WHEN CHARTER SCHOOLS CLOSE:
LESSONS LEARNED IN SOUTH CAROLINA

The South Carolina General Assembly passed the Charter School Act in 1996, creating the possibility of education options for parents and professionals through the chartering route. The first charter school in this state opened in August 1997. Experiences during the past twelve years have taught us many lessons about the charter school concept. Some of those lessons have led to revisions in the law or State Board of Education (SBE) regulations, while others have enlightened us about issues that force charter schools to close. To date, sixteen charter schools in South Carolina have closed—and for a variety of reasons. The South Carolina Department of Education (SCDE) has chosen to use the term "obsolete" to refer to these closed charter schools.

As Robin Lake has written, "the success of the charter school movement will depend on whether it is able to build on successes and abandon failures. To reinforce success and eliminate failure, we need to understand what explains these variations" (Lake 2008, viii). Recognizing the need for such failing practices to be understood and abandoned in South Carolina, the SCDE offers in this essay the key points it has distilled from the information it has been able to amass. To arrive at these points, the SCDE examined a number of primary sources at length—newspaper articles, personal communications with SCDE staff members, legal briefs prepared either by a charter school or its sponsor, and internal data generated by the Department. Sorting all of the information into a number of general categories, the SCDE then examined the specific patterns that emerged.

After a brief overview of the statistical trends in the charter school closures, this essay focuses—in the section titled "Organizational Lessons for Charter Developers"—on the lessons that can be learned from the missteps of the state's obsolete schools. Although changes in South Carolina charter school legislation and SBE regulations now prohibit some of the charter school practices described in this document (e.g., paid employees serving on a charter school governing board), all individuals involved with charter schools today can benefit from an understanding of the principles and the pitfalls described here.

Overview in South Carolina

The majority of the seventeen obsolete charter schools in South Carolina—eleven of them—did not survive past their second year. In fact, five of them closed at the end of their first year, and seven of them closed before the end of their second year. More than half of them closed between 2004 and 2009. With such a high rate of failure in the first two years, it is no surprise that the average operational time for South Carolina's obsolete charter schools is only 2.6 years—a figure that highlights the difficulty of those early years in a charter school's life and emphasizes the need for proper planning if a school is to survive. Three of these obsolete charters stand out as an anomaly in this trend, however: one remained open for nine years,

another for seven years, and one more for five years. The closure of those three schools beyond their first few years emphasizes the need for continuous vigilance in planning and management and reminds us that in the charter school reality, there never is a "safe time" to relax.

Thirteen of the schools that became obsolete for a number of different reasons, but they closed in only two manners: district revocation or voluntarily relinquishment. (SCDE records do not clearly indicate how the other two schools closed, although it is believed that they were voluntary relinquishments.)

Six of the schools had their charters revoked by the sponsoring district. District revocation is a process stipulated in the South Carolina Charter Schools Act (Chapter 40 of Title 59 of the South Carolina Code of Laws whereby a sponsor can terminate the remainder of a charter and thus force the school to close. According to Section 59-40-110(C), a charter can be revoked because the school has "committed a material violation" of its charter, "failed to . . . make reasonable progress, as defined in the charter application," "failed to meet generally accepted standards of fiscal management," or "violated any provision of law from which the charter school was not specifically exempted."

Eleven of the schools voluntarily relinquished their charter because they could see the insurmountable difficulties in continuing to operate. A voluntary relinquishment is a decision by the charter school's governing board to end the life of the charter school. All of these governing boards cited at least one reason for their decision. Although in a few instances, the charter school board did not provide a written explanation of its rationale in voluntarily ending the charter, articles in the local newspapers do make the circumstances fairly clear.

Many of these sixteen charter schools failed for multiple reasons. In fact, a total of twenty-two different causes are evident in letters from the local districts or the charter school boards or in newspaper accounts—reasons that vary widely from weak academics to financial difficulties. All of those reasons center either directly or indirectly in poor governance.

The majority of the sixteen obsolete charter schools were located in the western part of South Carolina. Specifically, ten in the west have closed, four along the coast, and three in the midlands area. These statistics do not provide an easy answer as to why more schools have closed in the western part of the state. However, one possible explanation is the disproportionate number of charter schools that have appeared in that region: a total of fifty-four charter schools have been in operation at some point or another in the history of the charter school movement in South Carolina, and of those fifty, twenty-three were located in the state's western counties.

Organizational Lessons for Charter Developer Groups

Leadership Matters

More than thirty years ago, the United States Senate's Select Committee on Equal Educational Opportunity came to the conclusion that school principals are the central figures in producing the greatest success in education:

> In many ways the school principal is the most important and influential individual in any school. He or she is the person responsible for all activities that occur in and around the school building. It is the principal's leadership that sets the tone of the school, the climate for teaching, the level of professionalism and morale of teachers, and the degree of concern for what students may or may not become. The principal is the main link between the community and the school, and the way he or she performs in this capacity largely determines the attitudes of parents and students about the school. If a school is a vibrant, innovative, child-centered place, if it has a reputation for excellence in teaching, if students are performing to the best of their ability, one can almost always point to the principal's leadership as the key to success. (Quoted in Marzano, Waters, and McNulty 2005, 5–6)

If the principal can be the reason for the success of a school, the converse is also true: the principal can be the cause of a schools failure. Charter planning committees, after they have been authorized by their sponsor, must find the right individual to lead the school. Often, charter committees will settle on a candidate just so they can fill the position quickly, and their hasty choice, unfortunately, can produce serious difficulties later. For the simple reason that, as Brian Carpenter puts it, "a capable executive is the single greatest variable that will determine the school's success" (Carpenter 2008, 97), charter schools must resist the urge to hire a principal without utilizing a thorough interview and screening process. The biggest decision to be made by the charter committee, and later on governing board, is in hiring a capable leader to implement the mission of the charter school.

As a charter committee or governing board begins to look for a school leader, it needs to focus closely on the qualifications of the individuals they are screening. If their process has not been a thorough one, the school will suffer. After all, as Peter Drucker has cautioned, "mediocrity in leadership shows up almost immediately" (Drucker 1992, 17). All charter school administrators need to possess skills that make them a hybridized combination of traditional school administrators and business leaders. There are qualified charter school leaders who come from business backgrounds, but as one administrator at an obsolete school is quoted by the local newspaper as having said, "operating a school and a business are two different things." Teachers realize this crucial factor as well. One former teacher at an obsolete charter school explained its closure by saying that its teachers "didn't feel the administration was equipped or prepared to deal with the school."

As charter committees or governing boards begin the process of hiring the school leader, they should clearly establish their criteria for the type of individual they want, clearly defining their expectations for a potential leader's character and

abilities. Each school has specific needs, and there are leader characteristics that match those needs. Each charter school should therefore draft, in writing, what it wants to find in its leader. Chief among those desired qualities should be a high ethical standard. "Boards may be understanding about performance," John Carver has asserted, "but should never bend an inch on integrity" (Carver 1997, 119).

Listed in the chart below are a few characteristics and skills, by no means an exhaustive list, that charter committees or governing boards should seek. For the purposes of this document, a *characteristic* is considered a part of the leader's personality, while a *skill* is something that can be learned over time. The board, in making its hiring decision, needs to prioritize the characteristics and/or skills they consider the most important and then not settle for anything less than their expectations. Charter school boards must also scrutinize a potential leader's past by faithfully checking those references. One charter school board member told a reporter that they "made a big mistake by putting everything" in the hands of their leader. After this individual had been hired by the board, an important discovery was made (something that should have been known and considered before the person was actually hired): this person had been the leader of a charter school in another state that had faltered under the person's leadership.

Leadership Characteristics	Leadership Skills
Is people-oriented	Is mission-oriented
Is willing to accept responsibility	Translates complexity into simplicity
Has demonstrated success in past positions	Is comfortable in taking risks
Was highly involved in previous organizations	Is versatile and flexible
Has intrinsic motivation	Is thick-skinned
Has business acumen	Leads people instead of driving them
Is self-aware of strengths and weaknesses	Knows how to think
Is results-focused, not glory-focused	Is collaborative instead of competitive
Has technical competence	
Is open to a challenge	
Has demonstrated high ethical standards in past positions	

One of the greatest challenges for charter school leadership is instability: constant turnover is a problem nationwide. As research has shown, "school leadership has a substantial effect on student achievement" (Marzano, Waters, and McNulty 2005, 12). And if that leadership constantly changes, then an adverse impact on student performance is virtually certain to occur. Of the sixteen charter schools that have closed in South Carolina, one-third of them had more than two administrators in their two years of existence. Other factors, of course, were involved in these

administrative changes; however, the reality cannot be ignored that instability in leadership played a major role in the demise of these charter schools. One way to minimize the administrative turnover is to ensure that the governing board hires the correct individual. But the process does not end there. Those governing boards should perform annual evaluations so the school leader knows exactly what is expected of him or her.

Boards Govern, Not Micro-Manage

The governing body has to understand the compelling reason the charter school is to be formed; and if they do not, they create "the problem of having no meaningful benchmarks against which to assess the organization's progress toward its purpose" (Carpenter 2008, 73). Never forget that receiving a charter is the ultimate in responsibility: the charter school is given autonomy in the daily decisions of the school but is held accountable for the results listed in the charter application. The charter school board must be able to prove its success and that only begins by focusing on the right elements. Good intentions are worthless if the exerted effort is not directed upon the right parcel to produce the desired results.

To attain the goals and objectives stipulated in the charter, a charter school board must ensure they remain mission focused in every decision. For instance, one obsolete charter school had adopted a mission that would have carried it in a specific direction. However, after having had a succession of different administrators, the school hired an individual who asserted that he would take the school—to quote his own words—to the "leading edge of information systems technology." The new curricular focus did not match with the original mission and was costly. Because the school was already accruing a large deficit, the decision to change the curriculum was made in the absolute worst possible time. It became the proverbial last nail in the school's coffin. Of course, a charter school can change its mission, but this modification should only be made after much care and consideration (not to mention the fact that change must be approved by the sponsoring district).

The charter school governing body's most important action for the future of the school is hiring the school administrator. This decision can either make or break the school. For instance, one closed charter school offered a highly specialized curriculum and worked hard with their smaller number of students. After the founding principal left the school, a new principal who did not have a background in this highly specialized curriculum was hired; and after a year, the charter school closed. The board of that charter school had hired an individual who may have been highly qualified for the post, but that person was not the right choice for that particular mission. Because that individual did not match the mission of the school, the school was taken in a different direction—one that led to its closure. A teacher in a different school voiced agreement with that fact by saying that "with the right leadership, it could be an outstanding school."

Once the governing board has hired this administrator, they are not to be involved in the daily operation of the school. The administrator is given parameters within

which to operate in order to reach the goals and objectives of the mission created by the board. These parameters are created by board policies and the administrator then reports back on progress in meeting those goals. In the case of one obsolete school, the board actually began to run the school—performing teacher observations, making decisions about student discipline, and supervising the school's administrative assistant. This level of micromanaging is unfortunate and completely wrong. If the board is doing the job of the administrator, whom they hired, how can they hold that individual accountable for their job performance? Also, if they are involved in these daily decisions, how can they focus on ensuring that the school is meeting the goals stated in their charter? The answer to both questions is they cannot.

The Big Three Mistakes

Charter school boards are susceptible to many shortcomings, just like the boards of any other nonprofit organization. However, mistakes made by charter schools often receive more publicity than those of other nonprofits. A big danger, especially in the charter school's first few years, is what some people might call the "founders syndrome": the typical scenario is that the individuals who wrote the charter and helped bring the plan to fruition decided to appoint themselves as the daily managers of the school. But often, one set of skills is necessary for the planning phase, and a different set of skills is needed for the implementation phase.

One obsolete school exemplifies this situation perfectly: the chair of the planning committee set the salary of the school principal, without consent of the other committee members, and then appointed herself as principal of the school. With this one individual holding both the school executive position and the board chair position, she was able to maintain total control of the school and did not provide information to the other board members. Section 59-40-190(D) of the charter school act was not in the original version of the bill but has been added to address this very issue: "A member of a school governing body may not receive pay as an employee in the same school." Legislators recognized that a charter school would be pursuing an unfortunate path without the separation of powers. Investing multiple positions with very different duties to one individual creates an opportunity for mismanagement that can, and often will, lead to the closure of a charter school.

Another issue that arises for charter schools is objectivity: individuals serving on the board cannot divorce themselves from personal preference in making decisions that are in the best interest of the entire school. Typically, this situation arises when parents serve on the board because "they . . . appear to be focused more on their individual child's needs and issues versus a parent collectively representing all parents at the school" (NRC 2008, 8).

While this parent scenario is problematic, a more dangerous situation is when a partner with the school has a slot reserved on the board to represent the partner's interest. The charter school is operated by a nonprofit board that, legally, makes all the governing decisions; and when those governing decisions are swayed by interested parties that contract with the school, problems can and will occur.

Individuals serving on charter school boards must neglect their personal or professional interests and focus upon the best decision for the entire charter school.

The previously mentioned board mistakes can be highlighted by the example of one obsolete charter school. A consultant working for an organization that wished to partner with the eventual charter school wrote the charter and was appointed as the principal of the school and, quite possibly, also served as the board chair. The position offered to this individual was a reward for their diligent work on the application but created problems within the school. Also, the board of directors was comprised of 11 individuals: 3 parents, 3 teachers, 2 community members, and 3 members from the partnering organization. This board composition creates some distinctive voting blocs—parents decide based on the best interest of their children and the partner members focus on their business relationship. While the application did not intend for problems to arise with board objectivity, it did occur. The board members from the partnering organization were from upper management; and when the partner provided financial resources and in-kind contributions, an image was presented that the partnering organization, in fact, ran the school. Whether this perception was accurate or not, objectivity was compromised. If a decision was in the best interest of the charter school, it could be challenged by those within the partnership if it cost their organization funding.

The final area of concern for charter school boards is the practice of nepotism—the form of favoritism that one shows to his or her relatives. When the clear lines of separation are diminished in a charter school, real problems, not just perceptions, emerge. How does this scenario appear: the husband is the chair of the charter school board, the wife is the principal of the school, and their daughter is the lead teacher? Of course, lines of authority are crossed as the school sends a message that it is firmly entrenched in the family. Again, questions of objectivity arise, especially when an administrative decision is appealed to a board on which a family member of that administrator sits.

The practice of nepotism and other forms of favoritism has been directly addressed by the South Carolina State Ethics Commission in its "Rules of Conduct" (http://www.ethics.sc.gov/rulesofconduct):

- "A public official, public member, or public employee may not knowingly use his official office, membership, or employment to influence a government decision to obtain an economic interest for himself, a member of his immediate family, an individual with whom he is associated, or a business with which he is associated."

- "No public official, public member, or public employee may disclose confidential information gained as a result of his responsibility as a public official, public member, or public employee that would affect an economic interest held by himself, a member of his immediate family, an individual with whom he is associated, or a business with which he is associated."

- "No person shall serve on the governing body of a state; county; municipal; or political subdivision, board, or commission and serve in a position of the same governing body which makes decisions affecting his economic interests."

- "No public official, public member, or public employee may cause the employment, appointment, promotion, transfer, or advancement of a family member to a state or local office or position in which the public official, public member, or public employee supervises or manages."

These ethical rules reveal the legislative intent of the South Carolina Ethics Reform Act (Chapter 13 of Title 8 of the S.C. Code of Laws) in that individuals on a public board must serve without personal or professional conflicts of interest. While not specifically naming charter schools, the principles enunciated by the Ethics Commission are directly applicable. For instance, charter school governing boards often provide salary increases or merit pay bonuses for their administrators; and if that principal is a family member of someone serving on the charter school board, they violate several of the Ethics Reform Act provisions. Thus, nepotism has no place in charter school boards.

A charter school must strenuously seek to avoid each of the three mistakes described above if the best interests of its students are to be preserved. As a nonprofit organization, a charter school is created to serve a public interest—that is, it exists to fulfill a specifically identified need. Public dollars support these schools of choice, and taxpayers have the right to expect an ethical and conscientious stewardship of their investment. If a charter school allows any of these key mistakes to damage or distort its operation, it is in jeopardy of closing. And the result will be a loss not only of public monies but also of public confidence in the future of charter schools as a whole.

Data Creates the Charter Plan

As charter schools begin the planning process, they must examine all available information in selecting their proposed location. Brian Carpenter calls this data "your immediate external environment" and goes on to explain that charter developer groups must consider the demographic trends, competition factors, and authorizer relationships (Carpenter 2008, 101). A mistake often made by planning groups that open charter schools is a neglect of that "external environment." Things inside and outside the organization are never static, so an eye must constantly be turned to what the data is showing. For instance, one obsolete charter school had been open for more than five years, with some decent academic results; however, it was forced to close. Why? Its teaching staff did not meet the requirements stipulated by federal legislation—specifically, the No Child Left Behind (NCLB) Act. This school had created a workable, multi-age classroom to meet the needs of its students, but when the external environment changed, the school had to make a choice: modify the internal environment accordingly or close its doors.

A solid reference work for creating or modifying an organization is Lee Bolman and Terrence Deal's *Reframing Organizations: Artistry, Choice, and Leadership*. Their

book postulates that every organization, whether in the initial stages of creation or in the process of being transformed, must be examined through four interrelated frames: the structural, human resource, political, and symbolic (Bolman and Deal 1997, ix). If a charter development group relies upon only one source of data or framework in devising their plans, they inadvertently fall prey to the bias contained within that source. Every source has a premise or unstated purpose, and multiple sources will provide a more transparent picture.

One teacher, speaking of the planning committee that opened a charter school that has since closed, made the comment that the charter school "went into something a lot faster than they were ready for." The SBE—demonstrating the wisdom it gleaned from past charter school experience—passed guidelines that have been incorporated in Regulation 43-601 creating a year of planning for charter applicants. This full year of planning allows the school to gain a better idea of trends that may have been overlooked in their application, and the year also provides opportunities for the planning group to receive necessary training.

Several obsolete charter schools were advised against opening due to declining enrollments and low community support yet chose to ignore that advice. One particular charter school that is now obsolete had decided to open in a place that had been experiencing several years of economic decline. As more and more parents left the area because of business closures, they took their children with them, and it became impossible for the charter school to survive financially. Speaking to a local newspaper reporter, a board member for that school expressed "disappointment at the community's lack of support."

While it may be possible for a charter school to survive in an area with a declining population, financial or in-kind support from families and the business community must be forthcoming if the school is to succeed. Chester Finn and his coauthors have called such community support "social capital." They go on to say that "a school lacking social capital is not likely to be a productive learning environment— nor much of a community asset" (Finn, Manno, and Vanourek 2000, 222–23).

Again, the charter school must consider multiple sources of data; and in the instance listed above, they did not do so ultimately leading to their demise. If data does not show enrollment or economic viability *and* that community support is lacking, then the best course of action may be for the charter planning committee to halt its progress. Continuing further, the charter school's existence would cause parents and students to place their hope in this school only to have those hopes dashed as they watch it close later due to financial issues.

Proper planning forces a charter developer group to examine various trends and collect data indicating support for the charter school. The CSAC has recognized the need for this information and evidence of support, so the actual charter application contains a section that requires the planning group to include this information within their charter. The information must show evidence that the charter school can and will meet its enrollment numbers which serves as the basis for the budget that is also contained within the application. If the threshold of support is

questionable, then the budget is suspect as well; and both combined, lead to questions of charter school viability. Opening a charter school, which is entrusted with public tax dollars, is no easy task; thus, any group planning to put forward a charter application must take the time to consider every viewpoint.

This process of collecting data is not as simple as it may seem because the process involves more than just getting support or making budgets work. "It's more a matter of knowing your market—call it market research—of segmenting your market, of looking at your service from the recipient's point of view. You have to know what to sell, to whom to sell, and when to sell (Drucker 1992, 54). The demographic trends are a part of this process; however, the data alone provides no guarantees. The charter application must be detailed to match the trends revealed through the data. If the enrollment of an area is in general decline but an increase can be noted in special education children and the proposed charter school wants to target students with disabilities, then the school could be viable. A developer group can gather all the data in the world; but if they cannot write a plan to fit that data and attract students to the school, then the plan is worthless. A solid educational plan will produce data that demonstrates a need for the school, indicates how the school will address the identified need, and explains how the community has offered support for this proposal. If the created plan, based upon data, cannot generate community support, that proposal is doomed to fail. Data awareness goes much deeper than "knowing thyself" because the planning committee must know its challenges, constituents, customers, and criteria for success.

Achievement is the Essence of Accountability

Every charter school developer groups must collect its data in order to craft its educational plan, but the work does not end at that point. Performance goals and objectives must match the school's mission and be based upon the data and the plan. These performance targets are the accountability to which the charter school, when opened, will be held accountable by the sponsoring district. Remember, South Carolina's charter school legislation states that a charter application is a proposed contract with its authorizer; so when that document is approved by a district, the charter agrees to meets its goals and the district agrees to hold them accountable. If the charter school does not meet those targets as they promised, then the school can and should close—"This movement must hold itself accountable for refusing to accept mediocrity and failure. It should be its own toughest critic, its own best source of quality control" (Finn, Manno, and Vanourek 2000, 246).

Five of the obsolete charter schools were directly revoked by their sponsoring district; and four of charter schools had academic concerns listed as part of the district rationale for revocation. While finances also played a part in those revocations, the two are specifically interrelated and, often, the two cannot be separated. If a school does not have the money it needs, then it cannot offer the program it promised in the charter application.

In one instance, an obsolete charter schools appealed its district's revocation decision and began to prepare its case. That governing board quickly discovered

that their approved goals were not measurable; so absence anecdotal evidence, the charter school could not document its academic success. This specific example reinforces the need for clear and measurable performance goals that are both challenging and reasonable. Charter schools are to have high expectations for their students and those expectations need to be reflected in the performance goals selected by the planning committee in the original application. If the charter school attains those goals, the governing body, in concert with its sponsor, should craft new performance goals. Unfortunately, "the great majority of major institutions that have gotten into real trouble over the last fifteen years are successes that rested on their laurels" (Drucker 1992, 66–67). Success cannot be a justification for relaxation but must instead be seen as an opportunity to refocus and continue to grow. Improvement is made by building off strengths; so a charter school should take its past successes as foundations for future greatness.

Do not assume, however, that academic achievement is the "silver bullet" that will guarantee success for a charter school. High achievement is just one factor of a high quality charter school, and, if unaddressed, those other factors can be detrimental to the vitality of that school. An obsolete school that served a highly at-risk students experienced enrollment growth and solid performance scores during its life. Clearly, the school had focused on academic achievement and exerted herculean efforts to ensure their children were learning. They did not keep an eye on their external environment, as suggested by Brian Carpenter, and issues arose that led to their closure. Those issues eventually seeped into the charter school creating division that not only led to academic decline but also to the eventual closure of the school.

Finances Fan the Flame

A school's finances are the oxygen needed to fan the flames of what occurs within the instructional program. If the finances are abundant, the flame will be strong producing results in the school; however, if those finances are small, the impact within the classroom, and to the school as a whole, can be devastating. Even if student performance is solid, charter schools rise and fall on their finances; thus, extra care must be exercised by planning groups to ensure their financial projections are conservative and as close to reality as possible. Listen to how the two national experts on nonprofit management and governance summarize the need for any nonprofit, including charter schools, to ensure that its finances are sound and solid for it to have the opportunity to produce success:

- "the program drives your budget, your budget doesn't drive your program" (Carver 1997, 94)

- "a non-profit institution that becomes a prisoner of money-raising is in serious trouble and in a serious identity crisis" (Drucker 1992, 56)

Nationally known individuals speak of the importance of finances for nonprofit organizations (which charter schools are), and data from South Carolina's obsolete schools also underscores that importance. Seven of the sixteen charter schools that

closed in the state (a rate of 40 percent) failed due to financial problems. Although not specifically mentioning finance, the governing boards of some of these schools made the decision to convert either to district-managed schools or independent private schools—decisions that imply financial problems. For instance, a charter school may have no choice but to lease a facility owned by its sponsoring district—a circumstance that strains an already-thin budget. However, if that charter school decided to terminate its charter and become one of the district's schools, it could free itself from the financial burden of leasing the facility. If this scenario is an accurate one, finances have been involved in the closure of nine charter schools—60 percent of the total.

Realistic Budgets

As charter developer groups begin the planning process, they should perform their due diligence to gather as much demographic information as possible with a specific focus on their proposed location. One obsolete charter school, with great intentions of helping revitalize its community, wanted to be located in a small, rural town with declining enrollments. Two years before the school closed, and during the summer preceding their opening, a board member stated in a local newspaper that "it's going to be difficult because the enrollment is not great in that area anyway." Knowledge of these enrollment problems should have been a red flag for the planning group. They, at that point, should have developed substantial contingency plans or halted progress on the application altogether. Never forget that student enrollment is the basis for the charter school's funding; and when enrollment is scarce, the money will be likewise. Planning groups, through common sense, understand that budgets are built upon student enrollments; however, they charge ahead in planning when reality begs them to slow down their progress.

Another piece to consider for realistic budgets is examining the educational program and staffing plans. These two areas are the most vital for a charter school to demonstrate success by attaining their selected performance measures. If a charter school proposes to serve a highly specialized population of students or offer a highly technical curriculum, those costs must be clearly demonstrated in the budgets. For instance, one closed charter school had declining enrollment and constant turnover in its administration. According to a local newspaper article, one principal wanted to put the school "on the leading edge of information systems technology." While this idea certainly contains merit, is it possible in a school whose enrollment has dropped from 100 to 70 without cutting any of the 15 staff?

Regarding school staffing, all budgets for charter schools must be realistic. One school, which projected to open with only 300 kids, established an administrator salary of $100,000. The highest salary paid to an administrator in that charter school's sponsoring district was $83,600 for a school of 2,300 children. Clearly, that charter school's selection of a salary was not reasonable and the situation was compounded when only 80 children arrived for the first day of school. This same school offered the following structure for 300 students: an executive director, a principal, a counselor, a "campus coordinator," several administrative assistants, content department heads that taught only one class, classroom teachers, and

teacher assistants. That amount of staffing for a school of 300 is questionable for reality unless outside funding sources abound, especially considering the salary paid for the executive director of the school.

If a school projects a 20:1 teacher-student ratio and hires 4 teachers to serve their 80 children, is that realistic? Certainly, however, if those projected enrollment numbers do not arrive on the first day, adjustments must be made to the budget to prevent the accruement of a huge deficit. Even realistic budgets, when confronted with enrollment reality, must be revised to ensure the charter school can continue operation.

Budget Adjustments

When charter schools project their enrollment numbers in their initial budgets, they must proceed with due caution. If the enrollment figures are inflated too much, the school will be paid at that rate for the beginning of the year. Then, after the 45th day average daily membership (ADM) numbers are collected, the school's funding will be adjusted accordingly. One charter school budgeted for 300 students, but only 80 students arrived the first day of school. Instead of notifying the district and immediately adjusting its budgets for these enrollment shortfalls, the school continued operation at the planned levels. As a result, the school spent $365,000 that it should not have received from the district; and with its adjustment at the 45th day, the school was in a situation that forced it to reimburse its sponsoring district. The school did not have the money to do so, however, and that huge deficit opened the door for many other problems eventually led to its revocation.

A charter school is a public school and must exercise caution with the expenditure of public tax dollars. Charter schools must be proactive in addressing any budgetary shortfalls either through cutting costs or intense fundraising. The school in the example above did not reach their planned enrollment did not cut their costs but did continue to spend at the levels described in their approved charter. The school defended its actions by blaming the district for overpayment and stating that its officials did not know they were not due the money. This rhetoric continued for several months; and during these months, the school proceeded to operate without serious adjustments to their budgets. When the charter was finally revoked by the district, the charter school had accrued a deficit larger than $600,000. As bad as this South Carolina example may be, worse situations have occurred nationally—and recently.[A]

Another of these obsolete schools had 98 students enrolled at the time of their revocation but had prepared a budget for their third year based on 140 students. In their two years of operation, they had never held more than 138 students at any time, and that highest enrollment was on the day the school opened. Since its inception, the charter school had been losing students but refused to adjust their

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[A] A principal in Ohio is currently serving a jail sentence for theft and record tampering at the charter school. As a public-funded institution, this charter school owes taxpayers more than $700,000. This entire situation began when the school claimed 135 more students than they actually enrolled, and that additional money was then utilized illegally (see http://news.cincinnati.com/article/20090402/NEWS01/304020011/0/TODAY).

operational budgets. Again, because charter schools receive public tax dollars, they must exercise proper stewardship of those funds and face the reality of those declining enrollments by cutting their budgets. Refusing to adjust a charter school budget—and thus creating large deficits that can lead to the eventual closure of the school—can have numerous, and often unforeseen, consequences:

- Bad publicity in one charter school, unfortunately, becomes bad publicity for all charter schools.

- The livelihoods of individuals are directly affected in a negative fashion. As the charter school continues to accrue debts and eventually closes, contractors who provided services to that charter school are left unpaid and are forced to absorb that financial loss jeopardizing their own financial standing.

- The students transitioning into another school are the ones who suffer most: they are deprived of educational stability, they must adjust to a different curricular or instructional methodology, and they lose the connections they have made in the charter school.

- School staff members lose their jobs and are forced to seek employment elsewhere—a situation that is especially problematic when a charter school closes midyear.

Conservative Budget Action

Charter schools must curtail well-intentioned actions to ensure that financial stability of the school may be maintained. Budget preparation for charter schools is based upon the amount of support that school receives, and this support includes parents that want to enroll their children as well as local businesses that wish to provide in-kind services or donations. As charter schools move from their planning phase actually into implementation, the governing board and administration must always keep an eye on the financial vitality of the school. This watchful eye will include making the difficult decisions to hold on to funds instead of dispersing them in a way that will make either the board or administration popular. Every financial decision must be made for the entire school's benefit—staff and students—because one improper decision could cause the school to flirt with disaster.

Often, charter schools have a fund balance at the conclusion of a fiscal year and may have the urge to do something special for their staff or students. These actions should be scrutinized to ensure they will not jeopardize the long-term future of the school. One charter school finished its first year with money remaining in the bank; however, their enrollment dropped sharply entering year two. Instead of adjusting their budgets for the shortfall and reporting those numbers to the district, the charter school continued its regular operation (including spending nearly $50,000 for facility renovation) by over-reporting their numbers *and* provided each staff member with a $1300 Christmas bonus. These actions led to a $156,000 budget deficit, and the school closed at the end of the year. The charter school solicited advise from its sponsoring district about providing bonuses to their staff, and the district advised them to "wait . . . you may have a surplus now, but that does not mean you will have the same surplus next year." Actions should be taken to

promote a positive working environment for the school, but those actions cannot and should not damage the school's potential for remaining open.

Know When to Fold

The national charter school movement began in 1992, and it was marketed as the ultimate in accountability: "If a school succeeds, it can reasonably expect to get is charter renewed. . . . If it fails, it may be shut down" (Finn, Manno, and Vanourek 2000, 16). While these closures are unfortunate events, if the school is not delivering on its academic promises or sees unavoidable financial shortfalls, it should close. Several of the obsolete charter schools refused to close and ran deficits of more than $250,000. And those stories were highly publicized. Journalistic reports have tended to create a poor image for the entire charter school movement, and therefore charter school board members need to consider the dynamics that come into play when they are considering the future of their school.

Because charter schools are nonprofit corporations that purport to serve a public need and receive public funding, they should hold themselves accountable for the agreed-upon contract with their sponsoring district. The decision to close a charter school is what Brian Carpenter calls "the eighth out" (Carpenter 2008, 153). He makes a valid point in that charter schools work for the "preparedness of children for their own future." And since many "charter schools serve a high percentage of disadvantaged minority students," these nonprofit corporations should not have long, drawn-out battles for survival if they have not upheld their end of the contractual bargain. One South Carolina charter school that was conditionally authorized ran into this very debate. While one member of the board was saying that they were not given a fair chance for success, another board member made this rather telling statement, which was quoted in the local paper: "In essence, we did not live up to the agreement we signed with the school board." As hard as the decision to quit may be, what is best for the children and what guards the sanctity of taxpayer dollars must always be considered.

One obsolete charter school had served a rather small population of students in an economically depressed area. The school's finances, with the low enrollment and state budget cuts, were in shambles. A portion of its considerable debt was graciously covered by another entity. Yet instead of reevaluating its position at this point, the school pressed forward in planning to open for its second year. The sponsor, upon learning of the school's decision, voted to revoke its charter on the grounds that it had "failed to meet generally accepted standards of fiscal management" (Section 59-40-110(C)(3)). Rather than closing its doors, however, the school opened again in the fall but could not meet its enrollment projections and, as a result, accrued further debt. Finally facing the set of insurmountable difficulties it had created—a district revocation order, declining enrollment, increasing debt, and loss of community support—the school closed.

Strongly underscoring the fact that charter schools must be disciplined enough to handle the flexibility they receive through state law, the story of this school's demise is indeed a sad one for the school itself. Yet there are other victims as well.

With a pending revocation order, this charter school had decided to try to open school anyway, so it had made purchases in preparation for the coming school year. When the school closed, the various businesses that had sold it the merchandise were left with large, unpaid invoices and little understanding of the issues that had led to the school's closure. Those businesses, immediately faced with their own financial shortfalls and the threat of their own closure, would certainly be less inclined to transact business with another charter school in the future.

Clearly, if a charter school begins down the slippery slope to closure, it must halt such purchases until its leaders are certain it can survive financially. The decision to move onward in spite of everything hurts two key stakeholders: small businesses that cannot survive financial loss and other charter schools that are cast in a poor light because of one charter school's irresponsible actions. Knowing when to fold is a critical ability both in poker play and in the operation of a charter school.

The most direct victims of this charter school's failure, however, are its students—who were forced to transition, during in the course of the school year, into their regular district schools. "Student mobility—students moving from one school to another for reasons other than being promoted to the next school level—is widespread in the United States," Russell Rumberger has written. Going on to discuss "what schools and parents can do to mitigate the possible negative effects of changing schools," he asserts that "much can and should be done both to prevent some types of mobility, especially those caused by school factors, and to mitigate some of the harmful effects from mobility" (Rumberger 2002, 1–3). Because charter schools exist to maximize a child's educational opportunities, a charter school that is undergoing closure and yet fails to consider the time frame for student transition is totally ignoring, in Rumberger's words, "the potentially harmful effects of mobility that may be necessary" (4).

Decisions to close a charter school sometimes have nothing to do with performance or financial issues. For instance, one charter school representative wrote, in a letter to the sponsoring district, that the governing board had decided to close the school because of—in his words—a "continuing controversy over the charter school issue." At that time, the sponsoring district and another charter school were involved in a dispute that was publicized in several detailed but contradictory reports. The school that closed had, unknowingly, applied Bolman and Deal's political framework and had decided the risks it faced, in the given climate of the district, were too high for it to continue operating. In other circumstances, charter schools have agreed to give up their charter either to become private schools or to be absorbed by their local district. For instance, one charter school operated as an alternative school; and when legislation required every district to have an alternative school, the charter school agreed to end its charter and become a district-operated school.

At some point, every obsolete charter school decided that enough was enough—but for very different reasons. While this topic may be unpleasant, charter schools can and do close regionally, nationally, and internationally. Once again, the closing of a charter school is part of the movement, and if a charter school decides it wants or

needs to discontinue its operation, the governing board must plan the process carefully.

Section 59-40-120 of the charter school legislation says the following: "Upon dissolution of a charter school, its assets may not inure to the benefit of any private person. Any assets obtained through restricted agreements with a donor through awards, grants, or gifts must be returned to that entity. All other assets become property of the sponsor." Because charter schools operate and receive grants or donations, they need to catalog what equipment, materials, or supplies were received as part of "restricted agreements" not only for audit purposes but also as preparation for the possibility that some day the charter will school close. If the charter school has received a federal planning and implementation grant, the assets obtained with that federal money will defer to the SCDE for redistribution to other charter schools. To reiterate, this document is not advocating morbid pessimism but seeks to prepare every planning group for realities they may face.

The charter school movement arose out of three primary objectives: to provide education options for all school children, regardless of their socioeconomic status; to promote innovation within the education system; and to put the ultimate accountability for education results in the school itself—which means that if it cannot meet its stated goals, it closes its doors. Most decisions to close charter schools in South Carolina were related to fiscal issues. One school made two enlightening comments in its relinquishment letter to its sponsor: it had been "forced to seriously evaluate its potential to continue" and it had decided to close "in light of recent changes and other circumstances beyond our control." When charter schools are in trouble, a point of critical mass will be reached, and the planning committees and/or boards need to decide for themselves when that point has been passed. To preserve, as much as possible, educational integrity for its students, the charter school cannot afford to delay the decision to close.

The thought to close a charter school is an uncomfortable one and, typically, a divisive one. However, if the focus remains on what is best for the children, what must be pondered is the way to accomplish a smooth and swift transition from the charter school into the district school. Two of these sixteen closed charter schools in South Carolina shut their doors at midyear—a very disruptive event in a student's education. If storm clouds are being noticed on the horizon, the governing body of the charter school needs to develop contingency plans for the benefit of that school's students. Those contingency plans should include a provision where additional supplies and/or equipment are not purchased until the school has determined whether it will survive. If the school cannot survive but has purchased large amounts of supplies or equipment, then the company that provided those items will be left with a substantial loss.

In a recent essay, John Witte and Stéphane Lavertu report six key findings on the impact that charter schools have had on student achievement in Milwaukee, Wisconsin. One of those findings—"student mobility has a negative effect on performance" (Witte and Lavertu 2009, 2)—applies directly to the effect that the closing of a charter school may have: as students move from school to school, their

relationships with the staff members at each successive school becomes more distanced and detached, and that lack of connection to a school's culture and its staff ultimately comes to have a negative influence on the student's academic performance.

Opportunities for the Future

The charter school movement has been described as "a seedling reform that grew into a robust tree, then a whole grove. The trees are still young, and the grove attracts plenty of lightning strikes, but it is steadily expanding" (Finn, Manno, and Vanourek 2000, 14). South Carolina's charter schools fit the description of this pattern of growth well. Two years ago, South Carolina had 29 charter schools serving 5,400 children; but in this current year (2008–09), those numbers have grown to 36 charter schools serving over 9,000 children (a 64.6% increase). If the currently operating schools grow as planned and if the newly authorized schools do open, South Carolina could have more than 40 charter schools serving more than 12,000 children within the next year.

The demand for charter schools is clearly on the rise nationally as well as in South Carolina. As numbers of charter schools continue to proliferate, statistically, that indicates that more charter schools will also close. While South Carolina has seen 15 charter schools close in a decade, other states have a much higher closure rate; and unfortunately, the nation has not seen the last charter school close its doors. The charter developer groups of today have an opportunity to learn from past experiences and thereby to prevent future failures. A charter developer from Massachusetts, providing advice for those who are pondering the charter school experience, has summarized the voyage nicely:

> Don't pass up the opportunity. . . . I'm so glad I challenged myself to one last great adventure. Dream. Next, take time in the design phase to figure out what you want the school to look and be like. Take six months of staff development. Last, remember that charter schools are not built in a day. Tell parents that. There will be problems. It's like the wagons going West. There's treasure ahead, but dangers along the way. It's been the adventure of a lifetime. (Quoted in Finn, Manno, and Vanourek 2000, 126)

SOUTH CAROLINA CLOSED CHARTER SCHOOLS

School	Grades	District	Date Opened	Date Closed	Reason
					DR = district revocation VR = voluntary relinquishment
Abbeville	9	Abbeville	August 2002	July 2004	VR by governing board decision
Bethune Charter School	7–12	Kershaw	August 1999	June 2001	VR for low enrollment and financial difficulties
Charles Aiken Academy	1–8	Greenville	August 1998	May 2007	VR to convert to private school
Children's School at Sylvia Circle	K3–5	Rock Hill 3	August 2002	August 2006	VR to revert to regular public school
Education Redirection	4–12	Charleston	August 1997	October 1999	DR for financial difficulties and academic concerns
Elease Butler Ivy Academy	K–5	Charleston	August 2003	June 2004	DR for financial difficulties and governance concerns
Harbor School for Arts and Sciences	4–8	Georgetown	August 1998	June 2000	DR for financial difficulties and academic concerns
Loop Charter School	1–4	McCormick	August 1998	June 2005	VR by governing board decision
Marlboro County Alternative Charter School	9–12	Marlboro	December 1997	August 1999	VR to convert to alternative school
McCormick Challenge Academy	9	McCormick	August 2001	June 2005	VR by governing board decision
Michelin International School Massillon	K–12	Greenville	August 1997	August 1998	VR to convert to private school
Niven Center	K–5	Greenville	August 2005	May 2006	VR by governing board decision
Palmetto Charter School	7–9	Greenville	August 2004	August 2005	VR due to financial and governance difficulties
Restoring the Minds Math and Business Academy	K–8	Greenville	August 2005	January 2006	DR for finance and academic concerns
Sea Island YouthBuild	9–12	Charleston	August 2007	January 2009	DR for violation of state charter law and academics
Susan G. Boykin Academy	K-12	Charleston	August 2005	June 2010	DR for financial difficulties and academic concerns
Wohali Academy	K-12	Greenville	August 2004	December 2009	VR for financial reasons
Young Entrepreneurial Vocational Academy	6–12	SCPCSD	August 2008	August 2009	DR for financial reasons due to low enrollment

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