

**Charter School Location Choices and Community Characteristics: Evidence  
from North Carolina**

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## **EXECUTIVE SUMMARY**

### **OVERVIEW**

North Carolina lifted its 100-school cap on charter schools in 2011. Since then, the state has experienced rapid growth in the number of charter schools - seven new schools opened in 2012 and twenty-five new schools are scheduled to open in 2013. The growth of charter schools calls attention to the need for thoughtful analysis of charter school policies.

This paper attempts to determine the motivations of charter school operators by analyzing their location choices. I first determine if charter schools are complying with the law which states they must reflect the demographic characteristics of the surrounding community. I then determine the characteristics of communities which are associated with a charter school being located in an area.

### **BACKGROUND<sup>1</sup>**

North Carolina charter school law exempts charter school operators from many of the regulations that govern traditional public schools (NCGS § 115C-238.29). The law gives charter school operators the freedom to choose their own location without approval from the local education agency overseeing the district where the charter school will be located. The law also grants charters to schools before buildings have been identified.

However, the charter school law attempts to prevent charter schools from allowing students of one demographic to segregate themselves in any one school by requiring charter schools to reflect the racial and ethnic make-up of the surrounding community. This law was originally intended to prevent white students from segregating themselves in charter schools, but recently, concerns regarding segregation of both white and black students in charter schools have been raised (Geary, 2011). The NC General Assembly is considering weakening this mandate in the law by only requiring charter schools to “make efforts” to resemble their surrounding communities (House Bill 443, 2013-2014 session).

Previous research in other states shows that charter schools are more segregated than traditional public schools (Cobb and Glass, 1999; Garcia, 2008; Frankenberg et al., 2011). Evidence suggests both white students and black students segregate themselves in charter schools (Frankenberg et al, 2011; Rapp and Eckes, 2007). Because charter schools are schools of

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<sup>1</sup> See full report for citation information

choice, parental preferences regarding the racial composition of charter schools can cause segregation (Bifulco and Ladd, 2006). Location may also be an important cause of segregation in charter schools. Research suggests that charter schools are more racially and ethnically segregated than their surrounding geographic areas (Gulosino and d'Entremont, 2011).

Research on the locational decisions of charter schools in urban areas suggests the schools locate in or near areas with high proportions of minority students (Gulosino and d'Entremont, 2011; Henig and MacDonald, 2002; Lubienski et al., 2009). Henig and MacDonald (2002) found that charter schools are more likely to be located in census tracts with high proportions of African-Americans and Hispanics, but also in areas with high homeownership rates and high proportions of middle class residents. These results suggest some charter schools seek to attract minority students, but other seek to serve more-advantaged students. Previous research has not covered charter school locational decisions in suburban or rural areas. This study is meant to fill this gap in the literature.

Charter schools may have a variety of reasons for choosing locations. In their study of charter school locations in the District of Columbia, Henig and MacDonald (2002) proposed four motivations for charter school locations: the “Need-Responsive” motivation<sup>2</sup>, the “Market-Creaming” motivation<sup>3</sup>, practical motivations, and political support motivations. These motivations serve as the foundation for the analysis of North Carolina charter schools in this paper.

## **RESEARCH QUESTION #1**

Are North Carolina charter schools in compliance with the law that states the schools racial and ethnic composition must reflect the racial and ethnic composition of the population in the surrounding community?

## **METHODOLOGY**

To answer this research question, I compare the racial and ethnic composition of the 100 charter schools in operation in 2010 to the racial and ethnic composition of the surrounding community using descriptive statistics. I define the surrounding community in the following ways: census tract, county, and area within a 10-mile radius around the charter school.

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<sup>2</sup> The “Need Responsive” motivation refers to charter schools that wish to serve disadvantaged students

<sup>3</sup> The “Market Creaming” motivation refers to charter schools that wish to serve those students easiest to teach

## **FINDINGS**

- The racial and ethnic composition of North Carolina charter schools does not reflect their surrounding communities.
  - Approximately one-third of charter schools are more segregated than the surrounding census tract, county, and area in a 10-mile radius around the schools.
  - Predominately black charter schools (>60%) tend to be located in areas with smaller proportions of black residents.
  - Predominately white charter schools (>60%) tend to more closely resemble the racial makeup of their surrounding community, except in the Durham area.

These findings are important because they show that charter schools are not in compliance with the law. Also, parents should be concerned that charter schools that are less diverse than the surrounding community do not prepare their students to be successful in a diverse environment.

## **RESEARCH QUESTION #2**

What community demographic characteristics best predict a charter school's location?

## **METHODOLOGY**

I determine the characteristics of the geographic area that predict a charter school's location by running a linear probability model and probit model. The outcome variable is an indicator variable that signifies whether or not a census tract or county contains one or more charter schools. The independent variables consist of characteristics of a geographic area that may affect a charter school location such as racial composition, educational attainment, or the number of traditional public schools.

Because I examine data only from one year, I am unable to make a causal claim that charter schools locate in certain areas due to their existing characteristics. However, I am able to quantify the associations between community characteristics and the likelihood of a charter school being located within that community.

## **FINDINGS**

- The relationship between the educational attainment of residents within a geographic area and likelihood of a charter school being located in that area is positive and statistically significant, even after controlling for poverty, race/ethnicity, and other factors.

- The relationship between poverty and charter school location is positive and marginally significant at the census tract level.

This evidence suggests that charter schools in North Carolina have divergent motivations for location choices. Charter schools that locate in areas where the students receive additional educational resources at home have “market creaming” motivations. Charter schools that locate in areas of high poverty have “need responsive” motivations.

## **CONCLUSIONS AND IMPLICATIONS**

These findings highlight the need for North Carolina to reevaluate its charter school authorizing practices. If the state wants the racial and ethnic composition of charter schools to resemble the compositions in the surrounding community, NC should clearly define “surrounding community”. Defining this term is the first step towards monitoring charter schools’ compliance with the current law. The state should also clearly define how closely the schools must resemble the surrounding community. Although parental preferences may inhibit schools from resembling the surrounding population, the state could mandate that schools take a variety of proactive steps to recruit a more diverse student body, such as outreach or advertising campaigns. The state could also use community representativeness as a criterion in the charter reauthorization process. Charter schools which do not resemble the surrounding community would be less likely to be reauthorized.

Evidence suggests that charter schools locate in areas with highly-educated populations. If North Carolina wants to provide all students with the option to attend charter schools, and not just those students from highly-educated families, then community characteristics should play a role in the charter school authorization process. At a minimum, the state may want to require charter school operators to include a justification for their location choices in the charter school application. To evaluate the justifications, the state may want to determine whether or not the charter school included compelling reasons why students in the proposed location need additional educational options and how the educational programming of the proposed charter school differs from nearby traditional public schools. The state may want to adjust its authorizing criteria such that schools that do not include compelling justifications will be less likely to be authorized. Requiring this justification could inhibit charter schools from locating in areas with students who may not need additional educational options.