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AN ONGOING CONVERSATION ABOUT HOW TO BEST PRESERVE FREE ENTERPRISE,  
PERSONAL RESPONSIBILITY AND LIMITED GOVERNMENT IN NEBRASKA.

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## The Positive Economic Effects of Charter Schools By Jordan Cash

Education is a core component to any society, and in the same way educational choice is central to a free society. Yet Nebraska remains one of eleven states which stifle educational choice by not allowing charter schools.<sup>[1]</sup> Allowing charter schools can allow for a plethora of benefits both inside and outside the classroom.

The greatest advantage to having a charter school is that it is by nature an entrepreneurial venture. Charter schools are formed by communities who feel that they are not getting the best education from the normal public or private school system-. Because they are underwritten with public funds, but allowed to be independent, charter schools can be a haven for educational innovations. Unburdened by regulations that tie other public schools, charter schools are able to find and use teaching philosophies that work for the local community.

By treating education as a service industry they must show that they are successful at educating students or parents will not choose to send their children there. This fosters competition, and promotes better practices within the school and encourages the school to find a philosophy that works best for students. If they cannot provide a good educational product that works for students they will fail. If the charter school is unsuccessful, it fails and can be closed quite easily. This competitive atmosphere creates accountability, parents and taxpayers must feel that the charter school is working or they will, in the parent's case refuse to send their children there, and in the taxpayer's case stop funding it. Having open free-market competition forces the charter school to provide a superior education at a low cost in order to survive, inherently giving the best product to students, parents, and taxpayers.

One example of charter schools being able to expand beyond normal parameters is in the area of teacher pay and performance. Charter schools have the flexibility to reward good teachers with higher, merit-based pay, and dismiss teachers that are not effective. Such a system incentivizes teachers to focus on student learning growth, and have been shown to improve scores significantly. One study in Arkansas showed that such a performance-pay program increased student scores in math and reading by seven percent.<sup>[2]</sup>

Similarly, charter schools can experiment with retirement plans that will save money and benefit both teachers and employers. In most states with charter schools, the chartered institutions are able to choose between opting into the existing state system or creating

their own retirement plans. These alternate plans are usually based around defined-contribution plans: 401(k)s or non-profit 403(b)s. Such plans have been adopted by charter schools in New York, Florida, Arizona, and Michigan.[\[3\]](#) For teachers, the plans are portable, so if the teacher leaves the charter school system or stops teaching for another career, then they can take these plans with them. From an employer's standpoint-the employers being the taxpayers-these plans can aid in reducing pension costs while still providing a fair retirement package to the teachers.

Charter schools can also have a much more visible effect in revitalizing areas caught in cycles of poverty, crime, and social instability. Constructing a new school can bring a substantial amount of economic activity to a community, and even foster initiatives to improve existing structures throughout the area. This effect then multiplies once the school opens, as community-based schools will often hire people from the local service area for staff positions, thus making the school into a significant center of employment. The multiplier effect of construction, job creation, direct spending from school operations, and community involvement will then bring income to local employees and businesses, thereby stimulating the local economy and revitalizing the area.[\[4\]](#)

Examples of this process can be found across the nation: In Pomona, California an area once considered to be a "dying neighborhood" was energized when an old strip mall was converted into a K-12 school. Since then the area now enjoys a new performing arts center, a new transit facility, new housing developments and commercial properties, renewed infrastructure investment, and a general reduction in crime. Similarly, a partnership between the city of Philadelphia and University of Pennsylvania for a K-8 school sparked a "mad scramble for homes in the surrounding area," which in turn produced more economic opportunities for what had been a derelict area.[\[5\]](#)

Allowing charter schools and initiating their development would immediately begin to bring some of these short-term economic benefits to Nebraska, as well as foster long-term economic growth as the schools begin producing educated young citizens who can then bring their educational experiences to enhance the state's work force. It is time for Nebraska to allow charter schools, to aid both the state's educational system and its own economic health. With charter schools, Nebraska can unleash the economic potential of students and their local communities in a way that will be beneficial for everyone.

For more information about the Platte Institute's position on charter schools, please review our past Platte Chats on the topic: The Status of Educational Choice in Nebraska; Charter Schools and Student Performance; Time is Now for Charter Schools in Nebraska. The Platte Institute has also written several Policy Studies on the subject of educational choice: Race to the Top--Can We Compete: Nebraska's Charter School Initiative; The Vital Need for Virtual Schools in Nebraska.

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[1] Jessie L. Bonner and Doris Turner, "Charter-school bandwagon avoided by some states," in *USA Today*, May 14, 2010. Accessed September 7, 2011:  
[http://www.usatoday.com/news/education/2010-05-14-charter-schools\\_N.htm](http://www.usatoday.com/news/education/2010-05-14-charter-schools_N.htm).

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<http://www.ascd.org/publications/educational-leadership/oct08/vol66/num02/When-Merit-Pay-Is-Worth-Pursuing.aspx>

[3] Yoav Gonen, "Charter Savings: Lower teach pensions" in *New York Post*, June 22, 2011. Accessed August 30, 2011:  
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[4] Civic Builders Policy Brief, No. 8, *Charter Schools and Community Development: The Economic Impact of New Charter Schools*, 2006. Pdf may be found at  
[http://www.civicbuilders.org/PDF/PDF\\_publish\\_charters\\_econ\\_development.pdf](http://www.civicbuilders.org/PDF/PDF_publish_charters_econ_development.pdf).

[5] Jonathan D. Weiss, *Public Schools and Economic Development: What Research Shows*. KnowledgeWorks Foundation, Cincinnati, Ohio: 2004. Pdf may be found at  
<http://knowledgeworks.org/node/1784>.



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