

Testimony to the Joint Committee,
Wednesday, August 27th, 2008
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Uplift Education
Dallas, Texas

Chairman Shapiro and Members of the Joint Committee:

Thank you for the opportunity to speak to you regarding Public Charter Schools. I serve as the volunteer Chairman of the Board of Uplift Education based in Dallas. Uplift is a 501c-3 Corporation and holds multiple state open enrollment charters. Uplift has five campuses and approximately 3,300 students enrolled this year. We have grown our schools with grants from the Communities Foundation of Texas, Texas High School Project, Bill and Melinda Gates Foundation, Michael and Susan Dell Foundation, Harold and Annette Simmons Foundation, Todd and Abby Williams Family Foundation, and other local and national donors. Uplift has received an Investment Grade Rating from both Moodys and Standard and Poors and has a clean audit. Our oldest school, North Hill Preparatory, was ranked the 12th, 13th, and 18th best public high school in the nation in the Newsweek ratings each of the last three years. Uplift is refining and replicating an International Baccalaureate based public school model and places its current emphasis on communities of highest need for quality options in public education.

The questions before you regarding all open admission public schools are:

- Should all open admission public schools be measured based on the performance growth of individual students?
- Should they be subject to the same accountability system and rules?
- If the first two answers are 'Yes.', should all open admission public schools receive the same funding?

While Charters have the ability to set their enrollment targets and tailor their discipline plans to their school model, they are otherwise subject to the same long list of laws and regulations as ISDs. Charters have been proven to be viable vehicles for the provision of a broad range of choices for parents and students. Charters receive no state funding for facilities and must either dedicate very limited state revenue, which is needed for operations, or raise the money privately. Uplift charters receive approximately 70 cents on the dollar when compared to surrounding ISDs.

From my unscientific survey I learned that a number of other charter systems, like Uplift Education, dedicate approximately 12-18% of their operating revenue to some form of facilities funding. In addition to bond financing, Uplift has been able to achieve its growth through the very active pursuit of seller financing, ground leases, and donations. Each of these means of financing are individual and property specific, take a great deal of time, put enormous strain on the revenues of the school system, require a high level of expertise, incur substantial transaction costs, and are limited in number. Payment of these costs out of operating dollars make it a challenge for charters to provide teacher's salaries comparable with ISDs, operate high schools, and serve student with the greatest need.

The current charter facilities situation does not constitute a viable basis for replication and growth.

Several points to consider when contemplating policy for charter facilities specifically are:

- 1) However it is packaged, there is no substitute for equitable, reliable funding. Any additional loan or credit enhancement vehicles will certainly be welcomed and helpful, but they would continue to take from very limited revenue.
- 2) Facilities funding will be most useful when it is predictable. If it is not predictable it will be very difficult to use of debt service because lenders will be very cautious in extending substantial amounts. Public markets can accept payment subject to appropriation. It would be extremely difficult to finance bonds if the state payment is subject to ongoing criteria measurement. One simple approach would be to include charters in the state IFA or EDA.
- 3) To the extent the State considers some sort of fund or pool for loans and/or credit enhancement, the aggregation of risks will certainly drive down costs of funding for all schools. The one bond insurer who had previously guaranteed a handful of Texas charter school bonds is now out of the business. Admitting charters to the Permanent School Funds AAA rated guarantee would provide substantial debt service savings to charter schools. At least one state conditions admission to such a program on the receipt of an investment grade rating, which imposes third party scrutiny and market discipline.
- 4) The intelligent use of private funding could allow Texas to attract a private match and thereby gain leverage from any state funds utilized.

- 5) Because of the turmoil in public debt markets, this session will be a particularly propitious time to provide some sort of credit enhancement or state funding in order to help stabilize the financing options for charters so that they do not become victims of unstable debt markets.
- 6) I will provide a more detailed description of these suggestions in a handout which represents a collection of opinions from Financial Advisors and Bond Lawyers.

In considering facilities issues, I would encourage you to consider a policy of co-location in which ISDs could lease facilities to charter operators and receive credit for the charter performance under the state rating system. Such a system would create a win-win for ISDs and charters and would encourage further collaboration which is one of the missions many charters hold and which was one of the primary intents of initial charter legislation. Facilities leased to charters would typically be older and/or larger. In both cases substantial new amounts of capital will be needed to retrofit and divide these facilities. A co-location policy does not take away the need for both additional base funding and improved cost effective financing vehicles.

Charters currently have approximately 2.44% market share of enrollment in Texas public schools. While their numbers are small their impact in providing effective models and choices for parents and students has the potential to be very substantial and very positive. This relatively small scale also means that decisions related to charters will be relatively small in their impact on the overall state budget or relative to funding of other public education funds and programs. It would certainly be my hope for this session that all the critical needs of Texas public schools can be fully funded and that charters can receive funding on an equitable basis and for their facilities needs.

The cost to the students of Texas of inadequate charter funding is twofold. First, by having lower funding, charters are less able to provide quality public education where it is most needed. It takes away from pay for teachers in the very urban areas where we most want to attract quality instructors. The economics of lower funding forces charters to look toward elementary and middle schools

rather than urban high schools, which are the most expensive level of education. Lower funding limits the ability to provide services for students of high need who deserve such services in order for them to come up to grade and high achievement levels in reading, mathematics, and science.

Second, because of lower funding levels, successful charters are less able to replicate and provide quality options. As you know there are many quality charters with substantial waiting lists which would replicate more readily if they had equitable and facilities funding. The argument against charter funding is frequently made by saying that charters take the best students away from the ISDs, leaving the ISD only with the students with the greatest needs and the most difficulties. This argument is exactly wrong. Quality charter options do and can exist at all points of the student achievement spectrum. Charters specialize in the college preparatory arena for kids and families who want to go to college and for kids with life circumstances or limited educational backgrounds who would otherwise be dropouts and fail to graduate. Particularly on the troubled end of the student spectrum, charters provide choices and can provide greater flexibility or specialization and are, in fact, doing exactly the opposite of what critics contend: they are serving challenged students who might otherwise fall through the cracks in an ISD.

From the perspective of a parent or student or an individual citizen and taxpayer, it really should not matter who the provider is. All that should matter is that we, as a society, provide the best educational alternatives to help each of our children reach their full potential. Charters do this today. They can do it with greater effectiveness with your help in the future. I make these recommendations to you today because the children of the State of Texas deserve the best possible educational options regardless of who the provider is. All providers of open admission public schools who are willing to operate in a financially responsible manner, be subject to the state accountability system, and be judged by their performance on individual students, should receive equitable funding in order to do the best job possible for the children of our state.