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**Self-Governing Schools, Parental Choice and the Public Interest**

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In the early 20<sup>th</sup> century, the primary goal of U.S. education policy was to provide mass education to prepare workers, including large numbers of immigrants, for an industrial economy. Following the managerial tenets of Frederick Winslow Taylor, policy makers built the system around the concept that one size school fits all children. In addition, to promote efficiencies in the planning and use of school facilities, they typically assigned students to the school in the neighborhood in which they lived. One size fits all simply meant that the local school district would establish similar policies and funding across schools, with little operational flexibility for variation at the school level and limited attention to the mix of students in the school. Of course, even if they had access to the same funding, schools in wealthy neighborhoods were often able to offer higher quality schooling than those in low-income neighborhoods because they were able to attract higher quality teachers and because children from higher income families are typically easier to teach than their less advantaged peers.

In recent decades with the growth of a more complex economic system, policy makers have increasingly recognized the potential benefits of giving schools flexibility to manage their own operations. That flexibility initially took the form of site-based management within traditional public schools and more recently has taken the form in many U.S. states of self-governing charter schools operated by non-governmental organizations with their own boards of directors. In addition, parents have increasingly been given more choice over the school their child attends. Affluent families have always enjoyed the freedom to choose a school through their choice of residential neighborhood, but less affluent families have been more restricted in their residential and schooling decisions. The expansion of parental choice -- whether in the form of magnet schools, multiple options among traditional public schools either within or across districts, charter schools, or publicly funded vouchers for use in private schools -- serves to break the link between a family's neighborhood of residence and the child's school.

The thesis of this chapter is that because of the significant private benefits of education to the individuals who receive it, the combination of self-governing schools and expanded parental choice of school greatly exacerbates the challenges that education policy makers face in promoting the public, or shared, interest in education. It is this shared interest that justifies public funding for schooling and for laws requiring all children to attend school. I use three very different educational contexts to illustrate the thesis and to explore the extent to which policy makers have successfully addressed the challenge. The first example is the long Dutch experience with parental choice and self-governing schools with attention to their efforts to promote the public interest in the face of a large influx of low-skilled

immigrants. The second is New Zealand's bold move away from government operated schools to self-governing schools and parental choice in the late 1980s and early 1990s. The third is the challenges currently posed to the public interest by the recent growth of charter schools in Durham, North Carolina.

### **Defining the terms**

Before turning to the examples, I expand on the concepts of self-governing schools and parental choice, and distinguish the private and public benefits of education.

### **Self-governing schools and parental choice often go together**

A major argument for self-governing schools is that school personnel are in a better position to understand and respond to the needs of their students than are more distant policy makers at the district or the state level. By analogy to separate plants or outlets within a private sector company, it makes sense to locate operating responsibility as close to the ground as possible in order to promote the most productive use of the available resources. Local managers can respond flexibly and quickly to particular challenges that arise at the local level. In the education context, the case for self-governance often extends beyond productive efficiency to responsiveness to local interests in education, interests that may differ across local communities. One community, for example, may be most interested in the development of the academic skills necessary for pursuit of a college degree and another in the balance between academics and other activities such as sports or vocational programs. Similarly, a community of African-American or Hispanic families might want somewhat different things from their local school than a community of white families. As long as the average preferences of members of local school communities differ one from another, self-governing schools have the potential to generate educational benefits – a fact that holds independently of whether parents are allowed to choose a school other than their assigned school. At the same time, once schools are empowered to differentiate their offerings, it is hard to defend a policy of assigning children to specific neighborhood schools if other schools would provide a better educational fit for the particular child. Consequently, policy makers typically combine self-governance of schools with expanded parental choice of school. U.S. charter schools are illustrative. States that enable charter schools give them substantial operating autonomy, but at the same time make them schools of choice in the sense that no children are assigned to them. Instead, families have to choose to enroll their child in a charter school.

If one starts with the goal of expanding parental choice, one ends up with the same conclusion. Among the various justifications for supporting expanded parental choice of school is the expectation that parents will use that flexibility to choose schools whose offerings are better matched to the educational needs or preferences of their children than otherwise would be the case. If the only difference among schools is the socio-economic status of the students they serve, parental choice will inevitably foster inequality. If schools are empowered to differentiate themselves one from another through the programs they offer, however, parental choice has more potential to improve the educational fit. Moreover, when combined with school autonomy, parental choice may induce schools to operate more efficiently than they otherwise would as they try to attract students by responding to parental demands. In sum, for parental choice to work well, and not simply to promote inequality, schools must have significant autonomy over their operations so that they can differentiate their programs and offer them in an efficient manner. So once again, parental choice and school autonomy go together.

Thus, throughout this chapter I will be talking in most instances about the combination of parental choice and self-governing schools rather than treating them as separate and independent concepts.

### **The private and public, or collective, interests in education**

Schooling clearly generates benefits for the children who receive the education and their families. These benefits, which are often referred to as private benefits, are in the form of both consumption and returns to investment. The children themselves benefit from being in a safe, engaging and potentially enjoyable school environment and their parents benefit from avoiding child care expenses and obtaining satisfaction from their children's development. Returns to investment in education come in the form of access to better jobs with high wages, more opportunities for advancement, and lower rates of unemployment. In addition to these labor market returns, educated individuals tend to have better health, to be more civically engaged, and to have a more fulfilling life (Haveman & Wolfe, 1984; Oreopoulos & Salvanes, 2009). These private benefits – both the consumption and the investment benefits – can also be categorized as intrinsic or extrinsic. Intrinsic benefits arise when education is valued for its own sake such as the pleasure of being able to solve a complex problem or appreciate artistic expression, and extrinsic benefits arise when education serves as an instrument for the attainment of other valued outcomes such as the potential for the recipients of education to seek higher paying jobs and fulfilling careers than would otherwise be possible. Regardless of the

classification, it is clear that education provides a variety of different types of private benefits, many of which accrue long after the students have been in school.

The benefits to schooling, however, accrue to more than just the child and the child's parents. Hence the public interest in education is not simply the sum of the private benefits (Levin, 1987). Among the public benefits of schooling are short run benefits for others that arise from keeping idle children off the streets and away from crime or other antisocial behaviors, and the longer run benefits of having an educated citizenry capable of participating effectively in the democratic system and a workforce that is productive and innovative. These longer run benefits accrue not only to the residents of the local community in which the children live, but also to the broader society. Low educational investments in students in one jurisdiction have spillovers to other jurisdictions because people move across jurisdictions, citizens participate in the political life of the nation as well as that of their local community, and the productivity on one geographic area of the country can affect overall productivity.

Another public or collective interest takes a different form. Although it is individuals who have interests, such interests become collective when they are shared. Most people, I suspect, would agree that as a society, we have a shared interest in providing all children, regardless of the income or inclinations of their parents, an opportunity to flourish. After all, the fact that a child is growing up in a low income or dysfunctional family is not the child's fault; nor can the child do anything about it. Given the importance of education to a child's life chances, there is a morally based collective interest in assuring that all children have access to a quality education. In addition, we all have a shared interest in raising children to treat other children as moral equals.<sup>1</sup> Regarding others as equals does not require that we care about strangers as much as we do about our family members, or ourselves. Nor does it rule out judgments that people are unequal with respect to attributes like strength, intelligence, or virtue. It means simply that we treat all people as fundamentally equal in moral status. In the U.S. context, that is particularly salient with respect to race. The experience of slights grounded in assumptions of racial superiority – as also with gender, sexuality, or physical or mental abilities - undermines the self-respect and self-confidence of the slighted, making it harder for them to flourish. The impact is worse if the slighted themselves share the attitude that they are inferior, or, while not sharing it, are nonetheless disposed to accept the slights as their due. What this capacity implies for education policy may differ across cultures. For example, given the U.S. history of slavery and Jim Crow laws, the *Brown v. Board*

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<sup>1</sup> Brighthouse, Ladd, Loeb, & Swift (2014) explicitly draw attention to this benefit of education in their elaboration of "educational goods", which they define as the knowledge, skills, attitudes, and dispositions that enable an individual to flourish and to contribute to the flourishing of others.

pronouncement that racially separate schools are not equal provides the basis for a collective U.S. interest in avoiding rationally segregated schools. As will become clear later, however, some forms of segregation offend the collective interest more than others and the extent to which they do differs across countries.

Importantly, families and their children have a strong and legitimate interest in the quality of the education that the children receive. That is, they have strong private interests. Although the collective interests in high quality education for all students may be equally or perhaps more important overall – and are what justify public funding and making schools compulsory -- they are typically far less salient to individual families than are the private interests. It is this imbalance that creates the challenge of promoting the public interest in the context of self-governing schools and parental choice.

### **Parental choice and self-governing primary schools in the Netherlands <sup>2</sup>**

I start with the example of the Netherlands because of its long experience with choice and self-governing schools, and its impressive efforts to promote the shared public interest. The Dutch story begins back in 1917 when the country, though made up of three quite distinct religious groups at that time (Protestants, Catholics and secularists), determined through a constitutional change that all children should have access to publicly funded schooling of equal quality. In that year, the former privately funded Protestant and Catholic schools were incorporated into the public school system, which meant that all types of schools from then on would receive equal funding from the national government, and would be subject to the same curriculum guidelines and school inspection system. Importantly, parents retained the right to choose what type of school they wanted, and also were given the right to set up new publicly funded schools with a specific orientation provided that could assemble a sufficient number of students. That meant they could set up schools with a religious orientation such as Catholic, Protestant or Jewish (and more recently Islamic or Hindu) -- or with a specific pedagogical philosophy such as Montessori or Walton. The Dutch refer to this right as “freedom of education.”

The shared public goal was to provide a high quality education equally to all children in primary school (ages 4-11), albeit within schools that were highly segregated by religion. Recognizing that children differ in terms of ability and motivation, the Dutch did not interpret equal quality schools as those that would generate equal achievement outcomes for all students. Instead equal quality schooling to the Dutch meant that the academic success of any given child should not be dependent on

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<sup>2</sup> This section draws heavily on research undertaken in The Netherlands by Edward Fiske and Helen Ladd while they lived there during the first 6 months of 2009. See specific citations below.

the school he or she attended, a goal they believed could be achieved by giving all schools access to the same level of resources and subjecting them all to the same inspection-based accountability system. As of 2009, only 30 percent of the children attended what we would call traditional public schools, that is, schools under the control of municipal governing bodies. Other schools were either fully self-governing with school-specific boards or were part of a group of schools operated by boards with a specific religious or pedagogical orientation.

This system of equal per pupil funding worked well until the influx in the 1950s and 1960s of migrants from the former Dutch colonies of Antilles and Surinam, and somewhat later of low skilled migrant workers from Morocco and Turkey. These migrants put new stresses on the schools, particularly in the country's four largest cities. In those cities, about 30 percent of the population and 50 percent of the primary school children were migrants in the first decade of this century and the schools had become increasingly segregated by migrant status. This form of segregation, in contrast to segregation by religion, created a problem because most of the migrants came with limited education, and had low skills, low incomes and limited facility with the Dutch language. With concentrations of disadvantaged students in some schools, policy makers increasingly recognized that the policy of equal per pupil funding was no longer sufficient to promote the public interest of providing equal quality schooling for all students.

To promote the public interest, the government increased funding for schools serving disadvantaged students by adding weights to the funding formula for children who came from disadvantaged backgrounds. The weights were applied only after the proportion of such students in a school exceeded a specified threshold. In particular from 1986 to 2006, (non-western) migrant children whose parents had limited education were weighted 90 percent higher, and native Dutch children whose parents had low education were weighted 25 percent higher, than a typical native Dutch child. The net effect was to provide far more resources to the schools serving concentrations of migrant children or children from uneducated Dutch families than to other schools.<sup>3</sup> This policy of weighted student funding remained remarkably stable over a 20 year period despite changes over time in the country's balance of political power. Even though the growth of anti-immigrant feeling in the early 2000s forced Dutch policy makers to remove migrant status from the formula in 2006, they still

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<sup>3</sup> Ladd and Fiske (2011) estimated that schools in the four largest cities with large concentrations of non-western migrants received funding from the national government that enabled them to employ about 60 percent more teachers per student and almost twice as many support staff per teacher than schools with few highly weighted students.

maintained the basic approach by raising the weight for children whose parents had very low education (most of whom were migrants) to 130 percent and for children whose parents had low education to 30 percent.

In a careful study of the effects of the system of weighted student funding as of 2006, Ladd and Fiske (2011) concluded that the approach appeared to be quite successful in promoting the educational goal of equal schooling for all. For this purpose, the authors used as their quality measure composites of the ratings of each school's internal school policies and practices reported by the Dutch School Inspectorate. In the same article, however, Ladd and Fiske argued that special characteristics of the Dutch culture and values were central to the stability and apparent success of the approach. First, was the presence of a fully developed accountability system that was well suited to a system of self-governing schools. Professionally trained Dutch inspectors would visit each school and report on the extent to which the school had practices and processes that were designed to generate good outcomes for the specific mix of students in the school. Some of these practices related to school wide issues such as the coherence of the curriculum, some to teachers such as the time they spent on task, and some to the processes for monitoring and addressing students' developmental needs (Ladd, 2010). Second, there was a strong consensus in favor of egalitarianism that had deep historical roots and that was not endangered when new governments, most of which were coalition governments, were formed. And third, the fact that the funding came from the national government avoided most of the behavioral responses that could have undermined the program had it been implemented within individual cities, from which the more educated families might flee. Thus, the conditions were as ideal as possible for promoting the shared public interest in the provision of equal quality schooling in the context of self-governing schools and parental choice.

At the same time, the schools in the large cities are very segregated by migrant status, with schools serving large proportions of migrant children being referred to locally as "black" schools and others as "white" schools. As documented by Ladd, Fiske, and Ruijs (2011), segregation levels in the Dutch cities are comparable to the high levels of school segregation of blacks and Hispanics in U.S. cities. Many Dutch policy makers and citizens do not view this segregation as a problem that offends the public interest. After all, schools had long been segregated along religious lines and any adverse educational effects of the new form of segregation are currently being addressed by the system of weighted student funding.

Other policy makers and observers, however, view it as a serious problem that works against the shared goal of assuring that everyone is prepared to participate in the economic and cultural life of the country. When schools were segregated primarily by religion, the children in each school typically represented a range of socio-economic levels, and, importantly, members of one religion were not viewed as superior or inferior to another. In contrast, segregation by migrant status translates into segregation by socio-economic status, with students of low status typically deemed inferior to those of high status. That, in turn leads to even greater segregation as the families of many native Dutch families seek to avoid having their children educated in schools with large proportions of lower status migrants. Not all the segregation reflects the behavior of native Dutch families, however. It also reflects segregated housing patterns and the decisions of some migrant families to put their children in migrant schools, as is most clearly the case with Islamic families who choose Islamic schools. Of greatest concern from a social perspective is that the isolation of migrant children into separate schools means that it is difficult for migrants to assimilate into the Dutch culture and thereby limits their ability to participate fully in the economic and political life of the country.

Concerns of this type have recently generated efforts to reduce such segregation (see Ladd, Fiske & Ruijs, 2011). During the past decade some cities have tried to reduce it by inducing schools (and their school boards) to work together on a voluntary basis, in some cases by having common application dates and exchanges between “black” and “white” schools. From 2008 to 2013, the national government put its weight behind the effort by funding a number of pilot programs in cities throughout the country designed to restrict segregation, an effort that is no longer on the policy agenda of a more conservative national government. A few individual cities have pursued more aggressive efforts to reduce segregation. The most well-known is a system of controlled choice in the city of Nijmegen that is designed to generate schools that are relatively balanced in terms of the proportions of migrant children. That city is exceptional, however, in that it has a progressive local council and very few separate school boards that had to be cajoled into joining the effort. Moreover, supplemental funding from the national government played an important role in the city’s success.

In contrast to the success of weighted student funding as a method to promote the public interest, efforts to reduce segregation face significant barriers. Ironically, one obstacle is the very presence of weighted student funding because it has eliminated one powerful argument that is often used against segregated schools, namely that they lead to significant differences in the quality of schooling that disadvantaged and advantaged children receive. Another more significant obstacle arises

because of the Dutch commitment to “freedom of education”. As long as parents view themselves as having such freedom, and schools are self-governing, no higher level governing authority can compel the schools to work together in pursuit of the public interest. Everything must be done on a voluntary basis.

#### **New Zealand’s 1990s bold experiment with self-governing schools and parental choice.<sup>4</sup>**

Until 1989, New Zealand, a small island country of about 4.4 million people, had a very centralized and bureaucratic system of schooling. Because of a declining Catholic population, the country’s Catholic schools had been integrated into the public system during the 1970s, leaving only a small number of elite private schools outside of the system. All the public schools received funding from the central government and were operated by the New Zealand Department of Education.

In 1989, the system was fundamentally changed. At that time, under a program called Tomorrow’s Schools, the Labour government converted the Department of Education into a Ministry of Education to provide policy advice to the Education Minister and turned over all operating authority for schools to school-specific elected boards of trustees. Each board of trustees was charged with writing a charter spelling out the mission of the school and was responsible for overseeing its operation. The government retained ownership of the school buildings. Largely motivated by populist concerns and the view that decentralized management would be more effective than centralized management, the reform was intended to empower local school communities, including Maori and Pacific Island communities, by giving them input into the mission and operations of their schools. Two years later, in 1991, a conservative government took power and added the element of greater parental choice of school to the reform package. That was a logical extension of a policy that encouraged schools to differentiate themselves one from another, as well as being consistent with the conservative view that choice and competition among schools would lead to better outcomes.

In many ways, the new system was similar to a whole system of U.S. charter schools, albeit schools that were all converted from traditional public schools rather than being established from scratch as is more typically the case in the United States. New entry to the system was possible but was limited because new schools had to establish themselves first as viable private schools with their own school facilities before they could convert to the public system and receive public funding. An innovative and important component of the reform package was the creation of a national Education

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<sup>4</sup> The discussion in this section draws heavily on Fiske and Ladd (2000) as supplemented by more recent information gathered during a three week visit to New Zealand by Fiske and Ladd in 2013.

Review Office (ERO) whose task was to make sure that all the newly self-governing schools were operating in ways consistent with the public interest. This Review Office was independent of the Ministry of Education so that, if necessary, it could criticize the government for inadequate funding or support policies. Its main responsibility was to send teams of professional reviewers to each school on a periodic basis to write public reports about the quality of the school.

While most New Zealanders would agree that the new system was better in many ways than the highly regulated prior system, it posed a number of challenges to the public interest. Very early into the reform process, the original populist conception of the charter document as a three-way contract between the local community, the school and the state in which all three would be equal partners was modified in recognition that the state had strong and legitimate interests in the performance of the schools. To that end, every school board was required to incorporate into its charter a commitment to national educational goals and guidelines. That change limited quite significantly the flexibility of individual schools and clarified to all that they were part of a national education system and not just free standing entities (Fiske & Ladd, 2000, pp. 104-107). A second challenge was that school communities differed greatly in their capacities to govern. Although the government established and funded the New Zealand Schools Trustees Association to provide training and information to the new school boards and to run their triennial school board elections, many schools still struggled with school governance and management. As a partial solution, the Minister of Education was given the right to dismiss boards of trustees for poor performance, to appoint interim commissioners when needed, and to restructure schools with severe governance problems (Fiske & Ladd, pp 88-92) .

The challenges that arose as a consequence of how families make decisions about schools were more difficult to address. As has been documented in studies throughout the world and as clearly appears to be the case in New Zealand, many families pay significant attention to the composition of a school's students and not just to the quality of the school's offerings when deciding which school is best for their child. In the New Zealand context, that meant that middle class European (called Pakeha) families would often seek schools with others like themselves and would try to avoid schools with large proportions of Maori, migrants from the Pacific Islands or children whose families were economically disadvantaged. In addition, even the more motivated among the disadvantaged families would also seek to avoid such schools in an effort to obtain higher quality schooling for their children. Such schools often struggle because they find it hard to attract and retain quality teachers, and the teaching is

particularly difficult because many disadvantaged children bring to school significant challenges from home that impede their learning.

Parental decision-making of this form interferes with the public interest because it leads to an unlevel playing field, increases school segregation, and can convert parental choice to school choice. The playing field is not level because schools that start out with large numbers of disadvantaged students are, through no fault of their own, less able to compete successfully for students than are other schools. As a result, under a system of parental choice and school autonomy, enrollments in such schools fall, funding declines, teachers have to be let go, morale falls, and the schools become even less attractive to prospective students. New Zealanders came to call those schools “downwardly spiraling schools.” Such schools were consistent neither with the public interest nor with the theory used by the conservative government to justify self-governing schools and parental choice. In particular, given that schools were self-governing and therefore were empowered to take corrective actions, policy makers had incorrectly expected such schools to improve once they faced the competitive pressure generated by parental choice. Further, implicit in the theory was that if schools were unable to respond and lost students, the schools could easily be shut down as more successful schools would willingly take their students. But, in practice, it turned out to be difficult to shut them down because successful schools were typically not interested in enrolling disadvantaged students whose presence would make the school less attractive to the types of parents the successful schools wanted to attract.

Parental concern about a school’s mix of students also inevitably led to greater school segregation by socioeconomic status and ethnicity. The evidence for that in New Zealand is clear because the Ministry provides decile rankings for each school that are based on extensive socio-economic data generated from the census mesh blocks where the children in each school live. The lower the decile the more disadvantaged are the school’s students, defined in terms of a variety of census measures and the students’ ethnicities. An analysis of the changes in school enrollments by decile in the country’s three major cities, Auckland, Wellington and Christchurch, during the period 1991-96 showed a clear pattern of students fleeing the low decile schools in favor of the higher decile schools (Fiske & Ladd, 2000, chapter 7). The ability of students to move to the higher decile schools was in many cases thwarted, however, by capacity constraints in those schools. The net effect was greater concentrations of disadvantaged students in the low decile schools and lower concentrations in the high decile schools.

A specific characteristic of self-governing schools in New Zealand led to the additional outcome that parental choice in many areas morphed into school choice. Schools that had excess capacity were required to accept all applicants. Schools that had reached their capacity, in contrast, were empowered to make decisions about which students they would accept. Although they were required to make their enrollment policies public, they had significant control over the process. A few chose to make admissions decisions based on a lottery process, but most did not. Some schools chose to set geographic boundaries but often defined them in ways that would be consistent with their own interest in enhancing the school's reputation rather than with a broader community wide interest. Other schools selected students based on their fit with the school's mission, as determined in many cases by the school principal. Not only did these decisions exacerbate the segregation of students, they also meant that some students found it difficult to gain access to any school within a reasonable distance from where they lived. That was particularly true for many high-income families in the affluent areas of Auckland. In response to complaints from such families, the Labour government, which took over the government in 1999, reintroduced geographically defined school zones. Students who live within the home zone now have an absolute right to enroll at the school and all students can apply for out-of zone places in schools that are below capacity. When applications exceed spaces, the schools must make decisions by ballot.

The most important lesson that emerges from the New Zealand experience with parental choice and self-governing schools is that, far from solving the educational problems of schools serving large concentrations of disadvantaged students, such policies exacerbate them. To be sure, some disadvantaged students benefited as they fled from those schools in favor of more advantaged schools, but that simply increased the concentrations of such students in the schools left behind, and reduced the quality of education for them. The challenge is for policy makers to find a way to promote the benefits of choice and self-governance while minimizing their adverse effects on the students in the failing schools. From the beginning, policy makers in New Zealand recognized that the low decile schools would need more funding than other schools, but the funding differentials they offered applied to non teacher compensation alone and were, by political necessity, quite small (and negligible compared to the differential funding in the Dutch schools) and spread across the bottom nine deciles rather than being targeted more directly to the neediest schools.

The big policy question for New Zealand policy makers was what to do about the downwardly spiraling schools (Fiske & Ladd, 2000, ch. 9). Although they tried to ignore the problem of those schools

with the hope that market pressures would eventually lead to better outcomes, strong negative publicity in the newspapers eventually forced them to acknowledge the weakness of the model and to take action. Their initial response was limited to trying to strengthen school leadership because that was the only intervention consistent with their belief in market processes. It soon became apparent, however, that weak management was not the major source of the challenges those schools faced and that the any solution would require far more major significant interventions than were consistent with the concept of self-governing schools, interventions that they have been pursuing in a variety of forms in subsequent years.

Fifteen years later New Zealand schools remain largely self-governing and are likely to remain that way in the foreseeable future. A recent influential book by a long time close observer of the reforms, Cathy Wylie, however, has contributed to a national discussion about the need to introduce an intermediate level of governance (Wylie, 2012). She makes a convincing conceptual and evidence-based argument that self-governing schools do not work well for all schools and students, and that many schools need substantial external support. The outcome of that discussion is unclear, and may depend on the balance of political power in the country going forward given the current conservative government is less interested in a reform of that type than a more progressive government would be.

Another development is the continual evolution of the Education Review Office. Through its quality assessments of individual schools, as well as broader policy statements about cross cutting educational problems, the ERO has played a central role in promoting the public interest in the context of self-governing schools. In its latest incarnation, it has been developing new procedures that go beyond quality assurance to help schools improve through a structured process of self-evaluation. The new approach is well grounded in managerial theory and is worthy of study by other nations interested in helping to make self-governing schools become as productive as possible (Mutch, undated). Such efforts alone, however, will do little to address the challenges to the public interest that arise because of the concentrations of disadvantaged students in some schools that result from the preferences of parents who, quite legitimately, are most focused on the quality of education for their own children.

### **Durham Public Schools and the growth of charter schools**

With its total population of 234,000, Durham County in North Carolina is far smaller than the previous two examples. I have selected it because it highlights the challenges facing a district that has historically had to grapple with issues of race and that now is confronted with new challenges posed by

the growth of charter schools, the quintessential example of self-governing public schools of choice in the U.S. Until the early 1990s, the county's schools were split into two districts, a virtually all-black city district and a far whiter county district. At that time, strong city leadership consolidated the two into the current county wide district known as the Durham Public Schools (DPS), with the goal of providing a sounder educational basis for county wide economic development. The current school population is 50 percent black, 25 percent Hispanic and about 20 percent white. In an effort to keep white students in the school system which has been experiencing moderate growth in recent years, DPS has provided various forms of choice for parents in the form of magnet and year-round schools and has, in practice, had a flexible transfer policy that often enabled parents to opt out of their assigned schools.

The situation is now changing because of state legislation in 1996 that enabled 100 charter schools to be established throughout the state, with the State Board of Education as the sole authorizer. The cap of 100 schools remained in place until 2011 at which time a conservative newly elected Republican Legislature eliminated the cap in part as a means of assuring the state would be eligible for \$400 million in federal aid through the competitive Race to the Top Program. Since then the number of applications for charter schools has grown dramatically. As of the 2013-2014 school year, 127 charter schools were operating throughout the state with an additional 26 approved to start for the 2014-15 school year, and another 71 applications have been submitted for the 2015-16 school year. Durham County has proven to be a popular location for charter school operators partly because of perceived concerns about the low performance of the students in the public school system and partly because the county relatively generously supplements state funding for schools with county raised tax revenue. Such funding is appealing to charter operators who receive the average per pupil funding available to the students based on the district in which they live. As of 2013-14, the county had 8 charter schools serving 12 percent of the student population, a proportion that could easily double in the next few years as the state approves more charter schools.

The emergence of charter schools poses multiple challenges to the public interest in Durham. The first is a fiscal challenge. As students opt out of the traditional public schools in favor of charters, the traditional school system has to transfer funds to the charter schools. That would not pose a fiscal problem for the Durham Public Schools if it were able to reduce its own spending in line with the loss of students. In fact, though, that is not possible. Some of its costs, such as school facilities or the infrastructure needed to serve students with special needs, are fixed in the short run and are not easy to cut. Moreover, in any case, even if it were feasible to reduce them in proportion to the loss of students,

the school system would not be in a position to do so because of its responsibility for assuring a school for every student in the district. The problem here is that students who opt out of the public school system for a charter school may need to return to the traditional public system either because the charter school is not a good fit for them or because the charter school itself shuts down. As a result the traditional system has to maintain the flexibility to assure places for them, a responsibility that does not extend to the charter schools. In addition, charters typically serve lower proportions of the most expensive-to-educate students, such as students with the more serious forms of special needs, or from economically disadvantaged families. Although some charters specifically orient their programs to such students, others make it difficult for disadvantaged students to enroll by not providing transportation or not offering subsidized lunch programs. Hence, while the district transfers funds to the charters based on average per pupil funding, it is left with a group of students who require above- average spending. Further whenever the charter schools attract students who otherwise would have attended private schools, they impose new costs on the districts. A recent careful analysis of the current fiscal burden placed on the Durham public schools is about \$2000 per charter school student, although the precise amount varies depending on the assumptions made (Troutman, 2013).

Another challenge to the public interest arises because the growth of charter schools interferes with the ability of the district to plan for facilities and programs. Recall that the State Board of Education is the sole authorizer of charters. Although the districts never had a lot of input into the process, recent legislation has eliminated completely any statements from them about the potential impact of new charter schools on their operations. In the past, DPS could make reasonable projections about the size of the public school population and could plan facilities and programs accordingly. Planning is essential with respect to facilities because of the lead time needed to assure their completion in a timely manner. Many investments, such as the development of sophisticated science programs within high schools, also require long term planning. As more students opt out of the traditional public schools for charter schools, DPS is left in the situation of now knowing how many students it will need to serve and how best to meet their needs. The 2012 establishment of a science-tech charter school in nearby Research Triangle Park illustrates the problem. Though the new charter school may be great for the students who attend it, few of whom are likely be disadvantaged, it interfered with the District's development of a major new science-tech program within an historically African American high school located near the Research Triangle Park. Presumably the public interest would be better served if the District had a greater role in the establishment of and location of new charter schools.

A third threat to the public interest is the impact of charter schools on the racial segregation of the schools in Durham. Ever since the merger of the city and county school districts in the early 1990s, the School Board has worked hard to integrate the schools, albeit not fully successfully given the large proportion of African Americans and Hispanics in the county and the Board's relatively lenient transfer policy. As of the 2011-12 school year, 41 percent of the students in traditional public schools were in schools that were almost exclusively minority (defined as having 90-100 percent nonwhite students). Moreover, only 1.4 percent were in schools in which the proportion of nonwhite students was less than 30 percent. Contrast that, however, with the distribution of charter school students in that same year. Among them, an even higher percentage (51 percent) were in schools with almost no white students, and 32 percent were in schools that had less than 30 percent nonwhite students.

Bifulco and Ladd's 2007 analysis of parental preferences for charter schools in districts across the state provides an explanation for this racial bifurcation of the charter schools. According to their estimates, black parents at that time were looking for charter schools that were between 40 and 60 percent black while white parents were seeking charters that are less than 20 percent black. This asymmetry of parental preferences means that charter schools that aim for an even mix of black and whites are likely to tip toward being exclusively black, while those that are primarily white will remain so. Moreover, within Durham, the charter schools increasingly appear to be serving as a means for white families to avoid the heavily non-white traditional public schools. While in 2001, less than 10 percent of the county's charter school students were white, by 2012 that percentage had tripled to more than 32 percent, a percentage that far exceeds their share in the traditional public schools.

One obvious way to address these challenges would be to try to get the two sectors – the charter sector and the traditional public school sector – to collaborate in the interests of serving all children in the county rather than competing with each other for students and the funding that follows them. That would mean, among other things, that the charter schools would have to take more responsibility for educating their fair share of expensive-to-educate students and the District would have to make a number of services, such as professional development or transportation available to the charter schools, presumably for a fee. Recently the chair of the DPS School Board has supported a proposal to set up a task force of representatives from the Board and the charter schools to develop a common enrollment system, a common school accountability framework, and a shared transportation and meal program. In addition, the task force would be charged with establishing a common lobbying effort at the state level directed toward giving the local district more control over the charter schools

within the district (Thigpen, 2014). Collaboration of this type, however, is likely to prove very difficult and the chances of it being successful are limited at best

It is difficult in part because of the current hostility and antagonism between the two types of schools and also because, in contrast to the traditional public schools which are organized under a single school board, the charter schools are separate entities not organized into a coherent unit. Even if representatives of the two types of schools could be brought together, some of the charters would have limited incentive to participate. As self-governing schools they would have to put the general public interest above the more narrow private interests of many of the parents they serve. That is particularly difficult for charter schools serving students from relatively advantaged students whose parents may have chosen the charter school specifically because it was not serving large numbers of disadvantaged students. For other charters, it could mean subjecting themselves to more regulations or bureaucratic decision making that would interfere with their governing philosophy or with the financial or other interests of their sponsors. One of the few potential benefits to the existing charters comes from the possibility that the resulting agreement might somehow help to slow the entry of new charter schools into the county that would otherwise dilute the demand for their schools. At the same time the potential for new charter schools to enter the Durham market, as is inevitable during the next few years, greatly reduces the incentive for the established schools to participate in agreements that might reduce their ability to compete successfully with new charters not bound by the same agreements.

Other support from this conclusion that collaboration faces formidable obstacles comes from the experience of compacts between 16 districts and their charters that were supported by a 2010 initiative funded by the Gates Foundation. Bolstered by \$100,000 grants, each city signed a formal compact with its charter schools to undertake a variety of cooperative activities. Despite some noteworthy progress in a few places in a few activities, a 2013 interim report showed limited progress in most of the compact cities (Yatsko, Nelson and Lake, 2013). Among the 15 districts that had agreed to set up shared service agreements, for example, only three had made progress. Similarly, among the 14 districts that had agreed to improve access to and the quality of special education districts, only 5 had made significant progress, and among the eight districts that had agreed to implement a common and coordinated enrollment system only four had made progress. The gulf between a district system that is responsible for serving the educational needs of all students and sets of independent charter schools that are oriented primarily to the students they serve is simply too difficult to overcome in many cases.

## **Concluding discussion**

This chapter is clearly not intended to provide a thorough overview or evaluation of self-governing schools and parental choice. Instead, the more limited – but highly policy relevant – purpose is to draw attention to some of the conflicts between pursuit of those policies and the public interest. Such conflicts arise because of the large and salient individual benefits of education that accrue to individuals relative to the potentially large—but far less salient to individual families or to the operators of individual schools – public benefits that justify the public funding of schools and making it compulsory. The existence of such conflicts need not imply that policy makers should completely avoid policies such as expanded parental choice and school autonomy. Instead, it means that they need to use caution in moving forward with policy initiatives of this type, and to incorporate mechanisms and provisions designed to promote the public interest.

Useful provisions might include, for example, a system-wide accountability program that focuses attention on the internal school process and practices, including admission practices, of each school; extra funding and support for schools serving large proportions of disadvantaged students; and district-wide provision of services such as transportation, special education services, and professional development to take advantage of economies of scale. In addition, the provisions might include controls or limits on the exercise of choice by parents to keep schools from becoming more segregated than is consistent with the public interest. In district-based systems in which a higher level unit authorizes the schools, mechanisms for each district to provide input into the types and locations of new self-governing schools would be desirable. Such mechanisms would help the district foster a single coherent, but flexible, school system that addresses the needs of all the district's children.

Although I have not directly discussed voucher programs – that is, programs that provide public funding for privately operated schools – the reader would be correct in inferring that vouchers would generate even greater threats to the public interest than any of the forms of public school choice described here. That follows first because of the extreme difficulty of holding individual schools that are privately owned and operated accountable for public purposes. Many, for example, may not even be willing to report how they spend the public dollars. In addition, depending on the size of the vouchers and the scale of the program, voucher programs may well generate even greater pressures for large concentrations of disadvantaged students. If the program is large, the concentrations may emerge in the traditional public schools. Otherwise, or in addition, they may occur in low-quality private schools established primarily to take advantage of the public funding. Further, given that private schools are

likely to refuse to give up their control over whom they accept, what starts out as parental choice among private schools is even more likely to morph into a system in which the schools are choosing which publicly funded students they want to enroll. Finally, any difficulties of the type discussed above associated with getting charter schools to work collaboratively with traditional public schools would undoubtedly be magnified in the context of private schools.

In sum, the challenge for education policy makers inclined to move policy in the direction of self-governing schools and expanded parental choice of school is to keep their eyes on the public or collective interest in education. In the natural pursuit of their own self interest, families and self-governing schools will look out for their own private interests. If the education policy makers do not watch out for the public interest, who will?

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