



EXECUTIVE SUMMARY

Charter schools began in the 1990s as an experimental alternative to public schools. Today charter schools are a multi-billion dollar sector composed of both nonprofit and for-profit corporations that embrace the philosophy of the marketplace. The survival of charter schools, much like the survival of small businesses, depends on their ability to out-compete other schools and to attract new customers. Unlike businesses, however, public tax dollars are used to pay charter operators who personally assume little financial risk. The public places bets on schools in a marketplace model. Too often, it is a losing gamble.

Supporters of charters see school failure as a natural feature of the model. They argue that schools do not fail at the rate of private start-ups and consider that to be a success. However, there has been, to this point, no comprehensive attempt to track charter closure rates over time, and so the true failure rate of char-

ter schools, along with the costs to students who are displaced when the school closes, was unknown.

THE PURPOSE OF THE STUDY

This report provides the first comprehensive examination of charter failure rates over time—beginning in 1999 and ending in 2017. By following all charter schools, from the year they opened, we were able to determine how long they lasted before closing down. We also determined how many students have been displaced by failing charter schools. Finally, we conducted a geographic analysis focused on three of America’s poorest cities to determine where closures are concentrated.

OVERVIEW OF FINDINGS

The U.S. Department of Education’s [Common Core of Data](#) (CCD) is the primary data-

base on elementary and secondary education in the United States. Using the CCD data, we analyzed cohorts of schools—schools that opened in the same year—over time. Unique school identifiers, school-type designations, and enrollment data allowed us to determine the failure rates for cohorts of charter schools at the three, five, ten, and in some cases, the fifteen-year mark.

Enrollment data in the year before charters closed allowed us to determine how many students were displaced. To analyze the relationship between poverty and charter closures, we used tract-level poverty estimates from the U.S. Census American Community Survey for three of America’s poorest cities: Detroit, Michigan; Tucson, Arizona; and Milwaukee, Wisconsin. All three are cities with substantial numbers of failed charters. Combining the addresses of failed schools with tract-level poverty data, we were able to determine in which neighborhoods, by income, closures were most likely to occur.

We found charter closure rates to be alarmingly high, rising to 50 percent by the 15-year mark.

- **Closures during the first three years:** Our examination of 17 cohorts from 1998 to 2014 found that 18 percent (1,667 of 9,413) of charters closed by the three-year mark. A large proportion of failures occurred by the completion of the first year.
- **Closures in subsequent years:** By the five-year mark, the closure rate increased

to more than one in four charter schools. By year ten, 40 percent of charter schools had closed. In the available data, five cohorts of charter schools reached the fifteen-year mark. At year 15, one in two of those schools were gone. Failure rates ranged from 47 percent to 54 percent.

- **Students displaced by charter closures:** Between 1999 and 2017, over 867,000 students were displaced when their charter school closed. It is reasonable to assume that if more current data were available, as well as data from 1995–1998, we would find more than one million students have found themselves emptying their lockers for the last time—sometimes in the middle of a school year—as their school shuts its door for good.
- **Closures in high-poverty areas:** In three of the poorest cities in America—Detroit, Tucson, and Milwaukee—the rate of charter closures was higher in areas with greater than 30 percent of households in poverty than in areas with less than 20 percent. The gap was largest in Milwaukee—68 percent vs. 54 percent.
- **States with a large charter sector and large failure rate:** Wisconsin, Arizona and Florida had the top failure rates at both the five-year and ten-year mark. Ohio was in the top five at both benchmark years. Our [animated map](#) shows the rapid growth and geographic dispersion of charter closures from 1999–2017.

PRIORITIES IN THE CONTEXT OF CHARTER FAILURE

Federal, state, and local governments should implement a moratorium on the opening of new charter schools, as recommended by the NAACP and the Movement for Black Lives. The high odds of charter school failure, combined with the fiscal constraints we face due to an economic downturn and the novel coronavirus pandemic, means it is too risky for tax dollars to continue to flow into the charter sector. Earlier calls for a moratorium were based in a desire for democratic control of public schools, the frequency of fraud and mismanagement, a lack of transparency, a growing awareness of racial and economic inequalities in charter schooling, the draining of funds from district public schools, and the instability that charter competition creates in communities. The new findings on charter failure in this report further substantiate the need for a moratorium. Although some charters shine, the sector has a systemic failure problem and unless and until such problems are corrected, it should not expand. Funding should instead be dedicated to improving our neighborhood public schools—systems that, however challenged, are the backbone of our historic commitment to serving every child with a free, public education.

