

## **Joe Loftus' 1988 Proposal for 'Chartered Schools'**

**In 1987 the CTU struck Chicago schools for the ninth consecutive time. The town blew. Mayor Washington's 'Summit' led to reform legislation in 1988: basically parent-run schools. Joe Loftus, at the Center for Child Welfare Strategy, had a different idea – which he put away after the legislation produced 'local school councils'. In 1993 he called Minnesota. “What's this 'charter schools' I'm hearing about?”, he asked. “I proposed that in 1988.”**

**In truth Joe's proposal went beyond the chartering that appeared in Minnesota in 1991. It resembles the full-blown idea now for a continuing transformation of the system; new schools being created to replace unsuccessful schools being closed. Here are its key pages. I thought you'd like to see this case of 'parallel invention.'**

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There are more than five hundred elementary schools in Chicago. We propose to focus efforts towards reform on the 3% segment of these schools that are the lowest performing based on school test data. These 15 schools would become “Charter Schools,” which would be privately operated and supervised. A Charter would grant a private entity the right to provide educational services within the geographic area of the school that was transferred from the public system into the Charter system. Along with that right would be a transfer of school buildings and the school's budget for administration and operations. The continued viability of each charter would depend on its sponsor's success in out-performing the lowest 3% segment of the public school system.

Responsibility for supervising the administration of the Charter Schools would be transferred from the Board of Education to an independent school board, made up of professional educators, experts in the education of the disadvantaged child, business and community leaders, and parents. This independent or Charter School Board would oversee the operation of the Charter Schools, and would receive the proportional share of the cost of system administration.

The Charter Board's responsibility would be to establish the Charter contracting mechanism and overall framework of school administration. It would select from among competing educational providers, and grant charters for program operations. Given the nature of the Charter concept, we see the Charter Board's role as one of promoting innovation, competition, and an efficient administrative framework, rather than as school governance. The Board will make judgments about whether the proposed deviations of the school code are well considered and must be included among its membership, professionals capable of making sophisticated assessments of educational policy and practice. Finally, the Board's selection from among competitive candidates for Charters must be seen as a public trust, therefore both its establishment and operation must be insulated from the untoward political influence that sometimes undermines the integrity of public sector contracting. We expect the following types of entities might submit a

bid to assume the responsibility for providing education services in the areas under the Charter program:

- Montessori Schools
- Schools of Education (Lab Schools)
- Teacher Cooperatives
- Corporations in the Field of Education
- Not-for-Profit Agencies

In the first round of bidding, participants would be limited to receiving a charter to operate a single school. This approach is consistent with the literature on education reform, which suggests the primacy of the individual school as the proper unit for change. Over time, the potential to operate multiple schools would be opened to those Charter schools demonstrating excellence in education.

The key to the proposal is the Charter system's ability to place continued but fair pressure on the broader segments of the public school system to improve performance. We have noted that an important criteria for judging any proposal for competition must be its impact on the public system. Thus, the positive impact of the Charter system should be felt in the schools outside the Charter system. We believe the Charter strategy achieves this goal, as the result of two complimentary mechanisms: the revolving nature of the schools at risk of privatization through the Charter School strategy, and the improved ability of the public schools at risk of takeover to compete fairly with charter schools.

On the first point, the Charter School strategy fosters competition among public schools at risk of takeover, by allowing private competitors to expand their market share if they can out-perform the lowest echelon of the public system. This would occur because the 3% Charter segment is a revolving 3% subject to annual re-determinations based on performance. Thus, each year, if a privatized Charter School improves school performance, it will be replaced in the lowest 3% echelon by other schools still operated by the Chicago Board of Education. These new schools in the lowest 3% would in turn be subject to takeover. (Charters would run for a prescribed period of time – perhaps 5 years – during which time the school would be exempted from the loss of its charter even if it remained in the lowest echelon.)

By the end of the fifth year, in theory, a maximum of 15% of the schools operated by the Chicago Board of Education might be transferred to the Charter system. This revolving door concept avoids the risk that might otherwise exist, that the public school system will see the Charter scheme as simply a way of spinning off it's least performing segment. Instead, the prospect that an ever-increasing segment of the public system may be privatized, along with the knowledge that Charter schools are capable of improving performance despite the same constraints that public schools have traditionally faced, should serve a continued spur and a challenge to the public system.

The second unique feature of the Charter School concept relates to improving the public school system's ability to fairly compete. Given the highly segmented performance profile of the Chicago school system, the number of programs at risk of takeover are likely to be those elementary schools in the bottom 15% of school performance. In order to promote the likelihood that the Charter strategy will spur the public system to improve performance – rather than leading inexorably to ever-increasing privatization – we believe it is essential that schools in this zone of risk be permitted to compete effectively with their private counterparts, in two respects described earlier. First, these schools should be allowed to deviate from the code model of schooling, and be given a wide scope for educational experimentation. Second, in competition with schools whose programs have greater flexibility, the Union and the Chicago Board of Education might want to negotiate more flexible rules, so as to be less hampered in their efforts to fulfill their educational responsibilities.

In sum, we believe that with these two mechanisms for promoting fair competition, the impact of the Charter School system will be felt first in the elementary schools in the zone of takeover risk – those in the lowest echelons whose substandard performance places them at risk of being out-performed by the Charter Schools. One might expect that the Chicago School Board, faced with the erosion of its historical monopoly on schooling, will rivet its attention on these schools. If so, its energy and attention may start to reverse sentiment on the part of some education administrators that large segments of the schooling enterprise are appropriately written off as hopeless.

We have chosen to pilot the Charter program with the lowest performing schools and with elementary schools, for two primary reasons. First, this part of the educational system is the least defensible segment of the public monopoly; it has clearly failed to meet the educational needs of the children it serves. Thus, put bluntly, in this segment of the system neither children nor policymakers have much to lose from trying an alternative approach. Second, and somewhat ironically, the very disadvantaged nature of the population served in these schools is likely to attract private groups interested in participating in educational reform. (Montessori schools, for example, were originally designed to serve poor children but have been unable to do so because of economics.) In any event, if competition provides the spur to scholastic improvement and effective educational administration that we believe it will, the Charter idea might be expanded to include other segments of the market place: vocational education, high schools, and programs for gifted children.

Finally, the determination of which schools fall into the 3% Charter system each year would be based on an objective evaluation of student progress. In order to ensure that this measure is fairly administered, the responsibility for testing would be transferred from the Chicago Board of Education to a new, independent authority: The Chicago Educational Testing Service. Aside from the benefit of fair and efficiently administered testing, this new entity might be looked to as a source of comprehensive objective data on student achievement and school performance in both the public and Charter school systems.

For many the proposal is too modest. There are several reasons for selecting a figure in this

range. First, while a budget figure of \$60 million is but a small fraction of the overall school budget, the fact that the school system has approached a ceiling in local property taxes means that these resources have great leverage. New state funding in the neighborhood of \$60 million would decisively and favorably impact on the ability of the CBE to manage short term needs. For example, the Board's ability to reach an amicable settlement with the teachers union in the system is 4%, a factor which – in combination with the interest of some public sector teachers in moving to the Charter system – would minimize the short term impact on the system's teachers. Finally, maintaining a small initial effort is consistent with the need to develop and attract qualified candidates. If the initial scope of the undertaking were much larger it might compromise the ability of the Charter Board to mount, manage, and monitor an effective system of educational alternatives.

### **Charter Schools Compared To Other Proposals**

We have already briefly noted that the Charter School concept avoids the constitutional, fairness, and practical objections that have plagued the voucher proposals. Here, we briefly review some of the most important advantages of the Charter strategy compared to alternative reform approaches<sup>1</sup>.

Equity. As noted, a primary concern with the voucher proposal is that disadvantaged students fare poorly in a private marketplace. Information gaps, transportation barriers, economic disadvantages, and private selection procedures all may conspire to leave the public sector with a market of children suffering from disadvantage while luckier children flee to the private system. The Charter Schools program, by contrast, is explicitly focused on the most educationally disadvantaged segments of the school population, and therefore is not subject to this objection. It attempts to vitalize schools and renew the educational system's focus on the poorest communities, in which the least resources are available and in which exclusion from effective education entitlements has powerfully undercut children's life prospects. Indeed, basing the prospects that a particular school will become or remain privatized on competitive performance measures should powerfully make the point that every child's progress is important to the school

Uncertainty. Unlike proposals for vouchers, tax credits, and family choice, the impact of the Charter school proposal is predictable, and manageable. The Chicago Board of Education will know precisely what the impact of policy will be on the schools under its auspices. A maximum of 35 of its schools will be privatized each year, and the schools at risk of privatization will be identified in advance. Since the attrition rate for teachers in the public system exceeds the number of teachers who will be displaced by the transfer of the lowest 3% to the Charter system, at least initially the strategy will not require layoffs. Most important, administrators, principals, and teachers will have the power and the tools in their hands to contain the spread of private alternatives in the system – they need only outperform the Charter Schools.

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1 Note to reader: Since this paper was drafted in 1988, the notion of school choice has acquired growing importance. Interestingly, 70% of Americans find the need to send their children outside of their neighborhood a serious drawback to the choice strategy. The Charter School system avoids such massive transportation problems, and thereby strengthens rather than weakens community schools.

As noted, it should quickly become apparent that the Charter School idea may have broader application. If the Chicago Board of Education schools cannot perform as well as the privatized Charter Schools, then the pressure will build in other segments of the educational system. Thus although initially confined to the worst performing and least defensible set of schools, the scope of the Charter concept might be later extended. In any event, if such an expansion takes place, again it will be gradual enough to afford the public school system fair opportunity to meet the challenge. By creating a foothold for private alternatives, the message of the charter school strategy is that business as usual will no longer be tolerated. Yet the modest scope of the strategy makes it a fair challenge to the educational establishment.

Recruitment. We previously noted the concern with the current school reform scheme that the lowest performing schools might have difficulty in attracting and retaining educational talent. The Charter School proposal is designed to create a segment of the marketplace that offers a unique set of career, professional, and corporate opportunities to educators and administrators alike. The chance to establish and be part of a new school with distinctive leadership and pedagogy that is fundamentally committed to excellence creates unique opportunities that can serve as a magnet for exceptional talent. Thus one virtue of the Charter Strategy is that it places a premium on recruiting the highest caliber talent to serve in the most disadvantaged areas. At the same time, the competitive threat posed by the Charter Schools will continue the pressure on the public school system to energize its own efforts.

## Summary

Obviously, the Charter School proposal presumes that the revitalization of inner city schools in the lowest echelon of performance is possible: we believe that these often defeated and demoralized institutions can be turned around by the introduction of private groups fired by a sense of purpose and mission. By fine-tuning proposals for privatization, and giving some teeth to the philosophy underlying public school reform, we believe the Charter School proposal synthesizes the best features of prior efforts towards school reform.

But what if Charter Schools cannot transform the education process? What if they are not successful, despite the best efforts of private concern? In that case, we will have learned a fundamentally important lesson – that we will need to focus on more comprehensive educational and social welfare strategies in order to achieve educational opportunities for these children – without having had to sacrifice a massive investment in privatization. On the other hand, if privatized schools increasingly out-perform public schools given the same resources, then policymakers and the public will have been given reassurance that privatization is a sensible course, again before they have to commit scarce funds to the endeavor.