CHARTER SCHOOL LEADERSHIP IN NORTH CAROLINA:

A CASE STUDY OF CLOSED CHARTER SCHOOLS

by

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ABSTRACT

(Under the direction of Mai Nguyen)

The study is designed as an exploratory case study of eight of the 29 charter schools in North Carolina who opened and closed sometime during the eleven year period from 1997 to 2008. It examines what can be learned from closed charter schools to improve financing and technical assistance. Specifically it addresses (a) the factors that led to the closing of charter schools in North Carolina, (b) how the reasons for closing differ between minority-led and non-minority-led schools, (c) whether closed schools are more likely to have particular demographic characteristics. School board training, maintaining enrollment, securing additional funding, and more are found to be critical factors for the success of charter schools in North Carolina.
# Table of Contents

Abstract ................................................................................................................................. ii
List of Figures ........................................................................................................................ iv
Executive Summary ............................................................................................................... v
Research Question .............................................................................................................. 1
Expectations and Value to the Discipline ............................................................................ 1
Methodology .......................................................................................................................... 2
  Limitations to the Study ................................................................................................... 5
Background .......................................................................................................................... 5
Literature Review ................................................................................................................ 7
Findings ................................................................................................................................. 11
  Are closed schools more likely to have particular demographic characteristics? .......... 11
  Factors the led to closings ............................................................................................... 15
  Do reasons for closure differ between minority-led and non-minority-led schools? .......... 33
  What changes or services were suggested? ...................................................................... 36
Conclusions and Recommendations .................................................................................. 47
Appendix A: Interview Guide for School Leaders ............................................................... 50
Reference List ...................................................................................................................... 52
LIST OF FIGURES

Figure 1: Schools Interviewed ........................................................................................................ 4
Figure 2: Map of North Carolina Charter Schools ................................................................. 4
Figure 3: NC Charter School Students by Race, 1995-2005 .................................................. 13
Figure 4: Frequency Distribution of Years of Operation ....................................................... 14
Figure 5: Frequency Distribution of NC Charter School Closures by Year ............................ 15
EXECUTIVE SUMMARY

Forty schools have been chartered in North Carolina since inception of the program in 1997 that have since closed their doors. Eleven of these withdrew from the process and never opened. The study is designed as an exploratory case study of eight of the 29 charter schools in North Carolina who opened and closed sometime during the eleven year period from 1997 to 2008. It examines what can be learned from closed charter schools to improve financing and technical assistance.

Demographics of Closed Schools

Though comprehensive demographic data was not available, there are certain trends distinguishable among closed schools. First, every one of the eight closed schools contacted specifically targeted an at-risk student population, and every contact described this as one of the principal challenges for charter school sustainability. Second, closed schools were far more likely to serve a large minority population. Though minority status is unlikely a causative factor, race is likely correlated with low-income or at-risk status, which strains struggling schools. Finally, schools are more likely to close within the first 5 years of operation. Twenty-one of the 29 closed schools operated for less than 6 years, while only 8 lasted for more than 5 years.

Factors of School Closure

Many factors were found to contribute to school closure; the most prevalent and impactful are repeated here. The study identified two primary financial factors that were responsible for closures: securing a facility and maintaining enrollment. Not a single closed school contacted had purchased a facility anytime during its operation. The lack of funding for this first step often begins a vicious cycle: a mediocre facility must be taken, the poor facility costs more due to repairs, rent, renovation, or lower school enrollment, the school has even less to spend on teacher salaries and quality staff. Intertwined with many other issues, is maintaining a threshold level of enrollment. Below a certain point, a school is simply unsustainable. The average enrollment during the last year of a closed charter school’s operation is 97 students, in contrast to the average for charter schools overall in 2005 at 260 students.

Governance issues also played a large role in school closures. The most frequently cited governance issue was school board training, particularly concerning fundraising expertise. Outside funding was considered a vital element to school sustainability, and schools who’s boards were incapable of providing this service felt it was instrumental in the school’s failure. Secondarily, a couple of the schools experienced public relations failure due to real or perceived fraud or tax evasion. Though in one case the difficulty was real, in another case, accusations destroyed the school through plummeting enrollment before the claims were disproved.

Finally, a number of state regulations were identified which prevented charter school success, regardless of the other factors present. The most frequently cited regulation was the method of measuring student performance. Since test performance is tracked only at a school-wide level, schools with a high concentration of underperforming students compare very poorly to schools with a higher-performing student body. This system masks individual student gains, and underrates effective schools that may raise student performance by several grade levels, though their students still perform below grade level. Conversely, the system also allows schools with high performing students to pass by with mediocre practices as no growth in achievement must be shown. Less frequently mentioned but equally disastrous for the schools are three
regulations that uniquely affect charter schools, which have the flexibility to target specific populations of students. First, student accounting for per pupil funding is performed only annually and does not follow students mid-year. For charter schools that target expelled or suspended students, many students enter the school mid-year and must be educated without any accompanying funding. Second, charter schools may not grow enrollment more than 10% annually. For schools below the threshold number of students, this has caused failure. Third, no more than about 10% of a school’s students may be labeled learning-disabled for the purposes of supplemental funding. Some charter schools make educating learning-disabled students their mission, and therefore must operate with 90% of their student population underfunded. Needless to say, they don’t succeed.

Recommendations

The Department of Public Instruction should:

- Implement a growth model of school accountability
- Make funding follow the student. Either match funding to the student so that it follows them mid-year, or allow a mid-year re-accounting of students
- Eliminate or modify the limitation to annual charter school enrollment growth
- Not limit the number of students who can be labeled learning-disabled if the school targets such students in their mission
- Require comprehensive board training

Technical assistance providers should:

- Provide comprehensive checklists for budget creation, with cost ranges included
- Target fundraising skills for board members
- Help establish a Charter School Support Network to provide legal counsel, networking services, information dissemination, and bulk services such as medical insurance for employees

School leaders should:

- Maintain high enrollment
- Require board training and include members with fundraising experience
- Establish a Charter School Teacher’s Association to provide support and help match schools and teachers
- Establish a bulk supplies cooperative
RESEARCH QUESTION

In this exploratory study, I will examine what we can learn from failed charter schools to improve financing and technical assistance. I seek to determine (a) the factors that led to the closing of charter schools in North Carolina, particularly for minority-led schools, (b) how the reasons for closing differ between minority-led and non-minority-led schools, (c) whether closed schools are more likely to have particular demographic characteristics, and (d) the type and extent of funding challenges and how they differ between minority-led and non-minority-led charter schools.

EXPECTATIONS AND VALUE TO THE DISCIPLINE

Quality education is increasingly an issue both nationally, as our students fall behind those of the rest of the developed world, and locally, where failing schools led to an unprepared workforce spelling distress for economies and communities. This latter point is of particular interest to planners. Quality primary and secondary education is a driver of economic development, and one that has not received significant attention in the planning discipline. Not only do quality schools offer the long-term hope of higher employment, expertise, and wealth for a community, but good schools catalyze reinvestment where they are located.

Minority-led charter schools offer the opportunity for dual strands of community development; they can build community assets and expertise for minority educators, while also spurring economic growth and opportunity for undereducated communities. In order for their potential to be realized the special challenges they face must be addressed.
Several explanatory factors that may emerge:

- Insufficient management or business expertise
- Limited access to capital
- Difficulty securing facilities
- Large population of low-income and minority students
- Hostile school districts

Through this study, I hope to learn how lenders and other economic development specialists can improve their practices to better serve charter school needs.

**METHODOLOGY**

Forty schools have been chartered in North Carolina since inception of the program in 1997 that have since closed their doors. Eleven of these withdrew from the process and never opened. The study is designed as an exploratory case study of the 29 closed charter schools in North Carolina who opened and closed sometime during the eleven year period from 1997 to 2008. A four part process was undertaken to complete the study. A literature review provided a starting point and method of comparison for the results of this study. While several studies address the challenges of charter schools in North Carolina, none were found that studied closed charters specifically, nor that included direct interviews with school leaders.

Descriptive statistics give further explanation to the context of the results. Statistics measured included race of students, academic performance by school, and ethnicity of school leaders. The statistics at closed schools were compared with overall charter school demographics in the state at the time of closing. Data were obtained from the North Carolina Department of Public Instruction and the U.S. Census Bureau Decennial Census 2000.
To add depth and third party opinions, two charter school experts were interviewed. Interviewees were selected based upon seniority at one of several organizations whose purpose directly involved charter schools, including, but not limited to the North Carolina Department of Public Instruction Office of Charter Schools, and the North Carolina League of Charter Schools. In the end, interviewees included a member of the North Carolina based League of Charter Schools and one member of NACSA, the National Association of Charter School Authorizers.

Finally, as many former North Carolina charter school leaders as could be contacted and gave consent, were interviewed by phone for approximately 60-90 minutes each. “Leaders” were defined as principals, founders, directors, administrators, or board members. A general background survey was administered by phone, followed by a round of interview questions to identify the primary challenges, financial difficulties, and reasons for closing. The interview guides used may be found in Appendix A and B. Leaders from eight of the 29 schools were able to be contacted and interviewed.

Out of the 40 schools documented as closed or chartered but never opened in North Carolina, I obtained information regarding minority-led status for 27 schools. This information was obtained either from direct interviews or was provided by Roger Gerber, Executive Director of the North Carolina based League of Charter Schools, who has had professional contact with almost every charter in the state. A minority-led charter school was defined as a school which employed a minority founder, principal (or equivalent position, such as director), or board chair, and for which the majority of the board was minority. Minority was defined as an ethnic group which composes less than 50% of the North Carolina population, which is every group other than white. The vast majority of identified minority leaders in North Carolina were, however, African American. Mixed leadership was defined as having one minority and one non-minority between the principal and board chair and having a racially diverse board.
Shown here in Table 1 is a summary the demographics in the city of each school interviewed. For the purposes of anonymity, the actual city name has not been included, as in some cases, only one charter school has ever opened in a particular city. As can be seen, these closures occurred in cities with median household incomes both greater than and less than the state-wide average. Similarly, the local percent minority population seemed to be of little consequence: five interviewed schools had higher than average minority populations, three had lower ones. The closures occurred in cities or towns both large and very small.

The map shown below indicates the location of charter schools in North Carolina, with closed schools depicted by black stars.
LIMITATIONS TO THE STUDY

There are many limitations to this study that appeared during the course of conducting research. First of all, of the eight schools contacted, only one was considered to be non-minority led, making any comparisons between minority and non-minority led schools to be conjecture at best. Furthermore, some schools had closed as many as 10 years ago, and the memories of my contacts were sometimes vague, particularly when concerning financial details, making a detailed study of financial barriers very limited. Sometimes the leaders able to be contacted were not those most involved in financing for the school, further limiting this avenue to the research. Finally, only leaders from closed schools were interviewed, making comparisons to successful schools impossible. The findings presented here must be qualified with this knowledge. That said, this study is the first to target charter school leadership in North Carolina, and contributes to our knowledge of charter school closures in the state.

BACKGROUND

Overview of Charter Schools

Charter schools are a relatively new innovation in education, and a fast growing one. The initial enabling legislation was passed in Minnesota in 1991. By 2008, there were over 4,300 schools nationwide, enrolling about 3% of the nation’s students (U.S. Department of Education, 2008). In certain cities (Dayton, Ohio and Washington, DC) charter school students make up a fifth of public schools students. Charter schools are tuition-free public schools that operate under contract with the state and/or local governments: publicly funded and accountable to the same agencies that oversees all other public schools. Charter school management, however, is private. In exchange for holding to strict standards of academic performance, chartered schools
are typically afforded greater flexibility in day-to-day operations. Their evaluation is performance-based rather than compliance-based.

Charters tend to cater to students not adequately served by traditional schools and therefore disproportionately serve students at the edges of the academic spectrum: at-risk, juvenile delinquents, gifted and talented, children with disabilities, non-English speaking, low-income, and others. According to the Center of Education Reform (CER), in the median charter school, 75% of students are defined as “at-risk” and 60% of students are minorities (Allen, 2005, p. 8). And their services are popular: the median waiting list at charter schools is fifty students long (Allen, 2005, p. 7).

Though charter schools receive public funding, in many states, charters receive no funds for facilities, and most often have to make do with less money overall. Among the charters surveyed by the CER, the median revenue stood at $6,000 compared to $8,891 for conventional schools (Allen, 2005, p. 4). According to the National Alliance of Public Charter Schools, nationally, they receive only 78% of the average school district’s per pupil funding (National Alliance for Public Charter Schools, 2008).

Charter school leaders face a particular challenge; not only must they have the many skills required of a school leader, but they must also have the skills of an entrepreneur, a real estate developer, and a non-profit director. It’s a high bar, and it is not always met. Nationally, the overall closure rate of charter schools is 11% (Allen, 2005, p. 5). Though some schools are shut down due to failure to meet academic standards, many close for other reasons, including management difficulties, inability to secure a facility, or insufficient funding.

In North Carolina, charters were first authorized in 1996, and must be approved by the State Board of Education. The initial charter lasts for 10 years, with a 5-year review. At the end of each 10-year period, the school must apply for renewal. To date, a cap in the number of
Charter schools has been set at 100. With 98 charter schools in operation, serving over 27,000 students, new charters may only be approved if a school closes.

**Literature Review**

Many prominent charter school thinkers on both sides of the debate, including the U.S. Department of Education, concur that it is too soon to determine whether charter schools are a promising innovation destined to expand, or another failed attempt at reform (Deal, 2004) (U.S. Department of Education, 2008). Not even one generation has passed since their inception in 1991. This exploratory study does not weigh in on the effectiveness of charter schools as an educational invention, but rather is designed to facilitate their success in the hopes that the innovation is given the best chance to prove its worth.

Much research has been done to try to assess the general effectiveness of charter schools academically, as well as the effectiveness of regulatory and accountability systems. The Center on Reinventing Public Education has undertaken one of the most ambitious reviews: yearly national compilations of surveys comparing chartered and conventional schools, starting in 2005. Less studied, however, is what constitutes effective (and ineffective) charter school leadership, particularly at a sub-national level. The following review attempts to summarize the most relevant literature to date.

*Charter School Leadership*

The National Charter School Research Project (NCSRP) has been one of the most active contributors to research regarding leadership in charter schools. A study published in 2008 surveyed 715 leaders in 6 different states to identify the unique qualities of charter school leaders, and the unique challenges they face. The leaders of charter schools, compared to those
of traditional public schools, are more likely to be African American or Native American, female, under 40 or over 60 years old, and to have less than 3 years experience in school leadership (Campbell, 2008, pp. 6-7).

The author also identified four key leadership areas that pose a particular challenge for charter school leaders and, more specifically, catalogued what respondents identified as very serious and somewhat serious problems. For the top three most common problems 39% listed “acquiring or managing a facility,” 37% said “raising funds or managing finances,” and 36% said “attracting qualified teachers” (Campbell, 2008, p. 17).

Another NCSRP study included research on the challenges of sustaining a pipeline of qualified school leaders for charter schools. They identified six key lessons which will prove to be good starting points for my research: “(1) Ensuring a pipeline boils down to good recruitment, (2) One-person-leadership training approaches are not enough, (3) Training programs and trainees should be accountable for results, (4) Hands-on training with support trumps coursework, (5) District demand will drive true scale in innovative leadership training, (6) Charter leadership training is the future of traditional public school training” (Lake, December 2007).

In addition to a principal or director, charter schools are governed by boards of directors, who frequently help provide the expertise not held by the founder themselves. There is a significant lack of research into the roles and influence of charter school boards, though the National Charter Schools Institute is leading the way (Carpenter, 2007). The need to speak with board members and learn more about their role may emerge during my exploratory study.

There are also efforts to establish training programs specifically geared towards charter school founders. The United States Department of Education has sponsored research into a Model Leadership Training Program for Charter School Founders. The first year’s results outline the “core content areas” that must be covered in a charter school leadership program and
explain the varying expertise needed by the different phases and types of charter schools. On the practical side, there are a few school leadership programs targeted to the specific challenges faced by charter school directors, including The Charter School Leadership Academy, Building Excellent Schools, Knowledge is Power Program, and New Leaders for New Schools.

**Charter School Finance**

Difficulty obtaining adequate facilities has proved to be a significant obstacle for charter schools, causing many to close after only a short time in temporary facilities or before they even begin operations. Whereas conventional schools receive facilities independent of their per pupil funds, charters must raise capital, and perform the search for appropriate properties all on their own. Subsequently, they frequently are housed in temporary or adapted facilities. In the recent Campbell and Gross survey of challenges faced by charter school directors, the two most common issues rated as “very serious problems” concerned financing (Campbell, 2008, p. 17), with facility financing as the most common. Furthermore, of the six states represented, North Carolina was one of the three states most likely to report difficulties securing facilities.

There are factors beyond cost involved however, including the unfamiliarity of property owners, developers, and lenders with charter schools and a high perceived risk associated with the schools. A 2005 report by the Kauffman Foundation found that the risk may be overstated: only 6% of charters failed to make payments on their buildings (Ewing Marion Kauffman Foundation, 2005, p. 1). Moreover, the fear is self reinforcing, the report found. “the whole dilemma is to some extent circular: securing a long-term lease or mortgage helps a charter school to stabilize, attract students and survive—but many cannot strike such a deal because of concerns that they won’t survive” (Ewing Marion Kauffman Foundation, 2005, p. 1).
**Minority Leadership in Education**

There is very little research on this topic specific to the charter school context. Though many works study the impact of educational alternatives on minority students, none I have been able to find address the challenges for minority charter school leaders.

**Charter Schools in North Carolina**

Though no studies to date have studied charter school management challenges in North Carolina specifically, several studies have been done concerning their performance overall (Ladd, 2006), (Manuel, 2007), (Hassel, 2007), (Noblit, 2001).

Though North Carolina ranks 12th in the number of charter schools, it ties for 5th place with the number of closings (Lake, December 2007, pp. 3-5). While this could indicate an effective regulatory system, it more likely points to the number of schools that never get off the ground. According to a study published by the N.C. Center for Public Policy Research, of the 29 school closings in North Carolina, ten have been revoked, two were not approved for renewal, and 15 voluntarily relinquished their charter (Manuel, 2007, pp. 56-59). However almost 38% of closed schools were approved but never opened. Moreover, funding challenges account for a large portion of school closings. Over one third of closed schools that were at one point open cited financial difficulties as a primary reason for closing (Manuel, 2007, pp. 56-59).

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1 Two schools closed after the study took place, and their type of closure could not be found.
FINDINGS

ARE CLOSED SCHOOLS MORE LIKELY TO HAVE PARTICULAR DEMOGRAPHIC CHARACTERISTICS?

AT-RISK STUDENT POPULATION

Closed schools are dramatically likely to have targeted an at-risk population of students. Every school leader interviewed identified their school as having served at-risk students, though a variety of terms were used in addition to at-risk such as “damaged,” “those falling through the cracks,” “those who can’t make it in regular schools,” “disenfranchised by and unconnected to the public school system,” and “learning disabled.” One school specifically served students suspended or expelled from traditional public schools. All of the eight schools contacted self-identified as targeting at-risk students. Not one of these schools was classified by the state Department of Public Instruction as an “alternative” school. This designation entitles schools to additional funding for disabled students, as well as alternative evaluation measures. The schools therefore were compared to traditional schools for the purposes of evaluation, a fact that potentially caused trouble for many schools. This is discussed in further detail under Academic Factors.

Self-identification as serving at-risk students is the best indicator of disadvantaged students available, as information on the number of students receiving free and reduced price lunch is not uniformly tracked by the DPI for charter schools and unfortunately could not be obtained.

Expert opinion was not uniform on the connection between at-risk students and risk to schools. The locally based contact felt it was the key indicator of risk of failure, “From everything I’ve seen, it’s the schools that concentrate at-risk students [that are most likely to fail]. The
finances become a lot tighter; resources are less likely to be there from parents. And parents are less likely to be involved in their kids’ education,” says one expert who worked closely with early charter schools. Not all experts expressed the same certainty of failure for schools serving at-risk students. The national level contact from NACSA, said that in their experience no types of schools were more likely to fail than others, “it’s across the board.”

**Race of Student Population**

Schools that serve high populations of minority students, typically African Americans in North Carolina, are overrepresented among closed schools. Whereas the average portion of minority students among all charter schools in the year 2002 was only 44.5%, the average portion of minority students in all closed charters, during the last year of their operation was 79.54%. Though minority status is unlikely a causative factor, race is likely correlated with low-income or at-risk status, which certainly strains struggling schools. Schools in North Carolina that target an at-risk student population almost invariably end up with a high proportion of minority students. In the words of one contact, “The fact that everything [at-risk] correlates to race is really going to become a problem for charter schools. Eventually someone’s going to point out how the schools that are left are just white flight schools. But they really didn’t start out that way. In the beginning, over 50% of charter school students were African Americans, but now it’s back to about state average.” In fact that’s not quite true. Though the overall average proportion of minority students has fallen steadily since the inception of charter schools, from 51.2% in 1999 to 41.8% in 2005, charter schools still serve a higher proportion of minorities than the population at large, which stood at 25.05% in 2005. The following figure demonstrates this decline.

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2 All school demographics in this section are from the North Carolina Department of Education website. Additional data may be found here: [http://www.dpi.state.nc.us/fbs/resources/data/](http://www.dpi.state.nc.us/fbs/resources/data/). The pool of closed charter schools excludes two schools for which data was not listed.
One possible explanation for this trend could be the closures of many high minority schools, though it is more likely that it reflects the faster pace of adoption of charter schooling by white families, as enrollment of all racial groups has increased; enrollment of whites has just increased the fastest. School closure is not limited to high-minority schools. Among the 27 closed charter schools with demographic data available, three were majority white by a large margin and five more were relatively racially mixed with no single racial group composing more than 60% of the student population.

**MINORITY LEADERSHIP**

From my investigation, 74.1% of closed schools were found to be minority-led, 14.8% had mixed leadership, and 11.1% had majority white leaders. Again, mixed leadership was defined as having one minority and one non-minority between the principal and board chair and having a racially diverse board. Mr. Gerber estimated that only about half of all chartered schools have been minority-led, and that number has only decreased over the years (Gerber, 2009). Though this discrepancy between the leadership of closed and open schools is stark, it is
not necessarily a causative factor. In fact, as explained above, it appears that minority-led schools are likely to serve an at-risk population of students, which, alone, is a significant factor in school failure.

YEARS OF OPERATION

Perhaps unsurprisingly, charter schools in North Carolina are most likely to close within the first few years of opening. Twenty-one of the 29 closed schools operated for less than 6 years, while only 8 lasted for more than 5 years. The average years of operation stood at 4.3, while the median was even lower, at only 3 years. A histogram of the data is shown below in Figure 4.

![Figure 4: Frequency Distribution of Years of Operation, Closed Charter Schools in NC](image)

Accordingly, the number of closures has slowed substantially in the past 6 years, possibly from a combination of reaching the cap, as few new schools receive charters, and of a change in practices succeeding in preventing closures. Figure 5 below depicts a histogram of the closures by year.
Financial Factors

Financial issues were one of the two most commonly cited reasons for closure, along with governance.

Facility

An expert well versed with the intricacies of charter schools and how they fail lists facility financing as the single most important obstacle for charter schools in North Carolina.

Finding a facility and paying for it starts the economic problem, and then you run into other problems like paying for quality teachers. However, with an adequate board, the schools would probably have been able to get a good facility. The second most important problem therefore is board composition. But then, many schools could survive a bad board, if they had an adequate facility that didn't strain their finances. So it's a feedback loop (Interviewee11, 2009).

This vicious cycle appears to entrap many schools. Not a single closed school I was able to contact had purchased a facility anytime during its operation. All but one leased a facility, the
one exception had a space donated, though the school paid for repairs on the site alone (Interviewee2, 2009).

Frequently, a lack of funding for facilities meant that schools started with a deficit that they couldn’t shake in time to save the school. One founder whose school opened prior to the implementation of start-up funding, disclosed that her school began its first school year with a $142,000 deficit (Interviewee6, 2009).

School leaders have tried many creative strategies to find suitable school buildings. One school rented a facility, paying $10,000 a month. When things got desperate for the school, a leader from the school was able to negotiate a lower rent alternating $10,000 one month and $5,000 the next. However this concession was not able to save the school in the end, as enrollment dropped too low to afford the facility (Interviewee4, 2009).

Another school who rented had to work in 3 different facilities at same time during its first year. They finally got a single facility, which worked better though it was “raggedy”. Eventually they were able to move to a religious facility serving as a community center, where they spent 4 years. Yet another school shared a facility with a community center, in exchange for reduced rent. They had to take down their materials each week and then return Sunday evening to set it all back up again. Eventually they rented a 6 room module, in response to a state inspection. But their offices were still held in the community center where everything had to be cleared out on the weekend. They felt some feelings of infringement on the part of the community center, so the situation overall was not very friendly (Interviewee9, 2009).

Not only is securing a facility a challenge, but the facility a school is able to procure may prove to be a detrimental factor itself. One school listed their primary reason for closing as low enrollment, but they knew their problem began with their facility. It was located in a low income
neighborhood that was perceived by residents to be unsafe, and therefore though there was some interest in the school, many parents refused to send their children (Interviewee9, 2009).

Financing a Facility

The NACSA contact person pointed out that sometimes the facility financing problem starts with the reliability of the authorizer.

They tend to look at the authorizing environment and regulators to see how frequently they monitor schools. If it’s just annually, that can hide, over a period of a couple years, problems that can become insurmountable. So they offer to lend money at a higher price tag. They’ll look at how frequently the authorizer follows published policies to figure out if they can have confidence in what the authorizer is saying (Interviewee10, 2009).

Lenders have to judge a school without prior experience on which to base their due diligence, and therefore must depend only on the authorizer to be an adequate filter and to provide supervision. Another trouble for facility financing is the short term of the charter. A facilities loan for merely 5 years, with such uncertainty as to whether the school will continue afterwards makes it difficult to access a loan that is not cost-prohibitive.

Fundraising

A lack of active or successful fundraising was a significant trouble for many schools. Three leaders spoke at length about the need for fundraising specifically; all but one school discussed the need for more money, though they did not necessarily acknowledge the school’s role in raising additional funds. At two of the schools who addressed this directly, it was because the board did not include members with the knowledge to fundraise successfully, while at the other, the board simply rejected the notion that it was their role to do so. Fundraising experience is discussed in more depth under Governance and Management.
Start-Up Funding

Every early charter (opened prior to 2002) interviewed mentioned their lack of time and money for a start-up period. This has been changed, and new applicants now receive a grant for a one-year planning period along with their charter. But leaders from the early group of charters, which gave rise to a disproportionate number of closures, felt that this was a crucial failing point for their school. One principal elaborated:

*When our school began, charters didn’t get any planning money. Now they do for a first planning year, but I think maybe even that isn’t enough. The development end is where all the expense is. You’re required to show these great test improvements by the ABCs, but it really takes 5 years to get a program up and running, everyone knows that. It’s a double edged sword, as you have kids who need to be learning, but you don’t have the staff to get it running prior to the kids arriving* (Interviewee5, 2009).

The critical year of planning enables school leaders to locate an appropriate facility, recruit qualified teachers and other staff members, fundraise, and set in place other such prerequisites that could not be secured prior to having charter approval.

Enrollment

Enrollment is undoubtedly a critical factor in the success of a charter school. The average enrollment during the last year of a closed charter school’s operation is 97 students, rounded up. This stands in stark contrast to the average for charter schools overall in 2005 at 260 students. In addition, it was specifically cited by four of the schools as either the primary or the secondary reason for the closure of the school. It seems clear that keeping enrollment up is vital; however the difficulty of fixating on this issue is the myriad of causes that can independently create low enrollment for a school. Low enrollment is listed throughout this paper as an ultimate consequence of a poor facility, public relations issues, a rural location, and more.
**Transportation**

Providing bus transportation to students was most challenging for schools in rural areas.

*The county has 720 square miles, and it’s mostly rural. So we had to pay for transportation, there was no other way to get rural students. Some families didn’t even own vehicles they were so poor* (Interviewee1, 2009).

For rural schools, providing bus transportation is an essential prerequisite to attract students, and yet at the same time, is the most expensive location to do so, as buses must travel so far. However this problem is not exclusively a rural one. One urban school was unable to provide transportation at all, limiting enrollment and forcing some students to ride a taxi to school (Interviewee3, 2009).

Most leaders spoke of transportation not as a crucial obstacle however, but just another item to add in the budget that unequalized funding between themselves and traditional public schools. Mentioned twice were the cost and time of repairs, made all the worse because they had to buy used buses in the first place. “We can’t just drop [broken buses] off at the school district’s repair center. We had to repair them more frequently, [as we ended up having to buy used buses] given our budget (Interviewee7, 2009).” Paying for such services individually inevitably raises the cost of these budgetary items over what they would be at the nearby public school with access to bulk services.

**Supporting Staff**

Several schools detailed the lengths they went to meet budgets, sometimes damaging their ability to attract qualified professionals in the process. As one expert detailed, “If you don’t have much money, you may get the certification but without the quality of teaching. Then they cycle begins; you get low test scores and DPI comes calling (Interviewee11, 2009).” Cutting
corners from staff budgets makes qualified teachers difficult to attract, a key to meeting state standards.

For example, one school operated on insufficient budgets from the start, and got donations to cover expenses such as tests. But they couldn’t compete with the nearby traditional schools in terms of salary and retirement benefits, which meant they had “qualified teachers but not A-list teachers,” except in select cases where a teacher came out of retirement for the cause (Interviewee1, 2009). Though it was not the primary cause of the school’s closure, the contact felt that having less qualified teachers contributed to the school’s troubles.

Sometimes low budgets forced schools into situations where they had to pay more than usual for necessary services, like in the case of contracting. Several schools mentioned contracting for services as wide as food, physical education, transportation, testing, and special education. These added expenses came at the cost of staff salaries. Though contracting out services is usually more expensive in the long-term, the fixed costs of beginning an in-house program may be prohibitive.

Finally, in one case the school was already closing, but staff remained even knowing they may not be paid. An administrator proudly revealed, “Our staff worked for two months with no pay in order to serve the students and finish the school year. None of our staff had retirement or health benefits; we did it out of dedication to our students (Interviewee6, 2009).” Though in this instance it was unnecessary for the school to attract new staff, requiring deep sacrifices limits the pool of willing teachers, and the reputation may make some teachers reticent to join a charter school in the future.
**Personal Financial Liability**

Two different charter school leaders shared that they had personally guaranteed loans necessary to keep their schools running on a day to day basis. In other words, they had taken long-term debt, secured by their 401k or other retirement assets, to cover short-term operating costs, a financial mismatch that did not serve them well. Both spoke with dedicated resignation of personally paying off these loans well after the school had closed. One explained, “We [the charter school board] got loans from a local bank, which worked fine, though we had to sign a personal guarantee. Between the five of us, we had to personally pay it off after the school closed (Interviewee1, 2009).” In both instances, the debt was taken on at a moment late into the life of the school, perhaps as a last effort to save the school, but with little likelihood of doing so.

**Unpredictability of State Funding**

One school reported the unpredictability of state funding as their most pressing cause of financial distress. Though it was not explicitly stated, it appears that the combination of this loss of funds with an insufficiently developed fundraising capacity truly caused the school to fail. The school first ran into trouble when an annual state grant of $50,000 they had expected to last for 3 years did not. Just before their third year of operation, she said, the state changed this automatic grant into a lottery to which the school had to apply (Interviewee3, 2009). The school was not aware of the change, and could not last the entire year without the $50,000. When concerns about losing their charter got out, enrollment dropped, further reducing their sustainability. The founder and her husband took out a personal loan secured by her 401k in order to pay staff salaries through the third year, but it didn’t last long enough. The school closed in February, before the end of the school year, and students had to relocate.
Governance and Management Factors

Board Training

One of the strongest trends discovered was difficulties stemming from an untrained board. Failings of the board were cited again and again in conversations with school leaders, from principals and board members alike. A phrase heard repeatedly was that the board “didn’t understand what its role was.” This manifested in different ways, from inactive boards who refused to fundraise to overactive boards who micromanaged school finances and tried to run the school.

As an example of the former, one school had a lax board that lacked anyone with real financial resources to bring to the table, or even someone with fundraising experience. As one leader at the school explained:

*The administrator must play the roles of principal, supervisor, counselor, central office. It’s a lot of hats to have on, and as a charter school, you don’t have the money to hire enough staff to do it well, as you would in a public school. You certainly don’t have the time to fundraise, that is the work of the board, but in our case, the board didn’t really understand that* (Interviewee5, 2009).

There was consensus among all but one interviewee that the money allocated to charter schools is insufficient, particularly since the cost of a facility is not covered. Therefore, the inability to bring in funds from external sources will inevitably cripple a school.

One of the most extreme cases of mismanagement provides a cautionary tale of an out of control charter school board. From an account of a leader at the school, the board of directors did not understand their role at the school, and this was ultimately the cause of the school’s demise. The board composition included members with both education and business experience; however over time it came to include more and more personal friends. Though the board began as a racially diverse one, by the last few years, every member was African-American. Some members began recruiting friends or colleagues to fill the spaces of those who
left after their term and eventually they voted to extend the rotating 2-year terms to 15-year terms.

The state required us to be trained, which was good, but not the board. The school staff, including the principal, was sent for training by DPI, and it was excellent. ... So out of everyone involved, only the board received no training, neither about the school mission nor their role as the board. They rejected board training. In fact, they rejected any outside advice...They eventually just turned down any visitors to them, not just parents, but management companies, former superintendents, and facility financing experts...Things really came to a head when the board took on the PTO. They tried to exclude the group from board meetings, which was against the law. The PTO knew it, and finally came to a board meeting with a video camera...The PTO began calling the state, and eventually went to court over being excluded from meetings. The Judge required that meeting times be posted. But the board just disbanded the PTO and set up a PTA with a hand-picked chair person.

The board then fired the principal, and began firing people who were pro-principal. The year that they fired her, we had met AYP and raised test scores to be “at” the necessary performance level. The year after that, test scores went down drastically. In one grade, they went down to only 20% passing. Many parents threatened to leave, and some did. Since enrollment was dropping quickly, the board allowed enrollment numbers that weren’t entirely honest to be posted (Interviewee7, 2009).

The board’s overactive sense of authority and expertise led them to inadvertently doom the school, whose listed reason for revocation was “governance.” Their lack of knowledge about legal requirements led them to feel they had more authority and control than they ought to have had. Unsurprisingly, this contact’s advice for future charter schools was to have a strong original charter with provisions to reign in a board that has gone too far. Though it may seem extreme, the advice may prove very useful for schools in a similar situation.

Achieving a well trained board is not merely as simple as offering the training however. The contact from The League of Charter Schools, which provided board training for some years, spoke to the difficulty of attracting the people who needed it most:

We used to do it in the early days. We even enlisted the help of the ‘retired corps’... Either [the school leaders] know what they’re doing when they show up, or if they’re the ones that desperately need it, they don’t come. In hindsight we should have sought them out (Interviewee11, 2009).
Therefore a regulatory requirement for comprehensive board training may be necessary to ensure that those who need it most do attend.

*Nepotism*

One problem that some charter school leaders can cause for themselves is allowing too many friends and relatives to work at the school. The overbearing school board described above provides one example. One interviewee tried to account for the tendency, “Maybe they’re trying to promote a sense of family in the schools, but less experienced leaders don’t know how to say no, so they end up with lower quality staff and teachers and board members than they should have….A business person is more likely to know how to deal with this (Interviewee11, 2009).” This is a particular problem in areas of the state where jobs are in high demand, they say, which of course means that leaders are exacerbating problems for the schools least able to handle it.

*Quality Leaders*

On the other hand, more selective school leaders may have significant trouble simply finding or attracting qualified leaders to the school. At one school the founding principal left the position shortly after the school opened due to personal reasons. Out of desperation, the board appointed one member to be the principal temporarily, until they were able to secure a more experienced candidate. Another principal could not be secured, and the board member remained the principal for the two years of the school’s operation, without any pay. Another leader expressed how finding qualified principals for charter schools was more challenging than for traditional public schools, as the position required greater skills. In addition to a simple dearth of certified principals, charter schools pose a particular challenge due to the spontaneity
required of upper management, she said. “Most principals are used to stepping into a fully formed structure where the necessary steps are laid out, but in a charter school, the structure must be created (Interviewee2, 2009).”

While most former school leaders gushed about their belief in the charter school movement, one felt disillusioned. They valued the ability for creative innovation, but felt that the extent and variety of expertise required meant it wasn’t a viable system for most schools, particularly those serving at-risk students.

*This entrepreneurial thing is a nice idea, but it takes school people to know how to run a school. The entrepreneurs know how to manage money. It takes a marriage of those two things to work well. The ones you seeing doing that well have already been a private school before applying to become a charter school, and thus they have parental support, high enrollment from the start, the administration set up, etc. The charter schools that succeed either convert from a private school, or have an entrepreneur with a lot of money backing them who hires ‘school people’ to run the schools. And then in that case they attract the better students, which make it even easier (Interviewee5, 2009).*

In her eyes, the quality of leadership required for a successful charter school may indeed be so high as to be unattainable, except when the school is afforded every advantage. Additionally, she seemed to say a successful charter school that serves an at-risk population only is an oxymoron; once a charter school does well, it invariably attracts better students.

**STUDENT POPULATION AND ACCOUNTABILITY FACTORS**

Though it was not cited as a primary reason for closure, over half the school leaders discussed the flaws of the accountability system passionately. Essentially, charter schools are compared to more socio-economically diverse schools, without recognition of growth on individual scale.

In the most extreme example, a school exclusively served learning disabled and expelled or suspended students, and yet they were not conferred true alternative school status, and were therefore compared to typical public schools. One school leader disclosed:
Ninety-seven percent of our students had never been tested in the public school system, because they were labeled in exempted categories. Nonetheless I had to test them since that was my entire population; I didn’t have the luxury [that traditional public schools did]. We were held to same testing standards as traditional schools, but we didn’t have the time to bring them up to those standards. We were not given real alternative school status (Interviewee6, 2009).

The special nature of the school’s student population is reflected in its average performance composite on state tests of less than 10, out of a 100 point scale. The school clearly appeared to be failing academically when compared to schools with an average population. However large gains may have taken place, relative to the student’s past performance, but if so, they could not be known, as they were not tracked.

Though less extreme, schools that serve many at-risk students also have a difficult time meeting state standards, a likely cause of their disproportionate closure rates. One North Carolina charter school expert explained the dynamics. “College-prep schools always look good on test scores compared with state averages (Interviewee11, 2009).” But for schools that concentrate at-risk students, he says, “even if you do better than public schools with same population, you aren’t going to look good, because you’re compared to regular schools.” This is particularly the case in Wake County where they redistribute student based on income to make sure they aren’t concentrated in certain schools, he says, whereas charter schools often specialize in serving this population; it’s in their mission. But then the school’s overall scores are compared to schools with a mix of at-risk, average, and college bound kids.

*It’s not a fair comparison and it doesn’t accurately show how well they’re doing. Not that all charters are doing it well, but this way of accounting masks both successes and failures. You might have a school that starts with 7th graders all reading on a 3rd grade level, and in four years you bring them up to an 8th grade level, a great improvement. But by then they’re all seniors and it looks like the school is failing (Interviewee11, 2009).*

In his opinion, the state should track the performance of individual children in order to see improvements in performance individually. “Not that you should use the student population as an excuse for failure,” he clarified, “but nonetheless [at-risk charter schools] need a little bit
more help (Interviewee11, 2009).” While this may be a significant undertaking in terms of time, money, and organization, it could provide a much more accurate picture of which schools are providing the best for their students.

**Academic Factors**

Apart from the accountability model discussed above, attracting qualified teachers proved the only academic difficulty cited by leaders as a substantial challenge. Unsurprisingly, rural schools and schools who needed specially certified teachers, like special education, singled out this obstacle. One board member explained that their difficulty in finding a certified teacher was due to the very recent enactment of the law requiring a special education teacher when they opened:

> At the time, only perhaps 100 teachers had been certified by the state, and every school was required to have one on staff. We advertised extensively for a teacher, but could only obtain a part-time teacher, which did not satisfy the requirement. Since our school focused on learning disabilities, all the teachers were instructed in special education methods, and practiced them in the classroom, however none of them were state-certified (Interviewee2, 2009).

The dearth of certified teachers, combined with the rural location, and a below-average salary made fulfilling the new regulation difficult. The school eventually was closed due to this exceptional children noncompliance.

**Political Factors**

Real or perceived, many school leaders expressed feeling hostility either from the state department of education, the local school district, or even nearby public schools. Comments included:

> We got them up to state standard scores, sometimes above, but that’s when the state office and local schools began giving us trouble – when we started doing well with students. The State office was not supportive, and we felt discouraged to continue. We were competing against the public school system (Interviewee3, 2009).
We had a better track record with this [at-risk] student population than the system, and there were political implications... Administrators, workers, and teachers in the traditional public school system do not see charters the same way [as people within the movement do]. They see them as a drain on resources (Interviewee6, 2009).

Others were more explicit:

We felt like we were working against the local school district. We felt attacked unfairly by many people. We felt like they resented our accomplishment. There was jealousy of school system. ...It really felt like [the local school district leaders] were trying to find ways for charter schools to fail; like they were looking for ones they could eliminate (Interviewee1, 2009).

Furthermore, leaders at this school felt the school district withheld funding from them that was rightfully theirs, including their per pupil funding, tax money, and a portion of a grant.

One of the earliest schools faced political difficulties not from the government but from the community. It seemed there was simple hesitance from parents, teachers, and school districts that were unfamiliar and distrustful of this new form of public school. This distrust was mentioned by a very rural school, and may not have resulted in school failure if not combined with complicating factors (Interviewee9, 2009). For example, enrollment really suffered, the informant said, due to the location and condition of the building.

LEGAL, CURRICULAR, AND REGULATORY FACTORS

Generally schools mentioned trouble finding the time to comply with the myriad of regulatory and paperwork requirements. However, a couple schools mentioned troubles with specific regulations. One regulation the state maintains is a 10% limit on how quickly the student body of a school may grow each year. Though the state may sometimes grant exceptions, if it is not granted, and the school grows by more than the allotted amount, the school will not receive per pupil funding for those additional students. For schools that are already below the recommended minimum of 65 students, this limitation can be difficult. One school director spoke of a last attempt to save the school from dwindling enrollment due to a rural location through working with a charter school management company. They would relocate the school,
pay off its debts, and push enrollment up to 250. The two signed a contract, but once the management company realized the state would not allow the school to grow to more than 80 students, they pulled out. The low growth simply wouldn’t be financially viable, they maintained (Interviewee4, 2009). If she school had been allowed to grow enrollment dramatically in order to reach a sustainable level, the school may have survived.

Another regulation that caused trouble for one school is the system of calculating per pupil funding. In North Carolina, per pupil funding does not follow a student to a new school mid-year. Instead, the per-pupil calculations are made at the start of the year, and then not again until the next year. One school specifically targeted at-risk students, frequently who had been expelled from other schools. Therefore they could certainly not cut off admissions once the school year had begun. Thus from the time they accepted the student, the school had to provide meals, transportation, and instruction at a loss to the school, until the new school year began and the student was added to the enrollment for funding purposes (Interviewee6, 2009). The leader felt strongly if just this one rule had been changed to allow funding to follow students within school years, their school would have had sufficient funds to continue well past the time the school was forced to close.

**Special Populations**

A few schools work with a unique population, more so even than schools serving only at-risk students. One such school succeeded for 15 years as a private school prior to converting to a charter school. Unfortunately, the school was able to remain open only for two years as a charter before being closed.

*We were the only option for poor expelled students. Our goal was to have them complete their education. About 95% of our students had been involved in court probation. As charter, while we got some money for disabilities, most kids had never been treated, nor had they been given a PEP [personal education plan], or any special services. Some had severe medical issues that prevented academic achievements, like sleep apnea, which had never been treated. Then they had become labeled as having a*
behavior problem. Once we got students evaluated, tested, and diagnosed, we could get extra money to work with each student, but in beginning they’d never been properly labeled. The process was difficult and we had to rely on getting into the mental health system, as we didn’t have a psychologist on staff (Interviewee6, 2009).

Receiving additional funding for special education students was a challenge for this school. A maximum proportion of about 10% of a school’s students can be filed as learning-disabled to get supplementary funding. While this makes sense for most traditional public schools as their student bodies are controlled to a degree, for charters, who may even explicitly target the learning disabled, it is an impediment. The school described above received equal per pupil funding to other schools in the district, however did not receive full compensation for their high population of learning disabled students. Since this charter school specifically catered to the learning disabled, the proportion of students at the school eligible for extra funds, far exceeded the allowed number. Consequently, the school’s budget did not meet the amount that was needed to serve their students adequately.

Sometimes schools who didn’t intend to have special populations end up with them anyway, as the school is given the label of the school that takes rejected students from the traditional public system. One expert described such a case,

In fact it’s the 6-12th grade at-risk school: talk about the bound to fail school. There was one case where a kid was expelled for molestation, but the school said, ‘oh, he can go to the charter school.’ If parents feel the kids are back on track, they’ll send them back to the public schools that are easier to deal with. They have bus transportation, more sports, band, etc (Interviewee11, 2009).

This particular challenge was also expressed by a school leader interviewed. “The school became a dumping ground for behaviorally troubled kids (Interviewee1, 2009),” they said. The school became known in the community as the school that will take anyone, though its mission was to serve students with mild learning disabilities, not behavioral problems. And whereas at a traditional public school, the number of such students is limited by the school district
boundaries, a charter school must accept anyone into their lottery who applies from within the state.

**PUBLIC RELATIONS FACTORS**

Scandal and fraud, real or perceived, have damaged more than a few charter schools in North Carolina. More often than not, collapsed enrollment dooms the school before the State closes it, or even has time to sufficiently investigate the claims. While this may be just as it should be when the accusations are true, it also dooms schools that have done nothing wrong.

One school was brought down due to an actual scandal involving a teacher at the school. Enrollment plummeted, and by the beginning of the next school year, it was clear that the school would not have enough money to make it through the year. A new director was hired and the school name was changed in an attempt to cleanse the negative reputation. These attempts were unsuccessful. One staff member explained, “Schools aren’t funded very well, and if they get into problems from a PR point of view, things go very badly. Many of the staff and board left [after the scandal]; those who stayed were less competent (Interviewee4, 2009).”

Another school was accused of multiple crimes that were disproved after a lengthy investigation. Their accusers, though disproven, still were able to see their stated goal of shutting the school down realized however, as the negative publicity from the investigation further impaired the already struggling school.

*One woman whose child came to our school – she had a reputation of causing trouble. She was arrested while working for the police... Her child went to the school, and she wanted to run it... [She and a friend of hers] did everything they could to sabotage us. TV cameras were outside the school some days. Mr. Grover was in charge of charter school system then. He said he couldn’t release our money because of the allegations. We were accused of taking money from the school. I was personally investigated. The state department even said ‘We have never heard such trivial accusations,’ but they had to investigate. When they found everyone on the board had given money and had personally endorsed the loan they decided the accusation couldn’t be true, of course. We were even accused of falsifying tests. Of course we didn’t. We got ‘most improved school’ in the state, but since it was at same time as the accusations, it wasn’t noticed (Interviewee1, 2009).*
Though this narrative just depicts one side of the story, it is clear that antipathy and negative publicity fatally hurt the school with claims that were never substantiated.

In another example more unfortunate than malicious, a school that failed to pay federal taxes lost much of their student body. The story was on the local TV news, and enrollment dropped to an unsustainable level. Eventually the charter was revoked. Though people directly involved in the financials for the school could not be reached for comment, one expert in the field who worked with the school considered it to be a publicity failure. The school was already in negotiations with the IRS to get the problem resolved, and most likely had the money to pay it all. However since the leaders mentioned their difficulty at a public charter school advisory meeting attended by the press, the poor publicity led to sunk enrollment, and once their enrollment dropped too low, the school really couldn’t pay off the taxes (Interviewee8, 2009). One expert (with no knowledge of this particular case) disclosed that experience is needed to prevent mistaken cases such as these. “What authorizers say is that a mismanagement of funds is not always due to nefarious intent...Schools must have a strong understanding of non-profit financing and real estate experience on the board (Interviewee10, 2009).” Indeed in this case and several others, more thorough experience with and facility navigating the complex legal, regulatory, and financial requirements may have saved the school from disaster.

The League of Charter Schools contact corroborated school leader’s stories and told an example of another school,

[Two charter schools], run by the same organization, were accused for mixing church money with charter school money. It was published and impacted their enrollment, leading to a slow decline. It turned out that it was just accounting inconsistencies, a mistake, not criminal. But it was already too late for the schools (Interviewee11, 2009).

Again, a school was closed for what may seem like governance or financial non-compliance, but that actually stemmed from a lack of business acumen.
For one school also mentioned above, the negative publicity dampened their ability to attract funders. The school had managed to raise the performance composite of their students by an astonishing 43.4 points, on a 100 point scale in one year, though they targeted students with mild learning disabilities such as ADHD. However, from the leader’s perspective, the local school district created negative publicity around the school due to jealousy of their performance:

_The negative publicity from reactions from the local school system kept us from being able to generate the extra money we needed. We catered to poorer children; families with learning-disabled children who had money took their kids to private schools or out of the county. So our parents were very supportive, but they just didn’t have the influence to effectively support the school. There was even a very wealthy individual in the county who intended to finance us, but he felt he couldn’t because of negative publicity...The school just didn’t get enough support from state (Interviewee1, 2009)._

Though it can’t be known for certain what would have happened in the absence of the false accusations, school leaders felt they would have received the extra funding, and this would have made the difference for the school.

**DO REASONS FOR CLOSURE DIFFER BETWEEN MINORITY-LED AND NON-MINORITY-LED SCHOOLS?**

Among the eight schools contacted for this study, four were minority-led, one was non-minority-led, and the remaining three were identified to have mixed leadership. Since it would be very tenuous to draw any conclusions from comparison to one instance of non-minority leadership, here I will compare the four minority-led schools to the four assorted leadership schools, that is the mixed and non-minority led schools combined.

**ACADEMIC**

While poor academic performance is a common characteristic among closed charter schools, the extent of poor performance does not appear to differ between minority and non-
minority led schools. The sample size was not large enough to be considered statistically significant, particularly because the number of non-minority-led closed charter schools came to only three, and performance data was available for only two of these. The average performance composite for non-minority-led schools over the entire operating period came to 39.10, while the same figure was 39.16 for minority-led schools. For mixed-leadership schools, excluding one outlier with an average composite of 8.5, the average was 35.4. All of these figures however stand well below the average performance composite for all charter schools, years 1997 through 2005, at 65.17. Subtracting closed schools yields an even higher average performance composite of 71.3. So while academic performance may be an indicator of the risk that a school will close, it does not differ according to the race of the leadership.

From a case study perspective, leaders never listed academic reasons as the primary reason for closing, though three listed them as secondary reasons. Specifically, two listed their large at-risk populations and two cited a difficulty attracting qualified teachers (one cited both reasons). Among those who listed an at-risk population, one was minority-led and the other of assorted leadership, the third was minority-led. This anecdotally reinforces the conclusion that academic troubles do not appear to be a distinguishing factor between minority- and non-minority-led schools.

**Governance**

Leaders from two minority-led schools cited governance reasons as the primary reason for closure, while only one of the assorted leadership schools did so. Governance difficulties were never listed as a secondary reason for closure, possibly because governance plays such a critical role that if it is really unsuitable, it will be a driving cause of closure. More specifically,

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3 Minority leadership information was obtained from Roger Gerber, Director of the NC League of Charter Schools.
4 The performance data for closed charter schools excludes five schools for which the data was not available.
the governance issues faced were poor reputation due to scandal, tax fraud, and an out-of-control board. Though this would be an interesting avenue for future research to determine a possibly greater need for governance support among minority leaders, the very small numbers involved in this case study make it impossible to draw any conclusions on this point.

While only three schools directly cited governance as reasons for closure, every school spoke to difficulties in governance in some manner during the interview. One reason for this disparity is the difficulty in teasing out governance from financial troubles. Though some leaders cited financial obstacles as a primary reason for closure, they spoke of insufficient experience in fundraising on the board at other points during the interview, showing how the several classifications of issues are, of course, interconnected.

**Financial**

Five schools named financial issues as their primary reason for closure, among them two minority led schools and three assorted leadership schools. Five schools listed financial issues among the secondary reasons for closing, with some overlap. Among these, absolute funding amount was listed by two different schools, both of the assorted leadership group, and two listed low fundraising, by one school of each group. Low enrollment was named by four schools, two from each group. Two schools singled out facility financing, also by one school from each group. Only one school, a minority-led school, did not list financial issues at all, a school that closed abruptly due to tax fraud on the part of one school leader. Clearly, financial concerns are of primary importance across the board, regardless of leadership. The only difference that can be noted between the two groups appears to be that no minority-led schools consider absolute funding a primary or secondary reason for closure. However this measure is imprecise, as the amount of funding a school receives is closely tied with the enrollment of a school, and how far this funding goes depends on the student population, the location of the school, et cetera.
In conclusion, what may be said is that for the purposes of improving technical assistance, improvements made to any of the most prominent difficulties will help to better serve minority leaders. Minority leadership is overrepresented among closed charters, indicating that though significant differences between the challenges schools faced do not differ widely among the group of school leaders interviewed, all the challenges cited most frequently may be taken to be common concerns in need of being addressed.

**WHAT CHANGES OR SERVICES WERE SUGGESTED?**

**BOARD TRAINING**

Required board training was the most frequently suggested improvement. Leaders from five of the eight schools listed it as an important next step, while three of these five listed it as the single most important improvement for charter school success. Topics that were of particular need included information on the board’s role, limits to their power, legal issues, and their role in fundraising.

Governance is prominent topic not just locally but also nationally. I spoke with one contact who works with the National Association of Charter School Authorizers (NACSA), and though they don’t work below the authorizer level, they frequently are asked to do training for local schools boards in governance. This is the most common request they field, and in response they have devoted more effort to guiding authorizers to create their own training programs (Interviewee10, 2009). If the findings from this study are at all applicable, this is a greatly needed service.
**Additional Authorizers**

Linked to their concerns over political disputes and public hostility, several schools and experts suggested the need for additional independent authorizers who could work without going through the Board of Education. One school leader felt that having the charter school office under the Department of Public Instruction causes lots of weaknesses; you have to go to the same people working on behalf of public education system. “It’s like you’ve put the fox in the hen house to watch the eggs (Interviewee6, 2009).”

The national and state expert contacted both agreed that multiple authorizers in a state are better. “It provides competition between authorization processes till they reach a good balance, neither too lax nor too strong (Interviewee10, 2009).” The other interviewee emphasized the bias possible in a single-authorizer environment:

> The fundamental problem with authorizing in North Carolina is that the only authorizer in the state doesn’t want charter schools around. Before 1997, DPI was lobbying against the passage of the charter school bill, and now they are the ones regulating the schools. There is a built-in bias... In a perfect world, though this would go against state constitution, it would be nice to have more authorizers, most importantly an independent one (Interviewee11, 2009).

Were there more independent authorizers, competition might be a two-way street; not only would leaders compete for school charters, but authorizers may also have to compete for quality applicants.

**Teacher Recruitment and Training**

Several leaders commented on the need for help recruiting and training charter school teachers. One principal felt that skeptical teachers held the school back in the beginning:

> [The teachers] had a hard time at first adjusting to the [lower access to] resources at a charter school. We needed them to really buy into the concept, and we didn’t do a great job at it. Of course over time it got better, and we had more resources, but the teachers need to know from the beginning what kinds of sacrifices are necessary and what to expect (Interviewee9, 2009).
Training in this context primarily meant help transitioning to a charter environment. Related to this point, were suggestions for a Charter School Teacher Association or other outside group that caters specifically to the needs of charter school teachers. They need particular support, because charters are able to offer fewer resources, but they generally get less support. Such an organization could help connect schools in need of teachers and teachers in need of jobs, lessening the burden on new schools to advertise for positions.

**Charter Advocate and Support Network**

Several school leaders discussed the need for a better charter school support system independent from the state. For one principal this was a foremost concern,

> There was no place for me to go when things were not being done on the ‘up and up’. There was no place to get advice. When I went to the office of charter schools, they had to defend the state not the school. They couldn’t be your advocate...Even though [a unified charter school support organization] was already in place, most people who joined were new and many in the support network couldn’t actually advocate for schools in trouble as they were involved in a charter school themselves and would be targeted for revocation (Interviewee7, 2009).

Most fundamentally, they implied, schools needed an advocate and confidant, a group to go to for sound legal counsel.

One school leader felt their nonprofit lender let the school down. “Self-Help worked with the Department of Public Instruction, they could have used their influence to get us the money we needed (Interviewee3, 2009).” Though this leader seemed to have confusion about the role of lenders in the financing process, their comments reflected the need for a strong school advocate.

Others felt that without an external support, the charter support network was unrealistic. Schools are so busy taking care of day to day responsibilities, she said, that they are simply stretched too thin to send anyone for trainings, much less to help maintain the network. While it would be nice to have an organization to help with fundraising for member schools, it
would require an external source of money for staff, because clearly the schools have no money
to support it (Interviewee5, 2009).

More than simply an advocate, many leaders saw the potential of a charter support
organization to be a central point of communication. “We had [a charter support organization]
already then, but something was missing in communication, what we needed was a sharing of
information between schools that are succeeding and struggling ones (Interviewee3, 2009).”
Others gave more detailed examples of what they would hope to learn from such an
organization,

[The support organization should provide] feedback on what worked at other schools, so
that schools do not continue repeating the same mistakes. For example, presentations
could be given on what does and doesn’t work; do uniforms, longer hours, or a changed
schedule improve student performance (Interviewee2, 2009)?

In the eyes of these interviewees, a charter support network would act as advocate and
communicator.

Charter support organizations also can act as filters that improve charter schools overall,
and without engaging in actual advocacy work, improve the reputation of charter schools in the
eye of the public. One expert highlighted this aspect of a support network’s job,

Some [support organizations] pick up technical assistance; they make sure they fill the
pipeline with quality applicants. In states where there is a really strong [support]
organization there are stronger applicants... Frequently they focus on advocacy when
they’re young, but parallel to that, they need to be the leaders of quality for charter
initiatives which ultimately makes advocacy easier (Interviewee10, 2009).

They qualified this admonition with the fact that in order for this role to be fulfilled, there must
be a revenue source and an incubation period for the organization (Interviewee10, 2009). There
are many important roles for a charter school support network in the process of building quality
charter schools. However, as with most things, initial funding is critical to its success.
Maintaining a Charter Support Network

The story from a leader of the primary North Carolina based charter school support organization offers a lesson in the challenges of sustaining a support network without outside funding. Five years ago, in 2003, the League converted to a membership organization with dues, as they were getting a steady revenue stream already from appreciative schools. However the work still continued on a quasi-volunteer basis as there were insufficient funds to pay salaries. At the peak, consultants from the organization earned $1,000 a month in consultation fees, but often it was far less.

Since the flow of newly authorized schools has slowed to a trickle because of the cap, there’s no real demand for the league’s services anymore. The successful charters have their own gang going- they just lay low. And at other schools, the administrators are overworked anyway, and not interested in the extra time commitment. If you’re a traditional principal coming over to charter, you’re not used to having that extra component of work (Interviewee11, 2009).

Therefore membership dues were critical to the organization’s survival. In some cases there may have been lost opportunities for other sources of revenue. He continued,

We don’t make any money off of [our work to begin an insurance pool], nor from our referrals to Acadia Northstar, a back office support company. In terms of the charter school conference, we’re the only state where the state runs the conference, rather than us, so we don’t make any money off it (Interviewee11, 2009).

Consequently, the North Carolina based charter network missed out on opportunities that helped to sustain support networks in other states. It’s possible that the competitive edge to the charter school world makes collective associations and co-operative ventures more difficult inherently.

GROWTH MODEL OF ACCOUNTABILITY

The need for a growth model of testing was mentioned time and again, and stood as one of the major trends from the research. Together with several other national charter school organizations, NACSA has pulled together authorizers, schools, and charter school organizers, to
create a consensus around academic and nonacademic indicators of charter school quality. Among the academic indicators of course are performance on state assessments and educational attainment, however in order for these to be known, there must be a growth measurement model.

My contact at the organization pointed out the importance of such a model for keeping high performing schools accountable, “Not everyone measures growth, beyond just keeping up to standards. This is particularly important in high socioeconomic schools where strong achievement can mask low growth (Interviewee10, 2009).” An expert acquainted with individual schools in North Carolina attested to the importance of a growth model of testing for at-risk schools as well,

*We need a growth model test, one which tracks individual students. That’s the only kind that really makes sense, because then you can get at specific categories that kids miss. The real problem is we don’t have a good way of judging actual academic success. Some schools look worse, some look better under the current testing system. But it’s not accurate...The regulator should find a way to judge schools as fairly as they can, and give parents a little more credit. If the parents appreciate the school, there must be something valuable. Of course you need financial accountability and testing as well. But in other words, assume something positive, rather than negative (Interviewee11, 2009).*

In addition to this expert, several interview subjects affirmed their belief that test results did not adequately measure the impact of a school; the satisfaction of parents, many felt, was the best indicator of whether the school made a valuable improvement in student’s lives.

**Revision of Regulations**

There were several regulations singled out by respondents as in need of revision. One person discussed the need for the funding allocation formula to be revised each year. “They should look at the formula again; it needs to be adjusted every year. People need to know more about exactly what is coming in state allocation [to help them create a budget] (Interviewee5, 2009).”
As was mentioned in the section on reasons for closure, one school felt that the primary reason their school closed was due to the unpredictability of funding from the state. According to the school, just before their 3rd year, the state changed the grant to a lottery system, without informing the school that they would now be required to enter the lottery. So to their surprise, the school did not receive the grant, and could not finish the school year without it. Though the issue seems to have been a one-time occurrence, holding the importance of predictability in mind could be valuable for the future.

Another important revision involved the calculation of the transportation funding formula. Transportation funds are calculated into the funding allocation formula for charter schools on a per pupil basis. One board member suggested how to ease the strain on rural schools that have no choice but to provide transportation and at the same time have the most costly time of it. “Transportation money should be allocated based upon the distance of each child from school, not a flat per capita. Some students who really need the specific services offered at our school were very far away, and it gets expensive (Interviewee2, 2009).” Allocating transportation funds based upon the average distance of students from the school would equalize the disproportionate burden of funding transportation for rural and specialty schools.

A primary concern for one school that experienced significant problems with its own board was the control of board power in a charter school.

*There should be a way for the state to deem a board unqualified, because as it stood they could do nothing. They should have required criteria for school governance, including having a board member attend Charter School Advisory meetings, or at least the annual Charter School Conference (Interviewee7, 2009).*

Greater regulatory oversight of charter school boards may be contentious, but it would help to prevent situations where boards take over a school for the worse.
PLANNING PERIOD AND START UP FUNDS

One of the most commonly mentioned causes of closure among early schools is an already out-of-date concern. A planning period and start-up funds were cited as crucial to success. One interviewee commented that she still felt the start up funding may be inadequate, but most felt the problem had been amply addressed.

A couple interviewees did express concern over the length of the planning period, specifically the time designated to find a facility. “The startup funds are now appropriate, but there should be more time with those funds. Three months to find an adequate facility is just not enough (Interviewee7, 2009).” One expert confirmed the same feeling that though the planning money was sufficient, a bit more planning time ought to be built in prior to the school opening.

ACCESS TO COLLECTIVE SERVICES

Access to certain bulk public services provided to all other public schools might not damage the independent character of schools, while reducing their budgetary burden. Though not always said in so many words, many leaders hinted at the need to share costs. Specific suggestions included state-wide buying co-ops to buy supplies and furniture in bulk, and access to the local school district’s bus repair garage (even if for an extra fee). One school even mentioned that their plan, had they not closed, was to save costs by sharing a newer facility with another charter school. Charter schools already must do more with lower budgets; implementing strategies to help schools take advantage of economies of scale could allow them to save money for other important budgetary items.

In some areas, collective pools for resources have already been tapped. One of the most used services offered by the NC League of Charter Schools was a mutual insurance pool. “They weren’t sure about the charter school market, but after they checked them out, their models
said that charters are actually a safer risk than public schools. It is a good program for schools since it has dividend program, which means that if you’re a member of the league and Utica has a good year, then you get some of your insurance premium back, because they didn’t need it all to cover expenses (Interviewee11, 2009).” Other similar services that would greatly benefit charter school solvency include retirement and medical insurance for employees. The NC League of Charter Schools has explored this option and unfortunately run into the legal problem that the state general assembly would have to pass legislation to allow this. However it would be a productive avenue for future work, providing a great boon to schools not able to easily compete for quality staff.

**Technical Assistance**

One woman suggested that a certain number of technical assistance hours from a consultant “come with” a charter license.

*The office of charter schools should set up a technical assistance department for every school to ensure that they get the correct financial systems and curricula in place and that become a part of the service. I.e., a certain number of hours of personal technical assistance come with the charter license* (Interviewee6, 2009).

The benefit of such a system would be individualized assistance that is committed, which encourages new schools to take advantage of it.

A similar need was expressed by another school leader who recommended providing a prepackaged step-by-step set of instructions or checklist that enumerates what expenses should be accounted for, including the number and type of staff members, along with an estimated cost for each item. “Simply throwing more money at startups will probably not be helpful. Though it sounds very basic, most startups would probably benefit from the organization [imposed by a detailed checklist] (Interviewee2, 2009),” she explained. One expert’s comment affirmed her suggestion, “They can’t force you to keep your accounts, however they can say, ‘here are generally acceptable accounting principles so that when you get to your annual audit, you’re in
line (Interviewee10, 2009).” Such resources have been made available in Colorado and California, among other states.

Experts in the field recognize the need for assistance not just with the quantitative aspects of business, but also the qualitative ones. One expert interviewer described a program her organization is developing due to popular demand,

*We are developing a curriculum for schools on how to speak ‘authorizer.’ [Charter school leaders] are quite eloquent about how they help children, but really, the authorizers don’t care. So we hope to teach them how to communicate quality information and data in a way that authorizers appreciate* (Interviewee10, 2009).

A program that teaches the best way to communicate your successes to an authorizer could be particularly useful for schools with a lot of expertise in education, but less in administration.

**Courses and Consultants**

Respondents generally favored the idea of consultants over courses, and for one primary reason; courses take time to attend that charter school administrators simply don’t have. Also mentioned was that they aren’t always directly applicable to the school’s situation.

In the interview questions about the need for training, either through courses or consultants, the course topics were divided into five broad categories: education, management, business, real estate, and leadership. Every respondent felt that additional education in at least one of these topics would be helpful, though one felt that whether courses or consultants, it should be a “2nd tier” layer of support given later in the process, “once the school is established and not so overwhelmed.” Each school listed which two topics they considered most important for additional training. Each topic was cited three times except for Real Estate, which was only listed twice. The relatively lower support for real estate courses is surprising, given how many schools discussed troubles with facilities. It may be either that respondents felt courses would be unhelpful in securing a facility, or that they felt the same material would be embodied in “business” courses.
At the same time as affirming the need for business, management, and education consultants for new charter schools, a couple principals questioned the standards for prospective charter school leaders. “If [those who open schools] were more experienced in school leadership in the first place, such significant training wouldn’t be necessary. Why can people without any background in education open a school on their own? It doesn’t seem smart (Interviewee8, 2009).”

Many people shared important qualities for charter school leaders to possess. Some listed educational goals. “[They need] a deep understanding of what academic success looks like in the form of student work products; so that they can look and say this will or will not meet standards. The other side is to make that happen in classrooms. So they either hire the right people, or have the skill themselves (Interviewee10, 2009).”

Just as, if not more frequently, interviewees listed managerial skills. “[They have to be able to] establish the scholarly culture required to [reach the standards], be well equipped to manage a board, and they need to implement a performance management structure with indicators, measures, and metrics, for what your school what’s to achieve (Interviewee10, 2009).” Another affirmed,

[They need] education experience, and there should be more emphasis on coming from the private school world where fundraising and parental involvement is more important. The nonprofit board needs a lot of business sense. Most of the closures in the early years were due to lack of [business sense on the board]...If you come from a church group, you’re not going to know (Interviewee11, 2009).

Many charter schools are started because of an ideal or an innovation a leader wants to see realized. However the realization of that dream requires substantial business and accounting expertise. New school boards must incorporate people with expertise in both domains to create a successful school, and those chosen people must know the depth of their responsibility.
CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

This study is based on a very select number of schools and therefore any findings must be interpreted in this context. From this basis however, certain trends may be distinguished.

First and foremost, the schools most likely to close appeared to be those who entered the charter school world with the greatest challenges: a large at-risk or learning disabled student population, little outside funding, an inexperienced board, and small size.

Schools serving at-risk students are extraordinarily overrepresented among failed charter schools. Every closed school contacted served this population, or the learning disabled. Minority leadership is also estimated to be overrepresented among closed charters, with minority led schools making up 74.1% of closed charters and only approximately 50% of all charters going to minority leaders. Most likely is that minority leaders are overrepresented among closed charters due to their likelihood to be involved in schools with missions devoted to at-risk or struggling students, a designation that necessarily strains charter school’s sustainability. Therefore, though the challenges faced by minority-led, non-minority-led, and mixed-led schools do not differ widely, all the challenges cited most frequently may be taken to be common concerns for minority-led schools, in need of being addressed.

RECOMMENDATIONS

I have distilled a set of factors likely to improve the sustainability of charter schools. This list includes those changes to be made on an individual scale rather than the state-wide measures detailed in the “What Changes or Services were Suggested?” section. Steps that may be taken by future charter school leaders in order to ensure the best start for their schools
include securing strong fundraising capability on the board, maintaining enrollment, and requiring training for board members.

*Outside Funding*

Unsurprisingly, adequate funding is a critical factor to school survival. What level is adequate? Two elements points towards the answer. First, schools failed in much higher numbers during the earliest years of the program, 1998-2002. Likely, this can to some degree be attributed to the inexperienced new department and system. However, this is also the period during which no initial funding was available, a problem uniformly cited by schools that opened during this period. Secondly, particularly for school serving an at-risk student population, additional outside fundraising was found to be critical. Active fundraising, therefore, supports the success of charter schools.

*Maintain Enrollment*

The average enrollment of charters that have closed is 163 fewer students than the average for successful charters (97 and 260, respectively). Though my analysis did not involve pinpointing the critical threshold number of students, many interviewees discussed the fact that there is one. From a purely financial standpoint, maintaining adequate enrollment is crucial to the success of a charter school, though doing so involves a great many other qualities, such as good location, governance, and marketing, as well as policy factors such as the methods of student accounting.
Require Training for Board Members

Though respondents acknowledged the need for training of all members of the school leadership, it was the board training that stood out as most lacking, even among respondents who were themselves former board members. A school board training program most importantly needs to address the proper roles and responsibilities to take, including those which are not theirs, the legal rights and responsibilities of the board, and specific instruction in fundraising.

NOTES ON CHANGES TO METHODOLOGY

The methodology used for this study underwent several changes from the process originally intended. First of all, I had intended to look at the poverty level of students at each school (as measured by those receiving free or reduced price lunches) in addition to the information on race and performance. Unfortunately this data is not consistently tracked by the Department of Public Instruction for charter schools, and could not be obtained. Second, I intended to have more detailed information on North Carolina policies and programs for charter schools included, however no members from the Office of Charter Schools at the North Carolina Department of Public Instruction returned my requests for interviews. Finally, it was originally intended to schedule a second interview of more in-depth questions for those leaders who indicated that financial difficulties were their primary reason for closing. Due to the difficulty of successfully contacting informants, these questions were folded into the single phone interview session. Though 11 leaders were contacted, only 8 case studies resulted, as one person contacted declined to be interviewed, and two others were unable to arrange a time to speak. Contact information for leaders from the remaining 18 schools could not be found, or messages were never answered.
APPENDIX A: INTERVIEW GUIDE FOR SCHOOL LEADERS

Gather Beforehand:

1. Name of School, location, grades served, demographics
2. Name of Contact
3. The listed reason why failed (never opened, not renewed, voluntary, other)
4. Total years school in operation

Basic Info

1. Are you the founder, director, principal, or board chair?
2. Educational background (Degrees received)
3. Professional background (yrs working at each position)
4. Years worked at school
5. Was the school affiliated with or come out of any other organization (multi choice of: nonprofit, child care, church, cdc, for-profit EMO, child care)
6. Did your school receive equitable funding to the other schools in the district?
7. Board Composition:
   a. Number, occupation, ethnicity, relationships to each other or founder
8. Did the school emphasize a particular subgroup of students (cultural, learning disability, etc)?
9. Enrollment?
10. Did the school rent a facility or own one?

Interview Questions

1. If you had to choose just one, what is the primary reason the school failed? What are secondary reasons? (I just make sure their response fit into one of these categories, rather than listing them all out).
   a. Acquiring an adequate facility
   b. Financing/paying for/affording an adequate facility
   c. Attracting enough students
   d. Making required academic progress
   e. Serving a high population of “at-risk” or special education students
   f. Raising funds to keep the school open
   g. Managing finances
   h. Managing staff and curricular activities
   i. Lack of access to business expertise/counseling
   j. Attracting qualified teachers or staff
   k. Working with (against) the school district
   l. Difficulty ensuring school safety distracted from other needs
   m. Others?
2. What’s the story behind it?
3. What would have turned things around for the school?
   a. Would having access to business or management expertise have changed the outcome? Etc.
4. What are your suggestions to improve the charter support network?
5. Which of these suggestions do you think would improve outcomes for beginning charter schools?
   a. Mandatory training and leadership sessions for newly authorized charter schools
b. A unified state charter school support organization

c. Leadership/business/management/real estate/education courses

d. Leadership/business/management/real estate/education consultants

e. More start up funds

f. Funding for facilities: Grants or more flexible /more affordable loans

g. Funding for bus transportation

If financing or business management was cited as a primary challenge:

1. What precisely was the problem:
   a. Not enough money to cover expenses (from too few students, too high facility/staff/insurance/curriculum costs)
   b. Didn't know where to get financing
   c. Got turned down for financing (reason i.e. insufficient collateral?)
   d. Financing offered wasn’t right amount/term/rate
REFERENCE LIST


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