

# Empty Schools Full of Promise:

## Exploring the Benefits of District-Charter Co-location Partnerships in Arizona



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# A Letter to Readers from the Goldwater Institute and the Arizona Chamber Foundation

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Dear Readers,

While Arizona proudly continues its decade-long reign as one of the fastest academically improving states nationally, there remains much to do. Improving the quality of schooling for every student will only continue so long as we continue to offer more and more students the opportunity to learn in the best schools we have. Doing so requires a disciplined policy focus.

Arizona has a shortage of space for students in some of our best district and charter schools, with demand far outstripping supply for many public schools. But simultaneously, Arizona has a glut of underutilized space in many districts in the form of both entirely vacant and underutilized facilities—*over 1.4 million square feet* of reported vacant or underused building space, and even more available capacity going unreported. Ideally, the best schools we have will be able to expand or replicate in order to serve the students who want to attend their schools, and we know that most of the full schools would welcome that opportunity. We must give them access to available space.

According to a 2018 Arizona Auditor General report, multiple districts have “built new schools or added square footage to existing schools in anticipation of increased student enrollment that did not ultimately materialize, and that districts rebuilt existing schools with much larger facilities when no substantial student growth was expected.” The report disclosed that between fiscal years 2004 and 2017, Arizona school districts added 22.6 million square feet of building space—a 19 percent increase—despite a student enrollment increase of only 6 percent during this same period. Despite all of this, several districts are currently suing the state of Arizona for more facility funding, ignoring the issue of underutilized and vacant space.

Maintaining underutilized space drains millions of dollars out of Arizona classrooms that could be used on teacher compensation. Fortunately, practices developed in other states have the promise to modernize facility use and expand opportunities for families to attend high demand district and charter programs, while allowing more resources to be directed into the classroom and teacher pay.

Arizona families have proven far more mobile than anticipated. A recent study combining data from Yale and the Center for Student Achievement found that only about half of Maricopa County students attend the district school they would be assigned to based on their zip code—with students leaving for another *district* school twice as often as for a charter. Increased student mobility, changes in demographic patterns, and lackluster responsiveness have left many Arizona districts with a large stock of underutilized space, while other new or high performing district and charter schools have surged in enrollment and in their need for capacity.

As explained in this report, we can do better than leaving families stranded on waitlists while public school space goes underutilized. Georgia, New York, and other states have developed policies for school co-location, which can be mutually beneficial to both district and charter schools, to families, and to taxpayers. If adopted in the Grand Canyon State, such policies would give Arizona districts the ability to gain revenue and redirect resources to classrooms and teachers, and give Arizona families expanded opportunity to attend a school that is the right fit for their children’s aspirations and needs.

Sincerely,



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President & CEO  
Goldwater Institute



Emily Anne Gullickson  
Chief Executive Officer  
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## Executive Summary

Not every day do the Goldwater Institute and Arizona Chamber Foundation hail the policies of California and New York as models for Arizona. But when it comes to improving the efficiency and economic viability of the state's K-12 system, Arizona stands to reap significant benefits by following in the footsteps of not only its more progressive peers, but also of more conservative states like Georgia and South Carolina by providing charter schools access to unused district school facilities:<sup>1</sup>

- ❑ Student mobility, district inaction, and facility over-construction have left Arizona school districts with over 1.4 million square feet of reported vacant or underused building space.
- ❑ Districts have failed to report millions of additional square feet of underutilized space—despite statutory requirements—and labeled over 99 percent of vacant building space as unsuitable for potential charter school use, even when that space includes entire buildings of empty classrooms.
- ❑ If Arizona school districts leased surplus property to charter schools at rates similar to those in Georgia, California, and New York, the savings could reach \$21 million-\$38 million per year.
- ❑ District schools that share their campus with a charter school have been found to better allocate their resources toward student learning—increasing their spending on instruction, rather than other areas, by 8.9 percent in response to the charter school's arrival. In Arizona, this would translate to an additional \$390 per student, or \$7,800 per classroom of 20 students.
- ❑ Other district schools—not charters—have been found to represent the largest “competitive threat” to a district school's enrollment, drawing away nearly twice as many students through open enrollment practices as charters.

- ❑ State policymakers should mandate improved transparency around underused district facilities and incentivize and/or require districts to increase access to charter schools or other district schools interested in leasing or sharing available space.

## Introduction

Enrollment in Arizona's public schools—including both charter and district schools—has ballooned by more than 25 percent since 2000, one of the highest rates in the nation.<sup>2</sup> Yet this increase masks an enormous gulf between the enrollment trajectories of charter schools, which have grown almost exponentially, and those of school districts—now mostly stagnant or dropping—and has coincided with school districts amassing a glut of unused and underutilized classroom space. Capturing this most starkly, the Arizona Auditor General has reported that:

between fiscal years 2004 and 2017, Arizona school districts added 22.6 million square feet of building space—a 19 percent increase—despite a student enrollment increase of only 6 percent during this same period. ... School districts ... built additional schools when they already had low-capacity usage rates at their existing schools.<sup>3</sup>

Student mobility, district inaction, and facility over-construction have left Arizona school districts with over 1.4 million square feet of reported vacant or underused building space.

Looking at the past decade alone, enrollment in the state’s public charter schools has surged by more than 85,000, while enrollment in Arizona’s traditional public schools has actually *fallen* by nearly 20,000 students (compounded by factors such as aging demographics and fewer school-age children in many locales), with hundreds of thousands more students having chosen to attend district schools other than the ones assigned to them by their families’ zip codes.<sup>4</sup> The result has been an enduring stockpile of underused and vacant facilities in school districts throughout the state, as highlighted in previous work by the Goldwater Institute.<sup>5</sup>

Amid this backdrop, the Arizona School Boards Association and other organizations filed a lawsuit in 2017 charging that Arizona has left districts bereft of the financial resources they need to maintain or expand their facilities.<sup>6</sup> And in 2018, 50,000 teachers marched at the State Capitol to demand greater funding for K-12.

Given the breadth of underused district school buildings resulting from declining enrollments and increased student mobility across districts, the exploding growth within Arizona’s charter school sector, and the recent high-profile efforts to find new funding mechanisms for its public schools, Arizona is uniquely poised to benefit from increased collaboration between the state’s two largest providers of public K-12 education.

In particular, by promoting financial partnerships centered around the “co-location” of charter and district school campuses, Arizona policymakers and school officials can help relieve budgetary pressures facing school districts, secure facility cost savings for charter schools, and help free up resources for teacher pay, textbooks, and other educational essentials.

While a relatively rare arrangement within Arizona’s K-12 landscape, district-charter co-location is a widespread practice across states as large and diverse as California, Colorado, and New York.<sup>7</sup> A fairly intuitive concept, co-location involves the pairing of district schools that have unused space on their campuses with charter schools—which often struggle to find suitable or affordable classroom facilities since the state does not actively provide them with buildings like it does for district schools.

As this report will explore, the adoption of co-location arrangements in Arizona would likely yield academic and financial benefits to both the state’s district and charter sectors.

## District-Charter Co-Location Across the U.S.

Despite their light footprint in Arizona, district-charter co-location arrangements have blossomed around the country, and the National Charter School Resource Center (NCSRC)—funded by the U.S. Department of Education—has provided among the most comprehensive analyses of their scope and benefits.

In particular, the Center has facilitated the development of the Charter School Facilities Initiative (CSFI), which surveyed 1,540 charter schools across 14 states through 2014 and found that over 22 percent were operating in district-owned space. That percentage reached as high as 45 percent in California and 31 percent in New York.<sup>8</sup>

Among those charter schools operating from district-owned facilities, about 60 percent operated as standalone occupants, and over 20 percent co-located with another public school (the rest shared with a non-school entity).

Other evidence suggests that some school leaders have helped their K-12 communities take advantage of co-location opportunities in even greater numbers. For example, former Denver Public Schools Superintendent Tom Boasberg took the helm of the district's public schools in 2009, and by 2011, he had helped bring 48 percent of the area's charter schools onto district-owned properties, with the majority of these being co-located with a district school.<sup>9</sup>

## Empirical Outcomes of Co-Location

Given the prevalence of co-location outside of Arizona, therefore, the natural follow-up question is whether or not these arrangements have produced a positive impact.

In a groundbreaking paper published in 2018 by *Education Finance and Policy*, a journal published by MIT (Massachusetts Institute of Technology) Press, researcher Sara Cordes produced the most robust impact study of charter schools and co-location to date. With 14 years of data on over 870,000 students

at 584 schools in New York City, Cordes measured the financial and academic impacts on *district* schools that resulted from *charter* schools opening either near or on district campuses.<sup>10</sup>

Contrary to the idea that charter schools harmfully encroach upon district schools, Cordes observes that “co-location may actually be a good policy for both charter and [traditional] public schools. ... While charter schools benefit from the relationship financially, [traditional] public school students appear to benefit from improved performance and higher PPE [per pupil expenditures].”

As she states in more detail:

Specifically, all TPS [traditional public schools] experience a significant increase in instructional PPE that is increasing with charter school proximity: co-located TPSs experience an 8.9 percent increase, TPS within 0 to ½ mile experience a 4.4 percent increase, and TPSs within ½ to 1 mile experience a 2.0 percent increase after charter school entry.<sup>11</sup>

To put this in the context of Arizona, the state's Auditor General found that districts spent \$9,653 per pupil in FY 2017, including \$4,377, or 45.3 percent, that went to instruction.<sup>12</sup> An 8.9 percent increase in district schools' per pupil instructional expenditures associated with co-location would thus translate to an increase of \$390 per student. For a class of 20 students, it would equate to \$7,800 of additional funding for teacher pay or other instructional purposes.

Besides these financial benefits, Cordes finds that district students' math and English scores also increase with proximity to charters (reaching their highest when co-located), and that students in district schools are 20 percent less likely to be held back when their school is located within a mile of a



charter school, and 40 percent less likely to be held back when their school is co-located with a charter school.<sup>13</sup>

Cordes observes more intangible benefits as well, noting that “after charter school entry, parents report significantly higher student engagement and parents in co-located schools also report significantly lower levels of the school being unsafe.”<sup>14</sup>

In sum, Cordes’ findings lend significant credence to the idea that charter school proximity may help spur a more efficient allocation of available resources within both charter and district schools. When districts are able to shift their priorities away from the upkeep of excess facilities and toward classroom instruction, it appears their students come out ahead.

Beyond Cordes’ findings from New York alone, the CSFI survey also documents a number of programmatic advantages associated with districts and charters sharing a facility, including increased access to amenities that some charter schools would not otherwise have (such as science labs or a gym) and “providing opportunities for staff to learn from each other.”<sup>15</sup>

While many of the respective effects of sharing a campus can depend on the capacity of the facilities and quality of collaboration between the schools’ leaders, the CSFI data also confirms that one aspect of co-location is nearly certain: the opportunity for a mutually beneficial financial arrangement.

The NCSRC’s report on the CSFI data found as follows:

The median annual facilities expenditures, as a percent of per pupil revenue, for charter schools in district-owned space is 0.9%, compared with a median expenditure of 5.8% for charter school facilities owned or rented from private sources. In real dollars, this translates

If Arizona’s 553 charter schools were to co-locate and/or lease space from districts at the same rate as charters in Georgia, California, or New York, the savings could reach \$21 million-\$38 million per year.

into a difference of about \$420 per student. For the average sized charter school that enrolls 399 students, access to district-owned facilities would mean a savings of \$167,580, annually.<sup>16</sup>

Interestingly, this is nearly identical to the \$390 per pupil financial benefit derived from Cordes’ research cited above. And based on these figures, if Arizona’s 553 charter schools were to co-locate and/or lease space from districts at the same rate as charters in Georgia, California, or New York, the savings could reach \$21 million-\$38 million per year.<sup>17</sup>

As discussed later in this report, some of the charter savings in other states comes as a result of those states’ policies requiring districts to provide charter schools with access to unused space at only nominal costs. But given the dramatic savings currently accruing to charter schools in these arrangements, there appears to be significant opportunity to split that economic benefit between both charters and districts by promoting lease arrangements that exceed the costs that districts incur for upkeep and maintenance of excess facilities, but that are less than what charters would have to pay to lease from private sources elsewhere.

In fact, the NCSRC report highlights this very opportunity, noting that while some districts lease facilities to charters at zero cost or at a break-even “use cost” of \$118,500 (median), others lease the facilities at a “use-plus” cost of \$540,100 (median). The higher revenue from this latter category of lease arrangements represents pure economic gain for the districts.<sup>18</sup>

## Arizona’s Sluggish Approach to Facilities

Given the economic efficiencies and academic benefits discussed above, district-charter partnerships would ideally develop organically. Unfortunately, as the NCSRC report observes, “Even where there is a strong economic argument to be made for providing charter schools with access to district-owned buildings, some districts are reluctant to share assets with a perceived competitor.”<sup>19</sup>

Anecdotes from other states abound, but Arizona can attest to its own homegrown examples. For instance, when a private school approached the Tucson Unified School District (TUSD) in 2008 to buy an unused elementary school site for \$2 million, TUSD declined to even entertain the offer, subsequently selling the property for \$400,000 *less* to a real estate developer.<sup>21</sup>

While such examples helped prompt legislative reforms in 2016 and 2018 (enhancing districts’ freedom to spend proceeds from sale and lease contracts, and clarifying that districts may not reject a high bidder solely because it is a charter school), Arizona law remains substantially more permissive of idle district facilities than other states.<sup>22</sup>

This slack in the Arizona school system even prompted the state Auditor General to conclude in 2018



that “districts with substantial, long-term excess building capacity ... did not take timely or adequate action to reduce the excess capacity.”<sup>23</sup>

The Auditor General’s conclusion prompts an obvious question: Where did this excess capacity come from, and why has it been allowed to sit idle? A brief recap of history sheds some light.

In response to a 1994 ruling by the Arizona Supreme Court, the Legislature created the School Facilities Board (SFB), which injected hundreds of millions of dollars of state funding for school construction and renovations beginning in the early 2000s.<sup>24</sup> At the same time, the Legislature tightened limits on districts’ abilities to issue local bonds, intending to restrict the ability of affluent districts to raise substantially more capital than their less affluent counterparts.<sup>25</sup>

The overall aim of these reforms was to increase the quality and supply of school facilities while lowering the need for districts to raise capital locally. But while districts gained new state-funded levers for school construction and renovation, they retained near complete control over all property within their boundaries—regardless of student capacity or existing

vacant space.<sup>26</sup> The result, as described by the Auditor General in the opening of this report, was a dramatic mismatch in many districts between the space they were allowed to build and the space that was needed.

Unfortunately, as evident in cases like TUSD's rejection of a private school's offer to buy its unused facilities, Arizona's school districts have too often failed to put their publicly funded surplus resources to their best public use.

## State Policy Approaches to Excess Space: District-Charter Leasing Arrangements

So how do other states facilitate better use of their unused district school space? By honing in on opportunities for district-charter coordination.

According to the Education Commission of the States, policies governing charter school access to district facilities vary widely across the U.S. For example, in Washington, D.C., and states such as Alabama, Maine, and South Carolina, charter schools have the right of first refusal to purchase or lease unused school facilities.<sup>27</sup>

Hawaii takes an even more forceful approach, requiring that anytime a public school building is closed, the state department of education must actively "solicit applications from charter schools interested in using and occupying all or portions of the facilities."<sup>28</sup>

In Georgia and Colorado, districts are to make surplus facilities available to charter schools and may not charge lease or rental fees, while Indiana lets charter schools buy or lease unused district facilities for \$1.<sup>29</sup>

Under New York City's then-Mayor Michael Bloomberg, charter schools were granted opportu-

nities for co-location in underused district facilities at no cost. (This facilitated 150 new co-location arrangements in a span of five years, before the policy was ended under the subsequent administration of Bill de Blasio.)<sup>30</sup>

Finally, perhaps the most robust policy approach comes from Arizona's neighbor to the west. In California, where voters passed Proposition 39 in 2000, school districts are *required* to make space available to all charter schools operating in their district, and the provided facilities must be "reasonably equivalent" to those used by the district schools.<sup>31</sup>

It is true that the governance structures of schools in other states often differ in meaningful ways from those in Arizona (for example, in New York City, schools are ultimately under the control of the mayor rather than independent school boards, so district-charter cooperation can be more strongly encouraged).<sup>32</sup> And certainly these other states' laws are no panacea—as seen even in California, for example, not all districts comply with their statutory directives.<sup>33</sup> But as the NCSRC data makes abundantly clear, these states' legislative approaches have fueled the rise of district-charter partnerships that are resource efficient, and variations in governance structure in no way preclude those same possibilities in Arizona.

## District-Charter Partnerships in Arizona

In fact, while still rarer than in other states—due to Arizona's comparatively disinterested statutory framework—examples of district-charter partnerships in Arizona have already demonstrated immense potential. For instance, Arizona State University (ASU) Preparatory Academy, which leases space from the Phoenix Elementary School District in the heart



of the city's downtown, serves a student body that is about 80 percent Hispanic, black, and Native American, with over 60 percent of its students qualifying for free and reduced price lunches. In other words, rather than siphoning off socioeconomically advantaged students, ASU Prep is lifting up a diverse student body, and it reports a waitlist of more than 1,000 applicants, achieves a 100 percent high school graduation rate, and has ensured that 100 percent of its high school seniors gain admission to college.<sup>34</sup>

This partnership has not only benefitted students, but has also provided the district a revenue stream of \$300,000 per year from a property that might otherwise have sat underutilized in the aftermath of the Great Recession. And even intense negotiations between the district and ASU Prep to extend the charter's lease beyond 2019 recently concluded with a mutually beneficial arrangement in which the district will receive not only increased lease payments of \$550,000, but also in-kind services from ASU Prep such as professional development, accelerated math

programs, and strategies for enrollment growth—together worth an estimated \$75,000 to \$250,000.<sup>35</sup>

In addition to lease contracts like ASU Prep's, Arizona has also witnessed the success of its own district-charter co-location arrangement. In FY 2015, the Madison Elementary School District in central Phoenix partnered with a charter operator to establish the Madison Highland Park Charter School, which now shares a campus with one of the district's middle schools.<sup>36</sup>

Not only do the lease payments from the charter school represent a significant benefit to the Madison District's budget, but the two entities have also developed programmatic partnerships benefiting the students of both schools. For example, the charter's high school students now engage in service opportunities such as tutoring their younger peers at the district school. Meanwhile, the charter has achieved an A-rating from the State Board of Education, with plans to replicate and expand elsewhere within Phoenix.<sup>37</sup>

# Arizona's Challenge: State Reporting on Potential Co-Location Sites

For Arizona school leaders and policymakers interested in exploring and expanding co-location opportunities, a first step is to identify whether facilities that could accommodate such partnerships currently exist. Fortunately, Arizona law already calls for the publication of an inventory list intended to provide precisely that information. In particular, state statute requires the following:

The School Facilities Board, in conjunction with the Department of Administration, shall annually publish a list of vacant and unused buildings and vacant and unused portions of buildings that are owned by this state or by school districts in this state and that may be suitable for the operation of a charter school.<sup>38</sup>

According to the 2017 version of this report, more than 1.4 million square feet of space in Arizona school district facilities lay vacant or unused.<sup>39</sup>

While a striking figure on its own, this tally represents only the proverbial tip of the iceberg, dwarfed by the vast amount of underutilized district space hidden from view and excluded from that calculation.

Before exploring this additional space, however, the original statistic itself becomes more noteworthy when considered in context. Based on the School Facilities Board (SFB) guidelines for new school construction, students in grades K-6 each require the equivalent of 90 square feet of space, while high school students each require up to 134 square feet. In terms of raw area, therefore, the unused district

buildings could house over 10,700 high school students or 16,000 elementary school students.<sup>40</sup>

Put in terms of dollars, under the SFB guidelines, the equivalent amount of space would be worth \$210 million-\$260 million if new (based on the statutorily determined new construction rates of \$147 per square foot for elementary schools or \$180 per square foot for high schools).<sup>41</sup>

Of course, given that the unused district structures are of varying ages—and that district buildings statewide are roughly 29 years old on average—the actual dollar value of these particular facilities would be less than that of brand-new structures, with many requiring renovations.<sup>42</sup>

But while this might suggest that the scope and value of unused district facilities is far less than is being portrayed, the evidence suggests that in many districts, the *opposite* is true.

In particular, the 1.4 million square feet of unused space in the SFB list comes from information on only 27 out of Arizona's 235 districts. The other 200 districts either self-reported zero vacant space—implausible for many—or failed to report at all.

And of those 27 districts who did provide information, all but a handful failed to report those facilities that are *underutilized*—reporting instead only facilities that are 100 percent vacant. The result is a dramatic *under-reporting* of available capacity among district buildings.

To illustrate, the entry for the Tucson Unified School District (TUSD) in the SFB report shows five vacant

schools and zero underutilized schools across the entire district. In comparison, a 2018 performance audit of the district by the Arizona Auditor General found (in addition to the vacant schools) 10 TUSD high schools operating at an average of 52 percent capacity, with one high school designed for 2,871 students currently serving as few as 761 students, or 27 percent of its capacity.<sup>43</sup>

Unfortunately, these statistics are more than abstract calculations about enrollment totals and square footage. As the Auditor General noted, “This low-capacity usage was confirmed by auditors when-observations of five of the District’s high schools found classrooms, and in some cases even entire buildings of classrooms, that were not being used.”<sup>44</sup>

Perhaps more alarmingly, the Auditor General tabulates the unused capacity of the 10 TUSD high schools at 12,656 high school students, which is higher than the unused student capacity within every single district reported in the SFB list *combined*.

In other words, the 1.4 million square feet of unused district space reported in the statutorily required list

for the entire state appears to be less than the true amount of available space in TUSD alone. The true total of underutilized capacity statewide is therefore likely an order of magnitude greater than reported.

This presents an enormous challenge to those interested in determining the availability of district facilities that could support co-location opportunities. Unfortunately, this problem is exacerbated by a second and perhaps more troubling anomaly in the reported data.

The statute prescribes that the report should document unused spaces “that may be suitable for the operation of a charter school.” Yet out of the 1.4 million square feet of unused space identified in the report (which to emphasize again, appears to represent only a small fraction of the actual total space available), only two buildings, totaling 5,477 square feet, were coded as “suitable for charter.” This means that over 99 percent of unused district building space is being ruled out for more efficient uses via district-charter partnerships.

There is no question that some unused facilities would indeed be unsuitable for charter school use in their present state (due to the current condition or configuration of the buildings, for example). But examples abound of charter schools successfully renovating facilities when needed. In fact, as reported by the NCSRC, 63 percent of charters that leased space from districts undertook renovations, including 45 percent that completed “major facility repairs.”<sup>45</sup>

Moreover, there is substantial evidence that many of Arizona’s district facilities operating under capacity are actually quite new. As cited earlier, for instance, the Arizona Auditor General concluded in 2018 that a large number of facilities built even within the past 15 years were constructed where space was already in surplus.<sup>46</sup>



Taken together, these facts suggest an enormous supply of underutilized school district facilities that—while labeled otherwise—could serve as potential candidates for co-location arrangements.

## Objections to Co-Location

Co-location's momentum in Arizona has been hampered not only by distortions in building inventory reports discussed above, but also by various misconceptions, including claims related to student safety. Specifically, some individuals warn of the potential of different age groups being in close proximity if served by adjoining charter and district schools. During 2018 legislative hearings in the Arizona House of Representatives, for instance, one member of the Education Committee expressed this concern:

If you have a high school campus, for example, with ... one vacant building ... a [charter] school could come in and do elementary school on your high school campus and that could be a significant security concern ... or vice versa on an elementary campus.<sup>47</sup>

Student safety would need to be no less a priority in a shared environment than under any other arrangement, but existing evidence suggests that co-location can support the integration of different age groups safely and effectively. Vail Unified School District's "Vail Academy and High School," for example, has earned an A-rating from the State Board of Education while serving students in grades K-12 within a single campus.<sup>48</sup>

Likewise, the BASIS Charter Schools network in Arizona—which includes the five best-ranked high schools nationally per *U.S. News & World Report's* 2018 ratings—operates several of its campuses with students enrolled in grades all the way from kindergarten through high school.<sup>49</sup>

In particular, while some of the BASIS schools house their elementary and high school populations in adjacent campuses (including BASIS Peoria and Oro Valley), several BASIS schools serve elementary and high school populations in adjoining structures or operate as a single integrated K-12 school in one larger facility (such as BASIS Flagstaff, Prescott, and Mesa).<sup>50</sup>

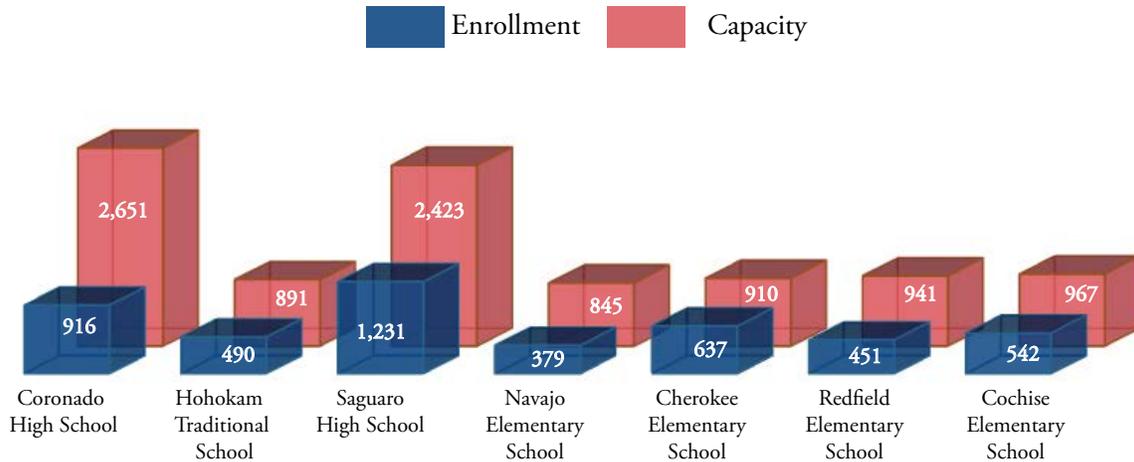
This approach has likewise been adopted by the ASU Preparatory Academies—which serve students all the way through K-12—as well as the Great Hearts Charter Schools network, which operates 10 pairings of primary and high schools in Arizona that each serve students in grades K-12 in shared or adjacent buildings.<sup>51</sup> And again, parental surveys of co-location arrangements in New York City indicate that parents find schools *more* secure when co-located.<sup>52</sup>

In fact, rather than representing a grave peril, campus sharing arrangements in which districts and charters serve different grades represent perhaps the *most* fruitful opportunities for developing co-location partnerships. As shown by Madison Elementary School District's partnership with the Madison Highland Prep charter high school, co-location fosters opportunities for mentoring, tutoring, and broader collaborative resource sharing.

A second commonly cited argument against allowing other entities to move into unused district property is that the district may need those facilities in the future, once its enrollment rebounds. However, as summarized by the Arizona Auditor General in 2018, school districts have been found on multiple occasions to have "built new schools or added square footage to existing schools in anticipation of increased student enrollment that did not ultimately materialize," and to have "rebuilt existing schools with much larger facilities when no substantial student growth was expected."<sup>53</sup>

## Designed Capacity vs. Enrollment Scottsdale Unified School District Campuses

Identified as below 60% utilization by the Arizona Auditor General in 2015 report



Source: Student capacity as reported in 2015 Scottsdale Unified School District Performance Audit. Enrollment figures from Arizona Department of Education “AZ School Report Cards” portal. Accessed January 21, 2019. Excludes Supai Middle School, which was identified as a low-utilization campus by the Auditor General and subsequently merged with Tonalea Elementary School.

In other words, there appears to be a divergence between districts’ enrollment projections and what actually materializes, plus a further disconnect between the districts’ own projections and the excess space they elect to build.

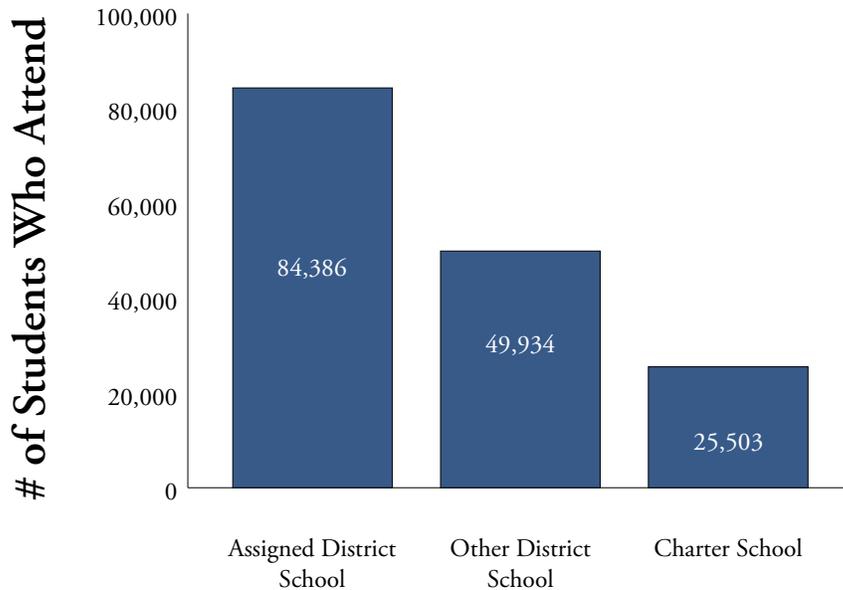
This gap between districts’ expected and actual enrollment is especially evident in Scottsdale Unified School District (SUSD), for example: While its 2012 demographic projections predicted 2018-2019 enrollment of 25,387 students, in reality just over 22,000 students enrolled in the fall of 2018.<sup>54</sup>

As noted in a prior Goldwater Institute report,<sup>55</sup> this difference between the district’s capacity and its actual enrollment (as illustrated in the figure below) has been so pronounced that the Auditor General concluded as early as 2015 that SUSD “could have saved approximately \$3.8 million that otherwise potentially could have been spent in the classroom.”<sup>56</sup> This would have been enough money to provide every Scottsdale Unified teacher a \$2,700 raise.

Moreover, even in cases where future enrollment increases are genuinely likely, co-location arrangements can offer school districts another advantage over conventional approaches to dealing with their vacant or underused facilities. By leasing space to a charter rather than paying to keep a facility empty or permanently selling it, districts can generate short- to medium-term financial relief while preserving facility ownership if they anticipate growing enrollment down the line. According to the CSFI data, over 71 percent of district-charter leases are for five years or less, including 34 percent that extend only two years or less.<sup>57</sup>

There is no doubt that co-location requires unique problem-solving skills on the part of school administrators. But it is clear from these examples and others that, if anything, the blanket objections against co-location serve primarily to obscure its potential.

## Arizona Public School Attendance in Sampled Maricopa County School Districts



Source: Center for Student Achievement. Analysis includes data on nine school districts within Maricopa County.

### Charters are Not the Enemy

Despite the compelling benefits of expanding charter schools' access to underused district facilities, one final roadblock remains in the eyes of many: the belief that charter schools threaten public education by competing away students and funding from traditional district schools. But as demonstrated by *districts themselves* through the "open enrollment" process (which allows families to send their students to a district school of their choice rather than forcing them to enroll in the nearest school, regardless of its quality), educational options *improve* the state of K-12 education in Arizona. In fact, it is not charters but other *districts* that have most substantially competed with traditional public schools to attract students.

Indeed, as shown in a recent analysis of sampled school districts in Maricopa County, Arizona students are extremely mobile across district boundaries, transferring not only between district and charter

schools, but between one district school and another. Specifically, by combining open enrollment data gathered as part of a Yale study with enrollment data from charter schools, the Arizona-based Center for Student Achievement concluded that 47 percent of the 159,823 sampled students attended a public school other than their "zoned" district school (the school they would normally attend by default based on their home address).<sup>58</sup>

(This estimate likely even underestimates total student mobility as it does not include students attending private schools, home-schools, or district and charter schools outside of the nine districts studied.)

In other words, roughly half of students enroll somewhere other than the zoned district school they would default to based on residence, with zoned district schools both gaining and losing enrollment through open enrollment transfers.

## Conclusion: Options for Policymakers and School Officials

Perhaps most notably, however, the Center for Student Achievement data shows that open enrollment district transfers outnumber charter school students nearly *two to one*: Almost 50,000 students opted out of their local district school to attend a different district school, compared to only about 25,000 who left for a charter school.

This means a district school's biggest "competitive threat" is not the prospect of a charter school opening in its proximity, but rather the ability of neighboring districts and district schools to draw away students by offering a more rigorous or nurturing environment.

Unfortunately, given the lack of formal data coming from the Arizona Department of Education, it is only through good fortune that we have any measurement of this inter-district diaspora and any awareness of the fact that district schools—not charters—are the primary magnets for students seeking educational choice.

Certainly few would condemn the ability of districts to compete with one another through the quality of their educational offerings. The dramatically smaller impact of charter schools should raise even fewer objections.

If anything, educators should continue to promote the excellence of district schools that have attracted students from surrounding communities and managed to fill their campuses. Many of these schools, like nascent or growing charter schools, could likewise help alleviate the excess space at other district campuses if they were granted authority to replicate and expand their operations to currently unused spaces.

State and local taxpayers supported the construction of schools for a specific public purpose: to educate children. Vacant and underutilized school buildings not only fail to achieve this goal- they actually *detract* from the education of students by diverting resources from educational uses. As noted at the beginning of this report, a group of school districts and their allies have filed suit against the state, in essence demanding a resurgence of state funding for facilities, which was severely constrained during the downturn of state revenue during the Great Recession. In our opinion, the state should first understand the true scale of, and address, the current glut of unused school facilities, rather than adding to it.

Prior to any other action, Arizona policymakers should address the glaring lack of transparency surrounding underused district facilities in the state. Specifically, they should revisit the current statutorily required reporting mechanism on unused school district space. As discussed in this report, the current list produced by the state's School Facilities Board and Department of Administration fails to depict the true extent to which school district facilities are under capacity and could support more efficient use. (This problem arises primarily from the fact districts have no criteria by which they must evaluate the use and usability of their properties and face no penalty for failing to report accurate information to the state agencies.)

As a remedy, the Arizona Legislature should incorporate a review by the Auditor General of the list prior to its publication and/or develop criteria to better define whether a particular building or portion of a building is to be deemed underused or suitable for charter school use.

Additionally, policymakers should strengthen the incentives and/or requirements for districts to make unused space available to charter or other district schools. Given the broad range of approaches taken by other states, Arizona enjoys a wide spectrum of options to promote campus sharing arrangements and district-charter partnerships. Arizona could pursue any of the following:

- ❑ Require districts to sell or lease school facilities if they are being used below a certain threshold of their student capacity (e.g., 25 percent). [See SB 1100 from the 2014 legislative session or HB 2524 from the 2018 legislative session for related proposals.<sup>59</sup>]
- ❑ Increase the autonomy of school districts to sell underutilized facilities by removing the requirement that school boards obtain approval through an election.<sup>60</sup>
- ❑ Grant the State Board of Education or the School Facilities Board authority to lease or dispose of underused district school facilities if a school district fails to do so itself within a specified amount of time, particularly in low-performing districts or when underutilized space is adjacent to a “D” or “F” school.
- ❑ Give charter and private schools the right of first refusal for any vacant school property advertised for lease or sale.
- ❑ Accelerate and/or prioritize the restoration of District Additional Assistance (DAA) for school districts that enter into co-location arrangements with charter schools. (The more than \$352 million of DAA that was suspended due to the Great Recession is currently being phased back in over a five-year period.<sup>61</sup>)

- ❑ Allow district schools already at capacity to expand their operations to other district campuses with unused space.
- ❑ Support high-performing schools threatened by rapidly escalating rents that would displace their students.

Regardless of the legislative paths that are chosen, policymakers and school leaders should seek to upend the current inertia and incentive structures that dominate the use and availability of school facilities. Whether through the policy options above, or by exploring and promoting other mutually beneficial financial arrangements between schools, champions of Arizona’s education system must not, like too many of our classrooms at present, sit idle.

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