Exploring the Impacts of Charter Schools on Our Retirement Systems

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National Education Association
Collective Bargaining and Member Advocacy

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Agenda

1. Charter Enrollment
2. Key Measure of Risk/Contribution Volatility
3. Illustration: Charter expansion centered in a metro area
   - Summary/Conclusions
4. Blossoming Debate
5. When Charters Close
6. Charters Dodging Plan Participation
7. Charter Choice: In and Out Privileges
Percentage of students in Public Charter Schools

Key Measure of Risk/Volatility

Liabilities

Payroll
Illustration: Impact of Clustered Charters not in Plan

Charter County (Major Metro Area)

Hypothetical State
If You Assume…

1. Charters do not participate in the state-run plan

2. Charter County has 40% of the state’s population

3. Teacher-pay levels and teacher/student ratios are the same in Charter County as in the rest of the state

4. Plan payroll is $10 billion

5. Liability is $90B, UAL is $25 billion ➔ 72% funded

6. One charter teacher means one fewer in a public school
## Impact: Moving 20% of students to Charters

<table>
<thead>
<tr>
<th></th>
<th>Pre-Charters</th>
<th>After Charters</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Students in Charters (%)</strong></td>
<td>0%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Plan Payroll</strong></td>
<td>$10 B</td>
<td>$8 B</td>
<td>-20%</td>
</tr>
<tr>
<td><strong>Charter Co. Payroll</strong></td>
<td>$4 B</td>
<td>$2 B</td>
<td>-50%</td>
</tr>
<tr>
<td><strong>Unfunded Liabilities</strong></td>
<td>$25 B</td>
<td>$25 B</td>
<td>--</td>
</tr>
<tr>
<td><strong>(Whole System)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Charter County UAL</strong></td>
<td>$10 B</td>
<td>$6.25 B</td>
<td>$3.75 B cost shift to other counties</td>
</tr>
<tr>
<td><strong>Rest of State UAL</strong></td>
<td>$15 B</td>
<td>$18.75 B</td>
<td></td>
</tr>
<tr>
<td><strong>Liability / Payroll</strong></td>
<td>9</td>
<td>11.25</td>
<td>More contribution volatility</td>
</tr>
</tbody>
</table>
# More/Fewer Charters

<table>
<thead>
<tr>
<th>% of States’ Students moved to Charters</th>
<th>Charter Co. Payroll</th>
<th>Charter Co. Payroll - % of total after charters</th>
<th>UAL Costs Shifted throughout Tax-Base</th>
<th>Risk: Liability / Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>$4.0 B</td>
<td>40%</td>
<td>--</td>
<td>9.0</td>
</tr>
<tr>
<td>10%</td>
<td>$3.0 B</td>
<td>33%</td>
<td>$1.67 B</td>
<td>10.0</td>
</tr>
<tr>
<td>15%</td>
<td>$2.5 B</td>
<td>29%</td>
<td>$2.65 B</td>
<td>10.6</td>
</tr>
<tr>
<td>20%</td>
<td>$2.0 B</td>
<td>25%</td>
<td>$3.75 B</td>
<td>11.3</td>
</tr>
<tr>
<td>25%</td>
<td>$1.5 B</td>
<td>20%</td>
<td>$5.00 B</td>
<td>12.0</td>
</tr>
</tbody>
</table>
Conclusions on Excluding Charters

- Demographics are impacted, but...

- **Payroll impacted more (and sooner) than liabilities**
  - Liabilities are only lowered over time – with less future service accruals
  - Past service is unaffected

- Payroll impact is immediate

- Equitability Issues: unfair to some taxpayers
Monique Morrissey: Pension expert at EPI

1. No reason to exempt charter schools from paying unfunded liabilities that are no more the public schools’ fault than they are the charters’.

2. “Even if charter schools are allowed to opt out of a pension system, they should be required to help pay down the legacy costs to maintain a level playing field,”

3. Legacy costs are owed by taxpayers, not students

http://prospect.org/article/charter-and-traditional-public-schools-fight-over-money
Blossoming Debate – Charter Advocates

**Michael Podgursky:** University of Missouri

1. The unions and administrators approach is to chain new teachers to the Titanic so no one can escape

**Josh McGee:** Laura and John Arnold Foundation

1. Wrong to ask charters to help pay legacy costs, though it could be “cumbersome” for local districts to pay costs.
2. Charter schools didn’t contribute to that legacy debt, nor can they raise funds from local taxpayers
3. Charging charters for the unfunded liabilities that they weren’t around for is a way to tax them and reduce state aid.
4. States could pick up the cost…

Charters Come and Go: Discussion

- 143 charters closed in Texas since 1998.
- Michigan closed 122 charter schools during the charter school era.
- 2,354 charters (serving over 253,000 students) were closed in the United States between 2000-2014*.

* https://nces.ed.gov/programs/digest/d15/tables/dt15_216.95.asp?current=yes
Charter Schools Dodging Participation

- Misclassification (Contractor)
  - UPS Versus Fed-EX

- Sub-contracting

- Experiences may depend on State Plan
  - NJ vs. WI

- Can Systems Monitor this?
  - Student/Participant ratios?
  - Other ideas?
Charter Choice: Discussion

Obviously, allowing employers to walk away if costs rise is bad pension policy.

What does good policy look like?
- Withdrawal rules
- No employee exclusions
- Compulsory membership
THANK YOU!

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