

The Condition of Choice in Arizona Public Schools: 2004

Gene V Glass
Arizona State University Tempe Campus

Contributor: Glen Y. Wilson
Arizona State University Tempe Campus

Reviewer: Ildiko Laczko-Kerr
Arizona Department of Education

Background

School choice as a state-wide policy issue in Arizona exists in two forms: charter schools and tuition tax credits. Both laws can be viewed as the “half-a-loaf” for which voucher supporters settled. Repeated attempts to pass school voucher legislation in Arizona (the most recent occurred in February 2004) have failed.

Charter Schools

The Arizona State Legislature passed the Charter School Law (Arizona Revised Statutes, Education Code §15-181 to §15-189) in 1994, effective September 16th of that year. The law was the blueprint by which all charter schools were to operate regardless of sponsorship. It allowed the State Board of Education, the Arizona State Board of Charter Schools, and local school districts to issue charters for the operation of charter schools.

The stated purpose of the law was “to provide a learning environment that will improve pupil achievement” and to “provide additional academic choices for parents and pupils” (A.R.S. §15-181).

In the original law (A.R.S. §15-183), schools were able to apply for “stimulus funds” to assist schools with the expense of opening a new school. The maximum award for each school was to be \$100,000. The average award received was only slightly over \$20,000. Although this provision of the law still exists, the legislature has not budgeted funds for it in the past five years. The law originally provided for a charter of five years, with renewal for seven years after the initial period. In 1996, the law was amended so that the length of the initial charter is now 15 years, with a review every five years.

Education Tax Credits

Arizona’s Education tax credit law, passed and signed into law on April 7, 1997, is the second policy move intended to provide parents with school choice. That the education tax credit law was intended as a school choice initiative was made clear in the remarks of legislator Trent Franks who said, “... with Arizona's tax credit law, who needs vouchers?”

Arizona, Florida, Illinois, Minnesota, and Pennsylvania have enacted education tax credits into legislation. Proponents claimed that education tax credits will give low-income students the opportunity to attend private schools and that tax credits will improve all schools, both public and private, by increasing competition between schools for students.¹ Lisa Keegan, former Superintendent of Public Instruction in Arizona during the advent of the tax credit program, wrote: “...the inclusion of tax incentives to directly assist public schools helped sell the program not only to the Legislature but also to the public.” The original legislation permitted contributions of \$200 to public schools to support “extra curricular” activities that require a student fee, and contributions of \$500 to school tuition organizations (STOs). STOs grant scholarships to students attending private schools and were a device to avoid church-state issues in the law—a device that proved crucial in the court test of the law. The law was upheld by a three to two vote of the Arizona Supreme Court in the spring of 1999.² Such contributions are a dollar-for-dollar credit against the donor’s state income tax liability. Adding the fact that such contributions can be claimed on one’s federal income tax return, a dollar contribution brings more than a dollar’s tax reduction.

Recent Developments

Charter Schools

During the 2000 legislative session, Senate Bill 1302 was passed. The law removed differences between the two sponsoring boards (the State Board of Education and the Charter School Board) and school districts, which could also issue charters. School districts could issue unlimited numbers of charters, but the other two agencies could not issue more than 25 charters per year. The limits on the two boards were lifted in Senate Bill 1302. The new law also restricts district sponsorship only to schools located within the boundaries of the sponsoring district.

In 2003, the State Board of Education issued a moratorium on its own awarding of charters and turned over monitoring of all schools that it had chartered to the State Board for Charter Schools. The State Board of Education will not issue charters in the future. (See ADE Interagency Service Agreement No. 04-00-ED.)

Education Tax Credits

In 2002, the allowable contribution to STOs was increased to \$625 for married couples filing jointly (A.R.S. § 43-1089). The amount for public school extra-curricular fees was increased to \$250.

Available Data

Charter Schools, Students, and Expenditures

A couple of technical definitions are required to understand the reporting of data on Arizona charter schools.

ADM (Average Daily Membership) is the “total enrollment of fractional and full-time students, minus withdrawals, of each school day through the first one hundred days” (A.R.S. § 15-901).

Total Revenues include School Plant, State and Federal Projects, Building Renewal, Deficiencies Correction, and New Schools Facilities funds. In FY 2001 and

2002, Total Revenues include Soft Capital Outlay in addition to the funds included in the previous year (A.R.S. § 15-901).

To obtain any plausible estimates of charter school activity in Arizona, data from many sources must be analyzed and reconciled. The specific problems with disparate sources of data that require this integration of different sources of information are discussed below under the *Evaluation of Available Data* section. The authors’ best estimates of the numbers of students, operating schools, and revenues for charter schools from the 1995-96 to the 2002-03 school years appear in the following table:

Table 1: Estimated Numbers (100th Day ADM) of Charter School Students, Schools, and Total Revenues for Arizona (1995–2004)

	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Students	7,350	16,650	25,500	36,250	46,350	55,586	65,769	75,135	*
Schools	51	133	163	252	322	339	391	446	460

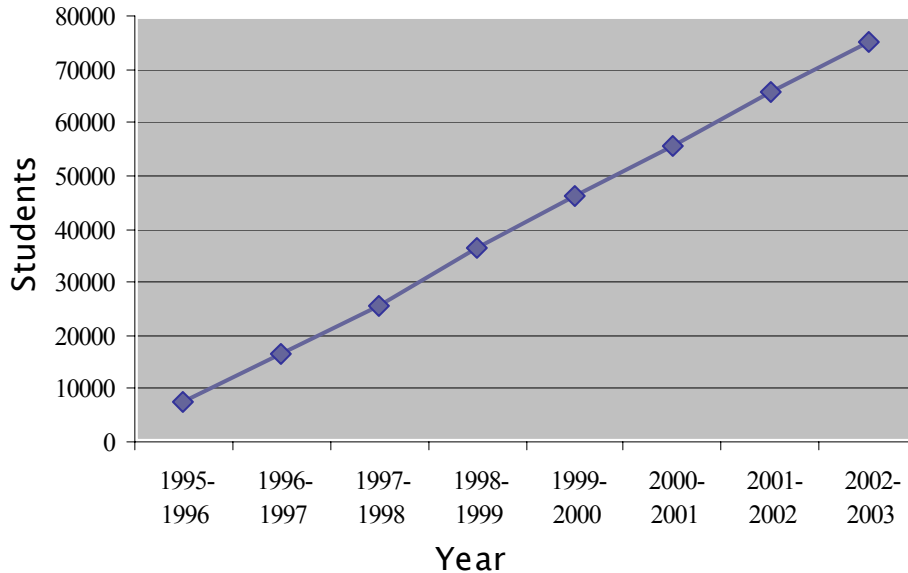
Sources: 1995-96 to 1999-2000 (Nunez, D.R. [2001]). Counting Students in Arizona Charter Schools. Dissertation, Arizona State University); 2000-01 to 2002-03 (Arizona Department of Education, Research and Policy Section); 2003-04 (U. S. Department of Education Common Core of Data).

* A figure for 2003-04 charter enrollments of approximately 73,000 students appears to have originated in the Charter Schools Office of the U.S. Department of Education, but the number is not an actual count and may be some sort of “projection” (Personal communication. March 15, 2004, Ildiko Laczko-Kerr, Arizona Department of Education, Research and Policy Section).

As the graph on the following page shows, charter school enrollments in Arizona have followed a nearly linear progression for seven years, without signs of abating. While the student population of Arizona traditional public schools has been growing at a rate of slightly under 3 percent per annum, the charter school population has grown at a much faster rate: from a rate of increase of 42 percent from 1997-98 to 1998-99 to a rate of growth of 14 percent from 2001-02 to 2002-03. The declining growth rate occurs as a natural consequence of growing at a fixed numerical rate (there is a “cap” on the number of new schools chartered each year).

Figure 1

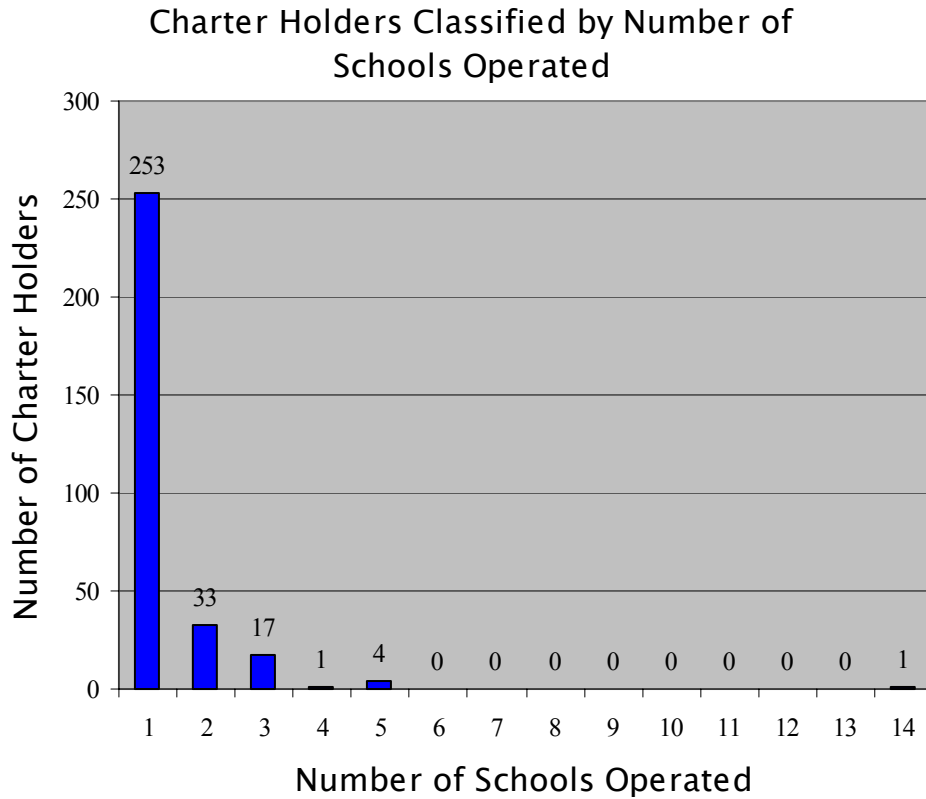
Student Enrollments (100th Day ADM) in
Arizona Charter Schools (1995-2003)



Although Arizona ranks first in the nation in the number of charter schools, it ranks below California (112,000) and Michigan (55,000) and just above Texas (38,000) in numbers of students in charter schools in 2000-01, according to the U.S. Department of Education Common Core of Data. In 2002-03, 7.8 percent of all public school students in Arizona K-12 were enrolled in charter schools. This figure contrasts with 1.2 percent of public school students nationally enrolled in charter schools.³

It is important to track across years the number of charter schools that are operated by charter holders. Such data could reveal trends in consolidation of schools under increasingly larger charter school companies, yet such data are not readily available. For 2003-04, the distribution of charter schools by holders was calculated by counting from the website of the Arizona Charter School Board for only those charters granted by the Board (nearly 90 percent of all charter schools). See the figure on the following page.

Figure 2



Source: (<http://www.asbcs.state.az.us/asbcs/CharterSummary.asp>)

The charter holder that operates 14 different charter schools is Portable Practical Education Preparation (PPEP) Affiliates (<http://www.ppep.org/>). The four charter holders operating five separate charter schools each are Humanities & Sciences Academy of the United States, Inc.; Ideabanc, Inc.; Ombudsman Educational Services, Ltd.; and Renaissance Educational Consortium, Inc.

It must be added, however, that simple counts of numbers of “charter holders” is of limited value since the same corporate entity may (and often does) take out several charters. For example, the company Pinnacle Education operates nine separate charter schools under eight different charter holder names (e.g., Pinnacle Education Mesa Inc, Pinnacle Education Tempe Inc., Pinnacle Education Casa Grande Inc., etc.). Likewise, Sequoia Charter Schools, Inc. operates nine different charter schools under six different charter holder names (e.g., Sequoia Charter Schools LLLP, Sequoia Charter Schools LLC, Sequoia Village School, etc.). Excel Education Centers LLC operates eight

different charter schools under seven different charter holder names. More difficult to discover is the fact that one large company, whose charters were also issued by the Arizona State Board for Charter Schools, operates 12 schools—11 in Maricopa County and one in Pima County. Oddly, this company’s name does not appear in the State Board for Charter Schools listing of charter holders. Instead of appearing under the corporate name, a school’s charter is held in the name of a “company” whose name matches the name of the school. For example, Tempe Accelerated High School is operated by a company named Tempe Accelerated Public Charter High School, which is really The Leona Group LLC (or rather The Leona Group Arizona LLC, which itself is a subsidiary of The Leona Group LLC). Hence, the name “Leona” does not appear in the listing of charter holders at the Arizona State Board for Charter Schools website. (See the Leona Group LLC at <http://www.leonagroupaz.com/>.) This company also operates 21 charter schools in Michigan. Putting all these multiple school operating organizations (companies running three or more schools) together yields a figure of 23 corporate entities operating more than 120 charter schools, or approximately one out of every four charter schools. There are several more closely related charter-holder names in the Charter Board’s list of holders that probably represent corporate ties, but one can not be sure (e.g., Heritage Academy, Inc. and Heritage Elementary School are separate charter holders).

The ethnic composition of Arizona Charter Schools has been a matter of concern to some. Certain researchers have claimed a “re-segregating” effect of the growth of charter schools.⁴ Others have disputed such claims.⁵ October enrollment data (100 Day ADM) disaggregated by race and ethnicity, gender, and grade level for the years 1994-97 were obtained from the Arizona Department of Education (ADE) School Finance Division for all public elementary and secondary schools in Arizona. The same data were acquired from the ADE for charter schools for the years 1995-98. All public schools, including charter schools, are required to report October 1 enrollments by race and ethnicity, gender, and grade level. The ADE Research and Policy Section provided ethnic composition data for later years.

The ethnic composition of Arizona charter schools from 1995-96 to 2002-03 is as follows:

Table 2: Ethnic Composition (Percent of Total) of Arizona Charter Schools from 1995-96 to 2002-03

	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
White	60%	55%	61%	61%	58%	57%	56%	55%
Black	10	7	6	7	8	7	7	7
Hispanic	20	16	18	22	24	26	28	30
Asian	1	1	2	2	2	2	2	2
Native American	9	20	13	8	9	8	2	7

Sources: 1995-1999⁶; 1999-00⁷; 2000-01⁸; 2002-03⁹.

No marked changes in ethnic composition of charter schools are apparent. Aside from some start-up fluctuations, the only consistent trend of any consequence appears to be a gradual increase in the percentage of Hispanic students in charter schools from under 20 percent in 1995-96 to around 30 percent in recent years. In 1999-00, the ethnic composition of Arizona charter schools roughly mirrored the ethnic composition of all Arizona traditional public schools, with 58 percent vs. 54 percent White or Anglo and 30 percent vs. 33 percent Hispanic. For the nation as a whole, in 1999-00, the ethnic composition of charter schools was 43 percent White or Anglo, 33 percent Black, 19 percent Hispanic, 3 percent Asian, and 2 percent Native American.¹⁰

Comprehensive data on the participation of special education students in charter schools do not exist, although there is some suggestion in very limited datasets that children with severe disabilities are underrepresented in charter schools and that children with mild conditions (“learning disability”) are over-represented.¹¹

“Stimulus funds” is the term used in the charter school legislation to designate monies provided to help charter holders cover the expenses of opening new schools. No such funds have been budgeted by the legislature in the past five years. In the first four years of the program, however, \$10.4 million was awarded to 188 schools. Of this amount, approximately 40 percent was spent on capital expenses (equipment, buildings,

and the like), and another 40 percent of the expenditures was unaccounted for by the Arizona Department of Education, Charter School Division.¹² (The ADE no longer has a Charter School Division, since all charter schools have been moved to the State Board for Charter Schools.)

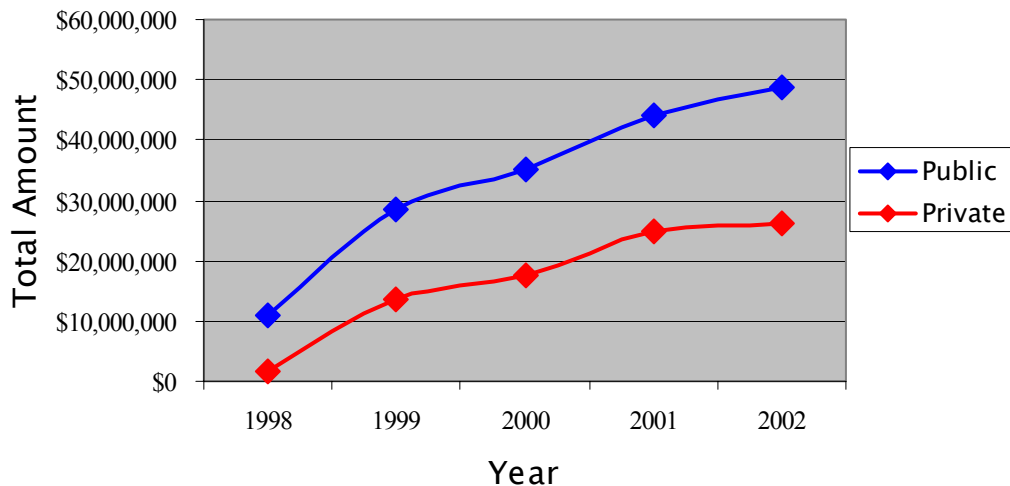
Table 3: Education Tax Credits Taken under Arizona's Education Tax Credit Program Classified by School Type and Year (1998–2002)

	1998	1999	2000	2001	2002	Total
Private	\$1,816,799	\$13,716,791	\$17,620,022	\$24,865,295	\$26,169,177	\$84,188,084
Public	\$8,990,042	\$14,775,353	\$17,514,774	\$19,224,488	\$22,455,129	\$82,959,786
Total	\$10,806,841	\$28,492,144	\$35,134,796	\$44,089,783	\$48,624,306	\$167,147,870

Source: Arizona Department of Revenue.

Figure 3

Tax Credits Taken Under Arizona's Education Tax Credit Program by School Type and Year (1998–2002)



In the first year of the program (1998), public school contributions outpaced contributions to STOs by more than four to one. By the second year, contributions were nearly equal and have remained so through 2002. Total contributions have risen more than 400 percent in the first five years of the program. Nearly \$170 million has been diverted from state revenues since the inception of this program. A far greater number of students in public schools than in private schools are potentially recipients of the benefits of tax credits. On a per-pupil basis, tax credit redirections in 2002 were \$24 per pupil in public schools versus \$565 per pupil in private schools.¹³

Evaluation of Available Data

Charter Schools Data

It has proven difficult to track a consistent indicator of charter school activity over time. The most authoritative data on Arizona charter schools were compiled by Nunez¹⁴, who consulted financial records and enrollment data held by the Arizona Department of Education (ADE) and the State Board for Charter Schools, and interviewed charter school directors and officials in districts which chartered schools. Not incidentally, Nunez's work was part of dissertation research at a state university and thus represents uncommon effort expended in collecting data—uncommon, that is, for agencies charged with keeping particular records but not expected to do extensive research. Nunez's data stops with the 1999-00 school year, unfortunately. When the data stream is picked up beyond Nunez's work in the ADE's Annual Reports, several problems are encountered. For some years, only schools and their students whose charters were granted either by the Charter School Board or the State Board of Education are reported; district-sponsored chartered schools are not included in the charter school counts. In later years, it appears that all charter schools are included in the counts, but the reports are ambiguous. Within the ADE, discrepancies in data exist regarding the number of charter schools and student enrollment counts. Caution should be exercised when interpreting data, since different sections within the ADE may use different definitions, selection criteria, or original documents in reporting results.

Finance data appear to be most complete, for obvious reasons. But even there, non-reporting by charter schools is common, far more so than for traditional public schools, since the former were nurtured in an environment of anti-government regulation. For example, in 1999-00, expenditure data were first reported based on 23,179 students in charter schools; later, these numbers were updated to include data for 29,727 students in charter schools (The second report was footnoted with the message “This report was substantially revised and corrected from the printed Annual Report.”). At the same time, the Department of Education’s own count was 35,172 students enrolled (ADM) in charter schools.

In addition to data collected by the Arizona Department of Education, data are available from U.S. Department of Education surveys that form the basis of the Common Core of Data (CCD). These data include counts of students attending charter schools in each state, but it is unknown the degree to which these data are an accurate count. Many organizations report CCD data, however, often uncritically or without the necessary definitions or qualifications to make them as accurate as they could be. The resulting multiplicity of information can form a confusing picture.

The Arizona State Board for Charter Schools website is particularly unhelpful. The only state-aggregated data that can be found there are total numbers of charter holders and operating sites (<http://www.asbcs.state.az.us/asbcs/>).

The counting of charter school “holders” (individuals, groups of persons, organizations, or companies) is as complex as counting operating schools and students. The Arizona State Board for Charter Schools lists 309 “holders” of charters it has granted, as of 2003. The ADE shows 337 “holders” receiving funding in 2002-03, but this number had to be calculated by counting entries “by hand” on a long page of expenditures at the ADE website. Data on the distribution of numbers of charter schools operated by charter holders are not readily available. Such numbers had to be counted “by hand” from long lists on websites for the current academic year (2003-04), and raw data could not even be found for prior years.

Education Tax Credit Data

Financial data are generally of much higher quality than other types of data concerning schools, particularly so when revenue departments are tracking monies. The most serious lack of information on which to base an evaluation of the Arizona Education Tax Credit program is information about how many students attending public schools switched to private schools as a result of the availability of scholarships. Since this was the original intent of the law, such information is crucial to any evaluation and judgment of the law's success. The authors know of no such data nor of any plans to collect it .

Key Unanswered Policy Questions

Charter Schools

No credible data have been analyzed addressing the question whether students attending charter schools perform better academically than they would have performed had they attended a traditional public school. Mulholland¹⁵ concluded an evaluation of Arizona charter schools' academic performance as follows: "Student achievement data (as measured by Stanford Achievement Test 9 for 1997 and 1998) appear to indicate—in a preliminary way—that charter school students are achieving similar academic gains to students attending regular public schools. However, an experimentally controlled research study over a longer period of time is needed to adequately understand achievement group differences and trends." Long-range controlled experiments are not the province of government agencies already overburdened with mandated record keeping.

Questions concerning the potential re-segregating effects of charter schools can not be answered by aggregate statistics and state or even school district levels, for it is possible for the entire student population of Arizona to re-segregate into ethnically homogeneous schools without its affecting state-level statistics on the ethnic composition of the schools. Exit (from traditional public schools or vice-versa) interviews are the most accurate way to gauge this phenomenon, but they are beyond the budget of an already financially strapped system.

Although longitudinally consistent data do not exist, the evidence of a small number of companies operating a large number of schools is obvious in 2003-04 and should be tracked across time. No provisions for doing so appear to have been made.

The role of charter schools in the education of children with special needs is of concern. No data exist with which to form a judgment in the area.

Education Tax Credits

The intent of the tax credit law as argued for its passage was to enable poor families to have a choice between sending their children to a public school or a private school. Some \$165 million later, Arizona is no closer to an answer to the question of whether any families have used the opportunity to exercise their right to this choice than the state was the mere prospect of such a choice was a speculative argument in legislative debates.

Recommendations

It is the understanding of the authors of this report that the State Board for Charter Schools has recently added staff to assume the responsibilities of data archiving and analysis. Efforts should be made to provide for the definition of indicators of charter school activity and performance that can be tracked consistently across the years. The effort will very likely call for some collaboration between the Charter School Board and the Arizona Department of Education in order to provide accurate data.

It is recommended that:

1. The State Board for Charter Schools include legislative staff and non-governmental policy analysts in data collection discussions so that the needs of multiple audiences can be served by the data collected.
2. The State Board for Charter Schools expand its data collection efforts to include information on the participation in charter schools of children with special needs. Such data do not now appear to exist.
3. The State Board for Charter Schools' website clearly spell out corporate

relationships among charter holders.

4. The Arizona Department of Education collect data on transfers from public schools to private schools as a result of award of a tuition scholarship from a School Tuition Organization.

Notes and References

- ¹ Keegan, L. G. (2001, December 18). Tuition tax credits: A Model for School Choice. Brief analysis No. 384. National Center for Policy Analysis: Dallas, TX.
- ² Welner, K. G. (2000). Taxing the Establishment Clause: The Revolutionary Decision of the Arizona Supreme Court in *Kotterman v. Killian*. *Education Policy Analysis Archives*, 8(36). Retrieved February 29, 2004, from <http://epaa.asu.edu/epaa/v8n36/>
- ³ Frankenberg, E. & Lee, C. (2003, September 5). Charter Schools and Race: A Lost Opportunity for Integrated Education. *Education Policy Analysis Archives*, 11(32). Retrieved February 29, 2004, from <http://epaa.asu.edu/epaa/v11n32/>
- ⁴ Cobb, C. D. & Glass, G. V (1999). Ethnic Segregation in Arizona Charter Schools. *Education Policy Analysis Archives*, 7(1). Retrieved February 29, 2004, from <http://epaa.asu.edu/epaa/v7n1/>
- ⁵ Gifford, M., Phillips, K., & Ogle, M. (2000). *Five Year Charter School Study: An Overview*. Phoenix, AZ: Center for Market-Based Education. Goldwater Institute. Retrieved February 29, 2004, from <http://www.goldwaterinstitute.org/article.php/101.html>
- ⁶ Cobb, C. D. and Glass, G. V (2001). U.S. Charter Schools and Ethnic Segregation. *International Journal of Educational Reform*, 10(4), 381-395.
- ⁷ Nunez, D. R. (2001). Counting Students in Arizona Charter Schools. Dissertation. Arizona State University.
- ⁸ Frankenberg, E. & Lee, C. (2003, September 5). Charter Schools and Race: A Lost Opportunity for Integrated Education. *Education Policy Analysis Archives*, 11(32). Retrieved February 29, 2004 from <http://epaa.asu.edu/epaa/v11n32>
- ⁹ Personal communication. March 15, 2004, Ildiko Laczko-Kerr, Arizona Department of Education, Research and Policy Section.
- ¹⁰ Frankenberg, E. & Lee, C. (2003, September 5). Charter Schools and Race: A Lost Opportunity for Integrated Education. *Education Policy Analysis Archives*, 11(32). Retrieved February 29, 2004, from <http://epaa.asu.edu/epaa/v11n32>
- ¹¹ Garcy, T. & Aleksic, M. (2004). *Students with Disabilities: Achievement Test Score Differences and Charter School Attendance*. Phoenix, AZ: Division of Research and Policy, Arizona Department of Education.
- ¹² Hirman, J. (In preparation). An Analysis of the Arizona Charter School Stimulus Fund. Dissertation. Arizona State University.
- ¹³ Wilson, G. Y. (In preparation). An Evaluation of the Arizona Education Tax Credit Program: 1998-2002. Dissertation. Arizona State University.
- ¹⁴ Nunez, D. R. (2001). Counting Students in Arizona Charter Schools. Dissertation. Arizona State University.
- ¹⁵ Mulholland, L. A. (1999). Arizona Charter School Progress Evaluation. Tempe, AZ: Morrison Institute for Public Policy, Arizona State University. (p.i.)