



BEYOND A MONOPOLY MINDSET

On June 6, 2023, *Education Week* published an article titled, “Charter Schools are Outperforming Traditional Public Schools: 6 Takeaways from a New Study.” Reporter Libby Stanford writes,

A new study shows that charter school students are now outpacing their peers in traditional public schools in math and reading achievement, cementing a long-term trend of positive charter school outcomes. The researchers used standardized testing data from over 1.8 million students at 6,200 charter schools to determine how student learning at the schools compares to traditional public schools.¹

Why are independently run public charter schools outperforming traditional public schools, and what does that mean for Montana education? That is the question that we want to explore in this February 2024 edition of our yearlong series.

Charter School Basics.

To introduce this topic properly, let’s start with the basics – *what is a charter school anyway?* As it turns out, the answer to this question isn’t that simple, especially for Montana.

In a 2017 interview with Claudio Sanchez at National Public Radio, Ted Kolderie observed, “The term ‘charter’ really refers to the decision by states to turn public education into a two-sector system. One is a traditional school district, centrally managed. The other, charter schools, are independent, not owned by a central school board. Both are public, but they’re organized in radically different ways.”²

Kolderie knows a thing or two about charter schools; he was one of a small group of policy experts who got the first charter school law passed in Minnesota in 1991. “People have to understand, chartering laws don’t create schools. It is enabling legislation that sets up a process for people to create schools,” added Kolderie, continuing, “The charter sector was supposed to encourage innovation – pedagogical laboratories that would push new ways to teach, even if it was disruptive.”

So as Kolderie defines them, charter schools are not centrally managed by districts. They are organized by independent groups – education entrepreneurs, school management firms, teachers, parents, founding boards of directors, etc. – who apply for a contract to open innovative new public schools.

Opening the Door to Education Pluralism.

The reason that charter schools have proven to be so powerful and effective is because they have opened the door to moving from a unified system of public schools to a decentralized sector that supports *education pluralism*.

¹ [Charter Schools are Outperforming Traditional Public Schools: 6 Takeaways from a New Study](#)

² [Just What IS A Charter School, Anyway?](#)

In her 2017 book, entitled “No One Way to School: Pluralism and American Public Education”, Ashley Rogers Berner makes a strong case for the U.S. to move to education pluralism, which is common among nations with the strongest educational outcomes in the world.

Rogers Berner writes, “This is what I mean by education pluralism: changing the structure of public education so that state governments fund and hold accountable a wide variety of schools, including religious ones, but do not necessarily operate them.”

After Minnesota passed the first charter law in 1991, 44 other states followed. Under these state laws, 8,000 charter schools are now educating 3.7 million students. Across the 8,000 schools, there is an extraordinary variety of program offerings, curriculum, instructional methods, behavior codes, and cultural norms. This variety allows charter schools to serve a remarkable diversity of learners from many socioeconomic backgrounds.

Collectively, public charter schools are outperforming traditional public schools even though they receive substantially less public funding. As Berner puts it, “Such an educational pluralism provides a better way to train an increasingly diverse generation of young people in the habits of academic excellence, moral clarity, and democratic citizenship.”

When considering why public charter schools get results, it is important to keep in mind that they aren’t doing just one thing right. Instead, by organizing themselves in a variety of ways and adapting to meet the changing needs of the students that they educate, charter schools are proving that, in America today, it is better to take many different approaches to educating a diversity of school-age families than to take a one-size-fits all approach.

The Montana Problem.

Unfortunately, it’s not that simple for Montana. For decades, Montana’s education establishment fought to prevent a state charter school law from getting passed. Simply put, the organizations that control public education in Montana didn’t want to allow outside groups the opportunity to open new public schools.

Right now, the state has a monopoly of public education. As the chart to the right illustrates, the traditional public school system serves 90% of students statewide while only 10% of students attend private schools or homeschools. Typically, federal agencies like the Department of Justice define a monopoly as a single provider that delivers services to at least 70% of customers.

Current System of Education 2022-23 Statistics		
Schooling Type	Students	Percent
Traditional Public School	150,573	90.0%
Private Schools	8,906	5.3%
Homeschool	7,799	4.7%
TOTAL	167,278	100.0%
Source: <i>Facts About Montana Education</i>, Montana Board of Public Instruction³		

³ [Fact About Montana Education](#)

Although there are 401 local school districts in Montana, all these districts operate under one board of public education, one office of public instruction, one statewide public employees' union, and one highly prescriptive public school code. The state office of public instruction certifies all teachers and other school positions, who only have the option to join the Montana Federation of Public Employees. So, there is only one approach to labor for 16,016 K-12 staff and paraprofessionals.

Monopolies are harmful for at least 4 reasons:

1. A monopoly provider has diminished incentive to perform because there is no threat of competition.
2. A monopoly provider does not face consequences for failure to serve customers because dissatisfied customers have little recourse - they do not have access to other services.
3. A provider with monopoly power effectively sets the value of goods and services – there is no rational market basis on which to evaluate what things are worth with few incentives to be efficient.
4. Instead of innovating or improving, a monopoly provider is preoccupied with maintaining its power.

When looking at the lengths that the education establishment of Montana has gone to defeat charter school bills and other school choice initiatives, including frequent legal challenges, there is little doubt that the monopoly is directing its energy towards preventing healthy competition.

The Effect of Montana's Education Monopoly.

Preserving a monopoly over education has not led to improved results for Montana schools. In fact, quite the opposite. Recent trends indicate that Montana is losing ground academically while the cost of educating students continues to rise. For each of the 4 problems listed above, we can point to specific consequences for Montana education:

1. Diminished incentives to perform equal declining academic outcomes. In past editions of this series, we have found that academic outcomes have been trending downward for at least 12 years. Under the current monopoly arrangement, the percent of 4th and 8th grade students scoring at/above proficient on the NAEP, the Nation's Report Card, declined by roughly 10% from 2011 to 2022.⁴ Among high schoolers, ACT scores have also declined despite administering the exam as the state benchmark assessment for over 12 years. In the most recent testing, 67% of 11th grade students did not reach the ACT benchmark for college readiness in Mathematics and 54% of tested students fell below the ACT benchmark in English Language Arts.⁵
2. No consumer recourse means that families are opting out in rising numbers. Montana has experienced a steady increase in the percent of students leaving public schools and dropping out of public high schools. Whereas public school enrollment across Montana increased by less than 1% from 2020 to 2023, private school enrollment and homeschooling increased by 22.3%.⁶ Since the

⁴ [Declining 8th grade NAEP scores spell trouble for Montana](#)

⁵ [Ready or not, Montanan high schoolers are heading to college](#)

⁶ [Growth & Enhancement of Montana Students \(GEMS\)](#)

2017-2018 school year, the state dropout rate increased from 3.4% to 4.0% statewide. Even more troubling is that over 10% of Montana's American Indian students are dropping out of high school.

3. No rational market basis for value has translated into rapidly rising education costs. Montana has increased per pupil funding by between 28% and 31% since 2017.⁷ Even with these substantial funding increases, which have far outpaced inflation, academic outcomes have continued to decline and public school enrollment has been flat.
4. A preoccupation with maintaining monopoly power is eroding parent support. In a 2021 state survey of Montana parents administered by the State Policy Network, 56% of respondents reported that they believe that Montana's educational system is on the wrong track and 65% of respondents reported that they support expanding school choice.⁸

These negative indicators signal the challenges associated with maintaining the current traditional education system without allowing innovation, entrepreneurship, and choice.

Why is education pluralism so powerful?

The answer to this question is simple – the incentives change to deliver quality and innovation to every student and family.

In the current monopoly state, the primary focus of the education establishment is on complying with prescriptive one-size-fits-all regulations, doing what is contractually required, and perpetuating monopoly power. Regulatory compliance is *the bar around our ankles* because it works at odds with innovation, entrepreneurship, and adaptation. Nobody gets out of bed in the morning excited to comply with layers of regulations! Education talent is the greatest resource that Montana has to serve children and families, but we are not getting close to maximizing its potential impact under the current monopoly conditions.

In the 2023 legislative session, Montana may have finally seen the beginning of change. To maintain unified control over public schools, the education establishment ran a bill, called House Bill 549, to pass a law that would allow districts to run charter schools. Under that new law, the Montana Board of Public Education recently approved the opening of 19 new charter schools run by 11 local school districts.⁹ Just like traditional public schools, these new schools will be owned and operated by local school boards and subject to all federal, state, and district regulations. As such, they are not actually charter schools as Kolderie defined them earlier in this article.

Fortunately, the Montana legislature also passed a second bill into law. That bill, called House Bill 562, allows community groups to apply to the Montana Community Choice Commission to open new public schools. These schools can be organized by independent groups – education entrepreneurs, school management firms, teachers, parents, founding boards of directors, etc. – who apply for a contract to open a new public school. They will be exempt from prescriptive sections of the state public school code, so they are not forced to deliver a one-size-fits-all education.

⁷ [Growth & Enhancement of Montana Students \(GEMS\) Finance](#)

⁸ [Polling spotlight, Montana parents support school choice](#)

⁹ [Board of Public Education approves first wave of Montana charter schools](#)

With the passage of these two bills and others that enable parents to exercise school choice, Montana has a big opportunity on its hands. By embracing education pluralism, Montana can shift the primary focus to exercising visionary entrepreneurship to educate students and serve families in extraordinary and varied ways. The desire to collaborate, innovate, compete, and deliver the best possible offering unleashes human ingenuity and inspires hard work, dynamic growth, and continuous improvement. In a sector of education pluralism, teachers and school leaders get out of bed in the morning to fulfill their vocational calling, form the next generation, and make their communities the best they can be.

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