

Small Districts in Big Trouble: How Four Arizona School Systems Responded to Charter Competition

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How do district schools respond to competition from charter schools? To explore this question, we examine four small Arizona school districts which lost from a tenth to a third of enrollment to charter schools in a short time period. Districts lost market share to charter schools because they did not satisfy significant constituencies, thus providing demands for education alternatives. District responses to market pressure depend on overall enrollment trends, the quality of the charter competition, the quality of district leadership, and the size of the district. Districts respond to competition in various ways, including reforming curricula, changing leadership, vilifying charter competitors, and attempting to absorb those competitors. Responses suggest that competition improves schools, but that markets do not work quickly or without friction and must be understood in context.

CHARTER SCHOOL COMPETITION

Central to the debate over school choice has been the question of how traditional public schools will react to market-based competition. This issue is crucial because no existing school choice plan enrolls more than about 10% of the potential population and most enroll only a fraction of that proportion. In fact, many choice advocates suggest that market mechanisms are desirable precisely because competition can spur traditional public schools to become more effective (Friedman, 1962; Kolderie, 1995; Norquist, 1998). Given that conventional public schools are likely to enroll the vast

majority of students for the foreseeable future, the manner in which choice-based competition affects public systems is apt to be among the most significant consequences of charter schooling and other choice-based reforms (Hassel, 1999).

Given the obvious importance of the question of competitive effects and its potential long-term significance for the nation's system of schooling, it is surprising that the question of competitive effects has received relatively little scholarly attention until recently. Instead, most scholarship has tended to focus on the relative merits of private and public schools, on issues of segregation or stratification, and on the ability of choice-based reforms to hold schools accountable for performance and for providing public goods. When the potential benefits and costs of competition have been raised, such consideration has tended to be cursory, anecdotal, and with relatively little attention to those characteristics of American education that may shape the manner in which school systems respond. Choice advocates have often offered broad assertions that competition has fostered improved efficiency in American industries ranging from banking to semiconductors to automobile manufacturing and will likely do the same for education. Meanwhile, many choice critics have responded with far-reaching claims that market-based competition may sacrifice common values and will undermine public education by diverting resources from the traditional district schools. Lacking in much of this conversation is an effort to fully appreciate how competitive pressures are likely to play out in the political, institutional, and organizational context of public schooling.

In this article, we seek to advance the empirical consideration of competitive effects by considering how a handful of small Arizona districts responded to a relatively high degree of competitive duress. Our intention is not to use this analysis to prove or disprove specific hypotheses regarding the effects of competition on public school systems. Rather, we hope to use this examination to develop new insights and to help foster a more nuanced consideration of how competition may affect public schooling.

THE EFFECTS OF COMPETITION IN EDUCATION

Given the fervor of the school choice debate, there has been surprisingly little empirical research on how public school systems respond to competition. Some existing work has examined the impact of choice-based reforms on public school districts. Other work has tried to impute effects from the historical existence of private schools or nearby public school systems or has sought to examine the competitive effects of choice-based reform in a non-U.S. context.

Most relevant to the current analysis is a gradually developing body of work that has examined how school systems respond to choice-based reform.

While most of this work depicts relatively small effects, the scholars voice substantial disagreement regarding their scope and significance. Hess (2001), who studied the response of Milwaukee to voucher and charter competition; Teske, Schneider, Clark and Buckley (2000), who studied the response of five urban districts to charter competition; and Hassel (1999), who studied the response to charter schooling in four states, all found the effects of competition to be far more nuanced and complex than the discourse might suggest. They found little evidence of fundamental change but substantial evidence that districts attempted to assuage community preferences by adding new services and programs. These authors also observed that school districts often use the courts or subsequent legislation to derail or restrict charter schools; seek to make life difficult for charter schools, by taking such actions as harassing charter schools or refusing to provide student records;¹ and sometimes simply choose to ignore or peacefully coexist with charter schools. Perversely, districts can respond to competition by cutting popular programs, such as art or music, in order to rally political support and mobilize anticharter sentiment.

Other scholars have described their findings in a way that suggests a somewhat more direct and more productive response to competition. In an examination of more than 90 Arizona public schools, Hess, Maranto and Milliman (1999, 2001) found that principals at schools with cooperative cultures sought to modify their leadership behavior and to enhance school-level advertising in the face of competition. In a study of 25 districts in eight states and Washington D.C., Rofes (1998) found that nearly half of the districts displayed at least a "moderate" response to competition. In a study of Michigan's largest county, Ladner and Brouillette (2000) found that charter competition forced the schools to become more consumer oriented. Armour and Peiser (1998) and Aud (1999) examined the effects of Massachusetts's open enrollment program found that three of the ten sample districts that lost students took some small steps intended to regain lost enrollment.

Finally, in an analysis that underscores the limited extent of competitive effects, Wells (1998a) studied 10 California schools and found little evidence of any public response to charter competition. Wells observed that public school principals saw no point in responding, believing that charter schools held unfair advantages.

A second line of scholarship has sought to deduce competitive effects from traditional school arrangements. Hoxby (1994, 1998) used a longitudinal, national data set to examine how local districts have traditionally responded to the competition produced by private schooling or the presence of a large number of "competing" public systems. Hoxby found that such competition led to higher test scores, higher future student educational attainment and earnings, and more efficient school systems. Like

Hoxby, smaller studies by Borland and Howsen (1992) and by Dee (1998) found that traditional forms of competition increase the quality of public education. On the other hand, Smith and Meier (1995) and Wrinkle, Stewart and Polinard (1999) have conducted single-state studies of Florida and Texas respectively, concluding that private school competition shows no evidence of improving public school test scores. Hess and Leal (in press) have sought to replicate portions of the Smith and Meier and Wrinkle et al. analyses on a national sample of urban districts, in the process finding some evidence for a context-dependent relationship between private school enrollment and heightened public school graduation rates.

A third line of research, primarily focusing on the British experience, has touched upon the competitive effects of that nation's experiments with market-based reform. Two studies that have paid particular attention to the effects of competition are Gorard (1997) and Woods, Bagley and Glatter. (1998). Gorard found no evidence that market selection was improving educational performance. Woods et al. concluded that competition prompted schools to devote substantial attention to advertising, public relations, and improving the physical appearance of the school, but had no significant effect on pedagogy, curriculum, or academic performance. Walford (1994) did find some evidence that competition appeared to increase the emphasis on marketing and test scores but still voiced concern regarding the size and full nature of the effects. Finally, in a study of New Zealand choice-based reforms, Fiske and Ladd (2000) find little evidence of significant competitive effects; though in New Zealand the supply of potential competitors is fixed by central authorities, so barriers to market entry may limit competitive pressures.

THE CASE FOR STUDYING DISTRICTS IN ARIZONA

Although the aforementioned work has contributed to our understanding of the effects of choice-based educational competition, there is a pressing need for additional work to increase understanding of how different districts might respond to different forms of competition. In particular, existing studies have been hobbled by the fact that they have had little alternative but to focus on closely controlled markets. As a result, they are of limited value in describing how an open market in education with modest barriers to entry would affect existing public schools.

Arizona is unique in that some of the state's most affected districts provide the first chance to examine something approximating an educational free market in the American context. Since passing the nation's most ambitious charter school law in 1994, Arizona has seen an explosion in charter campuses and enrollment. As of 1999–2000, Arizona had 351 charter campuses, about 21% of the nation's charter schools, enrolling over 5%

of public school enrollment. Accordingly, Arizona provides a natural experiment testing the effects of a relatively free market on the functioning of conventional district schools unaccustomed to dynamic markets. In Arizona, state subsidies accounting for a mean of 57% of public school expenditures follow student enrollments; thus rapid fluctuations in enrollments and resources pose real challenges to conventional school districts.

To explore the effects of competition, we focus on four small, relatively isolated school districts. In an isolated market, a single charter operator has identifiable impacts on a single school district rather than more diffuse effects on several districts. For this reason the impacts of individual charter competitors on a district should be more identifiable. More important, in a small school district a single charter school can open with little advance notice and, if it is well advertised and well managed, quickly take and hold a large percentage of district enrollment. As small organizations, small districts lack the resources to buffer unexpected fluctuations in demand and resources. In short, small districts in isolated markets are particularly vulnerable to competition, particularly subject to dislocation from new market entrants, and relatively easy to study.

METHODS

We use qualitative comparative case studies to ascertain how market competition affects small, isolated school districts. We sampled all 24 Arizona school districts in which 30% or more of public elementary school campuses were charter schools (excluding one district in which the charter schools were converted Bureau of Indian Affairs schools). We focus on elementary enrollment since the barriers to entry are lower than for secondary education, which requires greater infrastructure expenditures to provide extracurricular activities and curricular options. Notably, most Arizona secondary charter schools are for at-risk students (Maranto and Gresham 1999). We divided the number of elementary school students attending charter schools located in a district by the total number of public elementary (charter and district) school students in the district to estimate the charter market share. This measure is imperfect since, particularly in urban areas, a charter may draw from numerous school districts in addition to the district it is located in. Still, particularly for rural areas where a charter is likely to draw mainly from a single school district, the measure should capture the degree of competitive pressure on a school district. Interviews suggest that the measure has high face validity.

From this data set, we identified three small districts (under 1500 enrollment) estimated to have lost 20% or more of elementary enrollment to charters and a fourth medium sized district (roughly 10,000 enrollment) estimated to have lost about 10% of elementary enrollment. Each district

was rural and relatively isolated, though one is on the frontier of an urban metropolis and is rapidly growing. The relative isolation makes it easy to identify which charter schools affect district enrollments. No other small, rural Arizona district was thought to have lost more than 14% of elementary enrollment to charters in the study period; and no other medium sized district is thought to have lost more than 8%. By comparison, nationally fewer than .4% of public school students were in charter schools in 1999–2000 compared to about 5% in Arizona. Arizona had more than twice the percentage in charters as the second leading state, Michigan. Accordingly, Arizona school districts in this study have been among those most impacted by market competition.

Using interviews and official statistics, we examine the effects of significant levels of charter competition on the sample districts. Fieldwork was conducted in February 2000, but was augmented by ongoing phone interviews from November 1997 to April 2000. Data collection involved more than 40 interviews with Arizona Department of Education (ADE) officials, district school officials, county-level school officials, journalists, parents, teachers, and charter operators in the targeted districts. We examined:

1. Why these districts lost a large percentage of their students to charter schools?
2. How districts responded to enrollment losses?
3. Did contextual variables or leadership strategies determine district responses?

We do not identify the districts by name; rather—in a long-established social science tradition—we use pseudonyms to protect our sources. Of course, this approach is more useful at developing hypotheses than at definitively testing them.

We find that districts do not react uniformly to competition. Rather, district responses depend upon district size and resources, whether the market is growing or declining, and on the quality of charter operators. Perhaps most notably, three of the four districts changed district superintendents in the study period and the fourth nearly did so. While observers disagree as to the reasoning, it seems likely that at least two of these moves were related to charter competition.²

SUBURBAN BOOMTOWN: A QUICK RESPONSE IN MORMON SPRINGS

On a flat, dry, dusty plain, cotton fields, orange groves, and cattle feedlots are giving way to suburban development. Farm town centers are expanding

into new developments, with single-family dwellings selling from just under \$100,000 to well over \$250,000. The tiny Mormon Springs Unified School District, which 10 years ago had about 600 children, has grown steadily through the 1990s. It today has well over 1,000 and may approach 10,000 children by 2010. Mormon Springs appears to present an idealized version of competitive response. Observers from ADE, the dominant local charter operator, and the current Mormon Springs district administration all agreed on the essentials of the story.

In 1996, at the request of a group of disgruntled parents, a “back-to-basics” for-profit charter operator opened “Fundamental Elementary” in Mormon Springs and immediately enrolled a third of the district’s elementary enrollment. Parents had requested that the operator locate a school in town, primarily because they were concerned about the progressive orientation of the district schools. In particular, parents voiced a desire for more phonics-based instruction and more traditional teaching methods. Many parents complained about the district superintendent, who was viewed as distant and as an advocate for alternative educational practices.

Like schools run by the same operator in other districts, Fundamental Elementary is constructed from several identical, low-cost modular buildings. Like most everything in Mormon Springs, the school sits on bare dirt formerly a farm field. The classrooms are neat and orderly, with all the desks in a row much as a campus might have looked in 1955. The academic program is highly standardized, with teachers receiving clear goals regarding what to teach and when to teach it. As one teacher put it, “it’s back to basics—not a lot of fluff.” Nearly all of the teachers interviewed said that they were attracted to the school by the academic program, particularly Spaulding Phonics. Several noted the sense of order that marks the school. The campus routinely boasts the top standardized test scores in the region and earns high marks on parental satisfaction surveys.

Notably, the operator and many of the teachers were members of the Church of Latter Day Saints, though many other LDS members remained with the district schools and a Mormon Bishop serves on the school board. No charter critics have alleged that the operator discriminates against non-LDS members or teaches religion. Still, the charter school is substantially more Anglo and less Hispanic than local district schools.

Stunned by the popularity of Fundamental Elementary, the school board responded. Mormon Springs replaced the incumbent superintendent with an educator from out of state who maintains that parents “wanted a basic core education” rather than “some 80s things, some 90s things.” The new superintendent argues that public schools need “to do what we do best, and let’s not try to do any of those things we don’t do too well.” The new superintendent also had more refined political skills and possessed substantial experience in elementary education.

The new superintendent visited Fundamental Elementary to examine the competition. While acknowledging that the school was effective, he explained that,

Parents who took their kids out to go to a charter school with the emphasis being low pupil-teacher ratios, parental involvement, and individual education, all the sudden they look over the fence and say “wait a minute, they got that going over here now, because they got a new person in charge who wants to focus on that.” . . . All of a sudden now, they’re seeing that not only is it a public school with things only a public school can offer, now it’s doing charter school kinds of things.

The new superintendent replaced a principal and certain other administrators, developed a Title I funded preschool, started a gifted program, improved the pupil-faculty ratio in the elementary grades, bought new textbooks, and raised teacher salaries. He funded these primarily with new revenues targeted to accommodate growth and by replacing four separate elementary programs with a single core program. The Mormon Springs superintendent suggested that he would have had a more difficult time launching and implementing these reforms in the absence of competition.

After the reforms were launched, Mormon Springs saw its elementary school test scores climb. For the district’s two elementary schools, comparing same grade tests (as in grade 3 compared to grade 3 for the following year) from spring 1998 to spring 1999 on state reading, language, and mathematics tests finds 15 improvements with no declines. The same comparisons from spring 1999 to spring 2000 find 29 improvements and only one decline. Improving test scores could be ascribed to changing demographics in the rapidly growing town as easily as to any particular reform, but the annual academic gains by individual students calculated by ADE were also above average. The results led the superintendent to boast that, in terms of gains, “the charter schools didn’t do as well as we did, so I can hold that up to charter school parents and say some of the changes we’ve made are already taking effect.”

Meanwhile, attracting less notice were the three charter high schools near Mormon Springs serving at-risk youth. The schools attract only a miniscule percentage of enrollments and are of little concern to the district. Both the new superintendent and the Fundamental Elementary operator agree that charters have difficulty competing for “mainstream” high school students because of parental preference for extracurricular activities and electives at the secondary level.

Schools clearly compete more for some students than for others. A Mormon Springs administrator commented that,

Whenever one of my gifted students transfers to a charter school I get together with my principal and say "Why did this happen? Why did we lose this kid?" And it's all kinds of things. Sometimes it's personalities. Sometimes it's a matter of philosophy, which you can't do anything about, but if it's something you can do something about you want to focus on what it is and try to change it. But you know, we get some of those kids back. . . . For some reason [charter schools] never seem to take any of our special ed kids. Whenever parents visit [charters] they say, "Gosh, we don't have as good facilities as the district schools do," which is true.

Since 1996, both the charter and district schools have grown. Both plan for continued expansion, but the moderating rate of charter school growth means that charter market share has declined as a percentage of overall district enrollment. Rapid district growth and the state's 1-year lag in adjusting funding based on enrollment have served to keep potential funding pressures manageable.

Even though Fundamental Elementary was located within sight of district schools, there has been little interaction between the two systems. Observers report no animosity. In fact, the charter operator commented that in comparison to hostility from other school districts, "We actually have built a fairly good relationship with some of the peripheral services of Mormon Springs." For fees, the Mormon Springs district provides transportation and meal services to the charter, making a profit.

In short, the situation in Mormon Springs has worked much as market proponents would hope. Failings on the part of district schools created an opportunity for a charter entrepreneur, and competition from a competent charter operator pushed the district to make leadership and policy changes to improve the academic core of schooling.

NEW AGE BOOMTOWN: CAPPUCCINO COMPETITION IN PYRAMID CITY

Above a scenic river, surrounded by rugged deserts and mountain ranges, Pyramid City is a small town becoming a small city. Pyramid City is a noted resort. In recent years, its temperate climate and natural beauty have become magnets for moneyed new age and new economy yuppies and retirees from all over the nation. Pyramid City is a socially liberal cafe community marked by upscale eateries and bookstores.

Only in the 1990s did Pyramid City have enough residents for its own school district. Previously, Pyramid City students had been bused over mountain roads to schools an hour away. By 2000, Pyramid City had a thriving school system with over 1,000 students, as well as two independent elemen-

tary charter schools serving around 20% of Pyramid City's elementary school students. The speed and the nature of this growth placed new demands on Pyramid City schools. As an ADE official noted, growth in the 1980s and 1990s fueled change: "All these people come out from California to little dinky Pyramid City, and say 'this district doesn't have all the things we are used to, so let's go charter.'"

In response to such demands, Pyramid City boasts a wide range of options for a small system. Reports the superintendent,

I wouldn't say we're the usual school district. . . . this community is very diverse and likes to have choices, so we have multi-age classrooms; we have traditional classrooms; we have charters; we have . . . looping where they have the same teacher for a couple of years. So parents have a menu. You can go all-day kindergarten, part-day kindergarten. You can go pre-school if you want to.

Despite two charter schools, the district projects steady 3–5% annual enrollment growth for the foreseeable future. Continued growth and a relaxed district ambiance have helped produce a minimal response on the part of the district.

Pyramid City was the only district of the four examined to have retained its superintendent since the introduction of charter schooling. In early 2000, concern that test scores had not improved sufficiently prompted the school board to consider replacing the longtime superintendent, but the motion failed after a hearing at which 35 citizens spoke in favor of keeping the superintendent and no one supported termination.

Both charter operators and district officials in Pyramid City tell essentially the same story of school change in the district, with both suggesting the district has stepped up efforts at academic improvement and at community outreach. The differences in their interpretations are in emphasis, with one of the two local charter operators asserting that charter presence pushed district schools to improve, while a second operator was unsure of impacts, and district officials themselves maintaining that efforts to improve were already underway before the charters emerged. District officials did credit competition with improving district outreach to parents.

The superintendent argues that, to varying degrees, all of Pyramid City's multiple educational options were in place or under consideration before charter schools came to town. He argues that the district did not need competition to push innovation. He does acknowledge that in chartering two of its own schools, one for at-risk youth and one a Montessori option, the district was partly inspired by a local Montessori charter school that had opened. In explaining why the district had responded directly to the Montessori challenge, the superintendent pointed out that the district was concerned about losing students at the elementary level because charter schools

were able to provide small, intimate settings. He expressed less concern about losing older students, because charter schooling was less attractive to mainstream high school students seeking electives and extracurricular activities.

The superintendent did at times adopt the language of market competition, noting the charter schools “brought an awareness among our staff members about what competition means in public schools.” The Pyramid City district assembled a team to market district schools; and the superintendent observed,

I don't think that would have happened if it didn't have to. If there's nobody competing with you, people might grumble . . . but they can't do much. Now, all of a sudden . . . if that parent thinks that this school isn't very good, then they might go someplace else. So I think that we've become better ambassadors for our schools. I think we've done a better job of knowing K-12, what we're all about. Now, when parents ask a 6th-grade teacher what's going on at the high school, [the teachers] know.

The two charter schools in the district are a Montessori that started in 1995 and a more exotic child-centered school that started in 1998. Observers agreed that the district chose not to compete with the more exotic school, but thought the Montessori did attract notice. The Montessori is notable for its high test scores³ and for its unusual governance. The school has no principal and just a single office worker. The school is run by master teachers who hire their own assistants and who receive about \$4,000 per pupil. From this lump sum, individual teachers budget for materials, the salaries of their assistants, and their own salaries. Teachers and parents together decide on new teacher hires. A member of the parent council pointedly contrasted this model to district schools, since “the whole district model is about administrators telling people what they can and cannot do. . . . I mean can you see in a district where a teacher can hire their staff?”

A member of the parent council at the Montessori school argued that the school had a bigger impact on the Pyramid City district than district employees would concede:

The district hasn't moved against us, but they have promoted themselves. . . . they have ads in the newspaper and a column and they have diversified their curriculum somewhat. They didn't have a Montessori program until our program started. . . . I've heard [a particular district] school in particular improved incredibly in the past 4 years; well, our charter school is 5 years old.

The observer maintained that discipline and learning had both improved at the school in question after a new principal was hired. District officials disputed this account, suggesting that leadership changes that might be attributed to charters were simply ongoing efforts at improvement.

Relations between the district and the charter schools have been distant, but not hostile. Charter operators do not believe that the Pyramid City district has spread rumors about them or sought to undermine them, as has happened in some Arizona localities. (Maranto & Gresham, 1999, pp. 103–104). There is also little reported interaction between the district and charter schools, though nearby districts have hired away two charter teachers.

Neither supporters of the charter schools nor the district want any more charter schools to open in Pyramid City. A charter supporter admitted, “If somebody wanted to start a charter school I’m certainly not going to oppose them, but, obviously, for our own selfish interests you don’t want any more competition.” While existing operators have had serious problems with Pyramid City zoning and building code enforcement, charter operators see this as a matter of NIMBY (not in my backyard) sentiment on the part of local citizens, not as district-inspired harassment. District schools have also faced such issues.

Seemingly, charter and district schools in Pyramid City have a cordial competition suited to a new age, small town boomtown. The district even rented the Montessori charter school an abandoned site for a year, though the superintendent was reluctant to do so:

Would IBM having empty warehouse space call up Apple and say “come on in and use our space?” In the spirit of competitiveness you have to have advantages. They wanted all of their independence and for us to give them facilities.

The district put a strict time limit on the rental. A charter parent recalled,

They said we could have the site if we gave our charter to them. We just kind of laughed and they laughed. It was cordial. It was like, “we just had to give it a shot.”

Although the Pyramid City district might like to absorb the Pyramid City charter schools, it does not need to. The district has responded to parental support for Montessori schooling. A district official recalls, “When [charters] first opened there was an enrollment hit. We’ve recovered from that and increased. Our enrollment is going up while I don’t believe theirs is.” The charter schools in the area have substantial parental support and are unlikely to join the district or to go away. Meanwhile, the district schools are comfortable with their projected growth and their community relationships. Buoyed by Pyramid City’s growth, both charter and district schools

expect to grow, lessening the stakes and creating a market big enough for all schools to prosper.

TWO SCHOOLS IN A ONE-HORSE TOWN: CHOICE COMES TO CATTLE CROSSING

Cattle Crossing is a small, blue-collar mountain town a dozen miles off the interstate. Many of the dwellings are mobile homes inhabited by people who commute to service jobs 40 or 50 miles away. However, increasing numbers of retirees are migrating from the cities for the open spaces, clean mountain air, and the temperate climate. Cattle Crossing is a sprawling school district covering hundreds of square miles of sparsely populated grazing country in brush and juniper covered hills and mountains.

There is a single charter operator in Cattle Crossing. Choice Charter is operated by a man with a background in business, college teaching, and the home schooling movement. Unhappy with the Phoenix public schools and private schools, the operator and his wife home schooled their children. His wife took to the study of education and, when the couple semiretired to Cattle Crossing, "We thought that maybe we could make a difference in this little school district up here. We ran for the [school] board and lost."

His campaign advocated establishing a new, small elementary school so that young children in the outlying hamlet of Hillside could avoid long bus trips to Cattle Crossing Elementary. Due to the formula used to determine state subsidies, the district made money from busing and did not want to build a new school. The operator also opposed a district bond issue for construction. While the bond failed, the district did much of the construction anyway, increasing bonded indebtedness. Seeing the district as out of touch, the operator recalled,

Then along came choice, and we watched that for a year and half, and decided that this little district needed competition. The parents need choice, so they can look at that arrogant principal or superintendent who knows he's the only game in town, other than the private school he knows that parent can't afford . . . and say, "My child is going to go be taken out of your school."

"Arrogant" is a term one often hears in descriptions of the Cattle Crossing superintendent. An elected official reports that,

This guy has had a rocky tenure there for [many] years. He has been the kind that as long as he had three board members in his back pocket he didn't care about the other two, kind of a cocky arrogant attitude. . . . You're in a community where you have a lot of under-educated people. They are either intimidated by him or they think

“wow, Dr. _____, he must know what he is doing,” and so he was able to win by intimidation for a long time. Well, the community has been changing. A lot of people are coming here from Phoenix, and the last few years new people have been coming up from districts that operate differently, and his old style doesn’t really deliver.

Another elected official reported that the superintendent was able to hold on to power in part because the town was too small to have a newspaper, so the public was not informed of school activities, and in part because the superintendent used approximately one-quarter of school district jobs, as well as coaching slots, to reward supporters.

Unfortunately, we are unable to present the views of the Cattle Crossing District Superintendent, who was on administrative leave and under investigation during the study period and has since resigned. The acting superintendent and other Cattle Crossing district teachers and administrators did not respond to repeated requests to be interviewed. Still, it appears that much of the community shared the above assessments of local schools since, when Choice Charter School opened in Cattle Crossing, it immediately enrolled about a quarter of Cattle Crossing’s public elementary school students. The operator saw that as “a measure of discontent with the local district.” The Choice Charter operator established sites in Cattle Crossing and in Hillside, giving the latter its first school. The schools were relatively well equipped with computers. By scrimping on sites and on salaries and by mortgaging his own house for extra capital, the operator offered a 12–1 pupil-teacher ratio at the two sites, a ratio much better than in Cattle Crossing district schools.

However, school performance was disappointing. Problems with staffing, curricula, discipline, and special education compliance caused many students to return to the district. Choice Charter’s market share decreased from 25% to around 15% in a matter of months. The operator later remembered the critical mistake as having been the decision to staff the school with unqualified faculty.

We started out . . . thinking that we could do the job with people who were loving and kind and interested in kids, but didn’t necessarily have a degree. The second year, we decided that, because [these hires] are . . . using poor English with the children and can’t do mathematics, maybe we should have people who at least have some education or a degree. So we hired mostly degreed people. Well, we tried to, but couldn’t. This year, we’ve just about decided on certification, if at all possible. I wouldn’t have believed that I would do that three years ago. . . . [but] the two certified people we have are dynamic. They’re creative. They’re motivated. They don’t have to be told to grade the papers. They don’t have to be told to figure out the prob-

lem. The don't have to be told to get up in front of the kids, work an experiment, be more hands-on, or to change their approach. They've already heard those things. They've been through those four or five years of college and they've had a lot of time to think about, "Is this what I really want to be doing?" Whereas two years ago we took a mommy, put the mommy in the classroom, and a month later she said, "Wow, this isn't what I had in mind."

The operator insisted on rigorous discipline, which resulted in Choice Charter expelling nearly a third of students in its 1st year and about one sixth in its 2nd year. Still, the school kept afloat and improved over time. By the 3rd year of operation, Choice Charter had standardized personnel procedures, including merit pay for popular teachers and staff training in core knowledge curricula. The operator initially resisted certain special education regulations but by year 3 was in full compliance, according to state officials.

Choice Charter had the time to address its failings because of disenchantment with the district and because the community's working-class population is reportedly not as quality conscious as residents in more educated communities. Given the festering dissatisfaction with Cattle Crossing district schools, many parents proved willing to give Choice Charter the time to improve. From year 2 to year 3, Choice Charter enrollment grew by about 15% after falling sharply from year 1 to year 2. District enrollment remained flat. With its small size, strict discipline, and roughly 12-1 pupil-teacher ratio, Choice Charter provides a safe, clean, orderly environment for its overwhelmingly white, primarily low-income students. Today, an observer in Choice Charter finds clean, if cluttered, classrooms. One sees students grouped around long tables, working on individual or group projects or hovering over computer terminals. Nonetheless, test scores remain lower than in Cattle Crossing.

Perhaps because of the early problems hampering Choice Charter, the Cattle Crossing leadership took little notice of the school. The district administration and charter operator are not on good terms. District allies alleged that the operator was operating Choice Charter as a religious school. This allegation is questionable, since few students or faculty share the operator's faith, and he rents a site from a church of a different faith.⁴ A Choice Charter teacher once found the district superintendent "snooping around" the school parking lot. When greeted, the superintendent refused an invitation to meet with the charter operator.

The district superintendent did introduce the back-to-basics oriented Saxon Math program as part of the curriculum, though little attention was paid to its implementation and in other respects the district made no visible attempts to compete with Choice Charter's academic program. This

may be because, while the Cattle Crossing district schools test well below the mean scores for Arizona students, the scores at Choice Charter were generally even worse. It could also be in part due to the fact that Choice Charter enrolls a higher percentage of Title I students than does the district, siphoning off potentially difficult students—though many of these students were later expelled.

Gradual, long-term growth in the Cattle Crossing community is likely to lead to gradual growth in both Choice Charter and in Cattle Crossing district schools. In the short term, political turmoil in the district schools seems likely to increase charter enrollment. A recent recall election replaced two supporters of the Cattle Crossing superintendent with two opponents. As noted above, the district superintendent recently resigned. Observers do not think that the former superintendent's political problems come from high charter enrollments; rather, an unpopular superintendent created a demand for alternatives. Long term, it may be that more stable district leadership will prove a strong competitor to a gradually improving Choice Charter school.

YOU WILL BE ASSIMILATED: COUNTY SEAT TAKES ON CHARTER SCHOOLS

County Seat is a noted resort town with access to mountains and deserts, an arts community, a small industrial sector dependent on the area's natural resources, and various government facilities. Sometimes described as a medium-sized town with large-sized egos, it is home to many of the state's older and more established families. County Seat is larger than the other school districts in the study with roughly 10,000 students. A very diverse community, County Seat includes large numbers of Native Americans, retired persons, knowledge workers, and service workers. Perhaps for this reason, County Seat is a hotbed of charter activity.

County Seat has about a dozen charter campuses enrolling around 10% of the elementary school population. The charter campuses are diverse including a performing arts school, an International Baccalaureate School, an exotic child-centered school, and several Montessori campuses. Charters brought intense competitive pressures because even before they came on the scene, County Seat enrollment was not growing. After booming in the 1970s and 1980s, high prices discouraged young families from immigrating. The main growth in the 1990s was among the retired population. Accordingly, charter schools produced real and immediate decreases in County Seat enrollment, though district officials believe that demographic changes had even more impact.

Most observers interviewed traced the growth of the charter movement in County Seat to a lack of responsiveness on the part of the district

schools. For years, parents and teachers had lobbied the school board for Montessori, performing arts, and more unusual magnet options within the district schools. Their efforts were opposed by administrators and teachers and, in one case, an offshoot of the Christian Coalition. The teachers and administrators were generally concerned about the resources and specialized personnel new programs would require, as well as about how such programs would affect larger district logistics and management.

Pent-up frustration meant that when the charter law passed in 1994 various groups moved quickly to set up their own charter schools. Desire for new programs was buttressed by a perception of school system arrogance, questions about district performance, and safety concerns. A district administrator acknowledges that, at least in the 1980s, the district did earn a reputation for arrogance, "I think there was a sense that several superintendents ago, back in the 80s, that people wouldn't listen. Sometimes those things become common knowledge, even when they are no longer true."

An ADE official also suggested that the County Seat schools had a reputation for lax academics. District officials rejected this contention, pointing to the district's solid test scores. However, scores at most County Seat charter schools are even better. Indeed, three of the local charter schools are often highlighted in state and national forums as charter success stories. Finally, some parents reported concerns about safety in the district schools. One minority parent who was very happy with her charter school complained that in district schools,

My children dealt with a lot of racism and the administration was just pushing it off and dismissing it as "kids will be kids." My son was attacked and had a bunch of kids pile up on top of him in the playground and no teacher came to his rescue. No other students came to his rescue, and that's when I pulled him out.

Local observers disagree about whether the former district superintendent was pushed out by high charter enrollments or just decided that it was time to retire. In any event, the former superintendent retired and County Seat hired a new superintendent from out of state. The district explicitly sought an "outsider" with an impressive reputation who could both cooperate with and compete with charter schools. The new superintendent readied a bond initiative to make the district schools more attractive. One charter operator characterized this as "the empire strikes back."

None of the charter operators complain about harassment from the district administration, though several charter operators and teachers claim that County Seat teachers and principals have treated them in a hostile fashion. One charter teacher who came from the district schools reports having been slapped and called a traitor by a colleague when he announced that he was leaving to teach at a charter school. At least one district prin-

principal has forbidden school staff to speak with charter school personnel. A district administrator reports more interaction between the district office and charter schools than on a school-to-school level:

I think [teachers and principals] take it more personally. In some cases there are specific reasons for that. People leave to go start a charter school, well, that hurts a little bit, but gee, when they bad-mouth from whence they came, that's professionally unsound and usually comes back to haunt you, and that takes a long time for people to get over. You see, when you're in a small town like this everybody knows everybody, and it's not like you went from one big city to another and started something where nobody knew you and I guess if you said something bad about your old school there it wouldn't get back, but if you did some of that bad interpersonal relationship stuff here it definitely gets around.

The County Seat district schools have chosen to respond to charter schools by launching new initiatives relating to options, academics, and parental outreach. Shortly after the charter schools opened and even before a new superintendent was hired, County Seat opened a magnet school. One district official reported, "People who didn't like the magnet schools in the past now are forced to compete by the charters." County Seat also developed new curricular options for high school students, used declining enrollments to improve pupil-teacher ratio at the elementary level, and increased advertising through parental outreach and flyers. The district reached out to parents by publicizing its site management councils.

Perhaps most significantly, the new superintendent has met with at least three charter operators to discuss what it might take to bring them under the district umbrella. At least two of County Seat's very successful operators seem exhausted after several years of independent operation. They are open to affiliating with the district so long as their schools retain their current staff and curricula. Not all district teachers and officials are open to affiliation with charter schools. One County Seat district administrator fears that "some County Seat district people would be thinking, 'how do we punish these people?' There would be a lot of agendas out there." Still, with significant resources and new leadership, it seems likely that County Seat will eventually assimilate its most heralded charter schools, while leaving the others to serve niche markets.

CONCLUSION: HOW THESE LITTLE SCHOOLS WENT TO MARKET

The early effects of charter competition in these hard-hit Arizona districts do not match the claims of the most ardent proponents of educational markets nor do they fulfill the dire warnings offered by some critics of

educational competition. These districts respond to competition to the degree they have an incentive to do so, in the ways they are able, and with the tools they possess. These school systems are not market actors in the sense that private firms traditionally are—they are not seeking to maximize their profitability. Rather, these systems show evidence of trying to reassure their communities, of offering the services that families appear to want, and of seeking to maintain their political legitimacy. None of this should come as a surprise since school districts are political entities charged with negotiating the varied demands of their local community and the larger state. The larger lesson is that simple assumptions of market response—whether cast positively or negatively—may fail to capture the response of these constrained political bodies.

More specifically, from the comparative cases examined here, we derive six observations that may guide further thinking about the nature of how school districts may respond to competition from charter schools. The most significant point is that context matters. Competition is not—as research on sector from trucking to automotive manufacturing to telecommunications has shown—an either-or proposition. Three particular dimensions of context seem most important: whether the district is growing, the quality of the charter school competition, and the kind of students targeted by local charter schools.

Charter competition does not affect growing districts to the same degree as it does districts with stable or declining enrollments. In growing districts, no one is in danger of losing their position, and charter enrollment can actually help manage the need for new construction. In a growing market, both charter and district schools can prosper.

A second key contextual variable is that of school quality. When strong charter operators are competing for desirable students, as was the case in three of the four districts, district schools will be under relatively intense pressure to respond. Conversely, districts feel less need to respond to charter schools that have trouble retaining students, as in Cattle Crossing. District performance also affects the opportunities enjoyed by charter schools. The low-quality Choice Charter in Cattle Crossing had a large margin of error because of the weaknesses of the local district schools. It seems likely that in the more competitive Pyramid City market, Choice Charter would have improved quickly or gone out of business.

A third key contextual factor is the segment of the educational market for which charter schools are competing. Elementary charter schools and schools targeted at relatively inexpensive and manageable mainstream students are the most likely to provoke a district response. Observers explained that few charter schools can afford the infrastructure to support sports teams and elective classes offered by district high schools—options demanded by many high school students.⁵ Elementary charter schools are a different matter. Robert Stout and Gregg Garn (1999) report that elementary schools

compete by offering clearly defined curricular and pedagogical approaches, with 47% offering “back to basics” or core knowledge programs and another 35% offering “child-centered” curricula, usually Montessori programs.

In addition to the crucial matters of context, five other significant points are clear. First, charter schools seem to spring up where district schools are “out of touch.” In all four of these districts, district schools had severe difficulties pleasing significant parts of their constituency. In Mormon Springs, Cattle Crossing, and arguably County Seat, this was due to failures on the part of district superintendents. In Pyramid City—and to some degree County Seat—the very diversity of the populations gave district schools constituencies that were by nature difficult to please. Notably, surveys of district school teachers in Arizona suggest that charter enrollments are relatively high in districts where district school teachers lack faith in their principals (Maranto and Milliman, 2001).

Second, district schools under pressure are likely to respond with leadership changes. In Mormon Springs and possibly County Seat, districts changed school superintendents in response to charter school competition. In each of the four districts, principals from low-performing district schools were reassigned. A substantial literature suggests that this is a common and typically unproductive response by urban school systems under pressure to demonstrate improvement (Hess, 1999). Leadership changes seem more effective in the rural Arizona districts studied, probably since the districts are relatively small and thus easier to manage and since weak teachers unions give district superintendents and school principals more power over school level management.

Third, there is little interaction between charter school and district school personnel, perhaps limiting the degree to which charters will convey “innovative” practices to the public schools in the short run. In the long run, as school districts hire former charter personnel, conduct market research on charter parents, and even absorb charter schools, greater impacts seem likely. Of course, there is some question of whether charter schools are truly innovative. The charters we studied had not invented new modes of education, at least not in the study period. On the other hand, the charter schools had made long existing curricula such as Montessori education or back to basics models available to parents and teachers who wanted them. In some cases district schools responded with their own curricular changes. Further, one charter school we studied, the Pyramid City Montessori charter school, had developed an important process innovation by empowering its teachers to determine school resource allocations at the classroom level.

Fourth, there is evidence that under pressure, districts tend to reform curricula to please parents. In Mormon Springs and Cattle Crossing, the districts adopted more “back to basics” curricula, though in the latter case the change was probably cosmetic. In County Seat and in Pyramid City, the

districts introduced new options to please parents. This suggests that competition could improve performance over the long run.

Fifth, in at least two of the four districts, Cattle Crossing and County Seat, there is evidence of district, or at least individual teacher and principal hostile activity directed toward charter schools. This is probably an inevitable result of competition, particularly in a small town where the competition is more identifiable and “personal.”

In short, under duress, the districts we examined did appear to take small steps to counter the threat posed by competition. It is important to recall, however, that these case studies focused upon small districts confronted by severe competition; thus these cases are unlikely to illustrate the “typical” short-term response of school districts to competition. Moreover, our research is constrained by the usual limitations that characterize comparative case studies, particularly the difficulty of generalizing from a small number of cases. Nonetheless, we suggest that this work and other studies like it will significantly aid our ability to understand how school systems may respond to the introduction of market competition.

In closing, our greatest hope for this work is that it may spur other researchers to begin scrutinizing more carefully the nature and causes of competitive response across a wide range of school districts. We hope that other scholars will examine these questions in a fashion that is broader and more systematic than is possible here. Given that charter schools appear likely to become an increasingly significant component of American education, understanding their effects on the schools that will continue to enroll most children should be an issue of pressing import to all of us who study schools and school systems.

We use this title with apologies to Richard A. and Patricia A. Schmuck (1992), who wrote Small Districts, Big Problems. We wish to thank the Curry School of Education at the University of Virginia, the Thomas B. Fordham Foundation, the Spencer Foundation, and the National Academy of Education for their research support. For more information about charter schools, we urge readers to consult Finn, Manno and Vanourek (2000); Hassel (1999); Maranto, Milliman, Hess and Gresham (1999); or Wells (1998b).

Notes

1 The tendency of public districts to harass charter schools and otherwise seek to make life difficult for them is discussed at some length in Loveless and Jasin (1998).

2 The significance of this turnover should be treated with some caution, as we know that frequent superintendent turnover is common even in medium-sized districts. However, as the narratives suggest, there appears to be solid evidence that the superintendent turnover here was in significant ways a response to charter school competition.

3 The parent council member complained that “3 out of 4 years we had the highest standardized text scores in the Valley; last year we didn’t, which was kind of a bummer.”

4 We found no evidence of religious activity or symbols in visiting the school and observing classes.

5 In fact, about two-thirds of charter secondary schools in Arizona serve dropouts and “at-risk” students and, accordingly, are often welcomed by district schools. Several ADE officials report that district schools frequently inquire about local charter schools that will accept problem students from district schools. One official explained that this allows districts to “avoid a dropout, which is a stat the districts do not want.” Indeed, some charter operators complain that district schools expel problem children just after the 100-day count (on which state funding is based) and just before state standardized tests are administered, leading the students to enroll in charters after the districts have received the per pupil allotment.

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