similar to one another and, despite additional autonomy and some differences (e.g., longer school days and years), charter schools also tend to look much like their public school counterparts. Catholic schools are clearly distinct in their mission and have served an important niche in urban markets—a low-cost private option for families. But they still tend to organize their school calendar, pay scales, and instructional methods in ways similar to those at traditional public schools.

Charter schooling’s growing level of political legitimacy may create incentives for other schools of choice to mimic the charter school model or become charters themselves. Forty-two states (and the District of Columbia) now have charter school laws, and the latest Gallup polls show about 70 percent of Americans support charter schooling. Majorities believe charter schools provide a better education than the public schools. Catholic and other private schools may see switching sectors as a way to share in that political capital.

Though isomorphism may be a rational decision on the part of the school in question, it has a systemic downside: It gives rise to homogeneity in markets even though consumers may be better served by a diverse array of options. When the political and economic cards are stacked in favor of a particular type of organization, it may damage the vitality of the market overall. In the school choice debate, policymakers might wonder how existing policies could encourage competition, rather than imitation, among schools of choice.

**The Role of the Diocese: Closure or “Divestiture”?**

Those organizational theories tend to treat the organization as an autonomous unit. But was that the case with our sector-switching schools? As the previous section’s narrative revealed, it’s also important to note that the archdioceses played a large role in the decision to switch sectors. After all, a diocese does exert control over its individual schools, and it seems unlikely those schools would have been empowered to switch sectors on their own.

Instead, the diocese may have actually been operating more like a corporate firm with multiple divisions and a finite amount of resources. Firms often sell off segments of their business that are no longer profitable. Other times, they will “spin off” components of their organization that might be more viable as an independent unit than they are as part of the firm. Scholars have generally found that divestiture has a positive effect on a firm’s performance, though less is known about how firms come to the decision to divest.

What role have the dioceses in D.C., Miami, and Indianapolis played in the decision to switch sectors? Are they simply closing low-enrollment schools that are no longer affordable? Or are leaders choosing more successful schools for conversion to maintain a parish’s role as an educational center in the community and raise revenue from the rental of facilities? We explore those questions in the pages to come.

**Method**

To take an early look at sector switching, we examined 18 Catholic schools in Washington, D.C., Miami, and Indianapolis using both quantitative and qualitative methods. We identified schools in each city that switched and obtained data on their enrollments before and after the change. We then matched the schools that switched to demographically similar private schools from the same district. That technique enabled us to assess how enrollment trends in the schools of interest compared with trends among schools that did not switch.

Ideally, we also would be able to look at student achievement data. Unfortunately, we are limited in our ability to compare achievement across sector switchers and the comparison group because of data limitations. Instead, we simply report how sector-switching schools fared on state assessments in 2012 to provide a snapshot of student achievement at the schools of interest.
To track enrollment, we used data from two sources. For both the non-switching and switching schools in the pre-switching period, we used enrollment data from the Private School Universe Survey (PSS), a survey distributed by the Institute for Education Sciences to every private school in the United States every two years. To determine the enrollment of switching schools post-switching, we relied on the National Alliance for Public Charter Schools’ database of school information, culling data in similar two-year increments. Unfortunately, given the timing of the different data sets, we have data only from 2011-12 for the switching schools. The 2012 achievement data come from each state’s rating system: Florida and Indiana assign letter grades to their schools, whereas the District of Columbia rates charter schools on a three-tier system (tier one corresponds to top-performing schools, tier two to schools performing adequately, and tier three to underperforming schools). To choose a set of schools for the comparison group, we first calculated the mean and standard deviations for enrollment and the percent minority in the switching schools in the year prior to the switch. We then identified the private schools that were within one standard deviation of both total enrollment and percent minority but that did not switch during the period. In Washington, D.C., eight private schools matched the criteria. In Florida, after removing early childhood schools, 26 schools fit the criteria. Those 34 schools became our comparison group. We did not create a separate comparison group for Indianapolis because only two, non-switching private schools were present and both were dissimilar from each other. As a result, we simply folded those two schools into the switching group, as creating a matched group of schools based solely on two data points would not lead to strong comparisons.

After completing the analysis of the pre- and post-switching data, we reached out to a variety of school administrators in both switching and non-switching schools to conduct a brief semi-structured interview on

### TABLE 1 Descriptive Statistics for Switching Schools

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FL</td>
<td>Corpus Christi Elementary</td>
<td>Mater Academy of International Studies</td>
<td>2008</td>
<td>212</td>
<td>463</td>
<td>95%</td>
<td>99%</td>
<td>A</td>
</tr>
<tr>
<td>FL</td>
<td>Sacred Heart Catholic School</td>
<td>Somerset Academy South Homestead</td>
<td>2008</td>
<td>187</td>
<td>312</td>
<td>81%</td>
<td>82%</td>
<td>Pending</td>
</tr>
<tr>
<td>FL</td>
<td>St. Clement Elementary</td>
<td>Somerset Academy Village</td>
<td>2008</td>
<td>106</td>
<td>338</td>
<td>35%</td>
<td>81%</td>
<td>C</td>
</tr>
<tr>
<td>FL</td>
<td>Our Lady of the Divine Providence</td>
<td>Pinecrest Academy (North Campus)</td>
<td>2008</td>
<td>98</td>
<td>203</td>
<td>99%</td>
<td>95%</td>
<td>A</td>
</tr>
<tr>
<td>FL</td>
<td>St. Francis Xavier Catholic School</td>
<td>Gibson Charter School</td>
<td>2008</td>
<td>117</td>
<td>284</td>
<td>100%</td>
<td>99%</td>
<td>D</td>
</tr>
<tr>
<td>FL</td>
<td>St. Malachy School</td>
<td>Charter School of Excellence</td>
<td>2008</td>
<td>132</td>
<td>178</td>
<td>55%</td>
<td>83%</td>
<td>B</td>
</tr>
<tr>
<td>FL</td>
<td>St. Monica Catholic School</td>
<td>Excelsior Charter Academy</td>
<td>2008</td>
<td>176</td>
<td>391</td>
<td>100%</td>
<td>96%</td>
<td>C</td>
</tr>
<tr>
<td>FL</td>
<td>St. Stephen School</td>
<td>Somerset Academy East Preparatory</td>
<td>2008</td>
<td>171</td>
<td>295</td>
<td>90%</td>
<td>91%</td>
<td>A</td>
</tr>
<tr>
<td>FL</td>
<td>St. Joseph</td>
<td>Mater Beach Academy</td>
<td>2010</td>
<td>130</td>
<td>531</td>
<td>50%</td>
<td>83%</td>
<td>A</td>
</tr>
<tr>
<td>FL</td>
<td>St. Elizabeth of Hungary</td>
<td>Somerset Pines Academy</td>
<td>2010</td>
<td>160</td>
<td>432</td>
<td>24%</td>
<td>57%</td>
<td>C</td>
</tr>
<tr>
<td>IN</td>
<td>St. Andrew and St. Rita Catholic Academy</td>
<td>Andrew Academy</td>
<td>2010</td>
<td>163</td>
<td>217</td>
<td>73%</td>
<td>98%</td>
<td>C</td>
</tr>
<tr>
<td>IN</td>
<td>St. Anthony Catholic School</td>
<td>Padua Academy</td>
<td>2010</td>
<td>125</td>
<td>186</td>
<td>74%</td>
<td>94%</td>
<td>A</td>
</tr>
<tr>
<td>DC</td>
<td>Assumption Catholic School</td>
<td>Center City Congress Heights</td>
<td>2008</td>
<td>130</td>
<td>244</td>
<td>100%</td>
<td>100%</td>
<td>Tier 3</td>
</tr>
<tr>
<td>DC</td>
<td>Holy Comforter-St. Cyprian School</td>
<td>Center City Capitol Hill</td>
<td>2008</td>
<td>186</td>
<td>222</td>
<td>100%</td>
<td>98%</td>
<td>Tier 2</td>
</tr>
<tr>
<td>DC</td>
<td>Holy Name Catholic School</td>
<td>Center City Trinidad</td>
<td>2008</td>
<td>169</td>
<td>215</td>
<td>100%</td>
<td>99%</td>
<td>Tier 1</td>
</tr>
<tr>
<td>DC</td>
<td>St. Francis De Sales School</td>
<td>Center City Shaw</td>
<td>2008</td>
<td>148</td>
<td>237</td>
<td>98%</td>
<td>99%</td>
<td>Tier 2</td>
</tr>
<tr>
<td>DC</td>
<td>St. Gabriel School</td>
<td>Center City Petworth</td>
<td>2008</td>
<td>174</td>
<td>232</td>
<td>94%</td>
<td>98%</td>
<td>Tier 1</td>
</tr>
<tr>
<td>DC</td>
<td>Nativity Catholic Academy</td>
<td>Center City Brightwood</td>
<td>2008</td>
<td>181</td>
<td>231</td>
<td>100%</td>
<td>92%</td>
<td>Tier 2</td>
</tr>
</tbody>
</table>
the subject. We conducted eight such interviews in the summer and early fall of 2013.

**Findings**

Table 1 (previous page) displays basic data for the 18 schools that switched from Catholic to charter in our analysis. The table includes data on enrollments and the percent minority before and after the switch and each school’s 2012 rating on the state accountability system. Because of data limitations, we could not show pre-post comparisons in academic achievement (via the school letter grade). Instead, we provide a snapshot of how those schools fare today (in the “2012 Grade” column).

Table 1 shows the enrollments of each school grew between the pre-switch period and 2012. Seven schools more than doubled their enrollments over the period; four more grew by at least 50 percent. In terms of the percentage of minority students, the pattern was less uniform, though most schools had a higher percentage of minority students after the switch. Eleven of the 18 enrolled a higher proportion of minority students after the switch. Eleven of the 18 enrolled a higher proportion of minority students in 2012 than they did as Catholic schools. The growth was particularly striking at four of the 10 Florida schools where the percent minority grew by 25 percentage points over that period. St. Clement Elementary-Somerset Academy Village went from 35 percent minority in the pre-switch period to 81 percent in 2012. The six schools whose percent minority decreased over the course of the switch could only go down or stay the same; they had student bodies that were 99 percent or 100 percent minority in the pre-switch period. Though those percentages went down slightly post-switch, those schools were still at least 92 percent minority in 2012.

Regarding achievement, the charter schools generally ranged from average to above average. Just one of the Florida schools received a D grade. Four of 10 received A grades (including Mater Beach Academy, which grew to be three times as large and 33 percentage points more diverse over the period). One of the six “Center City” D.C. schools ranked in the bottom tier (Congress Heights); two were “Tier 1” schools. In short, the switchers are not all high-performing schools, but few of them would qualify as academically struggling.

**Enrollment Growth over Time**

Table 1 provided a snapshot of enrollment change over time. But how does that compare with comparable schools? Did they grow as well? To get a more detailed picture of enrollment patterns, we charted the average enrollment in the period leading up to and just after the sector switch.

![Average Enrollment in Switching Schools Pre- and Post-Switch](image-url)

(Switcher n = 18)
Figure 4 (previous page) shows the stark shift in enrollments among sector-switching schools after the changes, with the y-axis measuring average enrollment and the x-axis showing years before and after the switch. “Year 0” indicates the last year before the switch to charter status, and it allows us to place schools that switched at different years on the same graph.

The trend is quite clear: Before the switch, schools in the switching group lost, on average, 7.3 students per year. After the switch, they gained an average of 34.4 students per year. For the 15 schools that switched in the 2008-09 school year, we have two data points (denoted as 1 and 2 on the x-axis in Figures 4–6) in the post-switch period that capture their enrollments as charter schools. For the four schools that switched in 2009-10, we have only one year’s worth of enrollment data. Therefore, the last average (Year 2) does not include data for those schools.

When the comparison group is added in Figure 5, we see that group shows no such uptick in enrollments. There does not appear to be a secular trend in school enrollment that explains the enrollment increases experienced by sector-switching schools.

To answer our second question, we tracked the percentage of minority students in both types of schools over the same period. Figure 6 displays the percent minority for both switching and non-switching schools. The trends between the two are similar, with percentages of minority students increasing over time, but what is most striking is the switcher line sees an increase post-switch in the percentage of students that identify as minorities. Overall, schools that switched saw their proportion minority increase by 27 percentage points—from 65 percent minority to 92 percent minority. Schools in the comparison group also increased, though only by 13 percentage points from 65 percent to 78 percent. Again, it is important to note the final data point excludes the four schools for which we had only one year of data after the switch.

**Qualitative Results**

To put those empirical findings into greater context, we conducted a series of interviews with individuals knowledgeable about the decision to switch sectors and the environment at the time. The appendix lists the names, titles, and dates of those interviews; the following section organizes their comments into five overarching categories: the decision criteria used for picking schools that switched, the effect of switching on schools that switched, the effect of switching on schools that did not switch, a discussion of whether...
“switching” is even the best word to describe what happened, and a discussion of the role that private school choice played in the process.

**Decision Criteria**

Financial viability was the primary criterion for deciding which schools would close, which would remain open, and which would convert to charter schools. In D.C., it was decided that the archdiocese had the resources to operate only five schools. As the archdiocese’s Secretary of Education Thomas Burnford said, “From a financial perspective, the archdiocese could only, at best, support five of them, and that is with the assistance of donors.”

To support the 14 D.C. schools that were a part of the Center City Consortium, the archdiocese had to spend roughly $10 million per year, according to Chris Kelly, who was co-director of the consortium at the time of the switch. The financial situation was dire, and the archdiocese and individual parishes simply did not have the resources to keep the schools open.

Converting the schools was a last resort. As Burnford said, “We did not choose charter schools as opposed to Catholic schools; we chose charter schools over empty buildings.”

The schools slated to close were identified as a possible revenue stream for the archdiocese, as they could lease their space and derive rental income from the occupants. Charter schools were particularly attractive candidates as tenants because of a stipulation in D.C. charter law that makes it easier for a school to “convert” to charter status than to start new. D.C. code allows for separate paths for start-up charter schools and conversions, and, in particular, has a unique path for private schools that wish to become charters. Burnford describes the process as easier because the organization “doesn’t have to wait as long to start up because it already has a school in place.”

Michael Thomasian, principal at St. Anthony’s School in northeast Washington, D.C., had a very interesting perspective on why his school wasn’t chosen to switch. First was the school’s close proximity to Catholic University, which allows for partnerships...
that are not possible with schools farther away. But, more important, it was about the physical plant of the school. He said two questions were asked: “One, is it up to par? Would the public school system rent this building, or does it need a lot of work to meet code?” and, “(Two) where’s the auditorium? Where’s the cafeteria? Because a church, the neighboring church, still needs to use that auditorium for their receptions and meetings.” St. Anthony had both a deteriorating physical plant that would need serious upgrades for a public school to rent it and common spaces that would have been difficult for parishioners to use without full access to the building.

Kelly concurred, but added another criterion. He stated that the three decision criteria were the location, the number of Catholic students in the school, and the current enrollment, including non-Catholics. Location was important because schools were spared with a particular eye to the communities they serve. As Thomasian stated, of the three other inner-city schools that were not closed, two (St. Thomas Moore and St. Francis Xavier) serve “the poorest area of the city” (southeast D.C.), and he does not believe the church would ever leave that neighborhood. The remaining school, Sacred Heart, is a Spanish-immersion school serving the District’s burgeoning Hispanic community, which helped protect it.

In Indianapolis the decision to convert schools was weighted toward schools that needed more work rather than less. The primary criterion was making sure the city’s various ethnic communities would remain served, with one conversion at a predominately Hispanic school and the other at a predominately African-American school. But because the conversion would make the school eligible for public money (thus raising per-pupil revenues), officials decided to pick schools that needed more work to upgrade their facilities.

**Effect on Switching Schools**

In Indianapolis, the two schools that switched have followed divergent paths. According to Connie Zittnan, former executive director of the Mother Theodore Catholic Academies, St. Anthony (now Padua Academy), which serves a predominately Catholic Hispanic population, has “not skipped a beat.” Despite the switch, the school kept the same principal as well as most of the staff and students. The wraparound religious services are well attended, and parents appear to be happy with what is being offered. The state accountability rankings agree. In 2010-11, the school earned an A with “exemplary progress” and earned another A in 2011-12.

The story is somewhat different with St. Andrew and St. Rita (now Andrew Academy), which serves a majority African-American, non-Catholic population. Many of the staff members have left and the school replaced the principal as well. According to the state accountability system, in 2010-11, the school earned a D and was placed on “Academic Watch.” However, the school improved to a C in 2011-12.

According to Zittnan, one of the most prominent differences between the two schools and their counterparts that remained private has been the increased service to students with special needs. Because charter schools have more resources and must serve students with special needs, more students have applied to and are attending the schools that have converted to charter schools.

**Effect on Non-Switching Schools**

**More Money for Remaining Students**

The rental income from the seven schools that switched has become a serious revenue stream. According to the Center City Public Charter Schools’ 990 tax form, in the fiscal year ending in 2011, they paid more than $3.2 million in rent. Much of that money supported the parishes where the schools are located, but a substantial portion, some $900,000 per year according to Burnford, went toward tuition assistance for students at the schools that remained open. In Indianapolis, the $1 million of support the archdiocese now provides is spread among four schools, not six. And, with the influx of new publicly funded voucher
dollars, the archdiocese may even be in a position to contribute less as schools raise more revenue from tuition.

But perhaps more important, closing schools and focusing efforts led to a more viable long-term fiscal strategy for the dioceses. The Center City Consortium in D.C. evolved into the Consortium for Catholic Academies, an organization that supports the four schools that remained open and under diocesan purview. That group is tasked with a much more manageable job, attempting to raise money for fewer than one-third of the schools for which its predecessor was responsible. According to both Burnford and Thomasian, the arrangement has placed the remaining schools on a path of financial viability for the foreseeable future.

New Competition

The schools that remained open saw newfound competition from those that converted to charters. Schools operating in the same buildings they occupied before the switch with some of the same staff were now offering their services for free, which Thomasian described as “a very tough time” for Catholic schools that did not switch. He and other principals needed to make the case that what made them different—the fact that they were still a Catholic school—made the family investment worth it. He remarked that the charter schools were very savvy with their targeted marketing at the parents of students in Catholic schools. As he put it, “They hit up our families too. ‘Nothing’s going to change, come on over, it’s going to be free, we’re going to have all the bells and whistles, it’s going to be the same.’” And it worked. He saw very few students leave any of the recently converted charter schools to come to his Catholic school.

Thomasian was put in a difficult position. He described it as:

“We want those charters to succeed; because the DCPS (D.C. Public Schools) rents those buildings from the church, and that money—a portion of that money, not all—comes back to the consortium schools. A portion of that rent runs our budget, runs our upgrading costs. So if we don’t support them, we don’t get that income. And if we support them too much, we’ll lose people to them. So it’s really a rock and a hard place here.”

Zittnan sees that same dynamic in Indianapolis. When their two charters were issued, there was little competition from other charter or other private schools. However, in that short period of time, Anthony Academy has seen six charter schools open to serve the same community. Padua must confront the opening of a new charter school with a capacity of 600 students less than one-eighth of a mile away.

Kelly framed that new dynamic nicely, stating, “Traditionally, Catholic schools provided a safe option for inner-city students. The emerging charter sector is creating more safe options, so Catholic schools need to convince parents they are worth the cost.”

Is “Switching” the Correct Term?

We should note that many of those we interviewed pushed back from our characterization of what happened in the aforementioned schools as “switching.” As Burnford put it, “There was a point in time when the separate charter operator board was given a charter to form a school and then their school begins; before that, they were Catholic schools and they transitioned over.... [T]hose Catholic schools closed, ended, ceased to operate.” Putting a finer point on it he said, “What happened was they closed June 30, and, pretty much July 1, a charter school came into being. It happened that many of the same students attended, many of the same teachers attended, and some of the same principals attended.” But, he argued, they were completely distinct schools.

Beth Blaufus, president of Archbishop Carroll, a Catholic high school in northeast Washington, D.C., had a similar response. She said her institution could never “switch” or “convert” to a charter school, as its Catholic identity is central to its mission. “It is not
an element,” she said. “It is the reason we do what we do.” At best, she believed, a school could use the same building, but that would mean closing and then reopening as a completely different organization.

The Role of Private School Choice Programs

As Matthew Ladner demonstrated in his analysis of school market share in Arizona, private school choice programs can serve to blunt some of the effect of charter schools’ increasing market share. Both Miami and Washington, D.C., have private school choice programs, though both are rather small. The D.C. Opportunity Scholarship Program, a voucher plan for low-income students to attend private schools, enrolls only 1,638 students. Florida’s McKay voucher program for students with special needs enrolls 27,040 students statewide, and though the Florida Tax Credit Scholarship Program reaches 59,674 students today, usage was less than half that when the decision to convert the Miami schools occurred. When Miami’s St. Joseph and St. Elizabeth of Hungary were closed in 2010, Brother Richard DeMaria, superintendent of the archdiocese’s schools at the time, told Florida Catholic, “The existence of parental choice programs gives us some help,” but, “right now, the parental choice programs don’t bring in enough money to balance the budget.” Kelly agreed. At the time, the D.C. Opportunity Scholarship Program set the value of the voucher at the lesser of $7,500 or the private school’s tuition and fees. Schools that set tuition below their expenses to keep it affordable for lower-income families still lost money with voucher students. As he put it, “The (Opportunity Scholarship Program) helped our enrollment, but not our bottom line.” In Indianapolis, the recent enactment of a large voucher program has almost completely ended any consideration of converting Catholic schools to charter schools, according to John Elcesser, director of the Indiana Non-Public Education Association.

Even with those limitations, the vouchers/scholarships play a large role in buoying inner-city Catholic schools. Fifty-seven of the 225 students who attend St. Anthony’s in northeast D.C. have an Opportunity Scholarship Program voucher. According to Burnford, 40 percent of students in the consortium’s schools rely on Opportunity Scholarships, and the political climate that puts the program almost perpetually at risk worries him. Stopping the program, he said, would “have a dramatic, significant, and instant effect upon Catholic education in the inner city of Washington, D.C.”

Zittnan was even blunter. Indianapolis decided to convert its schools one year before the statewide voucher program came into existence. In her words, if the voucher program had been around at that time, the archdiocese “would probably not have gone the charter route.” Today, the voucher program has strengthened the inner-city Catholic schools nearly to the point of self-sufficiency, with the archdiocese even considering backing off on its contributions to the remaining schools because of lack of need.

Conclusions and Implications

From our quantitative analysis, we can draw two conclusions:

1. Switching from private to charter increased enrollment in affected schools.

2. Switching from private to charter meaningfully increased the percentage of minority students in the schools.

Our first conclusion has a pretty clear explanation. Inner-city Catholic schools struggling before conversion were injected with a new ability to attract families and per-pupil funding when they switched and have grown since. It aligns with Ferreyra’s estimates that there are more people wanting to attend schools of choice than there are people who can pay for them. When the payment is no longer required and the schools remain at least somewhat similar, more families choose to attend.

Our second conclusion follows the first, with some
nuance. With regard to averages, in the five years prior to the switch, schools that eventually converted to charter schools had 65 percent of students identified as minorities. For all but four schools on which we have two post-switch data points, that average jumped up to 92 percent by the 2012 school year. If we look only at the first year post-switch and include the four additional schools, the average is still high—about 88 percent—marking an increase of 23 percentage points over that time period. Now, those numbers, as Figure 6 showed, were growing pre-switch, with the school level average the last year before switching reaching 78 percent minority. But there does seem to be an inflection point at the switching year. Insofar as race is correlated with poverty, this conclusion follows our first point rather clearly. More poor and minority students wish to attend private schools but are unable to because their parents cannot afford them. When those families are given the ability to attend a school in the same building with many of the same staff at no cost, more choose to do so.

Our interviews unearthed several implications.

First, was this an example of creative destruction or organizational evolution? To the outside observer, it would appear this was a clear-cut case of organizational evolution. The central task of the organizations—educating students—remained the same. The buildings were the same, the grades served were the same, and many of the same workers were employed by both organizations. When they converted to new management, school enrollment grew without fundamentally changing their client base. However, those involved in the switch, particularly on the side of Catholic schools, wholly reject that interpretation. They argue that Catholic schools cannot be separated from their religious mission and thus must close and end operation before a new school can begin.

Perhaps the answer rests in the eye of the beholder. But the verdict to which one comes changes what those conversions mean for school choice policies. If this is a case of simple evolution, then observers need to ask themselves: What is the goal of school choice policy? Is it to maximize the diversity of offerings available to students? Is it to give every child some choice in where they attend school? If the goal is simply to maximize the number of choice seats in a given area then a set of rational decision criteria could be developed by dioceses across the country to identify the schools that are the most suited to spin off into charter schools. Programs that support students to attend private schools, meanwhile, be they vouchers, tax-credit scholarships, or education savings accounts, could be targeted to schools that simply need some help to stay open. Those in the direst of straits would just convert. But, if the intent is to maximize diversity in approaches to schooling, programs would need to be designed that support schools of all types, and not privilege one approach over another.

Second, those switching schools raise interesting issues regarding the nature of comparative advantage and isomorphism. Though conversion to charter status might at first appear like a case of Catholic schools mimicking charters, it might also be the case that charters’ ability to imitate Catholic schools is what set these competitive dynamics in motion in the first place.

Catholic schools have an identifiable and respected brand. They are known for their discipline, high expectations, and formation of moral values in students. Schools that are able to mimic some of those characteristics, without bringing along the financial issues that have plagued Catholic schools, are in a position to take over some of the Catholic school market share. That puts Catholic schools in a difficult position, as what makes them unique and marketable is limited to one dimension—their Catholic identity. In low-income communities, especially those with only a small Catholic population, it would appear demand for that facet of schools may not be large enough to sustain as many of them.

Third, and related to that, is the crowding out that happens as choice markets develop. As has been demonstrated indirectly elsewhere and quite directly here, many charter school students come from private schools. If the market of parents is being divided into choosers and non-choosers, this pattern makes
sense; some segment of choosers would rather pay nothing than something for a school of choice. But the movement of students from one sector to another could, over the long term, narrow the choices families have in a given area. If a vibrant choice marketplace is one in which families can choose from a diverse set of options, limiting that choice to charter and traditional public schools is suboptimal. This is important not only for the development of private school choice programs, but also for the drafting of charter school policy. If, like in D.C., it is easy for charter schools to take over existing private schools, it makes it that much more likely those policies will crowd out struggling private schools.

Finally, switching schools bring a new perspective to the business model and possible divestiture strategies of Catholic schools. It is clear from our interviews that Catholic leaders identified school buildings as revenue streams, not unlike a firm that looks to isolate what components of its business might be more profitable if moved outside of the organization. Decisions about what schools would switch were based on the likelihood that the building would be rented and how the church could share some rooms of the building with the school. After making that determination, Catholic leaders “spun off” part of their organization to raise money to support the rest of their operations. We tend not to think of nonprofit organizations, and especially school systems, in the same way we think about revenue-maximizing firms; but for systems that have financial problems, divestiture may offer a path forward that both generates revenue and maintains a parish’s connection to education.

Switching schools offer an important snapshot of things likely to come as the education marketplace grows. How they perform in the future will offer even more insights about school switching and the long-term vision for both private schools, charter schools, and school choice policies.
Appendix

Names and Dates of Interviews

Beth Blaufus
President
Archbishop Carroll High School
Washington, D.C.
Interview conducted May 23, 2013

Michael Thomasian
Principal
St. Anthony’s Catholic School
Washington, D.C.
Interview conducted May 28, 2013

Thomas Burnford
Secretary of Education
Archdiocese of Washington, D.C.
Washington, D.C.
Interview conducted May 31, 2013

Chris Kelly
Principal
Blessed Sacrament School
Washington, D.C.
Interview conducted June 12, 2013

Donald Edwards
Associate Superintendent of Schools
Archdiocese of Miami
Miami, Florida
Interview conducted May 25, 2013

John Elcesser
Executive Director
Indiana Non-Public Education Association
Indianapolis, Indiana
Interview conducted September 19, 2013

Connie Zittnan
Former Executive Director
Mother Theodore Catholic Academies
Indianapolis, Indiana
Interview conducted September 19, 2013
Notes


12. Bryk, Lee, and Holland, Catholic Schools and the Common Good.

13. See note 6 above.

14. Ibid.


21. Quoted in source in note 7 above.

22. Though some observers would question whether re-opening as a charter school could be considered “surviving” in any real sense.


25. For a more in-depth history of this decision, see Dana Brinson, Turning Loss into Renewal: Catholic Schools, Charter Schools, and the Miami Experience (Washington, DC: Seton Education Partners, 2010), http://www.setonpartners.org/miami-a2977.

26. See note 1 above.


30. Pope Benedict XVI, Address to Catholic Educators delivered at Catholic University of America, (Apr. 17, 2008).


37. Remember, the data appear in two-year intervals, so the valley in 2007 is the last data point of the “pre-switch” time period and the peak in 2009 is the first data point in the “post-switch” time period.

38. DC Code Chapter 18 Subchapter II §38-1802.01(b).


42. See note 1 above.


About the Authors

Michael Q. McShane is a research fellow in education policy studies at the American Enterprise Institute (AEI). He is co-author of “President Obama and Education Reform: The Personal and the Political,” published by Palgrave MacMillan in 2012. His scholarship has been published by *Education Finance and Policy* and in various technical reports. He has contributed to more popular publications such as Education Next, the Huffington Post, National Review, The Chronicle of Higher Education, and the *St. Louis Post-Dispatch*. He is co-editor of “Common Core Meets the Reform Agenda” (with Frederick Hess), published by Teachers College Press in 2013. He began his career as an inner-city high school teacher in Montgomery, Alabama.

Commitment to Methods & Transparency

The Friedman Foundation for Educational Choice is committed to research that adheres to high scientific standards, and matters of methodology and transparency are taken seriously at all levels of our organization. We are dedicated to providing high-quality information in a transparent and efficient manner.

All individuals have opinions, and many organizations (like our own) have specific missions or philosophical orientations. Scientific methods, if used correctly and followed closely in well-designed studies, should neutralize these opinions and orientations. Research rules and methods minimize bias. We believe rigorous procedural rules of science prevent a researcher’s motives, and an organization’s particular orientation, from pre-determining results.

If research adheres to proper scientific and methodological standards, its findings can be relied upon no matter who has conducted it. If rules and methods are neither specified nor followed, then the biases of the researcher or an organization may become relevant, because a lack of rigor opens the door for those biases to affect the results.

The authors welcome any and all questions related to methods and findings.
Dr. Milton Friedman, Founder
Nobel Laureate

Dr. Rose D. Friedman, Founder
Noted Economist

BOARD OF DIRECTORS

Dr. Patrick Byrne, Chairman
Chairman of the Board & CEO, Overstock.com

Janet F. Martel, Vice Chairperson
Attorney

Lawrence A. O’Connor, Jr., Treasurer
Executive Director, Butler Business Accelerator

J. Scott Enright, Secretary
Exec. VP & General Counsel, Emmis Communications Corp.

Robert C. Enlow
President & CEO, Friedman Foundation for Educational Choice

Charles H. Brunie
Brunie Associates

Dr. David D. Friedman
Professor, Santa Clara University

Greg Gianforte
Founder, RightNow Technologies

William J. Hume
Chairman of the Board, Basic American, Inc.

Fred S. Klipsch
Chairman, Klipsch Group, Inc.

Fred Reams
Reams Asset Management

Virginia Walden Ford
Education Activist

Dr. Michael Walker
President, The Fraser Institute Foundation

facebook.com/edchoice
twitter.com/edchoice