

Policy Memorandum

To: Carmen Fariña, Chancellor of Schools, New York City Department of Education
From: Jenny Greeman and Robyn Liverpool, MPA Candidates, Baruch College
Re: School Co-location
Date: May 5, 2016

EXECUTIVE SUMMARY

Co-location of a charter school and a traditional public school creates a dichotomy of "haves and have-nots". This is a serious problem in New York City. The co-located charter school at times has better resources, food, and more money. In this problem memo we will explore three possible solutions to this problem, they are: Charters Share Fundraising Dollars with their co-located traditional public school; Charter Schools Pay Rent; and Co-locate Charter Schools with Charter Schools and Traditional Public Schools with Traditional Public Schools. After some consideration our recommendation is to have Charter Schools pay rent. This option is the most attractive because it makes efficient use of existing resources and reduces the inequality by strengthening the traditional public schools.

THE PROBLEM

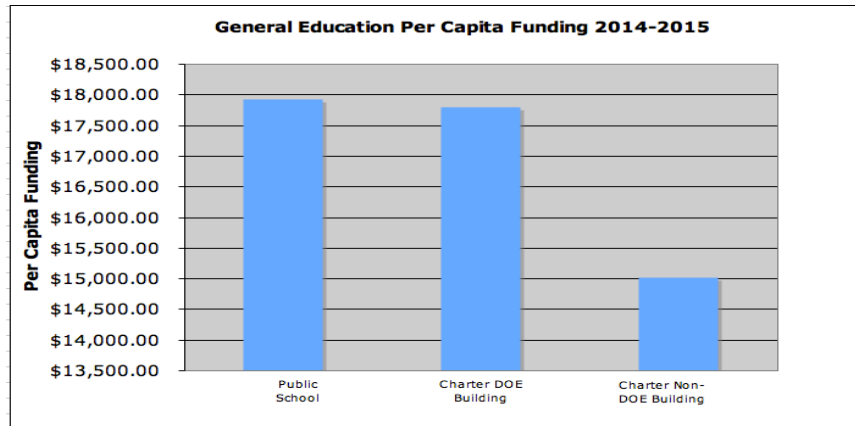
School co-location occurs when two or more independent schools physically exist in the same building. Co-locations grew dramatically during the Bloomberg Administration, which favored small schools and school choice. During his tenure the number of co-located schools doubled (Bloomberg Legacy) and the charter school sector saw a ten-fold increase. Currently, almost two-thirds of NYC's public schools are co-located (Winters). In spite of - perhaps because of - the unprecedented growth of co-locations, the practice is politically controversial and emotionally wrought for the families it affects.

According to then New York City United Federation of Teachers (UFT) Vice President Leo Casey, "time after time, schools that had Bloomberg DOE co-locations foisted upon them were left shortchanged on the use of common spaces...What's more, programs and services that these schools had in place...were lost...Schools that were previously operating well are now struggling as a result" (Casey).

Anecdotal evidence from my work with public schools in four of the five boroughs does not shine a favorable light on co-locations. I have observed and heard myriad examples of: auditoriums going unused because one school had reserved the space and failed to notify the other administrations that it would in fact be available; students eating lunch as early as 10:00am to allow for multiple lunch blocks for multiple schools; separate building entrances and even signs within the building exhorting students from one school or the other "Do Not Enter."

As difficult as regular co-locations can be, the conflicts and examples of inequality increase exponentially when traditional public schools are co-located with charter schools. Charter schools are considered alternative public schools and receive education dollars from the State (See Table 1 below).

Table 1



Although charters are publicly committed to serving all students, there is evidence of creaming, or transferring out underperforming and difficult students. A study by the UFT indicates that public schools serve a significantly higher population of high needs students, defined as English Language Learners, students with Individualized Education Plans, High Needs Special Education Students, and Students in Temporary Housing. In Manhattan’s District 1 students described as High Needs Special Education being served by public schools co-located with a charter school make up 13.8% of their school’s population. The percentage of this group in the co-located charter schools is a mere .8% (UFT). According to UFT president Michael Mulgrew, the “Independent Budget Office found that a shocking 80% of special-needs kids who enroll in city charter schools as kindergartners leave their schools by the third grade” (Mulgrew) (See Tables 2 and 3 below).

Table 2:

Tables 2 and 3 compare the number of high needs students served by charter (red) and traditional public (blue) schools co-located in the building.

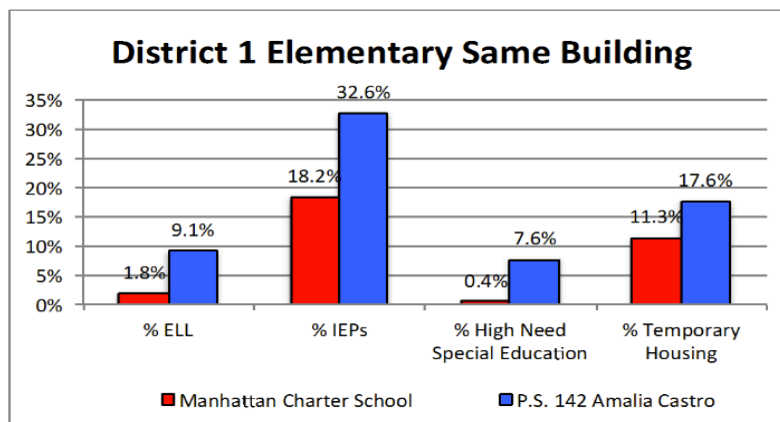
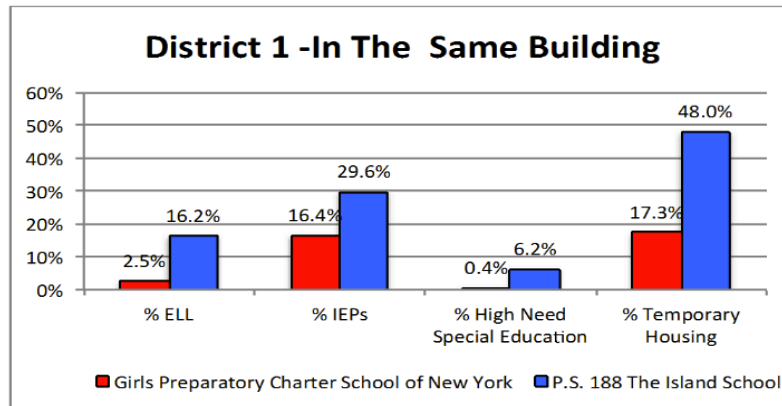


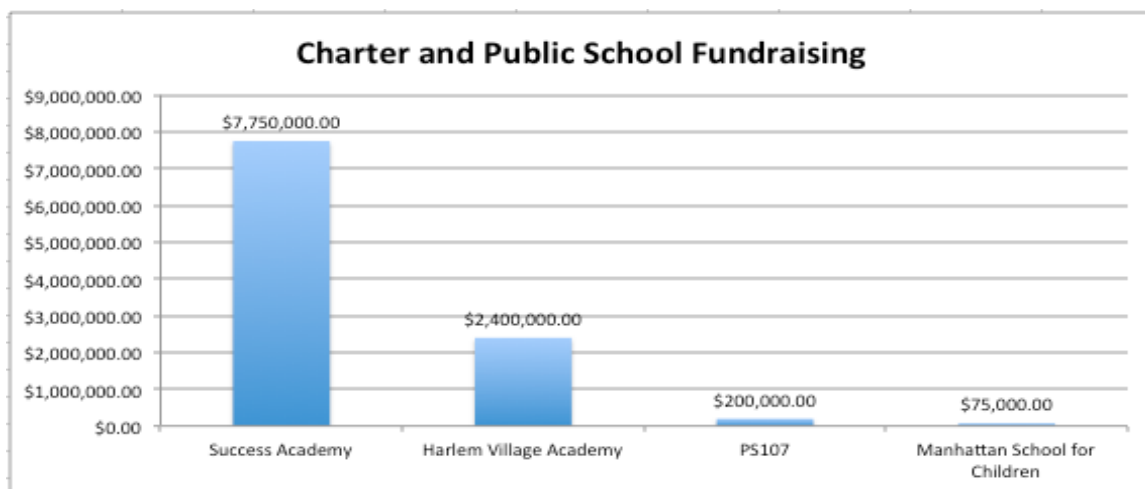
Table 3:



Additional instances of separate but unequal schooling have been observed when a charter is the beneficiary of partnerships with for-profit companies and wealthy boards of directors. Although charter schools are funded with taxpayer dollars - in New York City charter schools receive per pupil funding from the public school district based on their enrollment of district-residing students served - they receive large donations from private citizens and foundations. For example, Success Academy Charter Schools raised \$7.75 million at one April 2014 fundraiser for their network of 34 schools (Brown), an amount no number of public school PTAs could dream of raising in a lifetime of bake sales (See Table 4 below).

Table 4:

Table 4 compares one-year fundraising totals for two charter school networks (Success Academy and Harlem Village Academy) and two traditional public schools (PS107K and Manhattan School for Children).



This additional funding allows charter schools to purchase backpacks and uniforms and to outfit their classrooms with the latest tools of technology and arts. Many charter schools set up their own “healthier” kitchens within their building cafeteria. These juxtapositions create communities of inequality among students from the same neighborhoods and same socio-economic backgrounds. Students in the co-located public schools must wonder why they are not eligible for free embroidered backpacks and iPads. Historically, the role of public education in America has been to create a level playing field and provide opportunities for social mobility. The stark “have and have-not” divide created by charter/public co-locations is an insult to this fundamental belief.

A serious issue is the out sized political power wielded by charter schools and their major funders. “The influence of philanthropy in terms of the bang for the buck they get is just really kind of shocking,’ said Jack Schneider, an assistant professor of education at the College of the Holy Cross in Worcester, Mass” (Rich). New York State Governor Andrew Cuomo has received almost \$900,000 in donations from charter school supporters, including charter board members, and Eva Moskowitz’s PAC Great Public Schools. “After having a close friend in City Hall for 12 years, the flood of contributions is a sign that charter school backers in New York City may have found a new powerful ally in government at a time when they need one badly” (Decker).

The Walton Family Foundation, run by the family that owns Walmart, is an interesting case study. As one of the largest funders of charter schools in the country the Foundation aggressively attempts to influence education policy and the political process itself. Writing in the *NY Times*, Motoko Rich describes how what he calls “the many tentacles” of the Foundation exert influence. Distributing \$1 Billion since 2001 for education funding,

Walton’s largest recipients include the Charter School Growth Fund, which helps charter school networks expand (\$101.6 million since 2000); Teach for America, which recruits high-achieving college graduates for two-year teaching stints in poor districts and now places about a third of its corps members in charter schools (\$67.2 million); KIPP, one of the country’s best-known and largest charter school networks (\$58.7 million); the Alliance for School Choice, a national advocate for private school vouchers (\$18.4 million), whose board includes Carrie Penner, a member of the Walton family; and GreatSchools Inc., an online schools information database (\$15.5 million) (Rich).

Nonetheless, this private money is helping to serve some of the City’s neediest students, and charter schools are reporting positive results. The Success Academy Charter School website relates that their students had a 94% passing rate on the post-Common Core New York State Math exam and 64% on the English Language Arts exam, significantly higher than the 2014 City average of 34.2% and 28.4% (Fertig).

Families literally play the lottery to win a spot for their children in charter schools. Clearly these schools are successfully fulfilling a need. The question for City leaders is how to make quality education the standard and not the luck of the draw.

POLICY OPTIONS

Charters Share Fundraising Dollars

Charter school advocates and donors claim they are committed to the children of America. They are driven by ideology and a passionate belief that they are contributing to positive change. Hedge fund manager John Paulson recently donated \$8.5 Million to the Success Academy Network citing his belief in the transformative power of education to reduce inequality (Herbst-Bayliss). Marc Sternberg of The Walton Family Foundation states, “that in providing choices we are also compelling the other schools in an ecosystem to raise their game” (Rich).

In spite of these lofty goals, charter supporters aren’t giving money to every school in need, every school in a given neighborhood or advocating for better education in general. Indeed, there is no evidence they are donating to traditional public schools at all, even though the vast majority of American children attend traditional public schools.

To mitigate the inequality created by the vast sums of money being donated to charter schools in the name of reducing inequality, 10% of all charter funds raised through charitable donations should be distributed to their co-located public schools.

Data for the Success Academy Charter School network are readily available, making the Network a useful example. In 2012 the Success Academy Network boasted a yearly surplus of \$23.5 million. The network benefitted from a \$28 million six-year fundraising take and had a marketing and student recruitment budget of \$3.4 for one year. Founder Eva Moskowitz’s compensation for 2012-2013 was \$567,500, about five times that of a NYC Department of Education principal (Gonzalez).

If 10% of the six-year fundraising revenue were distributed to the six traditional public schools with which Success Academies are co-located, that would result in \$466,666 for each public school. This amount translates to ten first year teachers; fifteen hundred sessions of after-school enrichment provided by a community-based organization; over three hundred MacBook Pros; nineteen thousand backpacks; and five thousand theatre tickets.

As John Paulson’s, and all charter school supporters’, stated goal is to bring excellent education to communities in need, their return on investment can only increase when the children in co-located public schools benefit from their generosity.

Charter Schools to Pay Rent

A policy option to solve the co-location problem is to have charter schools pay rent. This would allow charter schools more accountability. Someone who wants to start a co-located charter school has more consideration when paying rent is a factor. Charter schools are traditionally known to be better fundraisers, attracting Wall Street donations than their co-located counterpart. Most of them can easily afford rent payments. They may have to consider cutting some of the staff's inflated salaries if they can't afford it.

If the Public School has to give up space and resources for the Charter School, the Charter School should have to give up something as well. 20% of the rent should go directly to the co-located public school. The remaining 80% would go to the city. This money can be used for roads, libraries, parks, and other government funded items. This policy option will lessen the gap of the have and have-nots co-location presents. A lot of people make money off of charter schools, the public schools should be included.

Co-locate Charter Schools with Charter Schools and Traditional Public Schools with Traditional Public Schools.

A policy option that eliminates the educational dichotomy in traditionally co-located schools where there is any combination of charter and public schools in one building is to only co-locate charter schools with charter schools and public schools with public schools. The challenge with co-location in some instances is that the charter school kids have Fresh Direct for snack, a better quality lunch and some have school provided laptops. The co-located public school students do not.

We assert that if traditional public schools are co-located with traditional public schools students will be less aware of these dichotomies. Every student would eat the same government provided lunch. If there are charters co-located with charter schools both sets of students will enjoy the same quality of lunch and school provided equipment.

The City will incur some logistical challenges in implementing this policy. There may be a charter school in need of space and no charter school available to accommodate co-location, only a public school. We therefore suggest a clause in this policy that allows co-location as it exist today for temporary facility needs. However there should be a time limit of 2 years, which is more than enough time for the school to move.

In summary, traditional public schools and charter schools serve students in need to the best of their abilities. However, because charter schools benefit from private partnerships, co-locations with charter and public schools create microcosms of socio-economic inequality. The policy options proposed above aim to distribute funding more equitably so that a rising tide can, in fact, raise all ships.

RECOMMENDATION

We concur with the Response Panel's recommendation to move forward with option two: requiring charter schools co-located with traditional public schools to pay rent, which will hereafter be referred to as a facilities fee.

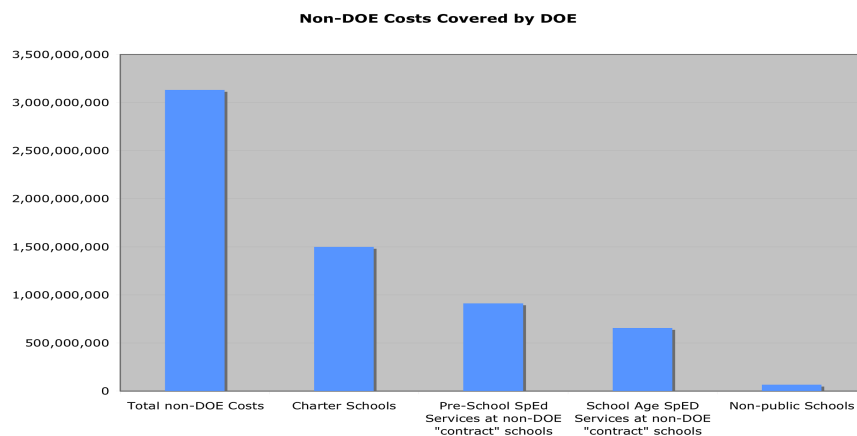
This policy is not without precedent. According to the National Alliance for Public Schools, a charter school advocacy group, only 13% of charter schools nationwide get free space (Monahan). In most instances, charter schools have access to a variety of rent supplements, including: tax-exempt financing; bond financing; and the right of first refusal to purchase or lease underused educational facilities at below market value. In addition, space occupied by charter schools is exempt from property taxes (Thomsen).

In New York State, charter schools are entitled to the types of support listed above and the deal in New York City is even better. The Education Commission of the States reports that "The New York City School District must provide charter schools in need of space and requesting co-location in a public school building a co-location site in a public school building at no cost, or offer space in a privately owned or other publicly owned facility at the expense of the school district and at no cost to the charter school" (Thomsen).

This, in spite of the fact that charter schools are not beholden to the policies, regulations, or oversight of the New York City Department of Education from which they receive significant funding, in addition to facilities.

The operating budget of the New York City Department of Education for school year 2015-2016 totaled \$21.8 billion. Of that, over \$3 billion or 14% of the budget covers non-DOE costs, including \$1.5 billion for charter schools. This payout is almost twice as much as the DOE spend on school-age special education services provided at non-DOE "contract" schools and nearly twenty-five times the amount the DOE provides to non-public schools, such as yeshivas and parochial schools (See Table 5 below).

Table 5:



A budget office analysis found the City "could raise \$92 million by charging all charter schools that use public space \$2,320 per student, which the office estimates the locations are worth" (Monahan).

In his election campaign, Mayor de Blasio proposed a sliding scale rental charge for charter schools and we will incorporate this idea into our plan. The following characteristics will add weight to the facilities formula:

- Charter schools receiving monetary or in-kind donations of \$100,000 or more in a single year will fall higher on the scale.
- Charter schools that have management/administrative costs that exceed 10% of the DOE average will fall higher on the scale.
- Charter schools must serve a number of special needs students that is within 10% of the district average or their facilities fee will fall higher on the scale.

TIMELINE

Because the recommended policy option requires a change in policy at the State level, we propose the following time-line:

By the end of Fiscal Year 17, the New York State Assembly must repeal the policy requiring the New York City Department of Education to provide charter schools with no cost facilities. The policy change will go into effect as of July 1, 2016. All students will report to their new locations for the beginning of the 2016-2017 academic year.

In the ensuing time, the New York State Education Department (NYSED) and the NYCDOE will work with all co-located stakeholders to adopt the new policy. NYSED will organize an awareness campaign so taxpayers understand the new policy and its benefits.

Representatives of NYSED will hold both traditional public and charter schools for following the best practices outlined in the Co-location Handbook. In addition, NYSED will follow-up with the City of New York to ensure that co-located traditional public schools receive the required matching funds for any physical upgrades of \$5000 or more made by charter schools make to their areas of the building.

It is the responsibility of policy makers to navigate a path through the apparent zero-sum game of charter and traditional public school co-location. We look to you and your agency to chart a course in which all best practices are celebrated, and separate can truly be equal. We appreciate your time and attention to this important matter

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