

ROCKETSHIP EDUCATION:  
AN EXPLORATORY PUBLIC POLICY CASE STUDY

A Dissertation Presented to  
The Faculty of the Connie L. Lurie College of Education  
San José State University

In Partial Fulfillment of the Requirements for the Degree  
Doctor of Education

by

Vladimir Gresham Ivanović 

December 2023

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ROCKETSHIP EDUCATION:  
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**Abstract**

This dissertation is an exploratory case study of the finances of the Rocketship charter school chain, especially those related to real estate. Rocketship is a not-for-profit charter management organization, one of the first in Santa Clara County, California. This study seeks to determine if the financial transactions related to Rocketship charter schools yield profits for investors, despite Rocketship itself being a non-profit entity, and if they do, how and where do they do so. In order to characterize fairly and completely the profits of Rocketship Education itself and Rocketship-related entities, this study uses publicly available documents to track money flowing in and out of Rocketship and related entities, for example, the various Launchpad Development companies. Using data from initial and renewal charter petitions, annual budget documents, filings with county, state and federal government agencies, bond prospectuses, tax credit programs, state and federal grants, plus data from publicly available datasets, this study derives an estimate of Rocketship's profitability. It found that [Results TBD]. [Conclusion TBD]. These results, it is hoped, will serve to inform local, state, and federal legislatures when they establish public policy for charter schools, not only in California, but throughout the United States.

*Keywords:* Rocketship Education, charter management organization, privatization, charter finances, education public policy, profit, real estate, bonds, venture funds, philanthrocapitalism

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[variant=us]english

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## **Abbreviations**

- ARUSD** Alum Rock Unified School District  
**BAN** Bond Anticipation Note  
**CAFR** Comprehensive Annual Financial Report  
**CDE** California Department Of Education  
**CINA** Change in Net Assets  
**CMO** Charter School Management Organization  
**COE** County Office of Education  
**COVID-19** Corona Virus Disease 2019  
**CPRA** California Public Records Act  
**CSBA** California School Boards Association  
**CSFA** California School Finance Authority  
**DOE** U.S. Department of Education  
**EC or Ed Code** Education Code of California  
**ECLS-K** Early Childhood Longitudinal Study – Kindergarten class of 1998 or 2011  
**EMO** Education Management Organization  
**FOIA** (federal) Freedom of Information Act  
**GO bond** General Obligation Bond  
**LASD** Los Altos School District  
**LCAP** Local Control and Accountability Plan  
**LCFF** Local Control Funding Formula  
**LEA** Local Education Agency  
**SACS** Standardized Account Code Structure  
**SARC** School Accountability Report Card  
**SARS-CoV-2** Severe Acute Respiratory Syndrome Corona Virus #2  
**SCCBOE** Santa Clara County Board of Education  
**SCCOE** Santa Clara County Office of Education  
**SCC** Santa Clara County  
**SEDA** Stanford Educational Data Archive  
**TPS** Traditional Public School  
**TRAN** Tax Revenue Anticipation Note



## Glossary

**ADA** Average Daily Attendance, the method that the state of California uses to determine how many students are in a particular school. An alternative is to use the number of students enrolled, some of whom may attend sporadically but still need to be educated when they do attend.

**arm's length transaction** A transaction, usually financial, where all parties are independent and self-interested.

**basic aid** See “community funded”, the preferred term.

**blended learning** A method of teaching where both in-person instruction and virtual instruction are used.

**bond** A bond is a loan whose terms (maturity date, interest rate) are fixed. Bonds are issued by a borrower (the debtor) to investors (the creditors) who are the source of the funds borrowed. The borrower is liable for repaying the debt, usually on a fixed schedule. In return for getting the funds now, the borrower agrees to compensate the creditor by repaying both the amount loaned (the principal) and interest on the amount outstanding at an agreed upon (ther interest) rate.

For example, a school district (the borrower and debtor) might issue a bond that is bought by one or more investors (the creditors) and use those funds to build a school. The school district must then repay the bond, usually in equal monthly payments, that pay back the principal and any interest to the purchasers of the bond.

**charter school** A quasi-private school that is publicly funded but privately run.

**chartering authority** A governmental entity that grants charter schools the authority to operate and which provides oversight. In California, a chartering authority could be a public school district, a county office of education, or the California Department of Education.

**charter management organization (CMO)** “A non-profit organization that operates or manages a network of charter schools (either through a contract or as the charter holder) linked by centralized support, operations, and oversight ((CA Dept of Education), 2021)”. A type of charter school chain.

**charter school chain** One or more individual charter schools owned by or operated by a parent organization, i.e. a charter management organization or a education management organization.

**community funded** In California, if the local property tax revenue of a public school district exceeds the state minimum educational guarantee under Prop. 98, that district is called “community funded” (formerly “basic aid”).

**conduit bond** A conduit bond is a type of municipal bond where the bond is paid back, not by a public entity’s reveue stream, but by a private entity, for example, a limited liability company or corporation. The public entity is merely the conduit, a passthrough entity, between investors and a private entity. (See “GASB 91” for details on what qualifies as a conduit bond.)

the the source of the funds borrowed is not an investor, but merely a passthrough between the source of the funds and the borrower. For example, a state authority might buy a bond from a school district and pay the school district with taxpayer funds. The issuer of the bonds (the school district) then owes the state authority the bond principal plus interest.

**cream skimming** When charter schools select the best students to admit.

**cross-collateralization** A term from bond financing which indicates that an asset has been used as collateral in two different obligations.

**debt, convertible** An obligation (a loan or a bond) that might be converted into another form, in Rocketship’s case, a grant or donation.

**debt, loans payable** An obligation (a loan or a bond) that must be repaid, usually with interest, within a certain period, often in equal monthly payments made over the term of the debt.

**double bottom line grantors** Grantors (philanthropies) which measure social impact in addition to fiscal performance.

**education management organization (EMO)** “A for-profit entity that operates or manages a network of charter schools (either through a contract or as the charter holder) linked by centralized support, operations, and oversight.”((CA Dept of Education), 2021)

**general obligation bonds (GO)** General obligation bonds are tax-exempt bonds backed by a public entities revenues. California state law limits bond debt to 2.5%

of total assessed valuation for unified school district and 1.25% for elementary and high school districts.

**municipal bond** A municipal bond is a bond issued by a public entity and bought by investors. The public entity (the debtor) borrows from investors (the creditor). Investors loan money to the public entity, and the public entity pays the investors back over time with interest. The public entity (usually) uses its revenue stream (i.e. taxes paid) to pay back the principal and interest.

**parcel tax** A property tax that is not based on the value of the property.

**philanthrocapitalism** Using a market capitalism approach in non-profits.

**portfolio school district** A collection of diverse charter schools managed together.

**property tax** A tax based on the assessed value of a property.

**Proposition 13** Passed by California voters in 2000 as a constitutional amendment, Prop. 13 devastated funding to local governments, including school districts by limiting the property tax to 1% of assess value and requiring a two-thirds majority to increase non-property taxes.

**Proposition 39** Passed by California voters in 2000 as a constitutional amendment and state statute, Prop. 39 mandates that public school districts *must* provide reasonably equivalent facilities to charter schools if requested.

**Proposition 98** Passed by California voters 1988 as a constitutional amendment and state statute, Prop. 98

**public school** Public schools are funded by taxpayers and are governed by a publicly elected Board of Trustees. Unlike charter schools, public schools accept any and all students who wish to enroll, at any time of year, regardless of race, national origin, sexual orientation, gender, religion, citizenship, ability, disability, or language proficiency.

**related party transaction** A transaction, usually financial, where all parties are not independent or are self-interested, i.e. when the transaction is not an “arm’s length transaction”. A synonym for “self-dealing”.

**revenue bonds** Tax-exempt bonds guaranteed by a schools revenue instead of by an LEA's property tax revenue.

**school choice** The umbrella term used by “education reformers” to put positive spin on the privatization of public education. Charter schools, school vouchers, and educational savings accounts are the most common forms of school choice.

**socio-economic status** A euphemism for wealth.

**student pushout** When charter schools push their lowest performing students out.

**tax-exempt conduit bonds** Bonds issued to make loans to entities other than state or local governments are known as “conduit bonds” or “conduit issues” and state or local governments that issue these bonds are known as “conduit issuers.” Conduit issuers (usually) ensure that the revenues of the charter school are sufficient to pay off the conduit bond with interest.

**theory of action** A logical chain of reasoning that explains what needs to happen to go from a particular (current) social state to another (future) social state.

**trailer bills** Legislative bills which implement and fund elements of California’s enacted budget.

**typical or neuro-typical children** Children without special needs.

**unduplicated pupils** The State of California augments school district revenue on a per pupil basis for every pupil that qualifies for free or reduced price lunch, or is an English language learner, or is a foster youth, but only an unduplicated basis. Notably, children with special needs are not considered *unduplicated pupils*. Neither are homeless children.

1

## Introduction

2 If, in Harold Lasswell's words, politics is about who gets what, when, and how  
3 (Lasswell, 1936), then education is surely one of the most consequential — and  
4 fascinating — of public policy issues. At stake is the well-being of tens of millions of  
5 students on whose behalf federal, state, and local governments spend upwards of three  
6 quarters of a trillion dollars annually.<sup>1</sup> The number of stakeholders is huge: every parent  
7 and every child is a stakeholder, as are teachers, administrators, legislators, employees of  
8 fifty state departments of education, the federal Department of Education, the President  
9 of the United States, the U.S. Supreme Court, and state and local courts. Stakeholders  
10 exist throughout the United States, in states, counties, cities, towns, villages, and in  
11 almost 100 thousand schools in thousands of school districts. The COVID-19 pandemic of  
12 the last 2+ years has revealed just how important public education is.

13 Education is the arena in which parents, legislators, unions, political parties,  
14 billionaires, technologists, scholars and educators clash, all vying for influence and  
15 reward. Education is where religion, politics, free market neoliberalism, and social  
16 justice intersect. One topic in particular has, in the last fifty years, generated a  
17 disproportionate share of discord: the privatization of public education, i.e. school  
18 choice.<sup>2</sup>

19 Formerly sleepy school board elections have attracted national interest, and with that  
20 interest, a flood of money. The 2020 Los Angeles school board election cost over \$14M for  
21 just four seats and generated articles in the national press. Likewise, a November 2016

---

<sup>1</sup>The 50 states and the federal government spent \$734.9B in 2017–18. Using an inflation rate of 2%, spending for 2021–22 would be just shy of \$800B. (Author's estimate using data from "Revenues and Expenditures for Public Elementary and Secondary Education: FY 18", NCES, 2020)

<sup>2</sup>"School choice" is an Orwellian name designed to mislead, to dress up an otherwise unpalatable reality: privatization takes something that used to be available to all and restricts it exclusively to those who can afford to pay.

22 statewide proposition in Massachusetts which sought to expand charter schools was  
23 covered extensively by national newspapers with one advocacy group spending more  
24 than \$15M (not including a \$425,000 fine for violating campaign law).<sup>3</sup> Betsy DeVos, U.S.  
25 Secretary of Education under the former President Donald Trump, drew fierce criticism  
26 from the start of her tenure with her unwavering support of charter schools, criticism  
27 which was endlessly reported on. In short, charter schools became nationally visible.

28 **1.1 Schools and Charter Schools**

29 Most schools in the United States are either traditional public schools, charter  
30 schools, or private schools, with one catchall category: alternative schools. Only two  
1 states, Nebraska and North Dakota, have resisted all forms of school choice; all states  
2 have private schools and an extensive public school system. By definition, school choice  
3 encompasses charter, private, magnet, and homeschooling, i.e. every kind of school  
4 traditional except public schools. But, because school vouchers in particular are  
5 becoming more common, school choice now increasingly refers to school vouchers in  
6 addition to charter schools (Enlow, 2022).

7 Schools, under this definition of school choice, take a number of forms: they can, like  
1 traditional public schools be in-person, but unlike traditional public schools, they can  
2 also be completely online (virtual), or even a blend of virtual and in-person. How school  
3 choice is financed varies as well. School vouchers, various types of tax-credits, savings  
4 accounts, and tax deductions, have all been used, often augmented by tax dollars. The  
5 phrase “school choice” is also associated with 529 savings accounts, student income loans,  
6 social impact bonds, and philanthrocapitalism<sup>4</sup>.

7 Regardless of how school choice is financed, school choice complicates what used to

---

<sup>3</sup>Details of the financing of the Great Schools Massachusetts 2016 ballot committee are spelled out in Cunningham (2021).

<sup>4</sup>The use of a market-based approach in philanthropy

8 be a system of mostly public schools plus a few private schools that had been in place for  
9 over 150 years. This new kind of financing has raised some fundamental questions: Who  
10 benefits from this new financing? Do the children for whom education is the difference  
11 between being poor and flourishing benefit? Is education being turned into a low-risk,  
12 profitable investment for hedge funds, private equity firms, investment banks, and the  
13 one percent?

14 The various forms of school choice have waxed and waned, but charter schools were  
15 present at the creation of the privatization movement in education and have continued  
16 to enroll more and more students, diverting more and more dollars out of the public  
17 school system (Lafer, 2017a; Lafer, 2018; Lafer et al., 2021). School choice has spawned an  
18 entire industry devoted to marketing school choice: academic departments and  
19 institutions, educational associations, think tanks, astroturf<sup>5</sup> advocacy groups, and  
20 political action committees, all of which are examples of the marketing of the  
58 privatization of public education.

59 According to the National Center of Education Statistics in the U.S. Department of  
60 Education, there were 7,547 elementary and secondary charter schools in the United  
61 States enrolling 3,431,230 students in 2019–20 school year (de Brey et al., 2022, Table  
62 216.90, p.144). This represents 7.7% of the total number of elementary and secondary  
63 schools and 6.8% of the total number of students in the United States. The state with the  
64 greatest charter school presence was California which had 1,321 schools (12.7% of the  
65 total) and 674,652 students (11.0%). Within California, in the 2019–20 school year, charter  
66 schools in Santa Clara County enrolled 31,584 students (13.6% out of 231,865) (California  
67 Department of Education, n.d.).

68 These are notable patterns, and the COVID-19 pandemic has accelerated the growth

---

<sup>5</sup>Wordnik definition: astroturf: “The disguising of an orchestrated campaign as a “grass-roots” event – i.e., a spontaneous upwelling of public opinion.”

69 of charter schools, in contrast to the small decline of recent years. However, this recent  
70 growth appears to be almost completely due to the expansion of virtual charter schools  
71 (Strauss, 2021). Despite continued growth, charter schools remain controversial and have  
72 generated heated debate. Reports and studies from charter school opponents have been  
73 answered by reports and studies from charter school advocates. Both sides claim their  
74 methodology to be superior and consider the other side's fatally flawed.<sup>6</sup>

75 What the research indicates – again and again – is that *some* charter schools, under  
76 *some* circumstances, for *some* students, seem to do *somewhat* better than traditional  
77 public schools. Garcia notes that charter schools start out doing somewhat worse than  
78 public schools, but improve over time, with “no discernible difference” (Garcia, 2018,  
79 p. 119) after about five years of operation.

80 On the other hand, the Lubienskis showed after careful and thorough statistical  
81 analysis in (Lubienski & Lubienski, 2014) that public schools out perform charter schools.  
82 The Lubienskis used restricted-access 2003 NAEP data from just shy of 300,000 students  
83 in 4<sup>th</sup> and 8<sup>th</sup> in 6041 schools throughout the United States, plus data from the Early  
84 Childhood Longitudinal Study, Kindergarten (ECLS-K 98) class of 1998–99.<sup>7</sup> So, based on  
85 the Lubienski’s analyses, there is no evidence that, on the whole, charter schools are  
86 superior to traditional public schools in academic performance. Rather, at best, they  
87 perform, on average, similarly.

88 If charter schools are on average no better than public schools, why are they so  
89 fervently touted as the answer to the perceived ills of American public education? Why

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<sup>6</sup>Jeffery Henig in his book *Spin Cycle: How Research is Used in Policy Debates: The Case of Charter Schools* (J. Henig, 2009), offers a detailed examination of the war of words that resulted from just one report and one newspaper article.

<sup>7</sup>The Lubienskis were exceedingly thorough in their statistical analysis and devote over 80 pages in Lubienski and Lubienski (2014) to the details of their two-level hierarchical linear model (three level for the ECLS-K 98 data). Their data is available from the National Center for Educational Statistics to qualified researchers, so their analysis can be replicated.

90 are eye-popping sums (10× the usual amounts) spent supporting public school board  
91 candidates who favor charter schools? Why are charter schools still growing in both  
92 enrollment and in number? Is the profit motive is the overriding goal of charter schools,  
93 or are they instead driven by a genuine desire to improve the educational outcomes of the  
94 very children who could most benefit from a quality education? My goal in this  
95 dissertation is to offer some answers to questions like these by examining in detail the  
96 finances and financial structure of a single charter school chain, Rocketship Education,  
97 and entities associated with it.

98 I will use the term *charter school chain* to refer both to for-profit and non-profit  
99 organizations that manage more than one charter school since both take both financial  
100 and operational control away from schools and centralize it outside of schools, much like  
101 public schools are part of a public school district. Charter school chains are essentially  
102 franchise operations like McDonald's or Hertz, but in education instead of hamburgers  
103 or rental cars. For-profit charter school chains have traditionally been called *educational*  
104 *management organizations (EMOs)* and non-profit charter school chains *charter management*  
105 *organizations*, but since there is little difference between the two, I will use *charter school*  
106 *chains* when the distinction is unimportant.

107 The remainder of this chapter provides some context for why I conducted this study.  
108 The chapter *A Review of the Literature* discusses the extensive literature on charter schools.  
109 The following chapter, *Research Design and Methodology*, details what data will be collected,  
110 how it will be collected, and how it will be analyzed. The chapter *Findings* provides the  
111 results of analyzing that data in context of this study's research questions. The last  
112 chapter, *Discussion* considers the limitations and public policy implications of my study  
113 and its conclusions. Finally, it makes some suggestions for how current public policy  
114 should be changed to achieve some of the seven goals that the California Legislature set  
115 out in *The Charter School Act of 1992*.

116 **1.2 What is the Purpose of this Study?** The goal of this case study is to determine if  
117 Rocketship Education is, or might be, profitable and if so, how are these profits  
118 generated. It seeks to analyze as carefully and fully as possible the finances of Rocketship  
119 Education and of associated entities, concentrating on its real estate dealings.

120 Real estate, for charter schools, is of special significance because they have no  
121 facilities when they submit their initial petition. They do have several ways of obtaining  
122 the needed facilities, but because they cannot raise property or parcel taxes, nor can they  
123 pass a bond measure that's paid for by property taxes, charter schools must either obtain  
124 facilities from their home public school district or they must lease or buy facilities using  
125 funds they themselves have raised. Furthermore, Rocketship Education and Launchpad  
126 Development are incorporated ad not-for-profit corporations, so, any profits cannot be  
127 assigned to Rocketship Education or Launchpad Development themselves, but must  
128 accrue to unrelated entities.

129 The non-real estate finances of charter schools — at least in California — are similar  
130 to public schools. Both use the same state mandated accounting structure because both  
131 have very similar needs. Although a charter school may pay more for this or less for that,  
132 fundamentally the revenues and expenses of charter schools are similar to that of  
133 traditional public schools. But when leasing, buying and potentially constructing  
134 facilities enter the picture, significant sums are at stake. For example, a single  
135 transaction might be in the range of tens of millions of dollars.

136 This study concentrates on Rocketship Education<sup>8</sup> because its popularity has led to  
137 core aspects of its model being adopted by other charter school chains such as the Caliber  
138 Public Schools or the Navigator Schools, both in California. It is an exemplar of a popular

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<sup>8</sup>A note on names: Rocketship Public Schools is name that Rocketship Education is doing business as starting in June 2020, but since it has been known as Rocketship Education for much longer than it has been as Rocketship Public Schools, this study uses (mostly) the former name. Also, this study uses just Rocketship to refer to Rocketship Education and related entities, such as the various Launchpad Development LLCs that are associated with individual schools.

139 charter school and has had an outsized influence on public education in Santa Clara  
140 County.

141 This study seeks to determine if Rocketship Education or related entities are  
142 generators of profit. Furthermore, if the model that Rocketship Education uses does  
143 generate profits, can that model be used by other charter school operators within  
144 California or perhaps in other states? Many studies have examined the educational  
145 outcomes of charter schools and of charter chains, including one specifically on  
146 Rocketship's effect on Milwaukee's public schools had proposed legislation passed, but  
147 Rocketship's finances, with its real estate transactions as a focus, have not been studied  
148 in detail.

149 It should be noted that this study will not examine the educational outcomes of  
150 Rocketship. All charter schools offer themselves as better alternatives to traditional  
151 public schools. Rocketship, for example, claims that its pedagogical model of blended  
152 learning

- 153 • is more efficient than that of traditional public schools,
- 154 • offers personalized learning<sup>9</sup> through computer-mediated instruction, and
- 155 • yet still offers a human connection (at least part of the time) that is similar to  
156 traditional public schools.

157 These claims can and should be tested in other studies by comparing individual  
158 Rocketship schools to independent charter schools and to traditional public schools in  
159 the same district. The Rocketship chain may be compared to other charter school  
160 management organizations, to portfolios of charter schools, as well as to traditional  
161 public school districts, but such studies need to be done with care to avoid  
162 methodological errors that would reduce the validity of their conclusions.

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<sup>9</sup>Note that personalized learning is not the same differentiated instruction. All students follow the same path with personalized learning, albeit at different rates, instead of following different paths at different rates, as with properly implemented differentiated instruction.

163     **1.2.1 Research Question** These questions and themes lead to the following research  
164     question: Has Rocketship structured itself and related entities to earn a return to its  
165     founders and investors, focusing especially on its real estate transactions? In order to  
166     answer this research question definitively, this study must be as complete as possible,  
167     and that entails understanding the finances of public schools in California, those of  
168     charter schools in California, and finally, those of Rocketship Education and related  
169     entities.

170       More broadly, there are additional reasons for studying charter school finances. Are  
171       we (the states, the federal government) misallocating the money we spend on charter  
172       schools? Could we be spending our tax dollars more wisely? What did taxpayers get for  
173       these expenditures? These questions, however interesting and appealing they may be, are  
174       beyond the scope of this study and remain for future researchers to explore.

175       This case study is unique in that it examines in depth the finances of a single charter  
176       school chain. There have been studies of the finances of aggregations of charter school  
177       chains (e.g., all known charter school chains in the United States,<sup>10</sup> or a selected group of  
178       charter school chains). Other studies have explored the effects of charter schools on  
179       segregation or academic achievement, or the financial impact of charter schools on their  
180       surrounding public school district. But academic studies of the finances of just a single  
181       charter school chain seem to be missing.<sup>11</sup> Further, studies focusing on real estate of a  
182       single chain do not seem to have been performed. It is hoped that the lessons learned  
183       from this case study will be used by policy makers to strengthen charter school law in  
184       California and elsewhere in order to increase desired outcomes and to minimize cost and  
185       unintended consequences.

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<sup>10</sup>See Miron et al. (2021) for a list of currently known charter school chains.

<sup>11</sup>I distinguish between academic studies and criminal investigations. Clearly, the grand jury indictment of 11 persons associated with A3 Education was a study of a single charter school chain, but it was a criminal investigation, not an academic study.

186 As tempting and as important as it might be, this dissertation will not examine the  
187 academic outcomes of Rocketship or of other charter schools. This dissertation will  
188 restrict itself to the finances of those schools. Much excellent work has already been done  
189 evaluating charter school outcomes. Section 2.6 discusses four surveys of charter school  
190 research and one overview book.

191 **1.3 Theoretical and Conceptual Frameworks**

192 According to Grant and Osanloo (2014), creating and understanding the theoretical  
193 framework for one's dissertation is "one of the most important aspects in the research  
194 process." (p.12) They liken the theoretical framework of a dissertation to the blueprints  
195 that define a house. That framework both defines the organization and the structure of a  
196 dissertation, as well as what counts as elements and their relationships. A theoretical  
197 framework articulates "the researcher's understanding of how the research problem will  
198 best be explored, the specific direction the research will have to take, and the relationship  
199 between the different variables in the study." (Grant & Osanloo, 2014, pp. 16–17)

200 Further, a "conceptual framework offers a logical structure of connected concepts  
201 that help provide a picture or visual display of how ideas in a study relate to one another  
202 within the theoretical framework" (Grant & Osanloo, 2014, pp. 16–17). This dissertation  
203 uses a case study approach as its conceptual framework within a public policy  
204 framework, its theoretical framework.

205 **1.3.1 Public Policy as a Theoretical Framework**

206 A public policy framework provides a rich set of tools and techniques with which to  
207 analyze Rocketship's finances. Three factors support using a public policy framework to  
208 guide understanding and evaluating Rocketship's finances. First, charter school finance  
209 is constrained primarily by public policies set by state legislatures, the creators of charter  
210 schools. These laws regulate taxes, grants, borrowing capacity, and reporting

211 requirements of charter schools and charter school chains (Aguinaldo et al., 2020), and  
212 by definition, whatever falls within the purview of legislators is public policy. Second,  
213 Brighouse et al. (2018), in *Educational goods*, provide a succinct definition of what public  
214 policy analysis is which matches the purpose of undertaking this case study. They use a  
215 values, evidence, and decision-making framework “to make judgments about how well  
216 specific policies are likely to realize valued outcomes” (Brighouse et al., 2018, p.1). Last,  
217 these three concerns — values, evidence, decision-making — are considered the key  
218 concerns by academics and researchers in the public policy field (Bueno de Mesquita,  
219 2016; Clemons & McBeth, 2021; Fowler, 2013; Gupta, 2011). Using a public policy  
220 framework is appropriate when examining charter school finances.

221 The discipline of public policy sanctions a wide variety of tools and techniques when  
222 analyzing issues. (These tools and techniques will be discussed more fully in Chapter 3 or  
223 in Chapter ch:results if and when they are used.) Public policy has been studied for years  
224 (there are public policy departments in many universities) and it is a mature area of  
225 academic research. As in most academic fields, there are fierce debates about the merits  
226 and robustness of a particular approach compared to alternatives, but at a high level,  
227 what to do is generally agreed upon. Most identify the following five steps (or variants  
228 thereof) that are used when creating public policy:

- 229 1. Define the issues and set the agenda.
- 230 2. Formulate one or more policies that address the issues identified.
- 231 3. Evaluate those policies using tools and techniques like cost-benefit analysis, value  
232 analysis, political feasibility, game theory, and economic analysis.
- 233 4. Implement those policies by passing legislation, changing practices, or by using  
234 the courts.
- 235 5. Evaluate the effectiveness of the policy changes.

236 Two keys to identifying alternatives during policy formation and later when  
237 evaluating consequences are choosing or creating a model, and forecasting. Models  
238 identify what is going to be studied and their relationships, and forecasting is a  
239 prediction of the future whose consequences are (hopefully) identified in a model. Page  
240 (2018) lists 26 major models that have been used in science, business, and medicine.

241 The methodology of this dissertation draws on two excellent guides to public policy,  
242 Clemons and McBeth (2021) and Gupta (2011). The first presents concepts, tools, and  
243 techniques used in analyzing public policy; the second a case study approach to public  
244 policy analysis. Fowler (2013) treats public policy in the field of education, but with an  
245 emphasis on power, politics, policy actors and the messy process of creating and  
246 implementing public policy. Clemons and McBeth concentrate on explicating different  
247 theoretical approaches to public policy, whereas Gupta is the most practically oriented.

248 Since much of the evidence that will be presented will include financial data, the tools  
249 and techniques which manipulate and display data play an important role. First and  
250 foremost is statistical analysis. But, as Epple et al. (2016) show in Chapter 2, being clear  
251 on what exactly is being analyzed and what are the inherent limitations of that data is  
252 fundamental. It makes no sense to analyze brilliantly the wrong data or to stretch the  
253 data beyond its limit.

254 **1.3.2 A Case Study Approach as a Conceptual Framework**

255 Broadly, social science research falls into one of two categories. The research may  
256 make many observations with a narrow focus, or may instead adopt a broader focus, but  
257 with a correspondingly smaller number of observations. Gerring calls these “large C” or  
258 “small C” studies, respectively (Gerring, 2017, p. xvii). Of course, the boundary between  
259 large C and small C studies is not sharply defined.

260 Gerring calls small C studies *case studies*. In this dissertation I study only one entity,  
261 Rocketship Education, and only one aspect of that entity, namely Rocketship’s finances.

262 But I consider the topic of Rocketship's finances look at its finances broadly, examining  
263 as many different kinds of financial transactions as are publicly available for the subset of  
264 Rocketship schools that are in Santa Clara County. I discuss the elements of what makes  
265 a case study a good case study in Chapter 5, *Discussion*.

266 McCombes (2019) says that case studies are a "detailed study of a specific subject,  
267 such as a person, group, place, event, organization, or phenomenon". They are 'good for  
268 describing, comparing, evaluating and understanding kdifferent aspects of a research  
269 problem" and are "an appropriate research design when it allows you to explore the key  
270 characteristics, meanings, and implications of the case." Two papers go into detail about  
271 using the case study approach: Crowe et al. (2011) and Rashid et al. (2019). Yin (2018)  
272 provides a detailed methodology for doing case study research well.

273 A case study framework for public policy research is ideal because the theory and  
274 practice of case studies is well-known and has been used both for public policy research  
275 and in public policy analysis for years. A case study framework formalizes an in-depth  
276 examination of a single topic, in this case, the finances of Rocketship Education and  
277 related entities.

278 This introduction has made the case that public education is important to many  
279 stakeholders, but that there is also discord around larger issues like values, ideology, and  
280 implementation. Charter schools have been offered as way of disrupting American public  
281 education from its hide-bound, archaic, and sclerotic present, driving it, despite  
282 opposition, into a dynamic future where education is tailored to each child's real needs.  
283 Establishing whether financial gain plays a key or even a primary role in American  
284 educational reform by carefully examining Rocketship's finances is both timely and  
285 important: Rocketship Education is growing, and with it, Launchpad Development. They  
286 have served as a model for other charter school chains in the United States.

288 This chapter reviews what other researchers and scholars have said about the origins  
289 of charter schools, their history, and their ostensible goals before characterizing first the  
290 finances of all public schools in California and then the unique aspects of charter school  
291 finance. Finally, it reviews the history of Rocketship Education.

292 American public education has – allegedly – been a failure, at least “[a]ccording to  
293 highly publicized NAEP results in the mid 1980s” (Gove & Meier, 2000). Berliner and  
294 Glass (2014) in *50 Myths & Lies That Threaten America’s Public Schools* refute those myths  
295 which have been advanced to show that American’s schools are in a crisis, and hence, in  
296 desperate need of reform. It turns out, this urge for reform has a long history: America’s  
297 schools have judged as needing reform ever since the idea of free public education took  
298 hold in the early 1800s.<sup>12</sup> Since then, a succession of educators and reports have  
299 documented the abysmal [sic] state of American education.

300 **2.1 The Birth of American Public Education**

301 Prior to the Civil War, Horace Mann introduced widely copied reforms (Pulliam &  
302 Van Patten, 2007) into the existing system of education which was then not free, not open  
303 to all, and not compulsory. Those schools had hardly changed since the founding of the  
304 Boston Latin School on April 23, 1635. In the early 1900s, John Dewey, an educational  
305 leader of the Progressive Era (1896–1916) preached reform, but it was not until the  
306 publication of *Nation at Risk* in 1983 that the modern zeal for education reform took form.  
307 *Nation at Risk* was the most influential of roughly 30 major education reform reports  
308 listed by Pulliam and Van Patten (2007) starting in 1982 and continuing up until 2005.  
309 That American public education needed reform was repeated constantly, mainly by

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<sup>12</sup>Wikipedia has an excellent summary article on *Education in the United States* available at [https://en.wikipedia.org/wiki/Education\\_in\\_the\\_United\\_States](https://en.wikipedia.org/wiki/Education_in_the_United_States).

310 conservatives, despite underwhelming evidence of its veracity and substantial evidence  
311 to the contrary. Through constant repetition, the need for reform has become accepted  
312 wisdom. The answer to this need was to take the government's "monopoly in education"  
313 (Milton Friedman's characterization) out of the hands of faceless bureaucrats and subject  
314 it to the rigors of free markets which would, it was asserted with scant evidence and with  
315 the complete absence of a theory of action, increase efficiency, choice, and quality. Thus  
316 vouchers and charter schools were legitimized.

317 No amount of research, it seems, can dispel the *idée fixe* that American education is in  
318 dire straits, and further, piecemeal changes were simply not enough to make substantive  
319 changes. No matter what J. R. Henig (1994) or Berliner and Biddle (1997) or Nichols and  
320 Berliner (2007) or Glass (2008) or Berliner and Glass (2014) wrote, the idea that American  
321 education needed fundamental, pervasive reform persisted; education reform was an  
322 evidence-free endeavor.

323 Garcia writes in *School Choice*

324 The four primary arguments put forth in support of school choice are the  
325 elimination of government bureaucracies, the interjection of competition  
326 into education through market forces, the promotion of parental choice as  
327 the most granular form of local control, and school choice as the "new" civil  
328 rights issue of our time.<sup>13</sup> (Garcia, 2018, p. 55)

329 .  
330 What is noteworthy is that none of the four arguments are about student achievement or  
331 attainment. A poorly staffed, badly run, charter school located in a dangerous  
332 neighborhood is as capable of satisfying the four requirements as is a high quality  
333 charter school. Whatever school choice is about, it's not about students and how well

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<sup>13</sup>Lest Garcia be tarred as anti-school choice, thereby justifying ignoring his research, Garcia is merely following Anatol Rapoport's Rules for Constructive Criticism, the first of which is to restate the argument of the person you are criticizing better than they themselves have done. See Daniel Dennett's succinct summary of "Rapoport's Rules" on Wikipedia:

[https://en.wikipedia.org/wiki/Rogerian\\_argument%23Rapoport%27s\\_rules](https://en.wikipedia.org/wiki/Rogerian_argument%23Rapoport%27s_rules).

334 they are doing.

335 To be clear, it is not the case that every American school is a model for the rest of the  
336 world: systematic, persistent, pervasive inequities and injustices abound and have been  
337 powerfully written about in Kozol (1992) and again in Kozol (2005), Valenzuela (1999),  
338 Heitzeg (2009), and Roithmayr (2014). The Coleman Report (Coleman, 1966) concluded  
339 that ten years after *Brown v. Board of Education*, American schools were still segregated and  
340 were still unequal. Surprisingly and contrary to the expectations of many, the report laid  
341 most of the blame for unequal educational outcomes on systematic, persistent, pervasive  
342 inequalities and injustices outside of schools. The report said,

343 Taking all these results together, one implication stands out above all: That  
344 schools bring little influence to bear on a child's achievement that is  
345 independent of his background and general social context; and that this very  
346 lack of an independent effect means that the inequalities imposed on  
347 children by their home, neighborhood, and peer environment are carried  
348 along to become the inequalities with which they confront adult life at the  
349 end of school. For equality of educational opportunity through the schools  
350 must imply a strong effect of schools that is independent of the child's  
351 immediate social environment, and that strong independent effect is not  
352 present in American schools. (Coleman, 1966, p. 325)

353 The report concluded that family background, the socioeconomic background of a  
354 school, and a student's sense that they were in control of their lives were more important  
355 than race-based disparities in explaining the black-white achievement gap (Pearce, 2016).

356 Downey (2020), using two ECLS-K studies, 1998 and 2011, supports this conclusion  
357 but in a slightly different way. He finds that academic inequality is reduced when  
358 children are in school, and increases when children are not in school, i.e. during the  
359 summer, which runs counter to the notion that schools exacerbate the achievement gap.

360 None of this should be a surprise because it is also clear that those schools have been  
361 systematically underfunded for decades; their dismal performance is more likely the

362 result of the poverty of their neighborhoods and their lack of funding than it is the other  
363 way around. For example, the California School Boards Association's (CSBA) Education  
364 Legal Alliance Adequacy Committee found that there exists a "substantial gap in funding  
365 between what K-12 education [in California] receives and what K-12 education needs even  
366 to meet the standards prescribed by the state (Bray, 2015, *iii*). B. D. Baker et al. (2018) in  
367 their aptly titled report *The Real Shame of the Nation*, develop a *National Education Cost Model*  
368 (B. D. Baker et al., 2018) which accounts for regional cost differences as well different  
369 funding levels to show that inadequate funding is present throughout the United States.  
370 Garcia (2018) says in *School Choice* that the "existence and importance of the issues that  
371 reformers believe plague public education are based as much on tradition and reputation  
372 as they are on tangible research evidence" (Garcia, 2018, p. 54). Finally, and tellingly,  
373 grossly inadequate funding is a characteristic of communities that are racially  
374 segregated and which are not white (Darling-Hammond, 2012; Rothstein, 2017).

375 J. R. Henig (1994)'s book, *Rethinking school choice*, which came out a mere three years  
376 after the passage of the nation's first state charter school law in Minnesota<sup>14</sup> and two  
377 years after the second in California<sup>15</sup> lays out a key argument against charter schools.  
378 Henig says, "[T]he real danger in the market-based choice proposals is not that they  
379 might allow some students to attend privately run schools at public expense, but that *they*  
380 *will erode the public forums in which decisions with societal consequences can democratically be*  
381 *resolved.*" (emphasis added) (J. R. Henig, 1994, *xiii*). Translated, this means that the  
382 decisions about public education's form and content are not going to be made by parents  
383 and teachers, but by people who do not have a stake in the outcome. It is now a matter of  
384 badly misaligned incentives.

385 But even before that, in 1982, Earl Craig, Jr. attached a minority report to *Rebuilding*

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<sup>14</sup>Laws of Minnesota 1991, chapter 265, article 9, section 3

<sup>15</sup>Education Code, Title 2, Division 4 Part 26.8, §47600 *et. seq*

386 *Education to Make It Work* which advocated for vouchers. He says in a paragraph that is as  
387 accurate today, forty years later, as it was in 1982:

388 In conclusion, this report is part of a national movement toward  
389 privatization of public services and responsibilities. I believe this movement  
390 will have the eventual result of a complete retreat by this society from a  
391 societal responsibility for the powerless who are difficult or expensive to  
392 educate, house, protect, etc. I believe the committee and board majority  
393 when they say that they are committed to equal access and equity. They say,  
394 trust that we will do the right thing. I do trust them, I do not trust the  
395 societal momentum of which vouchers is a part. It is a very destructive wave  
396 that has caught up many good people. It scares me to death. (Citizens  
397 League, Education Alternatives Committee, 1982, p. 48)

398 The belief that American schools were in crisis due to poor academic outcomes,  
399 sclerotic teachers resistant to change, ineffective and bureaucratic administrators more  
400 concerned with job safety than educating children is simply not supported by the  
401 evidence. But the idea that American schools are in crisis has been relentlessly promoted,  
402 and sheer repetition has turned fiction turned into fact, and this “manufactured crisis”,  
403 to use David Berliner and Bruce Biddle’s turn of phrase (Berliner & Biddle, 1997), has been  
404 used to justify school choice in the form of vouchers and charter schools. But charter  
405 schools didn’t actually take off until “education reformers across party lines realized that  
406 charter school laws could be crafted in ways that made it possible to open nonunion  
407 public schools, or even allow public schools to be managed by for-profit companies”  
408 (Goldstein, 2015, p. 172).

409 This literature review will first examine charter schools, their origins and the early  
410 research, before reviewing the types of charters which exist. It then examines the various  
411 models of charter schools such as virtual charter schools, charters which use blended  
412 learning, and charter management organizations before taking a closer look charter  
413 schools in Santa Clara County and in Rocketship in particular. It ends with a

<sup>414</sup> consideration of the finances and financing of charter schools.

## <sup>415</sup> 2.2 A History of Charter Schools

<sup>416</sup> Charter schools (privately run, but publicly financed schools) have an ugly racist  
<sup>417</sup> origin in the post-*Brown v Board of Education* era as a method of evading the U.S. Supreme  
<sup>418</sup> Court's mandate to educate both black and white Americans equally and not separately.  
<sup>419</sup> Fifty years later, charter schools turned segregation academies into the preferred vehicle  
<sup>420</sup> for privatizing public schools for profit while maintaining segregation.

### <sup>421</sup> 2.2.1 *The Origins of Charter Schools in Segregation*

<sup>422</sup> The first charter schools were not founded for educational or economic reasons.  
<sup>423</sup> Charter schools had their origin in the aftermath of "*Brown v. Board of Education*". "[*Brown*]  
<sup>424</sup> was the genesis of school choice as a public policy mechanism." (Garcia, 2018, p. 8) In the  
<sup>425</sup> Deep South, academies sprung up as part of the massive resistance to the U.S. Supreme  
<sup>426</sup> Court's unanimous 1954 ruling which answered the question,

<sup>427</sup> Does segregation of children in public schools solely on the basis of race,  
<sup>428</sup> even though the physical facilities and other "tangible" factors may be equal,  
<sup>429</sup> deprive children of the minority group of equal educational  
<sup>430</sup> opportunities? (Warren, 1954, p. 9)

<sup>431</sup> with "We believe that it does." (p.9)

<sup>432</sup> In order to circumvent *Brown*, white parents in eleven states formed thousands of  
<sup>433</sup> private schools, and until the early 1970's, these segregation academies received public  
<sup>434</sup> funds (Rooks, 2017). These origins of charter schools have been amply documented, in  
<sup>435</sup> Frankenberg et al. (2010), Frankenberg et al. (2011), and especially in Suitts (2019) and  
<sup>436</sup> Suitts (2020). Alexander in *The new Jim Crow* quotes Rosenberg (1991, p. 52) "The statistics  
<sup>437</sup> from the Southern states are truly amazing. For ten years, 1954–1964, virtually *nothing*  
<sup>438</sup> happened." [emphasis in (Alexander, 2011, p. 223)] She goes on to say,

439 Not a single black child attended an integrated public grade school in South  
440 Carolina, Alabama, or Mississippi as of the 1962–1963 school year. Across the  
441 South as a whole, a mere 1 percent of black school children were attending  
442 school with whites in 1964—a full decade after *Brown* was decided.

443 In the years after *Brown*, some localities went further than merely forming  
444 segregation academies. Prince Edward County in Virginia closed all of its schools for five  
445 years rather than integrate. Other jurisdictions closed pools, parks, zoos, and  
446 recreational facilities instead of integrating. This deliberate evasion of racial equality  
447 continued until a 1968 Supreme Court ruling put a stop to the practice of closing public  
448 facilities to avoid integrating them (Brennan, 1968).

449 The irony is that while charter schools started life as 100% white, they now serve  
450 intensely segregated students of color. Frankenberg et al. (2019) noted that,

451 Nearly three out of four students in the typical black student's charter school  
452 are also black. This indicates extremely high levels of isolation, particularly  
453 given the fact that black students comprise less than one-third of charter  
454 students. Latino isolation is also high, but not as severe as for blacks or  
455 whites across all charter schools. (p. 47)

456 Unfortunately, these segregation academies still exist, but instead of excluding  
457 children of color the way segregation academies did, they disproportionately target and  
458 enroll children of color. While these schools are no longer referred to as segregation  
459 academies, they make up a sizable subset of charter schools and often include the word  
460 “Academy” in their name. In Santa Clara County, for example, 11 out of 21 charter schools  
461 authorized by the county currently include “Academy” in their name (SCCOE, 2021).

462 Nikole Hannah-Jones, in her keynote speech at the Network for Public Education's  
463 Fourth Annual Conference, said that it has never been the case that a majority of  
464 African-Americans have attended majority white schools (*Keynote at the Network for Public*  
465 *Education's 4th Annual Conference*, 2017). She then added ruefully, that this was quite a feat

466 considering that African-Americans make up roughly one seventh of the population of  
467 the United States. Orfield and Frankenberg note that the percent of African-Americans  
468 in majority white schools rose from 0% in 1954 to a peak of 43.5% in 1988 before steadily  
469 declining to 23.2% in 2011. (Table 3: Percent of Black Students in Majority White Schools,  
470 1954–2011, Orfield & Frankenberg, 2014, p. 10). Hannah-Jones also commented that  
471 American public education doesn't even live up to the Separate but Equal doctrine  
472 espoused in *Plessy v Ferguson* and overturned by *Brown v Board of Education*. More recently,  
473 Heilig et al. made the same point using 2015–16 Common Core of Data. They say,  
474 “Nationally, we find that higher percentages of charter students of every race attend  
475 intensely segregated schools.” (Heilig et al., 2019, p. 205). This segregation has an effect  
476 on the achievement of the students thus segregated: it makes the “achievement gap”  
477 worse.

478 Racial segregation is strongly associated with racial achievement gaps, and  
479 the racial difference in the proportion of students' schoolmates who are poor  
480 is the key dimension of segregation driving this association. (Reardon,  
481 2016, p. 47)

### 482 2.3 Charter Schools, Free Markets and Privatization

483 Just a year after *Brown*, Friedman (1955) published his article “The Role of Government  
484 in Education” in *Economics and the Public Interest* (Friedman, 1955) that reframed charter  
485 schools as an economic problem in education instead as a way of evading court-ordered  
486 integration. That paper ensured that charter schools would no longer be morally tainted  
487 by their association with virulent racism, but rather would take on the honorable task of  
488 breaking up what was called a monopoly. Charters, operating in a free market<sup>16</sup>, would

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<sup>16</sup>No one really wants a free market because a market completely free of regulation would have unenforceable contracts, rampant monopolies, and constant and ruinous market failures. What people really want when they use the phrase “free market” is a heavily regulated market which allows them to profit, unfettered, while restraining or excluding others.

489 allow parents to choose the best alternative from an array of competing choices. Tellingly  
490 left unspecified was exactly how the free market would ensure that the array of competing  
491 choices actually offered valuable educational alternatives rather than mere alternatives.

492 In 1981, Ronald Reagan ran and became President of the United States based on a  
493 platform of less government is better government. This platform included eliminating  
494 the U.S. Department of Education (“The Republican Party platform of 1980,” 1980). True,  
495 eliminating the Department of Education is not the same as shutting down an entire  
496 school district the way white parents did in 1964, but the thought is there. Haney-López  
497 (2014) expertly dissects how it’s possible to voice racist thoughts without actually using  
498 racial words, a practice perfected by President Ronald Reagan (Haney-López, 2014).

499 Now, only liberty and freedom matter, in education, as in other fields. It’s school  
500 choice or bust; school choice is proffered not only as *the* panacea for all that ails America’s  
501 schools, but it is even touted as the morally right thing to do. Without a trace of irony, the  
502 former President Donald Trump framed school choice as the “civil rights issue of our  
503 time” in a garbled statement at the signing of an executive order on Safe Policing for Safe  
504 Communities:

505 School choice is the civil rights statement of the year, the decade and  
506 probably beyond. Because all children have to have access to quality  
507 education. A child’s zip code in America should never determine their future.

508 (as quoted in Lennox, 2020)

509 Education reformers have latched on to the notion that schools need to be privatized  
510 and freed from bureaucratic control for reasons of efficiency, increased flexibility, and  
511 accountability (Garcia, 2018). This claim is made despite educational management  
512 organizations (EMOs) themselves being high overhead, opaque bureaucracies with scant  
513 accountability.

514 B. Baker and Miron identified four major policy concerns with the privatization of

515 public education:

- 516 1. A substantial share of public expenditure intended for the delivery of  
517 direct educational services to children is being extracted inadvertently or  
518 intentionally for personal or business financial gain, creating substantial  
519 inefficiencies;
- 520 2. Public assets are being unnecessarily transferred to private hands, at  
521 public expense, risking the future provision of “public” education;
- 522 3. Charter school operators are growing highly endogenous, self-serving  
523 private entities built on funds derived from lucrative management fees  
524 and rent extraction which further compromise the future provision of  
525 “public” education; and
- 526 4. Current disclosure requirements make it unlikely that any related legal  
527 violations, ethical concerns, or merely bad policies and practices are not  
528 realized until clever investigative reporting, whistleblowers or litigation  
529 brings them to light.

530 (B. Baker & Miron, 2015, p. 3)

531 In California at least, these policy concerns have not been addressed in the six years  
532 since B. Baker and Miron wrote about them<sup>17</sup>.

533 Charter schools are now just one of the many forms of *privatization*, when public  
534 functions are performed by private parties for profit. Privatization is a manifestation of  
535 the corporate takeover of the world, first documented more than fifty years ago by  
536 Domhoff and elaborated on in seven subsequent editions. Domhoff argues that  
537 corporations and the corporate elite really run the United States, and by extension, the  
538 world. Kahn and Minnich (2005) make much the same point in their book *The fox in the*  
539 *henhouse: How privatization threatens democracy* (Kahn & Minnich, 2005). They list  
540 “[s]chools, prisons, welfare, Social Security, water and sewer systems, buses, trains,

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<sup>17</sup>Changes in policy to address some of these concerns have been strenuously opposed by charter school advocates. For example, the California Charter Schools Association opposed an accountability bill, AB1316 *School accountability: financial and performance audits: charter schools: contracts. (2021–2022)*, which merely sought to make charter school finances more transparent.

541 subways, highways, waterways, sanitation systems" (p. 30) as examples of formerly  
542 government run functions that are in whole or part privatized. They could have also  
543 listed postal mail, space travel, and now every facet of education, as being wholly or  
544 partly privatized. Cohen and Mikaelian (2021) lay out in detail how privatization has  
545 infiltrated American life and the consequences of this takeover of public goods by private  
546 firms run for profit (Cohen & Mikaelian, 2021). Black in *Schoolhouse Burning* (Black, 2020)  
547 focuses on the less tangible but arguably more important consequences of privatization  
548 of public schools, the loss of democratic control.

549 Privatizers make money by turning goods or services that used to be publicly  
550 available into private goods and services that must be paid for before they can be used.  
551 The canonical example of privatization is the enclosure of the commons in Britain in the  
552 16<sup>th</sup> and 17<sup>th</sup> centuries whereby land that previously had been owned collectively by a  
553 village was now owned by an individual who charged villagers for the privilege of using  
554 that land (Simon Fairlie, 2009). But modern privatizers have many more ways of turning  
555 a profit. They can:

- 556 • Obtain tax benefits
- 557 • Invest in other firms with public monies
- 558 • Invest in financial instruments with public monies
- 559 • Obtain a monopoly
- 560 • Engage in fraud, corruption, or outright theft
- 561 • Engage in self-dealing
- 562 • Obtain grants or loans on favorable terms
- 563 • Sell what doesn't belong to them
- 564 • Avoid paying for externalities
- 565 • Pay below market rates for goods or services
- 566 • Skew public-private partnerships to create unearned profits

- 567        • Engage in pay-for-success contracts  
568        • Offer social impact bonds

569        Charter school operators have even more options. They can inflate enrollment,  
570 charge excessive management fees, mis-characterize expenses, omit or inaccurately  
571 report financial data, fail to open a school or close one soon after receiving a grant, or sell  
572 their facilities to investors and lease them back, all at potentially inflated prices. Many  
573 charter schools have a long history of duplicitous or fraudulent actions (In the Public  
574 Interest, 2018; Burris & Bryant, 2020; B. Baker & Miron, 2015).

575        School choice has been relentlessly marketed and promoted by billionaires who do not  
576 send their children to public schools.<sup>18</sup> The Walton family, Eli Broad, Bill Gates, the Koch  
577 brothers, the Zuckerbergs, and Laurene Jobs, are all on the list of the 500 richest people in  
578 the world. Their collective wealth exceeds half a trillion dollars, and they are busily  
579 engaged using that wealth to fix the very problems that their accumulation of wealth  
580 caused. Giridharadas (2018) whose book, *Winners Take All: The Elite Charade of Changing the*  
581 *World*, says that it's a "Trying-to-Solve-the-Problem-with-the-Tools-That-Caused-It"  
582 issue (Giridharadas, 2018, p. 142).

583        The effects of billionaire spending on education cannot be over emphasized. Bill  
584 Gates made \$2B in grants aimed at creating smaller schools (Gates, 2009, p. 11), despite a  
585 lack of evidence that they were educationally valuable. These grants were eventually  
586 discontinued when the initiative didn't produce the intended results. Gates was also  
587 instrumental in funding and promoting the Common Core State Standards and  
588 associated assessments whose premise was that if we only had high enough academic  
589 standards, student outcomes would improve, again without evidence that the reforms  
590 were educationally valuable and without evidence of a mechanism of improvement.

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<sup>18</sup>Ravitch (2010) lumps these billionaires together, calling them the "Billionaires Boys Club", an epithet first used in *The Death and Life of the Great American School System*.

591 **2.4 Types of Charter Schools**

592 Charter schools can be broadly classified along three axes. The authorizer/oversight  
593 axis has to do with what entity approved their charter and who will exercise oversight.  
594 The profit/non-profit axis classifies schools by their intent to generate a profit, or not.  
595 Lastly, the in-person/blended/virtual axis characterizes pedagogical approach. Are their  
596 classes in-person, virtual, or a blend of the two?

597 **2.4.1 Charter School Authorizers and Oversight**

598 Charter schools in California are potentially subject to a three step process to gain  
599 authorization to operate. The first step is to submit a petition to the school district in  
600 which the charter wishes to operate. This petition must contain a number of required  
601 elements, all of which are specified in Education Code §47605(c)(5)(A–O), the commonly  
602 called “15 Required Elements (A-O elements)” (Aguinaldo et al., 2021, p. 89). Besides some  
603 technical details, the petition must contain a description of the charter’s annual goals  
604 which must align with state priorities, for all pupils and for various subgroups; how these  
605 outcomes are to be measured; how the charter is to achieve a racial and ethnic balance  
606 similar to its district, its governance structure, and its finances. All of these elements are  
607 captured in “*Charter Petition Evaluation Matrix*” by FCMAT, a document intended to  
608 provide a legally sound checklist for authorizers (FCMAT, 2022).

609 If a petition contains all the required elements, then the public school district may  
610 approve the petition, possibly with additional stipulations. If the public school district  
611 denies the charter school’s petition, it must state why. The charter school may appeal that  
612 denial to that County’s Board of Education (CBOE), and if the CBOE denies the charter  
613 school’s appeal, under certain circumstances, the charter school may appeal to the State  
614 Board of Education (SBE). A denial by the SBE terminates the process, and the charter  
615 school is not permitted to open.

616 Public school districts (LEAs, local education agencies, in the parlance of the

617 California Department of Education (CDE)) may authorize one several kinds of charter  
618 schools. Table 1, *Attributes of Private, Charter, and Public Schools in California* is a summary of  
619 the attributes of the types of schools in California. A public school district may sponsor a  
620 charter school directly, in which case the district exercises oversight. These dependent  
621 charter schools are authorized by the local public school board and are subject to the  
622 board's jurisdiction. It also is possible for all the schools in a district to convert to charter  
623 schools, and then the public school board becomes the charter school board. Lastly,  
624 charter schools may be authorized by a public school district or a county office of  
625 education with a governing board that is distinct and independent from the authorizer's  
626 governing board.

**Table 1**  
*Attributes of Private, Charter, and Public Schools in California*

Attribute	Private	Charter	Public
Funding	parent tuition	tax dollars	tax dollars
Governance	self-appointed	self-appointed	elected board
Duration	unlimited	time-limited	unlimited
Ed. Code	no	no	yes
Taxation Powers	none	none	limited
Facilities Bonds	no	no	yes
Facilities Grants	no	yes	no
Enrollment	limited	limited	not capped
Unionized	rarely	rarely	often
Curriculum	completely flexible	very flexible	flexible
Standardized Testing	no	yes	yes
Accountable	no	authorizer	elected board
Teacher Certification	no requirement	yes	yes
Teacher Pension	perhaps	perhaps	yes

627 **2.4.2 Profit-Making Status**

628 Until the 2019–20 school year, charter schools in California could be run directly or  
629 indirectly by a profit-making organization. California now prohibits profit-making  
630 organizations, either a single school or a charter management organization, from

631 submitting an initial charter school petition or a renewal.

632 Even though profit-making charters are banned, there are many ways of getting  
633 around this restriction. Charter operators can contract with outside firms to provide all  
634 or just some services, and those firms may be profit-making firms. Charter operators are  
635 able to lease, buy, or sell their facilities, and those transactions might generate a profit.  
636 Charter operators can sell their facilities and lease them back from the buyer. This kind  
637 of financial transaction converts an illiquid asset (buildings) into a liquid asset (cash) and  
638 also generates a revenue stream from the rental income, all of which is ultimately paid  
639 for by taxpayers. Charter operators may also charge schools a management fee or an  
640 expansion fee. Charter operators are not restricted in the salaries they pay  
641 administrators.

642 However, charter school board members in California have recently become subject  
643 to the conflict-of-interest laws specified in Government Code §§1090–1099 and  
644 §§87100–87314 (Becerra & Medeiros, 2018). Generally, government officials are  
645 prohibited from benefiting financially from their positions as public servants, but it  
646 remains to be seen if these conflict-of-interest laws will prevent profiteering by school  
647 board members, administrators, or relatives of either.<sup>19</sup>

#### 648 **2.4.3 Types of Instruction**

649 Charter schools, unlike almost all public schools, vary in their instructional format.  
650 In-person instruction is similar to that in traditional public schools, with one exception:  
651 the so-called “no excuses” charter schools (J. Horn, 2016; Torres & Golann, 2018; Golann,  
652 2021). These schools emphasize a highly scripted, rigid code of conduct that relies on  
653 fear, intimidation, and Skinnerian behavior modification as foundational elements of  
654 their pedagogy. Unlike schools which offer in-person instruction, virtual charter schools

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<sup>19</sup>The law is necessarily complex. Two useful guides (total: 300 pages) are Chaney et al. (2010) and Kevin Ennis et al. (2016). A more general guide to local government ethics is “Understanding the Basics of Public Service Ethics” from California’s Institute for Local Government (Institute for Local Government, 2016).

655 have no face-to-face instruction; everything is mediated by some sort of technology,  
656 typically, computers running specialized software, paid for by taxpayers. In between  
657 in-person instruction and virtual instruction is blended learning. It is simply a mixture  
658 of in-person and virtual instruction (M. B. Horn & Staker, 2015).

659 Since 2013, virtual charter schools have been studied extensively by Alex Molnar, Gary  
660 Miron and others and at the National Education Policy Center, University of Colorado,  
661 Boulder (*Virtual Schools in the U.S.* 2013, 2013; *Virtual Schools in the U.S.* 2014, 2014; *Virtual*  
662 *Schools in the U.S.* 2015, 2015; Miron & Gulosino, 2016; *Virtual Schools in the U.S.* 2017, 2017;  
663 *Full-Time Virtual and Blended Schools: Enrollment, Student Characteristics, and Performance*,  
664 2018; *Virtual Schools in the U.S.* 2019, 2019; *Virtual Schools in the U.S.* 2021, 2021). Their annual  
665 reports are depressingly consistent: virtual schools not run by a public school district  
666 significantly underperform public schools. Their conclusions are echoed by Woodworth  
667 et al. (2015) and Garcia (2018). Yet, despite being clearly academically inferior to public  
668 schools, the number of students attending virtual schools has risen year after year. Their  
669 pre-pandemic growth seems to be slowing, but their performance, compared to public  
670 schools, has not measurably improved.<sup>20</sup> (*Virtual Schools in the U.S.* 2019, 2019, p. 11).

671 Pre-pandemic, charter schools in California were legally deemed classroom-based  
672 (e.g. not virtual) if students spent no more than 20% of their time in front of a  
673 computer.<sup>21</sup> Blended charter schools, on the other hand, offer some sort of face-to-face  
674 interaction with a teacher along with online activity without face-to-face interaction.  
675 But they too offer only marginally better educational outcomes than fully virtual charter

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<sup>20</sup>Although *Charter Schools in Perspective: A Guide to Research* is otherwise an excellent summary of the research on charter schools, they incorrectly state (p.117) that there is little research of online or virtual charter schools. The authors must not be aware of the NEPC series on virtual charter schools. However, according to *Virtual Schools in the U.S.* 2019 (2019, p. 117), there is only one study on blended charter schools.

<sup>21</sup>The California Education Code §47612.5(e)(1) doesn't mention computers, but bases its definition of classroom-based on students being physically at the schoolsite with a certificated teacher in charge. Under that definition, a roomful of students behind computers with a teacher in attendance would qualify as classroom-based and not virtual. California's Education Code does not recognize the blended category.

676 schools (*Virtual Schools in the U.S.* 2019, 2019). Rocketship schools use a blended  
677 instructional model.

678 **2.5 Charter Schools in the United States**

679 Charter schools are one of several different kinds of school choice that are or have  
680 been available in the United States. Vouchers, private schools, home schooling,  
681 educational savings accounts, freedom-of-choice plans, magnet schools, and open  
682 enrollment are all forms of school choice. Home schooling accounts for less than 5% of all  
683 the students in United States. Private schools enroll about 12% of the total. Magnet  
684 school account for a few percent. Roughly, the various form of school choice, including  
685 charter schools, account for just under a quarter of all American students.

686 The characteristic that home schooling and private schools share is that they are  
687 agnostic about public schools. Not so for charter schools, voucher, and  
688 freedom-of-choice plans. Charter schools, voucher programs, parent trigger programs,  
689 and freedom-of-choice plans explicitly want to supplant or replace public schools  
690 (Garcia, 2018).

691 The first charter schools, other than segregation academies, were founded in  
692 Milwaukee, Wisconsin in 1991, followed by California starting in 1993. Conceptually,  
693 charter schools were based on an amalgam of ideas from Milton Friedman, Albert  
694 Shanker, and Ray Budde. Milton Friedman came at it from an ideological point of view  
695 couched in economic terms. Albert Shanker, in 1988, in a speech at the National Press  
696 Club, proposed that *teachers* in conjunction with *parents* be allowed to form a school *within*  
697 a school district. Shanker made no mention of competition, or free markets, or even of  
698 charter schools. Shanker's speech emphasized curriculum and learning, not governance  
699 or finance. Ray Budde first thought of charter schools in the early 1970s, but his proposal  
700 generated no interest and it was not until 1988 that he published his ideas (Budde, 1988).

701 **2.5.1 Charter Schools in California**

702 Charter schools, in California as elsewhere in the United States, enter into a contract  
703 (the charter) with a chartering authority that specifies what they are to do and how, and in  
704 return, are exempt from the entirety of California's Education Code (with the exception  
705 of five technical provisions). The California Legislature, when it enacted the *The Charter*  
706 *School Act of 1992*<sup>22</sup> (Ed. Code §47600), spelled out its intent in passing that legislation. The  
707 Act has been amended a number of times in its nearly 30 years of existence, but its intent  
708 has remained the same. It specifies that charter schools should

- 709 a) Improve pupil learning.
- 710 b) Increase learning opportunities for all pupils, with special emphasis on expanded  
711 learning experiences for pupils who are identified as academically low achieving.
- 712 c) Create new professional opportunities for teachers, including the opportunity to  
713 be responsible for the learning program at the school site.
- 714 d) Provide parents and pupils with expanded choices in the types of educational  
715 opportunities that are available within the public school system.
- 716 e) Hold the schools established under this part accountable for meeting measurable  
717 pupil outcomes, and provide the schools with a method to change from  
718 rule-based to performance-based accountability systems.
- 719 f) Provide vigorous competition within the public school system to stimulate  
720 continual improvements in all public schools.<sup>23</sup>

721 It is important to keep these goals in mind because charter schools have contractually  
722 agreed to meet these goals in return for funding, independently of whatever other goals

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<sup>22</sup>Current California law can be accessed at  
<https://leginfo.legislature.ca.gov/faces/home.xhtml>. California Regulations are at  
<https://ccr.oal.ca.gov>. California's Education Code (Ed.Code) is at  
<https://leginfo.legislature.ca.gov/faces/codesT0CSelected.xhtml?tocCode=EDC&tocTitle=+Education+Code+-+EDC>

<sup>23</sup>This goal was added in 1998.

723 they explicitly specified in their initial petition. Note, in particular, that the Legislature  
724 said nothing about profitability, and in fact, California enacted in 2018 a prohibition  
725 against for-profit charter schools (Ed. Code §47604 et seq.).

726 **2.6 Surveys of Charter School Research**

727 It's been about 30 years since the first charter school law was passed. In the last  
728 decade, researchers have published several surveys of the research on charter schools.  
729 The first two decades (1990–2010) were somewhat experimental and different enough  
730 that the research that came out of that period is less relevant than more recent research.  
731 The first survey of the last decade, is "Beyond ideological warfare: the maturation of  
732 research on charter schools." In it, Smith et al. (2011) reviewed systematically charter  
733 school research as it existed in 2011. The authors were interested, not so much in the  
734 conclusions of the studies they looked at, but how the research was performed, how it  
735 was structured, what facets of charter schools were examined, and what was the subject  
736 of the research in order to "separate empirical evidence from politicized conjecture" (p.  
737 460). They reviewed a total of 323 peer-reviewed articles and research center reports and  
738 found that student and school outcomes were the most commonly studied topics. They  
739 noted many studies were unable to generalize their findings because variations in policy  
740 between states and localities. Smith et al. also noted that there was a lack of longitudinal  
741 studies which is not surprising due to policy variations. Furthermore, they found that  
742 "acceptance into a peer reviewed journal does not always ensure that qualitative research  
743 adheres to the standards of providing substantiation that findings are credible and  
744 trustworthy or that quantitative research provides evidence of the studies' validity,  
745 reliability and generalizability." (p.466) Finally, the authors noted that many studies could  
746 not draw causal connections. They concluded that more research is needed.

747 Four years later, Berends (2015) chose as his focus the various theories that

748 researchers used when looking at the social organization of charter schools. In  
749 "Sociology and School Choice," Berends (2015), found, like Smith et al., that most studies  
750 concentrated on student achievement and neglected educational attainment such as  
751 high school graduation, college admission, and the granting of a degree. He notes that  
752 "the effects of charter schools on student achievement are mixed (some positive, some  
753 negative and some neutral)" (p. 170) Berends thinks the context in which charter schools  
754 operate is important in order to understand the magnitude of any effects and to  
755 understand what we can expect from school reform. He identifies longer school days, a  
756 focus on achievement, behavioral policies, teacher coaching and feedback, and  
757 data-based decision-making as characteristics most often associated with effective  
758 charter schools. Lastly he looks at innovation and distinguishes between curriculum and  
759 class-room based changes, and organizational changes, and he found hat charter schools  
760 mostly innovate on the structural side rather than the academic side. He concluded that  
761 more research is needed.

762 Next, Epple et al. (2016), in *Charter schools*, did much the same as Berends, but  
763 concentrated on the technical aspects of study design (Epple et al., 2016). The authors  
764 observed that which the research question being answered by a particular study was  
765 often much narrower or significantly different than the research question authors set out  
766 to answer or thought they were answering. The heart of their review is an analysis of "the  
767 methodological challenges in evaluating charter effectiveness" (p.141), and the strength  
768 and weaknesses of the various approaches that have been used. They find that  
769 researchers used one of five statistical methods: lottery-based design, fixed-effect  
770 approaches, matching procedures, ordinary least squares (OLS) regression, and  
771 instrumental variable approaches (p. 165), and they evaluate each approach. Epple et al.  
772 also discuss the much scrutinized virtual control record method of matching charter  
773 school students to public school students that came out of Stanford's Center for Research

774 on Education Outcomes (CREDO) which was criticized on purely statistical grounds in  
775 Andrea Gabor (2015). Epple et al. concluded that more research is needed.

776 In 2015 and then updated in 2018, Public Agenda released a guide to charter school  
777 research for non-academics, a review of current charter school research that was written  
778 in a way that is accessible to the public. The chapter on finance focused on four questions:  
779 how charter schools are funded, how charter schools and traditional schools compare in  
780 per pupil funding, what financial effects do charter schools impose on traditional public  
781 schools, and what are, if any, differential spending patterns between traditional public  
782 and charter schools (Public Agenda, 2018, pp. 78–89).

783 The finance chapter revealed that the 48 states with school choice programs had 48  
784 different methods of funding public schools and charter schools. This variation in  
785 funding models made comparisons difficult. In addition, each state has likely gone  
786 through several iterations of models of charter school funding, and this lack of  
787 commonality prevents researchers from conducting valid longitudinal studies. The  
788 authors answered their first question on funding by referring to a compilation of state  
789 funding amounts.

790 Their answer to the second question was yes, different levels of funding do exist, and  
791 in a few cases, by as much as 40% to nearly 60% less. Their take on whether it matters was  
792 hedged because studies differ in their conclusions for a variety of reasons. Likely not  
793 published in time to be reviewed by Public Agenda, was B. D. Baker (2018) which  
794 emphatically says that money does matter. They answer their third question with an  
795 unambiguous yes, charter schools do affect the finances of public schools. More recent  
796 research, Lafer (2018), B. D. Baker (2019), and Miron et al. (2021) validates their  
797 conclusion. Finally, they conclude that charter schools do spend their revenues  
798 differently, in part because charters spend more on administration than public schools  
799 do and sometimes more on facilities.

800       The last of the four academic surveys, Zimmer et al. (2019), considers who was served,  
801       racial segregation effects, both academic and non-academic outcomes, management  
802       structure, and financial effects of charter schools. Since Zimmer is a co-author of both  
803       this survey and of the previously cited Epple et al. (2016), the kinds of study designs  
804       analyzed are similar. Zimmer et al. intend to synthesize “the best research to inform the  
805       debate [about the value of charter schools]” (p. 2). They go beyond the 2016 study and  
806       survey studies on racial segregation, selective enrollment, and student pushout. Zimmer  
807       et al. conclude that charter schools lead to greater segregation for African Americans, but  
808       not necessarily for whites or Latino students. They find that charter schools do engage in  
809       sometimes subtle forms of selective enrollment and student pushout. Independently,  
810       and two years later, Mommandi and Welner document thirteen major ways that charter  
811       schools effectively choose who they enroll (Mommandi & Welner, 2021). After  
812       summarizing three different kinds of research (fixed effects, lottery-based, and match  
813       and other regression), they turn their attention to research on non-cognitive outcomes.  
814       Their penultimate chapter looks at research on indirect effects.

815       Although Garcia (2018) is not explicitly a survey of the existing literature, it contains  
816       in Chapter 3 much material on the research evidence which guides (or should guide)  
817       school choice policies. His goal is to present general trends that “reflect the weight of the  
818       evidence” (p. 93). The weight of the evidence, Garcia finds the research points to the  
819       conclusions that “school choice policies are more likely to separate, rather than integrate,  
820       students from different racial/ethnic and socioeconomic backgrounds” (pp. 159–60),  
821       “how countries and states structure school choice policies can have a profound impact on  
822       how school choice functions at a practical level” (p. 160), “low-income students face  
823       obstacles to participating in school choice plans” (p. 161), lastly, “one should expect  
824       student achievement gains under school choice plans to be modest at best and  
825       inconsistent across subjects and years” (p. 161), and “a major reason for the inability of

826 school choice to have an impact on the academic core of schools—teaching and  
827 learning—is that school choice came of age at the same time as high-stakes  
828 accountability policies that encourage standardization” (p. 162)

829 Garcia makes a point that hasn’t been made before: Since both public schools and  
830 charter schools are measured the same way (standardized tests), “the incentives to  
831 implement innovative pedagogical strategies are curtailed because the methods by which  
832 students are able to demonstrate their learning are uniform across all schools and  
833 restricted to the format of the tests.” (p. 163) He predicts that school choice in its many  
834 forms will continue to expand.

835 **2.6.1 Research on Charter School Finances**

836 Charter schools have been much studied, and the last decade has produced a number  
837 of reports examining charter school finances based on carefully collected evidence. For  
838 example, in 2014, Lafer (2014), now at In the Public Interest, published an analysis of a  
839 proposed law in Milwaukee, WI (Lafer, 2014) that was specifically tailored to benefit a  
840 to-be-opened Rocketship school. Lafer went on to author two other studies on charter  
841 schools, public policy, and finance: *Spending blind: the failure of policy planning in California*  
842 *charter school funding* (Lafer, 2017b) and *Breaking point: The cost of charter schools for public*  
843 *school districts* (Lafer, 2018). Carol Burris, Executive Director of the Network for Public  
844 Education, and several co-authors have produced three reports on money and charter  
845 schools: Burris and Pfleger (2020), Burris and Bryant (2020), and Burris and Cimarusti  
846 (2021). The National Education Policy Center, a research center based at the University of  
847 Colorado, Boulder, with over 150 scholars and academics from institutions across the  
848 U.S. whose goal is “to produce and disseminate high-quality, peer-reviewed research to  
849 inform education policy discussions” (“National Education Policy Center,” n.d.), has  
850 produced hundreds of reviews of research, policy and legislative briefs, some of which  
851 are annual surveys of charter schools. The series on profiles of EMOs have been produced

852 annually for fifteen years; the series on virtual charter schools, for ten years.

853        Bruce Baker's contributions to the NEPC are especially noteworthy. He is an author  
854 or co-author of 28 reviews of reports, studies, or articles on school finance, in addition to  
855 six policy, legislative, or research briefs. Baker co-wrote with Gary Miron *The business of*  
856 *charter schooling: Understanding the policies that charter operators use for financial benefit.*  
857 (B. Baker & Miron, 2015) which introduces many of the tools and techniques for  
858 evaluating how charter schools operate for profit. It will serve as a key resource for this  
859 dissertation.

860        Lafer (2017b)'s report, *Spending blind: the failure of policy planning in california charter*  
861 *school funding* is particularly scathing. He says, "Any time there is a low bar of entry for  
862 firms seeking to access government funds, one can expect to find corruption, and the  
863 charter industry is no exception." (p.18) But even absent corruption, there is ample  
864 opportunity to make lots of money. Lafer documents \$2.5B of Californian taxpayer  
865 money spent over fifteen years on charter school facilities, in many cases where there is  
866 no documented educational need and where the charter school is of lower quality than  
867 nearby public schools. Lafer says, "It's as if legislators turned on a faucet of money and  
868 then just walked away." (p.12) It is saddening that in the four years since Lafer's report  
869 came out, nothing has fundamentally changed.

870 **2.7 Rocketship**

871        Rocketship is well-known in the charter school world. It even has been the subject of  
872 a "biography", *On the rocketship* (Whitmire, 2014).<sup>24</sup> Rocketship's leaders and supporters  
873 routinely describe it as "high performing", "deserving of huge credit", "dynamic", and  
874 "nationally lauded". Rocketship schools, it is claimed, outperform some of the best public

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<sup>24</sup>Just two other charter schools share this distinction: Geoffrey Canada's Harlem Children's Zone (Tough, 2009) and the KIPP schools (Mathews, 2009; J. Horn, 2016)

875 schools in the country. Rocketship “believe[s] that every student deserves the right to  
876 dream, to discover, and to develop their own unique talent”.<sup>25</sup>

877 Rocketship is one of the largest non-profit charter school chains in the United States.  
878 They operate 21 schools in the United States; thirteen in California, three in each in  
879 Nashville, TN and Washington, D.C., and two in Milwaukee, WI. In Santa Clara County,  
880 CA, they have eight TK-5 elementary schools authorized by the county that served 4,254  
881 students in the 2019–20 school year plus 1,240 students in two district authorized  
882 schools, for a total of 5,494 students.

883 **2.7.1 *Founders and Supporters***

884 Rocketship was founded by John Danner in February 2006. Danner, Don Shalvey,  
885 Jennifer Andaluz, and Eric Resnick are listed as the initial members of Rocketship  
886 Education’s board of directors. Danner had significant teaching experience (Nashville,  
887 TN public schools) prior to Rocketship, as did Shalvey (Aspire Public Schools) and  
888 Andaluz (Downtown College Prep). Resnick, the fourth member of the founding group  
889 was a hedge fund manager who had a “a deep understanding of financial management  
890 and real estate transactions” (Danner, 2006, p. 13). The inclusion of Resnick, an expert in  
891 real estate transactions, at the very beginning of Rocketship, is interesting because one of  
892 the preferred ways for charter school investors and founders to generate profits is via real  
893 estate deals. John Danner eventually left Rocketship in 2013 to found Zeal, an online math  
894 tutoring tool, and was replaced by Preston Smith who became CEO. Smith became the  
895 first principal of the Rocketship’s first school, Mateo Sheedy, and was subsequently listed  
896 as a Rocketship co-founder in the charter petition for Rocketship’s second school.

897 Matt Hammer, Executive Director of PACT (People Acting in Community Together),  
898 brought Danner and Smith together, and has relentlessly promoted charter schools

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<sup>25</sup>Rocketship, like many charter school advocates and privatizers, excel at choosing memorable, compelling names and tag lines that are impossible to argue against but which nonetheless misrepresent —deliberately so—their goals.

899 through his advocacy non-profit, Innovate Public Schools.<sup>26</sup> Hastings proselytized  
900 Rocketship to the larger charter school community and when he promised Rocketship  
901 \$250K for each of the first eight Rocketship schools they opened, his donation caught the  
902 attention of philanthropic venture funds (Whitmire, 2014, p. 50).

903 **2.7.2 Rocketship History**

904 The first Rocketship school, Mateo Sheedy, opened in Santa Clara County in 2007.  
905 Rocketship's initial petition to the San José Unified School District was denied, so they  
906 appealed to the Santa Clara County Board of Education, which granted their petition.  
907 Over the years, Rocketship opened ten schools in Santa Clara County. Of those ten, only  
908 two were authorized by a public school district. The remainder were either countywide  
909 charters or charter schools whose petitions were denied by the local public school  
910 district, but subsequently approved by the Santa Clara County Board of Education.  
911 Table 2, *Rocketship Schools in Santa Clara County, California* lists the eleven Rocketship  
912 schools that were approved and the ten that opened. Note that only two were approved by  
913 the school district in which there were expected to locate. This lopsided result suggests  
914 that current charter school laws are tilted in favor of charter schools.

915 **2.8 Rocketship Finances**

916 Charter schools have a number of unique financial needs. They need startup funds,  
917 operating funds, and often funds to expand, funds that public schools do without.  
918 Rocketship is no exception. The *operation* of charter schools are funded by federal, state,  
919 and local governments, but funding *expansion* may or may not be funded with tax dollars,  
920 depending on the laws of a particular state. The difference between what's funded at  
921 taxpayer expense and what's not must somehow be funded with outside money. Startup  
922 money is needed for facilities, desks and chairs, teacher and administrator salaries, legal

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<sup>26</sup><https://innovateschools.org/>

**Table 2**  
*Rocketship Schools in Santa Clara County, California*

School	Type	Opened	Renewed	Notes
Mateo Sheedy	District appeal	2007	2009, 2015	Denied by SJUSD, approved by SCCOE
Sí Se Puede	District appeal	2009	2011, 2017	Denied by ARUSD, approved by SCCOE
Los Sueños	Countywide	2010	2015	SCCOE countywide
Discovery Prep	Countywide	2011	2016	SCCOE countywide charter
Mosaic	District	2011	2016	Approved by ARUSD
Brilliant Minds	Countywide	2012	2017	SCCOE countywide charter
Alma Academy	Countywide	2012	2017	SCCOE countywide charter
Spark Academy	District	2013	2018	Approved by FMSD
Alum Rock	District appeal	—		Denied by ARUSD, approved by SCCOE, but withdrawn 2015
Fuerza	Countywide	2014	2018	SCCOE countywide charter
Rising Stars	District appeal	2016	2021	Denied by FMSD, approved by SCCOE

923 fees, curriculum materials, etc., all of this before even one student registers. Startup  
 924 facilities cost vary widely. If the charter school chooses to use public school district  
 925 facilities under Proposition 39<sup>27</sup>, their need for funds will be lower than if they choose to  
 926 lease or build their own facilities. Startup facilities costs might involve the purchase of  
 927 land and the construction of school buildings, or might just involve lease payments. But  
 928 since state funding is tied to attendance, some startup funding is necessary. Thus the  
 929 federal government provides grants, administered by the states, for this purpose.

930 Rocketship has indicated from the beginning its intent to expand. In 2009,  
 931 Rocketship announced plans to open six new schools (Cook, 2009). It submitted a

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<sup>27</sup>Proposition 39, passed by California voters in November 2000, contains a provision that requires public school districts to provide charter schools facilities “sufficient to accommodate the charter school’s students” (Secretary of State, California, 2000, pp. 38–41) (Smaller Classes, Safer Schools and Financial Accountability Act, 2000). Regulations governing Prop. 39 facilities are in California Code of Regulations, Title 5, §11969.

932 petition to Santa Clara County to open countywide charters and within three years had  
933 actually opened four. Like many other CMOs and EMOs, Rocketship must expand in  
934 order to increase revenue enough to be worth the while of investors. A single school's  
935 profit is not enough to satisfy investors, but by using economies of scale, a "portfolio" of  
936 charter schools might suffice. A portfolio of charter schools is a collection of schools –  
937 almost always charter schools – managed as a whole.

938 The idea of a portfolio of schools comes from finance where a carefully chosen  
939 portfolio of investments can have lower collective risk for a given level of return than a  
940 mere collection of individual investments. (See "Markowitz model," 2021, for an overview  
941 of the mathematics of modern portfolio theory). Hill et al. claim to have invented the  
942 term *portfolio school district* (Hill et al., 2009, p. 1) and with it a strategy to implement such  
943 a district. Just a year later, J. R. Henig et al. define portfolio strategy for schools as

944 ...a loosely coupled conglomeration of ideas held together by the metaphor of  
945 a well-managed stock portfolio and its proponents' *unshakable belief* that the  
946 first step for successful reform must be to dismantle the bureaucratic and  
947 political institutions that have built up around the status quo. [emphasis  
948 added] (J. R. Henig et al., 2010)

949 Hill et al. acknowledge, in dry, understated language, that overcoming the objections  
950 and criticisms of educators and scholars to their unshakable belief will be difficult: "It is  
951 hard to imagine that a portfolio strategy could be introduced into a major city without  
952 significant conflict." (p.2) Portfolio strategy is most often associated with Paul Hill and  
953 The Center for Reinventing Public Education, which is now located at the Mary Lou  
954 Fulton Teachers College at Arizona State University.

955 **2.8.1 Rocketship Expansion Funding**

956 California, startup charter school funding has waxed and waned, in part because  
957 federal funding has varied. Currently, the U.S. Department of Education provides

958 startup funds to states under the Charter Schools Program State Educational Agency  
959 (SEA) grant program<sup>28</sup>. The federal charter school funding programs are listed in  
960 National Charter School Resource Center (2020). *The federal charter schools program: 2020*  
961 *annual report* notes that

962 At the core of the Charter Schools Program are the Grants to State Entities  
963 (SE Grants). The State Entity program offers competitive grants to states,  
964 which then make subgrants within their states to *open new charter schools and*  
965 *replicate or expand existing charter schools.* [emphasis added]

966 (National Alliance for Public Charter Schools, 2020)

967 Funds like the NewSchools Venture Fund<sup>29</sup> and the Charter School Growth Fund I &  
968 II<sup>30</sup> exist to fund the development and expansion of charter schools and charter  
969 management organizations. In 2007, when Rocketship Mateo Sheedy was started,  
970 Rocketship used lines of credit and loans to fund its beginning (Danner, 2006, p. 260).  
971 Now, charter schools have many more options for funding startup or operations.

972 Charters have at least three other sources of facilities funding: bonds, tax credits and  
973 foundation or individual contributions. Betsy DeVos, who served as Secretary of  
974 Education for Donald Trump, has donated \$12.6M to Rocketship. Reed Hastings, a  
975 founder and now CEO Netflix has donated more than \$2M. In addition, charter schools  
976 can avail themselves of the New Market Tax Credit if they meet certain investment  
977 criteria, and if they do, they can get back 39% of their investment in tax credits in seven  
978 years. If their investment returns, say, 20%, then combined, they are looking at nearly a  
979 60% return on their investment. A sixty percent return is fantastic. Charter schools and  
980 charter school operators can also issue revenue bonds. Revenue bonds are guaranteed by

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<sup>28</sup><https://www2.ed.gov/about/offices/list/oiicsp/funding.html>

<sup>29</sup><https://www.newschools.org/>

<sup>30</sup><https://chartergrowthfund.org/>

981 a revenue stream instead of by property tax revenues the way general obligation bonds  
982 are. Note that both are tax-exempt. As of 2015, charter schools issued over \$11B in  
983 revenue bonds according to Clark-Herrera et al. (2019).

984 **2.8.2 Rocketship Expansion Difficulties**

985 In 2014, the Santa Clara County Office of Education and Rocketship were sued by four  
986 Santa Clara County public school districts: Alum Rock, Mount Pleasant,  
987 Franklin-McKinley and Evergreen. At issue was the SCOE's bulk authorization of  
988 twenty countywide Rocketship charter schools. Sixteen months, 17,500 pages of  
989 evidence, and an estimated \$435,000 later, Rocketship, the public school districts, and  
990 Santa Clara County settled (Noguchi, 2015). As part of the settlement, Rocketship agreed  
991 to withdraw 13 of the 20 countywide charters thus far authorized. Since one of the  
992 remaining countywide charter had already been withdrawn, that left six potential  
993 charters still authorized but as of yet, unopened. So far, it appears that Rocketship has  
994 instead attempted to expand in locations beyond Santa Clara County: San Pablo<sup>31</sup> and  
995 Concord in California, Nashville in Tennessee, Milwaukee in Wisconsin, Washington,  
996 D.C. and Fort Worth in Texas.

997 **2.8.3 Charter School Accountability**

998 In California, all K–12 schools, including privately managed charter schools like  
999 Rocketship, must submit annual budgets, Comprehensive Annual Financial Reports  
1000 (CAFR), and since 2014, Local Control and Accountability Plans (LCAP). LCAPs are three  
1001 year plans updated in years two and three and which in detail how a school will use its  
1002 funds to address state priorities, and to improve educational outcomes for foster youth,  
1003 English learners, and low-income students, along with the metrics which will be used to  
1004 show progress (Aguinaldo et al., 2021, pp. 66–84). These characteristics make LCAPs  
1005 particularly interesting from both a financial point of view and from an educational

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<sup>31</sup>unsuccessfully

1006 point of view.

1007 **2.9 Rocketship and Privatization**

1008 Some contend that the central purpose of charter schools is to disguise a  
1009 money-making operation (Saltman, 2018). Whitmire, who now sits on the board of  
1010 Rocketship Education and who in 2014 published *On the rocketship*, makes note of the role  
1011 that private venture funds played in Rocketship financing (Whitmire, 2014), and it is  
1012 instructive to remember that private, for-profit venture funds exist to make money.  
1013 True, they often are “double bottom line” grantors (Clark et al., 2004). As Ball (cited in  
1014 Tewksbury, 2016, p. 75) makes clear

1015 ... particularly with the added case of Rocketship, a blended learning chain of  
1016 charter schools, is that the NSVF [NewSchools Venture Fund] is using its  
1017 clout to further blur the lines between for-profit and non-profit educational  
1018 projects and organizations, thus smoothing the groves [grooves?] for  
1019 marketizing educational policy and practices. Ball (2012) makes the  
1020 connections and rationalities clear: “Symbolically, philanthropy provides an  
1021 ‘acceptable’ alternative to the state in terms of its moral legitimacy. It has  
1022 also provided a kind of rehabilitation for the forms of capital that were  
1023 subject of ‘ill repute’ in the public imagination. Strategically, philanthropy  
1024 has provided a “Trojan horse” for the modernizing move that opened the  
1025 ‘policy door’ to new actor and new ideas and sensibilities.” (Ball, 2012,  
1026 p. 32)

1027 Privatizers use investment banks, hedge funds, and private equity firms as vehicles  
1028 for investing (Stowell, 2018). These investment vehicles are called *alternative investments*,  
1029 in contrast to *traditional investments* like stocks and bonds. Investment banks provide the  
1030 financial expertise that hedge funds and private equity firms need.

1031 **2.9.1 Privatization**

1032 Charter CMOs and EMOs appear to be following the lead of prison and health care

1033 privatizers. They lobby legislators intensively. They position themselves as being more  
1034 efficient than the “wasteful” public sector, and they claim to be able to do better than  
1035 public schools, prisons or hospitals at a lower cost. Since charter schools have positioned  
1036 themselves as being in competition with traditional public schools, they need to do at  
1037 least as well as traditional public schools, or failing that, appear to do so. This calls for  
1038 creative marketing, and so, to that end, pro-charter advocacy organizations, some  
1039 university-affiliated institutions, and some think tanks have been harnessed to churn out  
1040 pro-charter puff pieces that are regularly debunked.<sup>32</sup> Evidently even creative marketing  
1041 is not enough to prod the free market to supply the educational choice that charter school  
1042 advocates feel is necessary, so pro-choice advocacy organizations also lobby state  
1043 representatives and fund pro-charter board candidates.

1044 Charter school marketing is extensive. Organizations like The 74 Million, a reference  
1045 to the 74 million children in America, or Innovate Public Schools, an advocacy  
1046 organization, produce reports, news items, briefs and what claims to be research that is  
1047 slanted toward charter schools and away from public schools, teachers, unions, school  
1048 boards, and anything and anyone who doesn't buy into the notion that American  
1049 education is in desperate need of reform. One technique that is used is to fund media  
1050 outlets to write allegedly unbiased and non-partisan articles and blog postings that  
1051 promote “successes” while dismissing any harm that charter schools might cause.

1052 These influence techniques are reminiscent of how OxyContin was marketed by the  
1053 Sackler family, which is not surprising since Jonathan Sackler, now deceased, founded or  
1054 funded charter advocacy groups like 5oCAN, ConnCAN, Families for Excellent Schools,

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<sup>32</sup>The National Educational Policy Center (<https://nepc.colorado.edu>) in the School of Education at the University of Colorado (Boulder) currently has over 150 NEPC Fellows who aim “to produce and disseminate high-quality, peer-reviewed research to inform education policy discussion” on a wide variety of topics. They often review pro-charter school publications which have been presented as academic research even though those publications have not been peer-reviewed and often have serious methodological problems which weaken or negate their conclusions.

1055 the Northeast Charter School Network, Education Reform Now, Partnership for  
1056 Educational Justice, and The 74 Million. Dubb (2017) describes the similarities in  
1057 marketing strategies used to sell oxycontin and those used to promote charter schools,  
1058 where the focus of all communications was to highlight benefits while ignoring or  
1059 erasing harms. While this is the standard playbook of corporate marketing, we now have  
1060 public education dollars being spent on such tactics. When a national exposé published  
1061 by National Public Radio (NPR) documented serious concerns about Rocketship's  
1062 practices, The 74 Million immediately published an *ad hominem* attack on NPR, accusing  
1063 the report to have been a "hit piece" on the charter network. The response of The 74  
1064 Million addressed some of the issues raised by NPR while leaving unanswered some of  
1065 the most serious concerns.

1066 Unlike many other forms of privatization, charter schools have competition. When a  
1067 local government turns over the task of supplying water to a town, for example, there is  
1068 not another public water company serving the same customers to serve as a comparison.  
1069 Privatization is often an all-or-nothing proposition. Charter schools, on the other hand,  
1070 can be and are often compared to the public schools in the same school district. The  
1071 presence of very visible competition has an interesting consequence: charter schools  
1072 view public schools as an existential threat, precisely the opposite of the cooperative,  
1073 synergistic relationship that state legislators envisioned. In fact, the absence of reports  
1074 on the successful sharing of innovations appear so infrequently that sharing might as  
1075 well be completely absent.

1076 Given that charter schools in California get the same per pupil funding as do public  
1077 schools, there are a limited number of ways that charter schools can generate "excess"  
1078 funds. They can lower operating costs by hiring unqualified teachers and paying them  
1079 less. They can tap into state or federal facilities grants. They can collect and sell student  
1080 data. They can contract out to a for-profit management company. They can buy

1081 technology from business partners. In all these cases, the net result is always the same:  
1082 money flows out of the public school system into private hands.

1083 Charter schools employ fewer and less experienced teachers than public schools do. A  
1084 teacher with 10 or 20 years of experience can easily command a salary that is twice that of  
1085 a newly minted teacher. Rocketship schools have a student-to-teacher ratio that's  
1086 officially as high as 36:1 (SCCOE, 2021), and if aides are counted as teachers, it is an  
1087 estimate which understates the number of students per teacher. The combination of  
1088 fewer and less expensive teachers can reduce the cost of teacher salaries to one-third of  
1089 what public schools pay for teachers. This reduction is significant because teacher  
1090 salaries typically account for from one-third to three-quarters of the total expense of  
1091 running a school. Charter schools that employ a blended pedagogy can further reduce  
1092 the cost of salaries, with virtual schools dispensing entirely with teachers, effectively  
1093 reducing the single largest component of running a school to zero.

1094 **2.9.1.1 Philanthrocapitalism**

1095 Philanthrocapitalism is the term used to describe the approach to philanthropy that  
1096 prioritizes operating non-profits as businesses, i.e. making money while “doing good”.  
1097 The epigraph to Giridharadas’s book *Winners Take All* is a quote taken from Leo Tolstoy’s  
1098 *Writings on Civil Disobedience and Nonviolence* which captures the absurdity of making  
1099 money while “doing good”:

1100 I sit on a man’s back choking him and making him carry me, and yet assure  
1101 myself and others that I am sorry for him and wish to lighten his load by all  
1102 means possible ... except by getting off his back.

1103 For philanthrocapitalists, the techniques and vehicles used to extract a profit from  
1104 public education are impressive. Saltman (2018) lists the following in *The swindle of*  
1105 *innovative educational finance* (pp.xii–xiii):

- 1106 • social impact bonds,

<sup>1107</sup> • higher education lending and student income loans,

<sup>1108</sup> • charter school real estate, tax credit, and municipal schemes, and

<sup>1109</sup> • philanthrocapitalist educational technology schemes.

<sup>1110</sup> R. Marachi and Carpenter (2020), Burris and Cimarusti (2021), Scott (2009), B. Baker and

<sup>1111</sup> Miron (2015) all make the same point: education has been captured by big business,

<sup>1112</sup> where profits are hidden, and where the profits are substantial.



1113

## Research Design and Methodology

1114

1115        This dissertation is an *exploratory, case study* using a *public policy* lens to examine the  
1116        *finances* of Rocketship Education. Exploratory means that the precise data that will be  
1117        collected and the precise methods used to analyze those data are not fully known in  
1118        advance and will depend on this study's findings as the inquiry evolves. Case studies are  
1119        in-depth examinations of a single topic that are limited in space or time. Public policy is  
1120        the set of laws, regulations, rules, and guidelines that affect the actions of an element of  
1121        society. It is "the decisions, measures, programs, strategies and courses of action  
1122        adopted by the government or the legislative body" (Knill & Tosun, 2020, p. 3). Public  
1123        policy mandates, constrains, and abets Rocketship Education's actions and how it  
1124        structures its finances to meet its goals.

1125

1126        Finance, as it pertains to Rocketship Education, encompasses all transactions of  
1127        monetary value which involve the legal entities called Rocketship Education (DBA  
1128        Rocketship Public Schools) and Lauchpad Development, plus other entities with which it  
1129        has significant financial relationships. An expansive view of Rocketship's finances might  
1130        also include those of its founders who, perhaps went on to found companies that sold  
1131        software to Rocketship, and entities focused on real property from whom Rocketship  
1132        might have bought, leased, or sold real property. The expansive view is beyond the scope  
of this dissertation.

1133

1134        This chapter contains six sections. The first, Section 3.1, *Process Overview*, describes at  
1135        a very high level three steps of inquiry this dissertation will follow. Since understanding  
1136        how schools are financed is essential to understanding Rocketship's finances, a pair of  
1137        sections, Section 3.2, *Financing Schools in California* and Section 3.3, *Charter School  
Financing*, will give an overview of school financing in California by describing the  
1138        normal, common financial disclosures and reports made by all districts and schools and

<sup>1139</sup> then the essentials of charter school finance.

<sup>1140</sup> The fourth section, Section 3.4, *Charter Schools and Real Estate*, covers the varieties of  
<sup>1141</sup> real estate transactions that charter schools might be involved in. The fifth section,  
<sup>1142</sup> Section 3.6, *Gaps and Anomalies*, discusses how potential gaps or anomalies in the  
<sup>1143</sup> financial data might be discovered.

<sup>1144</sup> In order to make what's being analyzed more concrete, Appendix A, *School Financing*  
<sup>1145</sup> *in California*, contains some example tables drawn from the Los Altos School District  
<sup>1146</sup> (LASD) for the 2019–20 school year. These are standard financial reports taken from  
<sup>1147</sup> LASD's SACS data, but presented in a way that is both visually appealing and  
<sup>1148</sup> informative.<sup>33</sup> The high level view is given in Figure 5, *LASD 2019–20 All Funds Summary*.  
<sup>1149</sup> That view is further broken down in five more tables. The final and sixth table is a  
<sup>1150</sup> projection of LASD's finances for the current year (2018–19), the year whose budget is  
<sup>1151</sup> being presented (2019–20), and five years into the future. The first half of the table  
<sup>1152</sup> contains the assumptions used to generate the amounts in the second half.

<sup>1153</sup> **3.1 Process Overview**

<sup>1154</sup> Explaining the real estate-related finances of Rocketship Education is the heart of  
<sup>1155</sup> this dissertation. Where do Rocketship's revenues come from? Where are they spending  
<sup>1156</sup> that revenue? Are there investors who make money off of Rocketship? And, critically, if  
<sup>1157</sup> Rocketship takes in more money than it spends on education, where does that money go?

<sup>1158</sup> To respond to these questions, the basic process steps for this dissertation will  
<sup>1159</sup> include the following:

<sup>1160</sup> 1. Gather financial data for the Rocketship schools being studied. The initial set of

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<sup>33</sup>LASD's annual budgets have consistently won the Meritorious Budget Award for Excellence from the Association of School Business Officials International for the quality and comprehensiveness of its financial statements for each of the last 15 years. Both LASD's annual budget and its CAFR exceed 100 pages. That information and data, although available elsewhere, is truly informative and serves as a record, a history if you will, of LASD's past, its actions, and the data which guided those actions.

1161 data being analyzed is discussed in Section 3.3, *Charter School Financing* later in  
1162 this chapter.

- 1163 2. Identify any gaps or anomalies in the data. This is where triangulation is useful  
1164 and is discussed further in the Section 3.6.1, *Triangulation*.
- 1165 3. Analyze the flow of money in and out of Rocketship which will try to determine  
1166 where Rocketship funds come from, where is that money being spent, and what  
1167 public policies (or lack thereof) account for Rocketship's actions.

1168 Analyzing the finances of Rocketship Education means, for example, determining the  
1169 attributes of a particular bond. Are these bonds general obligation or revenue bonds? Are  
1170 they obligations of Rocketship Education or Launchpad Development and funded their  
1171 revenues, or are they conduit bonds issued by a government agency and obligations of  
1172 that government agency that are intended, by not guaranteed, to be funded by  
1173 Rocketship's revenues? Have the bonds been purchased by entities that are related to  
1174 Rocketship, i.e. they are not arm's length transactions?

1175 **3.2 Financing Schools in California**

1176 In California, primary and secondary schools (grades TK–12), community colleges  
1177 (grades 13–14), and charter schools (TK–12) are financed with a combination of federal,  
1178 state, and local funds as seen in Figure 1, *California 2019–20 K–12 Funding by Source*.<sup>34</sup> From  
1179 the point of view of the current fiscal year, say in early June, there are three budgets: The  
1180 prior year's budget, the current year's budget, and next year's budget.

1181 In June of every year, the California Legislature passes a budget for the next fiscal  
1182 year which runs from (July 1<sup>st</sup> – June 30<sup>th</sup>). The Governor signs this budget into law and it  
1183 is then called the enacted budget. This version of the budget describes the *intent* of the

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<sup>34</sup> Since federal funds account for only 8% of total funding for California's elementary school children (Legislative Analyst's Office, 2021), the federal contribution will not be considered further. Note that federal facilities grants to charter schools are not part of this 8%.

1184 Governor and the Legislature, but might not provide any actual money. Often funds for  
1185 programs authorized by the enacted budget are appropriated in *trailer bills* that are  
1186 passed piecemeal in the months following the adoption of the budget. Starting July 1<sup>st</sup>,  
1187 the enacted budget becomes the current budget. During the course of the fiscal year,  
1188 revisions are made to the current budget, either because circumstances or priorities have  
1189 changed. At the end of the fiscal year, this current and possibly modified budget becomes  
1190 the revised budget, and during the following year, technical adjustments can be made.  
1191 Exactly how much money was spent, or what was misclassified and improperly allocated  
1192 will change the revised budget numbers. This modified and corrected budget becomes  
1193 the final budget. The upshot of this is that there are actually multiple versions of  
1194 California's budget and one should be precise when one refers to "the budget". Usually,  
1195 one means the current budget, except during "budget season" which starts when the  
1196 Governor releases a budget proposal in January, continues through May when the  
1197 Governor revises that proposal, and ends in June when it is enacted into law. Once the  
1198 Governor and the Legislature have negotiated their differences, and a budget has been  
1199 passed by the Legislature and signed by the Governor, it becomes the enacted budget.  
1200 Starting July<sup>st</sup> the enacted budget becomes the current budget.

1201 Figure 1, *California 2019–20 K–12 Funding by Source* shows what money California uses  
1202 to fund its primary and secondary educational system, i.e. grades K–12. This money is  
1203 then allocated to local educational agencies (LEAs), through a formula known as the Local  
1204 Control Funding Formula (LCFF).<sup>35</sup> LEAs include individual charter schools, county  
1205 offices of education, and local public school districts. The total amount of money for K–12  
1206 funding is allocated using a formula that was enacted by voters in 1988 (LAO, 2017):  
1207 Proposition 98. Prop. 98 was originally meant to be a minimum guaranteed funding

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<sup>35</sup>The LCFF actually funds transitional kindergarten and community colleges as well as public primary and secondary educational institutions, so it ought to be known as funding grades TK-14. Approximately 89% of LCFF funding goes to grades TK-12.

**Figure 1**  
*California 2019–20 K–12 Funding by Source*

## K-12 Funding by Source

(*Dollars in Millions*)

	2017-18 Final	2018-19 Revised	2019-20 Enacted	Change From 2018-19	
				Amount	Percent
<b>Proposition 98</b>					
General Fund <sup>a</sup>	\$47,194	\$48,327	\$49,322	\$994	2.1%
Local property tax	19,644	20,645	21,921	1,276	6.2%
Subtotals	\$66,839	\$68,973	\$71,243	\$2,270	3.3%
<b>Other State</b>					
Other General Fund	\$6,879	\$9,749 <sup>b</sup>	\$10,503 <sup>b</sup>	\$754 <sup>c</sup>	7.7%
Lottery	\$1,382	\$1,305	\$1,304	-\$1	-0.1%
Special funds	\$75	\$79	\$228	\$149	189.0%
Subtotals	\$8,336	\$11,133	\$12,036	\$903 <sup>c</sup>	8.1%
<b>Other Local<sup>d</sup></b>					
	\$12,023	\$12,712	\$11,814	-\$898	-7.1%
<b>Federal</b>					
	\$7,435	\$8,190	\$8,284	\$94	1.1%
<b>Total</b>	<b>\$94,633</b>	<b>\$101,008</b>	<b>\$103,377</b>	<b>\$2,369</b>	<b>2.3%</b>
Students <sup>e</sup>	5,960,120	5,944,769	5,933,407	-11,362	-0.2%
Proposition 98 funding per student	\$11,214	\$11,602	\$12,007	\$405	3.5%
Total funding per student	\$15,878	\$16,991	\$17,423	\$432	2.5%

<sup>a</sup> Consists of funding for K-12 education, preschool, and other agencies serving K-12 students.

<sup>b</sup> Includes \$3.9 billion in additional retirement payments authorized in the 2019-20 budget package (\$2.8 billion attributed to 2018-19 and \$1 billion attributed to 2019-20).

<sup>c</sup> These year-to-year comparisons are notably affected by how the administration attributed the additional retirement payments authorized in the 2019-20 budget package across fiscal years.

<sup>d</sup> Includes revenue from local fees, property taxes collected in excess of the Local Control Funding Formula allotments, parcel taxes, and reimbursements.

<sup>e</sup> Reflects average daily attendance.

Legislative Analyst's Office (2021).

1208 level, but has evolved into a ceiling. The Legislative Analyst's Office (LAO), which serves as  
1209 an independent, non-partisan research arm of the California Legislature in much the  
1210 same way that the Congressional Research Service serves the U.S. Congress, calls Prop.  
1211 98 "A Tale of Complexity" (p.5) and says that "A Plethora Tests and Rules Govern the  
1212 Minimum Guarantee" (p.5), and that "State Has Made Myriad Adjustments to the  
1213 Proposition 98 Calculations" (p.5). Undoubtedly LCFF is complex, but LCFF is more  
1214 transparent, has fewer rules, is more equitable, and is more responsive to the needs of  
1215 public school districts that have a high proportion of under-served students than the  
1216 Revenue Limit System that came before it. The Revenue Limit System was also complex,  
1217 but in a completely difference way; it had many separately funded programs, called  
1218 categorical programs, each with their own set of requirements, rules, durations, and  
1219 funding levels. Each passing year saw more programs being added to the set of  
1220 categorical programs until the entire collection became both unwieldy and inequitable.

1221 As seen in Figure 1, *California 2019–20 K–12 Funding by Source*, Proposition 98 funding  
1222 accounts for nearly 70% of California's K–12 funding, with the remainder coming from  
1223 local property taxes and fees, and from various other federal and state sources. This  
1224 money is distributed to county offices of education which then distribute it to public  
1225 school districts. Districts then distribute funds to charter schools.

1226 Some districts are funded outside of the LCFF system. These used to be called "basic  
1227 aid" districts, but since the term is confusing, they are now called "community funded".  
1228 These are districts where the proportion of annual property tax revenue is greater than  
1229 their annual LCFF entitlement. They get only "basic aid", i.e. the constitutionally  
1230 required minimum funding (the greater of \$120 per pupil or \$2,400 per district) from the  
1231 state. For districts which are not community funded, the state contribution is the  
1232 difference between a district's LCFF entitlement and its share of district property taxes.  
1233 In other words, the state ensures that each district gets at least its LCFF entitlement, the

1234 total amount which is determined by Prop. 98.<sup>36</sup>

1235 ***3.2.1 Budgets & Interim Reports***

1236 For a given fiscal year, the annual budget is the first of four important financial  
1237 documents produced. Since budgets must be approved before the start of a fiscal year,  
1238 budgets are actually produced and approved in the prior fiscal year.<sup>37</sup> The next two  
1239 financial documents are two (unaudited) interim reports, one in December, and another  
1240 in March, which track how well the school or district is adhering to the approved annual  
1241 budget, and finally, after a certified public accountant has audited the school or district, a  
1242 comprehensive annual financial report (CAFR) is produced in the fiscal year following the  
1243 period it covers. State law requires that an independent auditor certify this retrospective  
1244 account of the school or district's financial activity as being an accurate representation of  
1245 the school's finances for the previous fiscal year.

1246 ***3.2.2 Local Control Accountability Plans (LCAPs)***

1247 An important, recurring, non-financial report of schools is the Local Control  
1248 Accountability Plan (LCAP). Although the LCAP is a three year plan, it is updated  
1249 annually. The focus of an LCAP is on the programs that a school (public or charter) is  
1250 going to implement, finance, and monitor that will allow it meet the goals that the state  
1251 has set. These are goals that the California Department of Education sets periodically,  
1252 primarily to ensure that students with the greatest needs are in fact served and are in  
1253 addition to the seven goals that the Legislature set for charter schools in general.

1254 Typically LCAP goals remain the same over their three year lifespan, but their  
1255 financing may change if the metrics used to measure progress toward achieving those  
1256 goals aren't showing progress. In unusual circumstances, how the goals are to be

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<sup>36</sup>An invaluable and comprehensive description of K-12 funding in California, for both public school districts and charter schools, can be found in Aguinaldo et al. (2022), an annual publication.

<sup>37</sup>Since a school's budget must be approved before the state budget is finalized, it is nearly certain that a school's budget will need to be modified after it has been approved.

1257 achieved might change. LCAPs are California's way of ensuring that all public schools,  
1258 including charter schools, meet the same set of priorities or goals. Apparently, some  
1259 LCAPs have been on the order of 500 pages long, although the norm is much less.

1260 For each activity or group of activities, schools must indicate what goal is being met,  
1261 if the goal includes increased services for disadvantaged student, how well the school or  
1262 district has met that goal, and how much money has been allocated to achieving and  
1263 reporting those goals. (The reality of what the Department of Education wants is an order  
1264 of magnitude more complicated than this description, but it is accurate as far as it goes.)

1265 Unlike budgets and CAFRs, LCAPs don't have to "add up", nor do they have to offer a  
1266 complete financial picture, but they do have to be consistent with other financial data.

1267 Expenditures have to be budgeted, and the amounts in a school's budget must agree with  
1268 what's in the LCAP. The charter or public school's board must approve an LCAP at the  
1269 same time as it approves its annual budget.

### 1270 **3.2.3 Comprehensive Annual Financial Reports**

1271 The final major source of financial data from charter schools is an annual,  
1272 independently audited, financial statement called the Comprehensive Annual Financial  
1273 Reports (CAFRs). These are sent to the California Department of Education (CDE) and to  
1274 a charter's County Office of Education (COE) annually. They cover the previous fiscal year  
1275 and are similar to annual budgets because they report the same information, perhaps in  
1276 a different format. CAFRs are retrospective whereas budgets are prospective. The major  
1277 difference between budget and CAFRs is that CAFRs are independently audited and  
1278 budgets are not.

1279 Similarly to bond underwriters, financial auditors are liable for "omitting,  
1280 misstating, or obscuring [items which] could reasonably be expected to influence  
1281 decisions that the primary users make on the basis of those financial statements"  
1282 (Cayamanda, 2020), and this requirement tends to increase the diligence of the auditors.

1283 However, potential liability doesn't always result in truly comprehensive financial  
1284 statements; sometimes the lure of accounting fees overwhelms any misgivings, as was  
1285 the case with Enron and Arthur Andersen in 2001. Errors and sloppiness may exist, but  
1286 in general, fraud is thankfully rare, in part because fraud on the part of auditors would  
1287 likely result in the loss of the auditor's license, effectively ending their business.

1288 **3.3 Charter School Financing**

1289 In California, charter schools are financed the same way as public schools are, from  
1290 the same pot of money, using the same set of rules, except for one significant difference:  
1291 how they finance facilities. Unlike public schools, charter schools have no taxing  
1292 authority, so they cannot pass bond measures or parcel taxes. This lack of a taxing  
1293 authority means that charter schools must either occupy existing public school facilities  
1294 (potentially displacing existing public school students) or seek grants and donations to  
1295 fund non-district facilities, either leased or purchased. The federal government provides  
1296 significant amounts of facilities grant money and delegates to the states the  
1297 administration of the program and the disbursement of the actual grants.

1298 An in-depth analysis of charter school finances requires a broader lens than one used  
1299 for public schools because, in addition to all of the financial dealings of traditional public  
1300 schools, almost all of which also apply to charter schools, charter schools have large and  
1301 immediate needs for facilities that traditional public schools don't have. This brings into  
1302 the picture bonds, loans, grants, leases, construction, and the purchase and sale of real  
1303 estate. Traditional public schools do issue several kinds of bonds, levy parcel taxes, and  
1304 buy real estate on which they build schools, but they do so infrequently. Usually public  
1305 schools have done this years ago, but charter schools have an immediately and  
1306 reoccurring need for facilities. They face these needs once when they start up, and  
1307 whenever they outgrow their facilities because of increased enrollment. The needs of

1308 charter schools for facilities and the financing associated with obtaining those facilities  
1309 is more pressing, more immediate, and more common than the corresponding needs of  
1310 traditional public schools whose enrollment doesn't fluctuate as much.<sup>38</sup>

1311 **3.3.1 Charter School Financial Documents**

1312 The challenge for this inquiry will be to organize the financial documents and data  
1313 collected so that gaps and anomalies can be identified, interesting and valid comparisons  
1314 can be made with public schools and other charter schools, and the flows of money in and  
1315 out of Rocketship can be identified. One way of organizing charter school data is  
1316 chronologically from when they appear.

1317 Table 3, *Charter School Financial Documents*, summarizes the official, publicly available,  
1318 and required financial reports about charter school finances, in chronological order.  
1319 Note that budgets, interim reports, LCAPs, and CAFRs are also required of public  
1320 schools. Table 3, *Charter School Financial Documents* enumerates the various financial  
1321 documents that are produced by charter schools.

**Table 3**  
*Charter School Financial Documents*

Name	Description	Frequency	When
Initial Petition	Comprehensive description	Once	Before opening
Renewal Petitions	Similar to initial petition	Every 5 years	Years 5, 10, 15, ...
Budget	Complete financial plan	Annually	Before June 15 <sup>th</sup>
LCAP	How to meet state priorities	Every 3 years	With budget
Interim Reports	Current spending	Twice yearly	December, March
CAFR	Audited financials	Annually	In the following year

1322 The first financial statement from a charter school is contained in their initial

<sup>38</sup>Usually a public school district sees a change in enrollment because of significant demographic changes like immigration or emigration, birth rate increases or declines. Charter schools can see large enrollment changes absent any demographic change, even if the total number of students residing in a district stays the same. In some instances, increased enrollment in charter schools comes from public school students switching from the public school system to charter schools. This is what is happening to Oakland, CA and it produces simultaneous but opposite changes in enrollment.

1323 petition. The purpose of the initial petition is to provide an authorizer with data on the  
1324 charter school's educational program, pupil outcomes, methods to measure these  
1325 outcomes, the charter school's governance structure, methods of racial and ethnic  
1326 balancing, teacher and student health and safety, and among other measures.<sup>39</sup>  
1327 Subsequent charter school data makes their appearance during the school year, and  
1328 then finally when a certified audit is completed.

1329 All of Rocketship's schools have both initial petitions, renewal petitions. These are  
1330 voluminous, but fortunately the financial part is only a small portion of the total number  
1331 of pages. In addition, each petition (usually) has a corresponding staff report prepared by  
1332 authorizers which evaluates the petition. These six kinds of documents are reviewed in  
1333 the sections which follow.

1334 **3.3.1.1 Petitions & Renewals**

1335 Before a charter school may legally begin operations, they must present to a  
1336 chartering authority a petition which must contain certain required elements, and that  
1337 petition must be accepted (with or without stipulations.) The absence of one of these  
1338 elements is grounds for denying the charter's petition to operate. For example, what is  
1339 the intent of the charter school? How is the charter school going to measure its success or  
1340 failure? What population is it targeting? And, what are its financial projections?

1341 One of the required elements of any petition is a financial projection. Although no  
1342 one expects a charter school (or any public school district for that matter) to prepare and  
1343 adhere to a budget that exactly matches what's been projected, budgets are expected to  
1344 be a reasonable approximation of future revenues and expenses.

1345 Petitions run anywhere from a hundred or so pages to over a thousand and they  
1346 contain a wealth of financial data. Fortunately, these documents are all publicly available  
1347 and could, if needed, be the subject of a California Public Records Act (CPRA) request.

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<sup>39</sup>Ed. Code §47605 (c)(5)(A–O)

1348 The CPRA is the California equivalent of the federal Freedom of Information Act (FOIA).  
1349 Many of the documents mentioned in this dissertation are available from the California  
1350 Departments of Education and Finance, or from the Santa Clara County Office of  
1351 Education.<sup>40</sup>

1352 Since Rocketship schools are all operated by a single entity, (currently) Rocketship  
1353 Education, DBA Rocketship Public Schools, a 501(c)(3) non-profit, their financial  
1354 statements and those of their affiliates are rolled up into a single document, for example,  
1355 "Rocketship Education, Inc. and Its Affiliates, Consolidated Financial Statements and  
1356 Supplementary Information, Year Ended JUNE 30, 2022 (with Summarized Financial  
1357 Information for the Year Ended June 30, 2021)". Every school is included in this single  
1358 document, as are separate Launchpad Development LLC's that actually own the facilities  
1359 leased to individual schools, plus two other non-profits that provide specialized service  
1360 to the individual schools.

### 1361 **3.3.1.2 Authorizer Staff Reports**

1362 Another set of documents that are related to initial and renewal petitions are the staff  
1363 reports which usually accompany the agenda item which considers the charter school's  
1364 petition for approval. Here the authorizer's staff presents the findings and rationale for  
1365 their recommendation to approve or not the petition of the charter school.

### 1366 **3.3.1.3 Budgets, Interim Reports, and CAFRs**

1367 Once a charter has been granted the right to operate, it must file annually with the  
1368 California Department of Education, just like public school districts, certain forms that  
1369 detail its revenues and expenses. State law also mandates an annual audit by an  
1370 independent accounting firm which charter schools must file with their County Office of  
1371 Education. All together, these forms should provide a complete picture of a charter

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<sup>40</sup>Since these documents are required to be publicly available and may be freely copied, no copyright is applicable.

1372 school's finances, and crucially, everything should be in agreement. Charters must  
1373 approve and publish at a public meeting their annual budget, and they, just like  
1374 traditional public schools, cannot spend unbudgeted money unless the governing board  
1375 approves any changes at a public meeting.

1376 Interim reports detail the differences between a school's budgeted revenue and  
1377 expenses and actual revenue and expenses. Interim reports are filed twice each year in  
1378 January (covering July - December) and April (covering January - March). As with the  
1379 annual budget, deviations must be approved at a public meeting.

1380 CAFRs (Comprehensive Annual Financial Report) are audited by an independent  
1381 public accounting firm and are the definitive record of actual revenues and expenses.  
1382 They are submitted to the school's county office of education (COE) to be forwarded the  
1383 state Department of Education.

1384 **3.3.1.4 LCAPs,**

1385 Like public schools in California, charter schools must submit an Local Control  
1386 Accountability Plan (LCAP) that details how the charter school will meet the eight state  
1387 LCFF priorities in the following areas

- 1388 1. basic services and school conditions
- 1389 2. state academic standards
- 1390 3. parent engagement
- 1391 4. student achievement
- 1392 5. student engagement
- 1393 6. access to a broad program of study
- 1394 7. outcomes of a broad program of study

1395 The intent of the LCAP is for schools to identify what they need to improve, paying  
1396 particular attention to underserved groups, and how they plan to improve, and how they  
1397 will measure improvement.

1398       **3.3.1.5 Board and Committee Supporting Material**

1399       Another source of financial data is not official in character are, as mentioned, staff  
1400       reports, but also background material, presentations, and other documents that serve as  
1401       input to board and committee meetings of both public schools and charter schools.  
1402       Rocketship publishes on their website, as required by California's Brown Act, agendas  
1403       and supporting material for its board meetings and for certain committee meetings.<sup>41</sup>  
1404       Currently, Rocketship only provides meeting agendas and supporting material going  
1405       back to February 2017. However, they previously had made available material going back  
1406       to their founding in 2006, and that data will be part of this study.

1407       **3.4 Charter Schools and Real Estate**

1408       The last major financial topic of interest has to do with real estate. Since charter  
1409       schools in California must obtain the facilities they plan to occupy before they receive any  
1410       per-pupil state funding, real estate looms large in charter school finances. Charter  
1411       schools have some leeway to choose whether to own or lease, and how to finance the  
1412       acquisition of facilities.

1413       **3.4.1 Facilities Options**

1414       As shown in Table 4, *Charter School Facilities Options*, charter schools have three  
1415       options: co-locate, lease, or buy.

1416       Real estate transactions entail numerous, detailed documents, as anyone who has  
1417       bought a house is painfully of. Many of these documents are publicly available. Those  
1418       that are not are typically not public offerings. If the school's facilities are leased, and  
1419       SB740 funds are used to pay part of the rent, then appraisals and the amount of rent  
1420       should be available from the administrator of the SB740 program. If a charter school

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<sup>41</sup>The Brown Act requires board-appointed committee meetings to be open if they are standing meetings whose subject matter is within the jurisdiction of Rocketship's board, or if a majority of Rocketship's board are members of the committee.

**Table 4**  
*Charter School Facilities Options*

Option	Description
Co-locate	The charter school occupies “reasonably equivalent” facilities provided by the public school district in which the charter school is located.
Lease	The charter school occupies facilities that it leases.
Own	The charter school buys existing facilities or builds their own.

1421 co-locates, then terms have to be approved at a open meeting of the public school district  
 1422 in which the charter is located, and those a public documents. Ownership, with or  
 1423 without construction, has even more documents associated with the facility.

1424       **3.4.1.1 Co-Locating**

1425       The least costly option for charter schools is to co-locate in an existing school.  
 1426 Proposition 39 and enabling regulations<sup>42</sup> require that school districts furnish facilities  
 1427 for all in-district charter school student that are reasonably equivalent to those of  
 1428 students in the district in which the charter school resides. Facilities include regular and  
 1429 specialized classrooms, administrative offices, playgrounds, and athletic fields. It doesn't  
 1430 matter if the school district has unused space or not. It doesn't matter if the charter  
 1431 school grows in enrollment year over year. School districts are required to furnish  
 1432 reasonably equivalent facilities under Proposition 39. However, districts and charter  
 1433 schools may enter agreements outside of Proposition 39 concerning what facilities  
 1434 districts will provide to the charter school.

1435       In theory co-locating is the least costly and most timely option for charter schools to  
 1436 obtain facilities, but often there is litigation over the extent or appropriateness of the  
 1437 facilities that the district has provided. Sometimes these lawsuits can drag on for years,  
 1438 often at a considerable expense for both the charter school and the public school district  
 1439 supplying the facilities.

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<sup>42</sup>Ed. Code §47614 et seq. and 5 CCR § 11969.1

1440       **3.4.1.2 Leasing**

1441       Charter schools may lease their facilities from either a related party, or at arms  
1442       length, from an unrelated party. Terms and length of leases vary. If the lessor is an  
1443       unrelated party, the charter schools may take advantage of grants offered by the Charter  
1444       School Finance Authority authorized by California SB740<sup>43</sup> “to offset annual on-going  
1445       facility costs for charter schools that service a high-percentage of students eligible for  
1446       free or reduced-price meals (FRPM) or located in a public elementary school boundary  
1447       serving a similar demographic” (California State Treasurer, 2023). The amount of the  
1448       grant is the lesser of the school’s ADA × \$1,420 or the annual rent × 75%<sup>44</sup> To be eligible,  
1449       charter schools must “service a high-percentage of students eligible for free or  
1450       reduced-price meals (FRPM) or [be] located in a public elementary school boundary  
1451       serving a similar demographic” (California State Treasurer, 2023).

1452       If the charter school is leasing from a related party, usually SB740 grants are not  
1453       available. However, the definition of *related party* does not include non-profit entities  
1454       whose only business is supporting charter schools. For example, a non-profit charter  
1455       school may lease a property from a related non-profit entity whose only business is  
1456       owning and maintaining that property. This is the relationship that Rocketship  
1457       Education has with the owners of the facilities they lease. The structure of Rocketship  
1458       Education is diagrammed in Figure ??, ?? on p.??.

1459       **3.4.1.3 Owning**

1460       The third way of obtaining facilities is to own the needed facilities, or to have a related  
1461       party own the facilities. These might be purchased, or the land purchased and the  
1462       facilities constructed. Most public school districts own their own facilities, but since

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<sup>43</sup>Ed. Code §47614.5 et seq. and CCR §10170

<sup>44</sup>This is the basic calculation. As expected, there are variations and permutations, and these are enumerated in Section 6, Grant Award Calculations of the program’s FAQ. The principle limitation is that the charter school must serve.

<sup>1463</sup> these were likely bought and built using bond money derived from taxes, charter schools,  
<sup>1464</sup> lacking taxing authority, are unable to pay for their facilities this way.

<sup>1465</sup> **3.4.2 Funding Facility Ownership**

<sup>1466</sup> If a charter schools decides they should own their own facilities, there are a number  
<sup>1467</sup> of ways they can go about this, as shown in prettyreftab:paying-for-facilities.

**Table 5**

*Options for Paying for Facilities*

Option	Source of Funds
Private grants	Private entities (individuals or foundations) may make a grant or a loan to a charter school.
Venture Funds	Venture Funds which ostensibly intend to make money often loan money to charter schools.
Federal or State grants	Both the federal government and states have programs which offer funds that may be used to pay for existing facilities or for new construction.
Tax credits	The federal government offers tax credits for investors whose investments meet certain criteria.
Bonds	Charter schools may use the commercial or municipal bond markets to obtain funds, but property or parcel taxes may not be used to pay them off.

<sup>1468</sup> **3.4.2.1 Private Funding: Loans and Foundation Grants**

<sup>1469</sup> Individuals or non-public entities often loan or give money to charter schools,  
<sup>1470</sup> including Rocketship. Some are outright grants; others are expected to be paid back; still  
<sup>1471</sup> others may be partially paid back and then forgiven. Each grant has its own set of terms  
<sup>1472</sup> and interest rate.

<sup>1473</sup> **3.4.2.2 Venture Funds**

<sup>1474</sup> The NewSchools Venture Funds, the Charter School Fund, and the Charter School

1475 Growth Fund are just a few examples of venture funds that specialize in charter schools.  
1476 Since it is unlikely that investors will invest in a fund that does not return a profit,  
1477 establishing exactly how these funds turn a profit is going to be a goal of this study's  
1478 explorations.<sup>45</sup>

1479       **3.4.2.3 Tax Credits**

1480       Tax credits are often used as a source of funds to buy or construct facilities. For  
1481 example, the New Markets Tax Credit is a 39% tax credit, usable over seven years,  
1482 available to those who make an investment in specified economically depressed  
1483 neighborhoods. A 39% tax credit is roughly twice the current corporate tax rate which  
1484 means that this credit wipes out the taxes on gains equal to twice the initial investment  
1485 (which may itself also have a return).

1486       **3.4.2.4 Bonds**

1487       All bonds are risky to some extent, some more than others, and purchasers of those  
1488 bonds are compensated for taking on that risk by being paid interest on the amount  
1489 borrowed. So, when a bond is issued, the terms (e.g. interest rate, repayment schedule,  
1490 collateral, etc.) are described in great detail in a prospectus. These prospectuses, in  
1491 addition to the terms, contain financial information relevant to assessing the risk  
1492 associated with purchasing that bond. Bonds, after all, are loans, and when millions of  
1493 dollars are being loaned, those making the loans want to be assured of getting paid back  
1494 and paid back on time, particularly since charter schools are known to close abruptly.

1495       Bond prospectuses can be mined for data that might not appear in petitions or  
1496 financial statements because bond underwriters are "potential liability for any material  
1497 misrepresentations or omissions contained in a registration statement or prospectus"  
1498 (Block et al., 2008). This liability, of course, is not unlimited. If bond underwriters

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<sup>45</sup>It is interesting that none of the web sites of these funds mentions that fund's return on investment (ROI). The absence of any indication of a return on investment is either an innocent mistake or much more likely, an attempt at obfuscation.

1499 exercise due diligence or the misrepresentation is not material, the underwriters are  
1500 probably not liable. Crucially, the definitions of *material misrepresentation* and *due diligence*  
1501 depended on both statute and case law, so a bond underwriter can only make a reasoned  
1502 guess at their exposure to liability. The result is that bond underwriters are likely to be  
1503 more diligent than is absolutely necessary.

1504 **3.5 Other Data**

1505 Various other data pertaining to Rocketship exists:

- 1506 • numerous datasets  
1507 • state and federal filings  
1508 • curated social media

1509 **3.5.1 Datasets**

1510 Vast amounts of data are available from the federal, state and local governments,  
1511 easily over half a million datasets each containing anywhere from a hundred elements to  
1512 a hundred thousand elements. Unfortunately these data have been collected in different  
1513 formats, over different time periods, using different inclusion criteria, more or less  
1514 carefully. Picking a subset of educational data to use and then cleaning it is a huge  
1515 endeavor well beyond the scope of this dissertation. That being said, a very small subset  
1516 of available datasets will be consulted, based on an immediate need. The most likely  
1517 datasets to be consulted are those maintained by:

- 1518 • California Department of Education and State Board of Education  
1519 • The County of Santa Clara and the Santa Clara County Office of Education  
1520 • The California Open Data Portal  
1521 • National Center for Education Statistics (NCES) at the Institute for Education  
1522 Sciences (IES)  
1523 • Stanford Educational Data Archive (SEDA)

- 1524        • School Finance Indicators Database
- 1525        • EdSource, Ed-Data, and other aggregators of educational data specific to California

1526    **3.5.2 State and Federal Filings**

1527        Two filings are of particular interest, one with the state, and one with the federal  
1528        government: FPPC Form 700, Statement of Economic Interests, and IRS Form 990,  
1529        Return of Organization Exempt from Income Tax. Both forms force the disclosure of  
1530        personal financial information (Form 700) or personal financial information and  
1531        business financial information (Form 990).

1532        Some officers of Rocketship may be required to submit annually to the California Fair  
1533        Political Practices Commission (FPPC) Form 700, Statement of Economic Interests. This  
1534        particular requirement of charter school officers is not settled law<sup>46</sup>, but if Form 700 is  
1535        filed, it will list the submitter's assets and income that are related to the position they  
1536        hold in Rocketship Education or Launchpad Development. The intent is to prevent  
1537        related-party transactions by enumerating an officer's economic interests so that a  
1538        school can avoid doing business with entities that might indirectly benefit an officer. (Of  
1539        course, direct benefit is absolutely not permitted, and if it occurs, is graft.)

1540        The federal Internal Revenue Service grants income tax exemptions to organizations  
1541        that meets the requirements of §501(c)(3) of the Internal Revenue Code.<sup>47</sup> These  
1542        organizations must file Form 990 annually that provides some minimal financial data.<sup>48</sup>

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<sup>46</sup>Rocketship's initial petition for Mateo Sheedy states that Form 700, Statement of Economic Interest, shall be filed by all board members, candidates for board membership, corporate officers, principals and assistant principals, among others.

<sup>47</sup>26 USC 501, i.e. Title 26, Subtitle A, Chapter 1, Subchapter F Part I § 501(c)(3)

<sup>48</sup>Tax returns of for-profit organizations are not public documents and their contents do not have to be disclosed; however, in order to sell stock to the public, i.e. to be listed on a stock exchange, firms are required to publish various financial documents, which like bond prospectuses, are required to be informative and complete.

1543 **3.5.3 Curated Social Media** Some web sites maintain data related to Rocketship. For  
1544 example, the Scoop.It topic, Charter Schools & “Choice: A closer look” D. R. Marachi  
1545 (2016–2023) is devoted to charter schools in general, but also has much material on  
1546 specifically on Rocketship. The now extinct web site, *StopRocketship!*, was created and  
1547 maintained by community volunteers.

1548 **3.6 Gaps and Anomalies**

1549 No financial statement is perfect, and not all are in agreement. But there is a  
1550 difference between an innocent mistake or omission and one designed to deceive and  
1551 mislead. Triangulation can be used to capture gaps and anomalies.

1552 **3.6.1 Triangulation**

1553 Triangulation is the process of comparing different documents from different  
1554 sources. The greater the number of sources, the greater the chance of catching gaps and  
1555 anomalies.

1556 Questions one might ask are

- 1557 • Does everything add up?
- 1558 • Are there important, missing documents?
- 1559 • How much do these gaps or anomalies matter?
- 1560 • Are the oddities long-standing or fleeting?

1561 Examples of triangulation might be comparing Rocketship’s LCAPs to their budget, or  
1562 comparing IRS Form 990 data to their audited financial statements.

1563 Chapter 4, *Findings*, the next chapter will present the results of exploring the data  
1564 which has been identified in this chapter. The last chapter, Chapter 5, *Discussion*, will  
1565 evaluate the findings.



1566

## Findings

1567

1568 This chapter will present the data found using the approach outlined in ?? with the  
1569 goal of answering my research question: Has Rocketship structured itself and its  
1570 finances, to earn a return to investors, focusing especially on real estate transactions, and  
1571 if so, how?

1572 The first section will give a potted history<sup>49</sup> of Rocketship in Section 4.1, *Rocketship*  
1573 *History*, including a section on how Rocketship has structured itself.

1574 Since real estate is so important for Rocketship, the next section, Section 4.2,  
1575 *Rocketship Locations and Property Information* will lay out what facilities Rocketship has,  
1576 where those facilities are located, when they were acquired, and what real estate rights  
1577 Rocketship has over those properties.

### 1578 4.1 Rocketship History

#### 1579 4.1.1 Rocketship's Corporate Structure

1580 Rocketship's corporate structure was designed from the start to separate schools and  
1581 their operation from facilities and their construction and maintenance. Rocketship  
1582 Education is the parent company, a 501(3)(c) non-profit. It owns all the schools,  
1583 themselves non-profits, plus Launchpad Development Company, another non-profit.  
1584 Launchpad Development's role is to own all the facilities, one non-profit LLC per  
1585 location. This structure is diagrammed in Figure ??, ??.

1586 1. Articles of Incorporation

#### 1587 4.1.2 Launchpad Development LLC

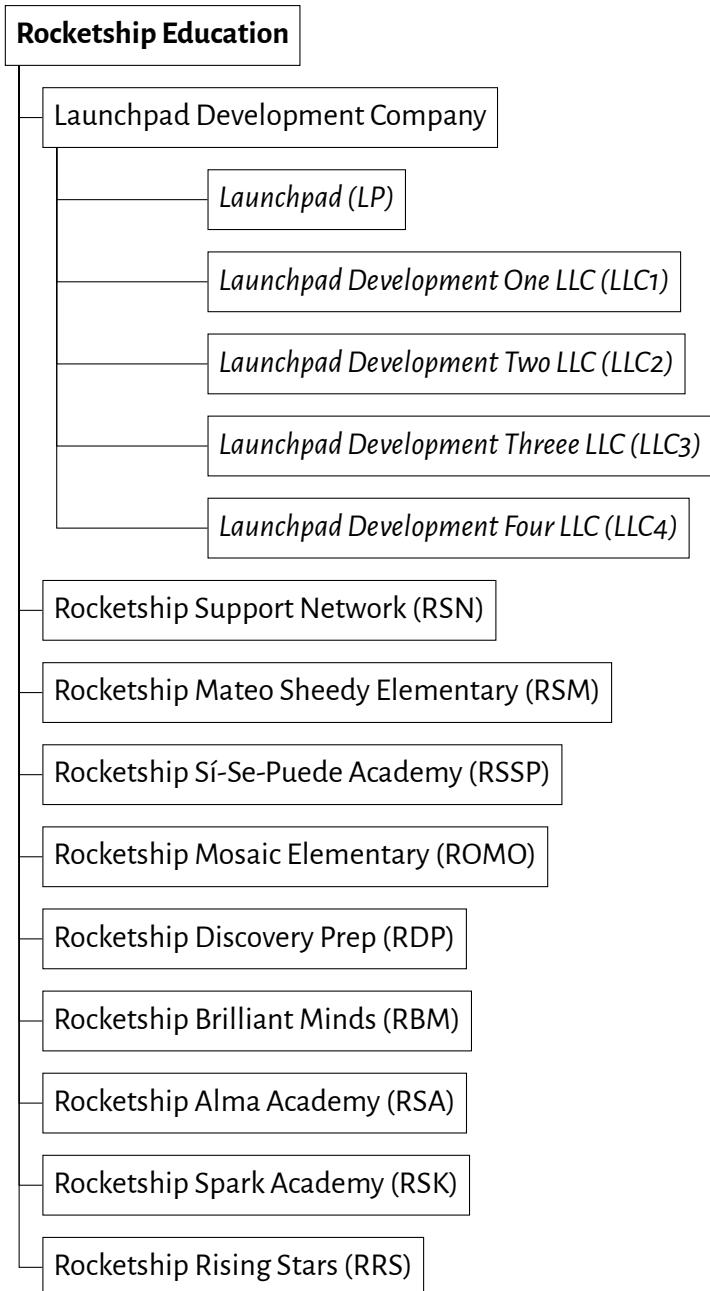
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<sup>49</sup>"A potted history is brief, a quick summary. Potted meat is meat, usually not of the highest quality, processed and preserved in a tin. The expression is often used in a derogatory way..." — bobro in <https://english.stackexchange.com/questions/237443/what-does-potted-history-mean>

## 1. Articles of Incorporation

**Figure 2**

*Rocketship's Corporate Structure (Santa Clara County only) Schools*



## 4.2 Rocketship Locations and Property Information

### 4.2.1 Petitions & Renewals

**Figure 3**  
*Financial Statements Collected*

**Table 6**  
*Rocketship Property Information*

School	Address	Property Information
Mateo Sheedy	788 Locust St., San José, CA 95110	Section B.1, <i>Mateo Sheedy</i>
Sí Se Puede	2249 Dobern Ave, San José, CA 95116	Section ??, ??
Los Sueños	331 S. 34th St, San José, CA 95116	Section B.3, <i>Los Sueños</i>
Discovery Prep	370 Wooster Ave, San José, CA 95116	Section B.4, <i>Discovery Prep</i>
Mosaic	950 Owsley Ave, San José, CA 95122	Section B.5, <i>Mosaic</i>
Brilliant Minds	2960 Story Rd, San José, CA 95127	Section B.6, <i>Brilliant Minds</i>
Alma Academy	198 West Alma Ave, San José, CA 95110	Section B.7, <i>Alma Academy</i>
Spark Academy	683 Sylvandale Ave San José, CA 95111	Section B.8, <i>Spark Academy</i>
Fuerza	70 S. Jackson Ave, San José, CA 95116	Section B.9, <i>Fuerza</i>
Rising Stars	3173 Senter Road, San José, CA 95111	Section B.10, <i>Rising Stars</i>

1591 **4.2.2 Authorizer Staff Reports**

1592 **4.2.3 Real Estate Data**

1593 1. What is the actual price, date, and buyer & seller information for each property?

1594 2. What is the legal relationship between Rocketship Education and Launchpad  
1595 Development?

1596 3. How were Rocketship facilities in Santa Clara County financed?

1597 4. What are the type and terms of all bonds.

1598 a) What bonds were floated: type, rate, & terms; guaranteed by whom or how? If  
1599 the bonds are not privately placed, they are classed as securities, and their  
1600 prospectuses are filed with the Securities Exchange Commission and are  
1601 publicly viewable.

1602 b) For conduit bonds, the California Department of Education or Department of  
1603 Finance web sites

1604        5. Enumerate all known leases and their terms. Was part of the lease payment paid  
1605                  by California?

1606        6. Enumerate all known loans.

1607                  a. What was used as collateral?

1608                  b. What were the terms?

1609        7. Enumerate donations from foundations and individuals.

1610        8. Enumerate venture fund investments.

1611        These data represent the monies that are flowing into Rocketship/Launchpad related  
1612                  to facilities, real estate, bonds, loans, and donations and not tied to the number of  
1613                  students. Once that's been assembled, roll up into one spreadsheet, Rocketship's  
1614                  consolidated financial statements for the fourteen years (2008–2022). The consolidated  
1615                  financial statements can then be compared against the known real estate, bond, loan,  
1616                  and donation transactions. Noe where data is missing or where it conflicts with the  
1617                  consolidated financial statements.

1618        Forms which have been filed with a government entity:

1619                  1. Federal 990 forms to check against financial statements. IRS maintained. Should  
1620                          cross-reference the financial statements.

1621                  2. Annual and interim budgets submitted to the California Department of  
1622                          Education.

1623                  3. Petition approvals and renewals submitted to local school districts, the SC COE, or  
1624                          the California State Board of Education.

1625        The Santa Clara County Office of Education (SC COE), and each school district  
1626                  in which Rocketship petitioned to open a school has some data/notes from one or  
1627                  more board meetings in which the petition or renewal was discussed. These data  
1628                  might have been presented by Rocketship or by county or district staff.

1629        Sometimes there is also public comment.

1630 Often, petitions presented to a school district have been denied and appealed  
1631 to the Santa Clara County Board of Education, and in a few cases, to California's  
1632 State Board of Education.

- 1633 4. There is some published material on Rocketship.  
1634 a. Some books have been written about Rocketship  
1635 b. Roxana has two ScoopIt collections on Rocketship on and charter schools.  
1636 c. The "Stop Rocketship" web site has lots of information on Rocketship.  
1637 d. Several academics have datasets of school or district financial information  
1638 which include Rocketship.  
1639 e. Numerous articles, web sites, and blog postings include Rocketship financial  
1640 data.

- 1641 5. Other, outside entities that may add revenue to Rocketship  
1642 a) Zeal  
1643 b) Dreambox Learning

1644 The current number of pages of initial and renewal petitions runs to 7371 pages for  
1645 just Rocketship schools in Santa Clara County.<sup>50</sup> Three bond prospectuses total over 1000  
1646 pages.

1647 **4.2.4 Tax Credits** The New Market Tax credit of 39% (5% for the first 3 years, and 6% for  
1648 the remaining 4 years) can be applied to taxes due from other investments. Since there is  
1649 a compounding effect, the 39% is actually worth over 41% of the initial investment. Note  
1650 that these other investment may themselves have a return. With these kinds of  
1651 incentives, it's no wonder that the New Markets Tax Credit is popular. But one should not  
1652 be deceived into thinking that just because New Markets Tax Credits must be made in  
1653 economically depressed area that investors are investing out of the goodness of their

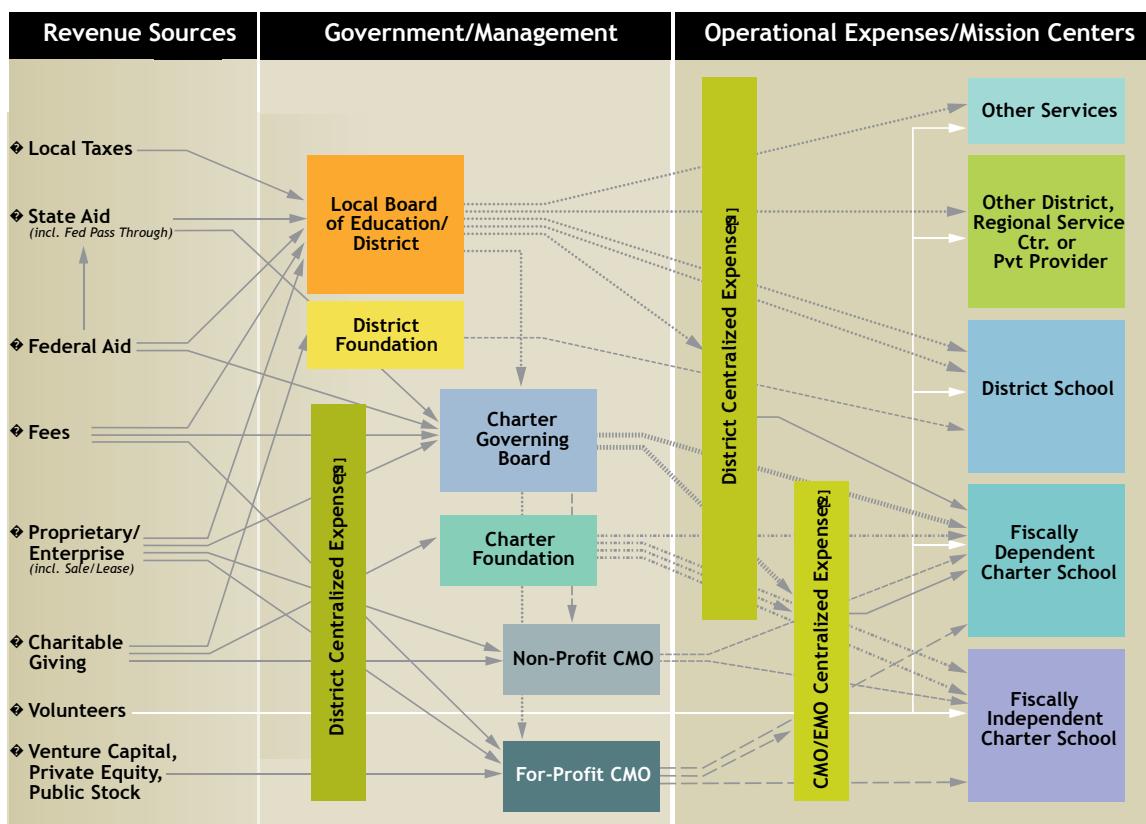
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<sup>50</sup>The massive size of some of these petition calls into question whether authorizers read them in their entirety.

1654 heart. The tax credit investment is nearly without risk because the tax credit is  
 1655 guaranteed as long as the charter school remains open. If the school stays open for seven  
 1656 years, the risk is zero.

1657 Since a goal of this dissertation is to map the flow of money into and out of  
 1658 Rocketship, I will use diagrams similar to the one used by B. Baker and Miron (2015),  
 1659 which is reproduced here as Figure 4, *Operating Resource Flows*.

**Figure 4**  
*Operating Resource Flows*



B. Baker and Miron (2015, p. 16).

1660 In this example, money flows from left to right, and there are no loops. Colors are  
 1661 used merely to distinguish the various blocks.

**Discussion**

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# Appendices



2083

## School Financing in California

2084

This appendix presents an example of public school financing in California.<sup>51</sup>

2085

Understanding the normal, usual, default financing of schools in California is necessary  
2086 in order to be able to identify where Rocketship's might differ. The description which  
2087 follows is necessarily high-level; the budget document for 2022–23 that LASD submits to  
2088 SCCOE and hence to the state runs to 118 pages of unadorned tables derived from  
2089 accounting spreadsheets.

2090

First, the highest possible level look at a LASD budget is presented. This is the *All Funds Summary*. Next are five tables that delve one level down from the *All Funds Summary*. Each of those tables can be further decomposed until individual SACS accounting (object) codes are reached. SACS code reflect exactly one kind of expenditure or revenue. For example, money received from the Federal Emergency Management Agency (FEMA) is recorded under SACS object code 8281 and nowhere else. How that money is spent is recorded under object code 8285. The lowest level of accounting is money received or money paid. All money received goes into at least one fund and is recorded under at least one object code. Payments are handled correspondingly. The intent of this process is to record unambiguously and completely every monetary transaction.

2101

Public school districts and charter schools receive funding from the state and the federal governments which most often goes into a district's or school's General Fund. A portion of funding is restricted to particular programs, and sometimes that money goes into a specialized and restricted fund, but the norm is for the General Fund to account for the majority of transactions.

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<sup>51</sup>For a more detailed look at what a complete budget document looks like, see "LASD 2022–23 Annual Budget" of Item H.4 of the June 13, 2022 LASD Board Meeting (<https://tinyurl.com/lasd-2022-23-annual-budget>). Note that most public school budget documents are not as comprehensive or as well put together as LASD's are.

2106       The first table to look at is the aggregate of all funds as shown in Figure 5, *LASD*  
2107    *2019–20 All Funds Summary*. It is a very high-level summary of a school’s or a district’s<sup>52</sup>  
2108    budget. It’s a snapshot of what the district’s revenues are expected to be, roughly where  
2109    that revenue is expected to come from, what the district’s expenses are expected to be,  
2110    and whether revenue and expenses are expected to be in balance. It is the rough  
2111    equivalent of a business income statement.

2112       Because Figure 5, *LASD 2019–20 All Funds Summary*, is a snapshot, detecting  
2113    unusual changes year-to-year is not possible. Changes are detectable using Figure 6,  
2114    *LASD YE 2020 Summary of Net Position* which compares fiscal two years. However, with  
2115    just a budget summary, one can nonetheless note some interesting ratios, for example,  
2116    the percentage of expenses spent on salaries and benefits. For LASD in 2021–20, this is  
2117    80.18% which is in line with what is typical of elementary school districts in California.  
2118    One can calculate the state-wide average for all districts for 2019–20 using the Data Table  
2119    at [www.ed-data.org/state/CA](http://www.ed-data.org/state/CA), and that comes out to 83.71%. So, LASD spends a little  
2120    less on salaries and benefits than the average elementary school district in California  
2121    does.

2122       Calculating this ratio brings up a general issue: What is an appropriate comparison  
2123    group? In this particular case, the Ed-Data web site does not have county-level financial  
2124    data, so the only comparison which can easily be made is at the state level. But should the  
2125    state-level comparison group be all districts, or just elementary school districts? Should  
2126    “basic aid” districts, also called “community-funded” districts, districts whose property  
2127    tax revenues exceed their LCFF entitlement, be included or not? Again, the Data Table

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<sup>52</sup>Schools group their finances by funds. Most of their revenue goes into the general fund, and most of their expenses come out of the general fund. Some transactions must by law be accounted for in different funds. The three largest funds are the General Fund, the Special Revenue Fund, and the Capital Projects Fund, and together they account for virtually all of the financial activity of LASD. Other schools may have a different set of funds, but all contain a General Fund that is the primary fund for their day-to-day financial activities.

**Figure 5**  
*LASD 2019–20 All Funds Summary*

	General Fund	Special Revenue Funds	Capital Project Funds	Total All Governmental Funds
<b>REVENUES</b>				
LCFF/Revenue Limit Sources	43,551,141	300,174	-	43,851,315
Federal Revenue	1,155,694	-	-	1,155,694
Other State Revenue	3,417,200	-	-	3,417,200
Other Local Revenue	16,387,903	22,500	1,243,180	17,653,583
<b>TOTAL REVENUES</b>	<b>64,511,938</b>	<b>322,674</b>	<b>1,243,180</b>	<b>66,077,792</b>
<b>EXPENDITURES</b>				
Certificated Salaries	25,965,289	-	-	25,965,289
Classified Salaries	10,606,613	-	-	10,606,613
Employee Benefits	16,904,698	-	-	16,904,698
Books & Supplies	1,526,084	-	-	1,526,084
Services & Other Operating Expenditures	8,453,291	300,000	1,428,474	10,181,765
Capital Outlay	162,342	-	43,000	205,342
Other Outgo	341,064	-	-	341,064
<b>TOTAL EXPENDITURES</b>	<b>63,959,381</b>	<b>300,000</b>	<b>1,471,474</b>	<b>65,730,855</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>552,558</b>	<b>22,674</b>	<b>(228,294)</b>	<b>346,938</b>
<b>OTHER FINANCING SOURCES/USES</b>				
Interfund Transfers In	-	-	-	-
Interfund Transfers Out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES/USES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN FUND BALANCE</b>	<b>552,558</b>	<b>22,674</b>	<b>(228,294)</b>	<b>346,938</b>
<b>BEGINNING FUND BALANCES</b>	<b>107,727</b>	<b>3,603,040</b>	<b>1,745,439</b>	<b>5,456,206</b>
<b>ENDING FUND BALANCES</b>	<b>660,284</b>	<b>3,625,714</b>	<b>1,517,145</b>	<b>5,803,144</b>

\$1 dollar difference in General Fund Ending Fund Balance due to rounding error.

Kenyon (2019, p. 38).

2128 tab on [www.ed-data.org/state/CA](http://www.ed-data.org/state/CA) does not filter by type of district (although the Graph  
2129 tab does), so, in this case, using just the Ed-Data data, our choices are forced since we  
2130 cannot use state-level data.

2131 The other common financial business report is the balance sheet, which identifies  
2132 assets and liabilities. In the educational world, this is the statement of net position.  
2133 Figure 6, *LASD YE 2020 Summary of Net Position* shows LASD's assets and liabilities at the  
2134 end of the 2019–20 school year. Note that unlike a balance sheet, a statement of net  
2135 position for schools (and other governmental entities) does not balance; assets are not

2136 exactly equal to liabilities.<sup>53</sup>

2137 As an example of a number which stands out and is therefore worth investigating, is  
2138 the large increase in Capital Assets, year over year, an increase of \$132M (line 3 of  
2139 Figure 6, *LASD YE 2020 Summary of Net Position*). In “Comprehensive Annual Financial  
2140 Report FY 2020,” six notes appear immediately after Figure 6, and these provide an  
2141 explanation for the increase: LASD purchased a property whose cost was \$134.9M net of  
2142 \$2.7M in depreciation. This purchase shows up again in line 1 of Figure 9, *LASD YE 2020*  
2143 *Capital Assets* and explains the enormous 9052% increase in the value of LASD’s largest  
2144 asset in FY2019, land.

2145 In addition, the “Comprehensive Annual Financial Report FY 2020” contains a  
2146 section, on pp. 19–45, called *Notes to the Basic Financial Statements*. These notes are an  
2147 integral part of the certified, audited annual statement, just as they are in audited  
2148 financial reports in the business world; they cannot be omitted, and must be accurate  
2149 and complete. Note 7B of Kenyon (2021a, p. 7), General Obligation (GO) Bond  
2150 Anticipation Notes (BANs), explains how LASD uses a common technique to convert  
2151 general obligation bonds into cash: issue BANs, backed by general obligation bonds, and  
2152 payable when those GO bonds are issued.<sup>54</sup>

2153 It’s important to remember is that although changes in finances can be complicated,  
2154 they should also be adequately explained in a transparent and complete CAFR. When the  
2155 documents are incomplete or opaque is when serious concerns should be raised.

2156 Within a CAFR are five summaries of financial tables that go one level deeper than

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<sup>53</sup>Business accountants achieve this seemingly low probability equality by adding a fudge factor, *owner’s equity*, so that *assets = liabilities + equity* always, exactly.

<sup>54</sup>One reason this makes sense is that interest rate on BANs is less than the interest rate of GO bonds, so LASD makes money by issuing BANs to pay off GO bonds. In a different situation, school districts issue tax revenue anticipation notes (TRANs) because property taxes are paid by taxpayers semi-annually and salaries are paid monthly, so districts often and predictably do not have the cash on hand to pay their employees. The solution is to issue TRANs backed by anticipated revenue, and are paid off when the school or district receives the funds.

**Figure 6**

*LASD YE 2020 Summary of Net Position*

Table 1: Summary of Net Position					
	June 30, 2019	June 30, 2020	Change	Percentage Change	
<b>Assets</b>					
Current and Other Assets	\$ 20,044,318	\$ 65,493,755	\$ 45,449,437		227%
Capital Assets	89,045,541	221,076,448	132,030,907		148%
<b>Total Assets</b>	<b>\$ 109,089,859</b>	<b>\$ 286,570,203</b>	<b>\$ 177,480,344</b>		<b>163%</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 22,094,579</b>	<b>\$ 19,321,134</b>	<b>\$ (2,773,445)</b>		<b>13%</b>
<b>Liabilities</b>					
Other Liabilities	\$ 2,665,639	\$ 22,680,079	\$ 20,014,440		751%
Long Term Liabilities	141,558,936	269,006,215	127,447,279		90%
<b>Total Liabilities</b>	<b>\$ 144,224,575</b>	<b>\$ 291,686,294</b>	<b>\$ 147,461,719</b>		<b>102%</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 5,549,865</b>	<b>\$ 9,680,588</b>	<b>\$ 4,130,723</b>		<b>74%</b>
<b>Net Position</b>					
Net Investment in Capital Assets	\$ 37,623,977	\$ 64,225,229	\$ 26,601,252		71%
Restricted	7,726,718	6,825,216	(901,502)		12%
Unrestricted	(63,940,697)	(66,525,990)	(2,585,293)		4%
<b>Total Net Position</b>	<b>\$ (18,590,002)</b>	<b>\$ 4,524,455</b>	<b>\$ 23,114,457</b>		<b>124%</b>

Kenyon (2021a, p. 6).

2157 the All Funds Summary. These are

- 2158     • Summary of Net Position (Figure 6, *LASD YE 2020 Summary of Net Position*)
- 2159     • Change in Net Position (Figure 7, *LASD YE 2020 Change of Net Position*)
- 2160     • Net Costs of Services (Figure 8, *LASD YE 2020 Net Cost of Services*)
- 2161     • Capital Assets (Figure 9, *LASD YE 2020 Capital Assets*)
- 2162     • Long-term Liabilities (Figure 10, *LASD YE 2020 Long-term Liabilities*)

2163     LASD rolls up its detailed financial data into a single multi-year summary, as shown

2164     in Figure 11, *LASD 2019–20 Multi-Year Projection*. In addition to purely financial data, the

2165     multi-year summary includes the key assumptions that were behind the numbers. In

2166     fact, the first section of Figure 11 is only assumptions, and it is those assumptions which



**Figure 9**  
LASD YE 2020 Capital Assets

Table 5: Capital Assets					
	June 30, 2019	June 30, 2020	Increase (Decrease)	Percentage Change	
Land	\$ 1,488,885	\$ 136,262,476	\$ 134,773,591	9052%	
Site improvements	1,225,056	1,225,056	-	0%	
Buildings and improvements	129,573,748	130,339,280	765,532	1%	
Equipment	4,636,939	3,871,407	(765,532)	-17%	
<i>Total</i>	136,924,628	271,698,219	134,773,591	98%	
<i>Less: Accumulated Depreciation</i>	47,879,087	50,621,771	2,742,684	6%	
<b>Net Capital Assets</b>	<b>\$ 89,045,541</b>	<b>\$ 221,076,448</b>	<b>\$ 132,030,907</b>	<b>148%</b>	

Kenyon (2021a, p. 10).

**Figure 10**  
LASD YE 2020 Long-term Liabilities

Table 6: Long-term Liabilities					
	June 30, 2019	June 30, 2020	Increase (Decrease)	Percentage Change	
Long-term Debt:					
General obligation bonds:					
Current interest bonds	\$ 40,665,000	\$ 95,850,000	\$ 55,185,000	136%	
Unamortized bond premium	4,596,243	9,376,755	4,780,512	104%	
Bond anticipation notes	10,000,000	79,000,000	69,000,000	690%	
Lease-leaseback obligations	2,405,645	2,185,036	(220,609)	-9%	
Subtotal long-term debt	57,666,888	186,411,791	128,744,903	223%	
Other Long-term Liabilities:					
Net pension liabilities	64,535,048	65,113,381	578,333	1%	
Net OPEB obligation	18,914,928	16,922,035	(1,992,893)	-11%	
Compensated absences	442,072	559,008	116,936	26%	
Subtotal other long-term liabilities	83,892,048	82,594,424	(1,297,624)	-2%	
<b>Total Long-term Liabilities</b>	<b>\$ 141,558,936</b>	<b>\$ 269,006,215</b>	<b>\$ 127,447,279</b>	<b>90%</b>	

Kenyon (2021a, p. 11).

<sup>2167</sup> drive the numbers in Sections 2–4. The value of this summary is that it captures in one  
<sup>2168</sup> table the key data needed to make budgetary decisions and thus might serve as a  
<sup>2169</sup> template for what data is important.





2170

## Rocketship Property Information

2171     Each of the 10 existing Rocketship schools in Santa Clara County which were listed in

2172     Table ??, ?? are described in a section

2173     Except for the photos, all of the information presented in this appendix is available

2174     from the web site of the Office of the Assessor, County of Santa Clara, under the heading

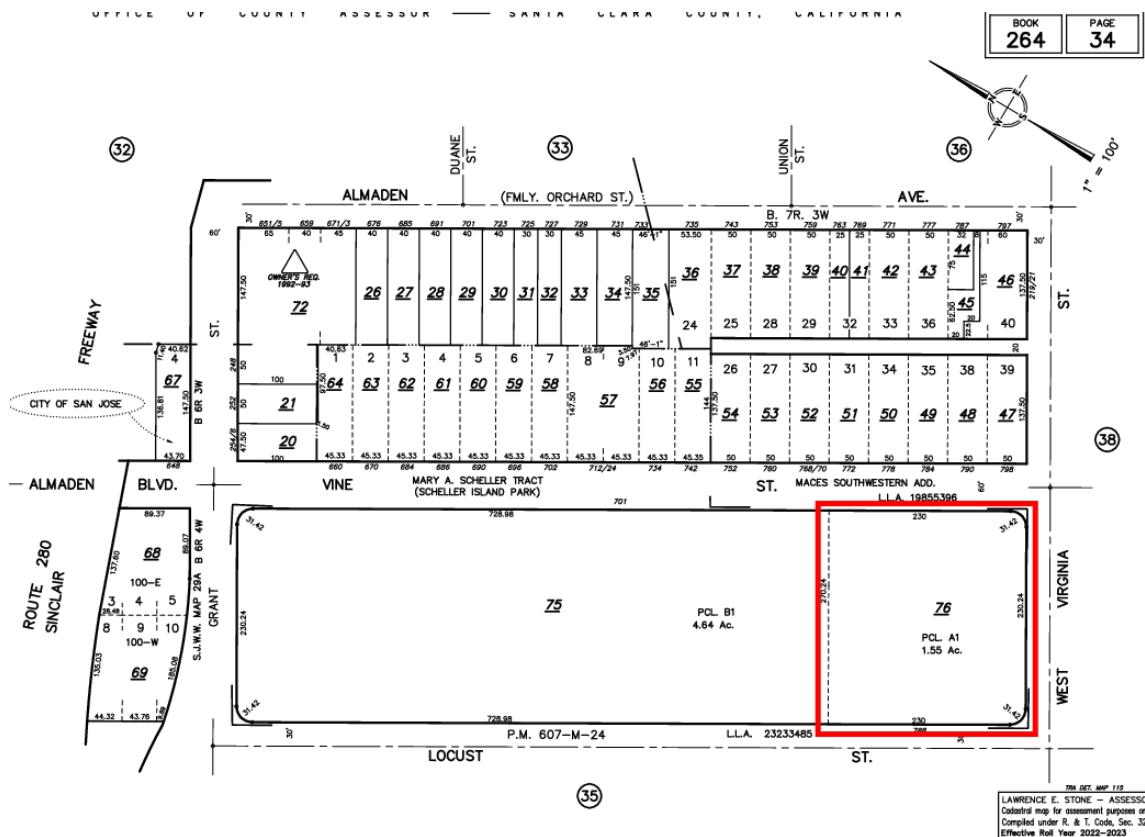
2175     “Real Property Search” (<https://tinyurl.com/assessors-office-santa-clara>).

2176 **B.1 Mateo Sheedy**

**Table 7**  
*Mateo Sheedy: Property Information*

Property Address	788 Locust St., San José, CA 95110
Assessor's Parcel No.	264-34-076
Size (acres)	1.55
Date of Last Sale	11 Mar 2016

**Figure 12**  
*Mateo Sheedy Plat Map*



Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 22 Dec 2022 from <https://tinyurl.com/mateo-sheedy-plat-map>.

**Table 8**  
*Mateo Sheedy: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$3,011,899	\$780,861	\$3,792,760
2021	\$2,952,843	\$765,550	\$3,718,550
2020	\$2,922,566	\$757,701	\$3,680,267

**Figure 13**  
*Mateo Sheedy Satellite Photo*

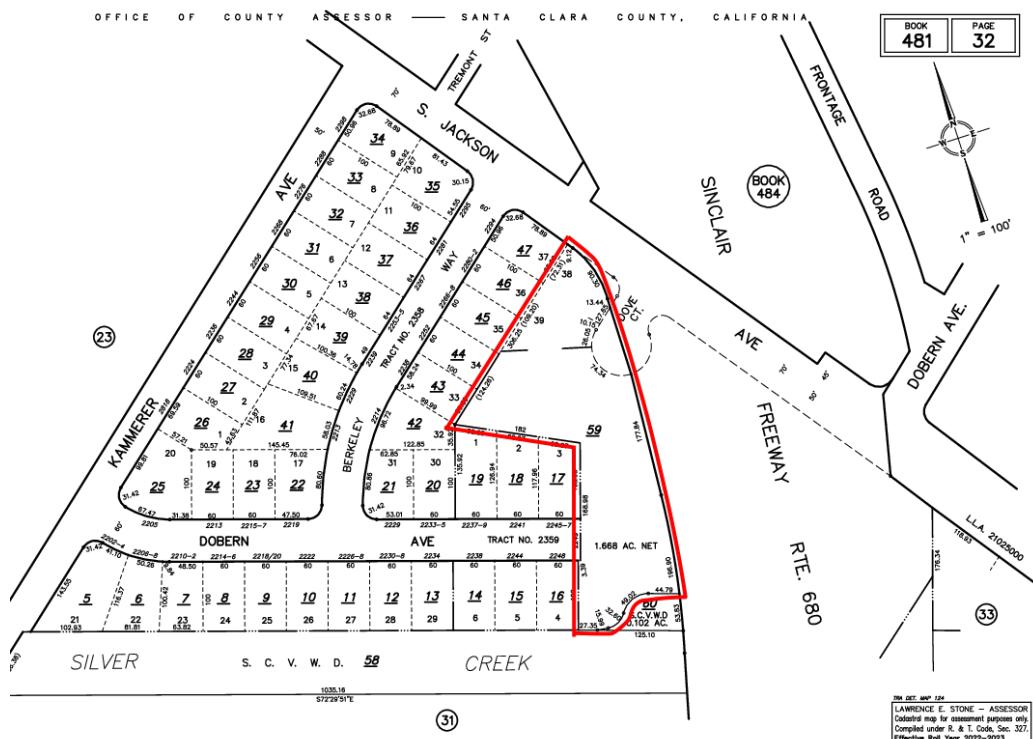


Google. (n.d). [Google Earth image]. Retrieved 19 Dec 2022 from <https://tinyurl.com/mateo-sheedy>.

**Table 9**  
*Sí Se Puede: Property Information*

Property Address	2249 Dobern Ave, San José, CA 95116
Assessor's Parcel No.	481-32-059
Size (acres)	1.668
Date of Last Sale	20 Mar 2014

**Figure 14**  
*Sí Se Puede Plat Map*



santa clara county assessor's office (n.d.). [Plat Map]. retrieved 22 dec 2022 from <https://tinyurl.com/si-si-puede-plat-map>.

**Table 10**  
*Sí Se Puede: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$5,545,914	\$5,411,914	\$10,957,828
2021	\$5,437,171	\$5,305,799	\$10,742,970
2020	\$5,381,420	\$5,251,395	\$10,632,815

**Figure 15**  
*Sí Se Puede Satellite Photo*



Google. (n.d). [Google Earth image]. Retrieved 19 Dec 2022, from  
<https://tinyurl.com/si-si-puede-v2>

2178 **B.3 Los Sueños**

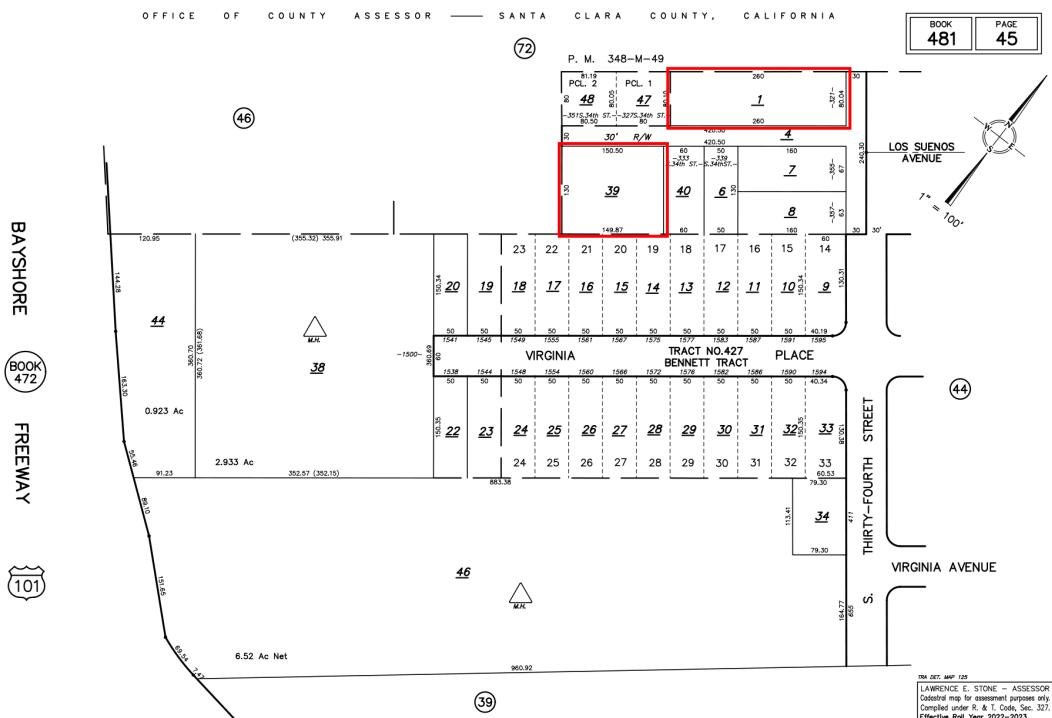
**Table 11**

*Los Sueños: Property Information*

Property Address	331 S. 34th St, San José, CA 95116
Assessor's Parcel Nos.	481-45-001
	481-45-039
Size (acres)	0.482 + 0.449 = 0.93
Date of Last Sale	19 Apr 2010

**Figure 16**

*Los Sueños Plat Map*

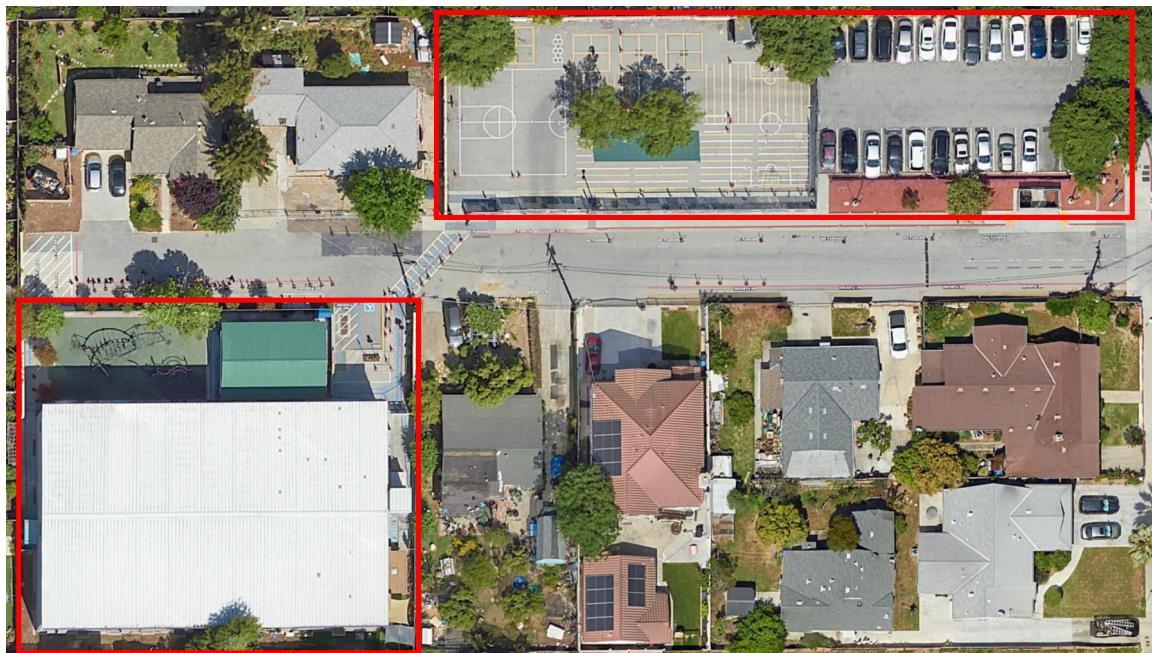


Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 23 Dec 2022 from <https://tinyurl.com/los-suenos-plat-map>.

**Table 12**  
*Los Sueños: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$486,545	\$6,510,874	\$6,997,419
2021	\$477,005	\$6,383,210	\$6,860,215
2020	\$472,114	\$6,317,759	\$6,789,873

**Figure 17**  
*Los Sueños Satellite Photo*



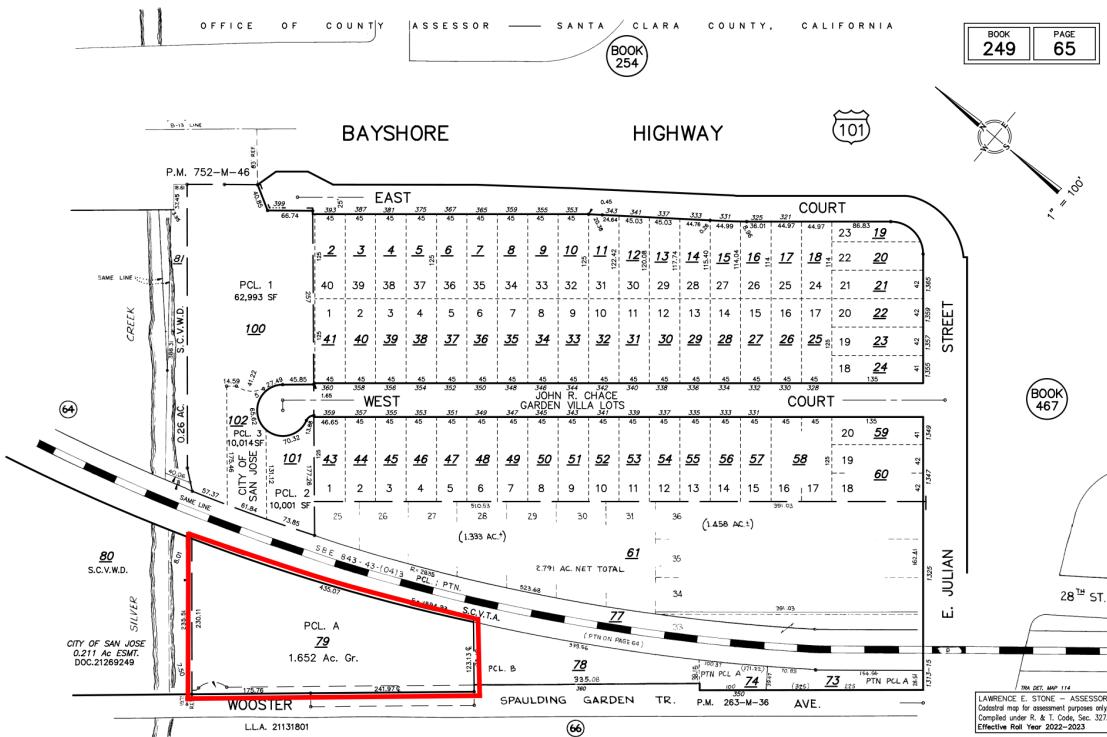
Google. (n.d). [Google Earth image]. Retrieved 23 Dec 2022 from <https://tinyurl.com/los-suenos-v4>.

2179 **B.4 Discovery Prep**

**Table 13**  
*Discovery Prep: Property Information*

Property Address	370 Wooster Ave, San José, CA 95116
Assessor's Parcel No.	249-65-079
Size (acres)	1.652
Date of Last Sale	30 Mar 2011

**Figure 18**  
*Discovery Prep Plat Map*



Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 23 Dec 2022 from <https://tinyurl.com/discovery-prep-plat-map>.

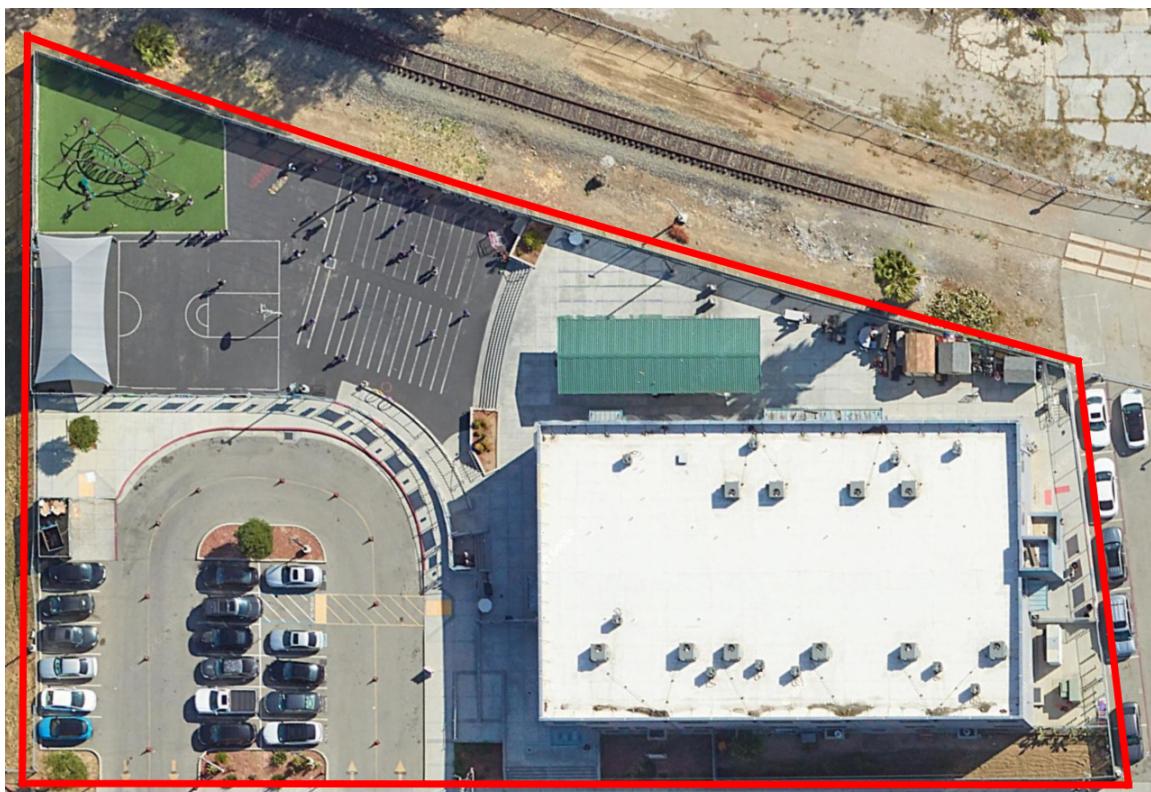
**Table 14**

*Discovery Prep: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$2,414,563	\$4,289,318	\$6,703,881
2021	\$2,367,219	\$4,205,214	\$6,572,433
2020	\$2,342,947	\$4,162,095	\$6,505,042

**Figure 19**

*Discovery Prep Satellite Photo*

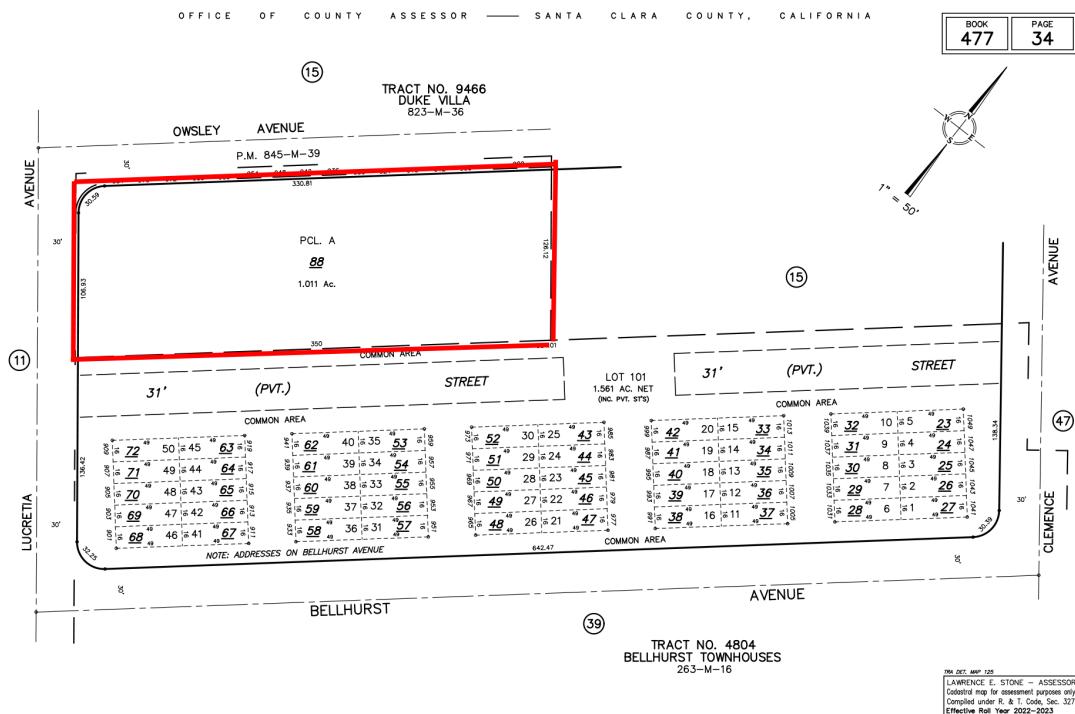


Google. (n.d.). [Google Earth image]. Retrieved 23 Dec 2022 from <https://tinyurl.com/discovery-prep-v2>.

**Table 15**  
*Mosaic: Property Information*

Property Address	950 Owsley Ave, San José, CA 95122
Assessor's Parcel No.	477-34-088
Size	1.011ac
Date of Last Sale	24 May 2011

**Figure 20**  
*Mosaic Plat Map*



Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 23 Dec 2022 from <https://tinyurl.com/mosaic-plat-map>.

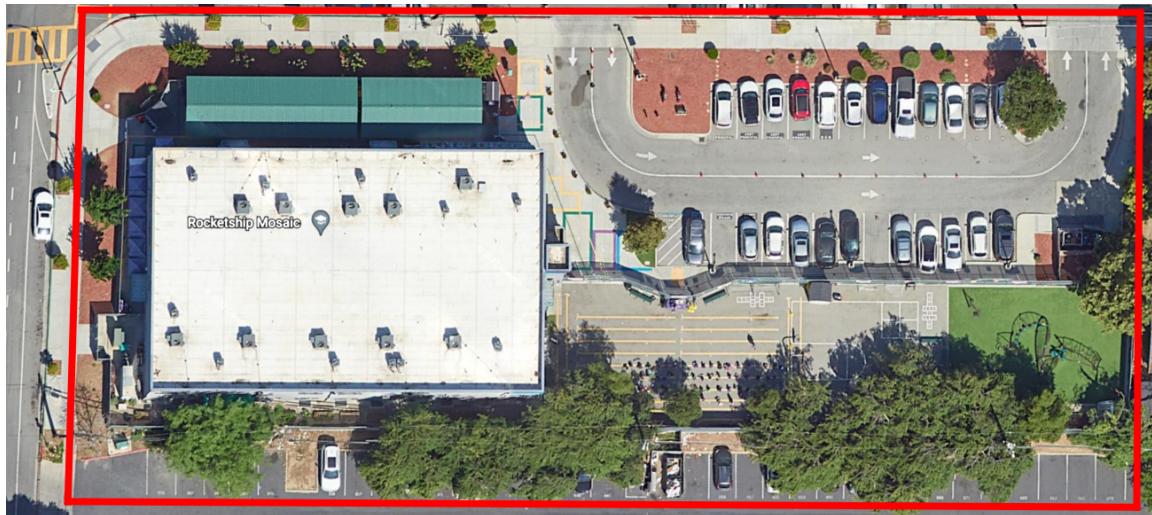
**Table 16**

*Mosaic: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$1,851,242	\$4,971,161	\$6,822,403
2021	\$1,814,944	\$4,873,688	\$6,688,632
2020	\$1,796,334	\$4,823,715	\$6,620,049

**Figure 21**

*Mosaic Satellite Photo*



Google. (n.d). [Google Earth image]. Retrieved 23 Dec 2022 from <https://tinyurl.com/mosaic-v3>.

<sup>2181</sup> **B.6 Brilliant Minds**

**Table 17**

*Brilliant Minds: Property Information*

Property Address	2960 Story Rd, San Jose, CA 95127 2962 Story Rd, San Jose, CA 95127
Assessor's Parcel No.	488-03-003
Size	1.223ac
Date of Last Sale	11 Feb 2014

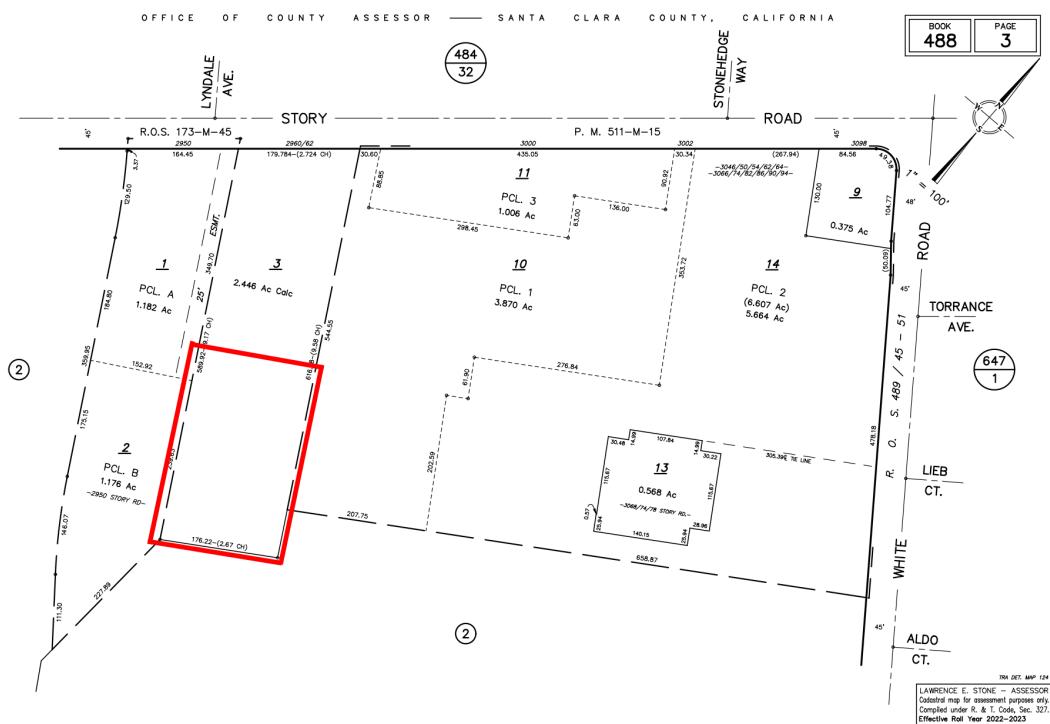
Note: Brilliant Minds occupies a single parcel, along with two churches. It appears to have its own buildings, but shares the single parking lot. The size of the parcel is 2.446ac, and arbitrarily, half has been allocated to Rocketship Brilliant Minds.

**Table 18**

*Brilliant Minds: Taxable Amount of Assessed Property*

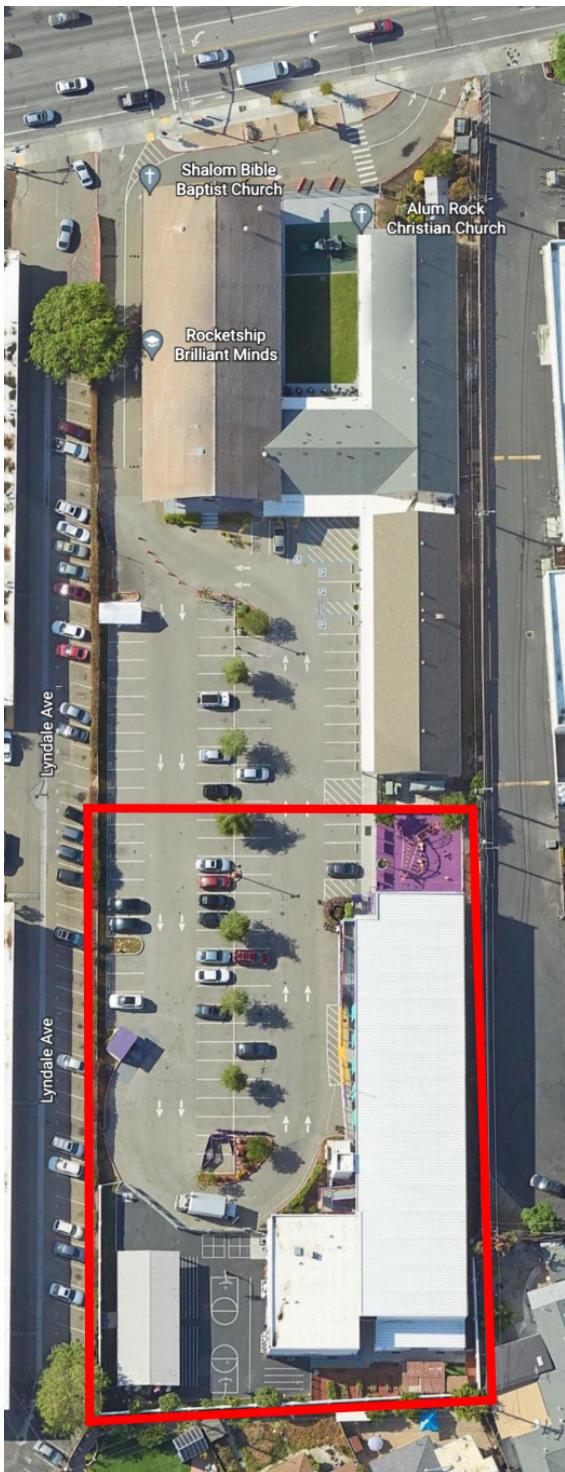
Year	Land	Improvements	Total Assessed Value
2022	\$8,630,187	\$4,218,635	\$12,848,822
2021	\$8,460,968	\$4,135,917	\$12,596,885
2020	\$8,374,212	\$4,093,509	\$12,467,721

**Figure 22**  
*Brilliant Minds Plat Map*



Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 23 Dec 2022 from <https://tinyurl.com/brilliant-minds-plat-map>.

**Figure 23**  
*Brilliant Minds Satellite Photo*



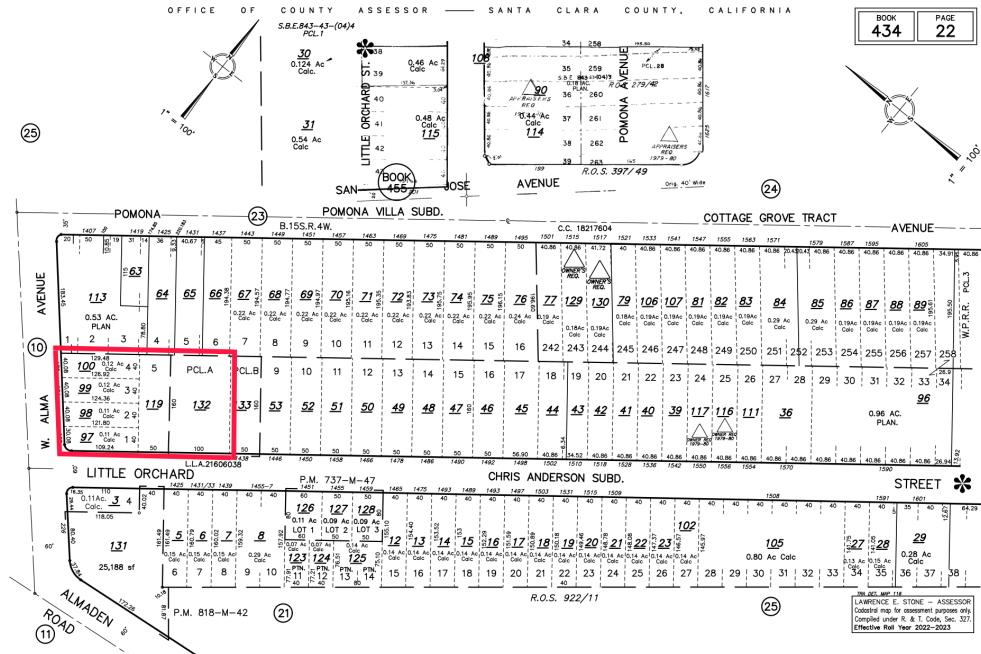
Google. (n.d). [Google Earth image]. Retrieved 23 Dec 2022 from  
<https://tinyurl.com/brilliant-minds-v2>.

2182 B.7 Alma Academy

**Table 19**  
*Alma Academy: Property Information*

Property Address	198 West Alma Ave, San José, CA 95110
Assessor's Parcel No.	434-22-097,098,099,100,119,132
Size	0.551ac
Date of Last Sale	12 Apr 2012

**Figure 24**  
*Alma Academy Plat Map*



Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 03 Jan 2023 from <https://tinyurl.com/alma-academy-plat-map-v2>.

**Table 20**

*Alma Academy: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$1,615,598	\$0	\$1,615,598
2021	\$1,583,932	\$0	\$1,583,932
2020	\$1,567,686	\$0	\$1,567,686

Note: Rocketship Alma Academy comprises adjacent six parcels, so the assessed value indicated in this table is the sum of all six parcels.

**Figure 25**

*Alma Academy Satellite Photo*



Google. (n.d). [Google Earth image]. Retrieved 03 Jan 2023 from <https://tinyurl.com/alma-academy>.

2183 **B.8 Spark Academy**

**Table 21**  
*Spark Academy: Property Information*

Property Address	683 Sylvandale Ave San José, CA 95111
Assessor's Parcel No.	[494-72-001]
Size	approx. 1ac
Date of Last Sale	[01 Jun 2012]

Note: Spark Academy has a land lease from the Franklin McKinley School District, so the figures above enclosed in brackets are those of the Franklin McKinley School District.

**Figure 26**  
*Spark Academy Plat Map*



Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 07 Jan 2023 from <https://tinyurl.com/spark-academy-plat-map>.

Note: The outline is approximate.

**Table 22**  
*Spark Academy: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$0	\$0	
2021	\$0	\$0	
2020	\$0	\$0	

Note: As noted above, Spark Academy leases its land from the Franklin McKinley School District. Since public school districts are exempt from property taxes, all the taxable amounts in this table are listed as \$0.

**Figure 27**  
*Spark Academy Satellite Photo*

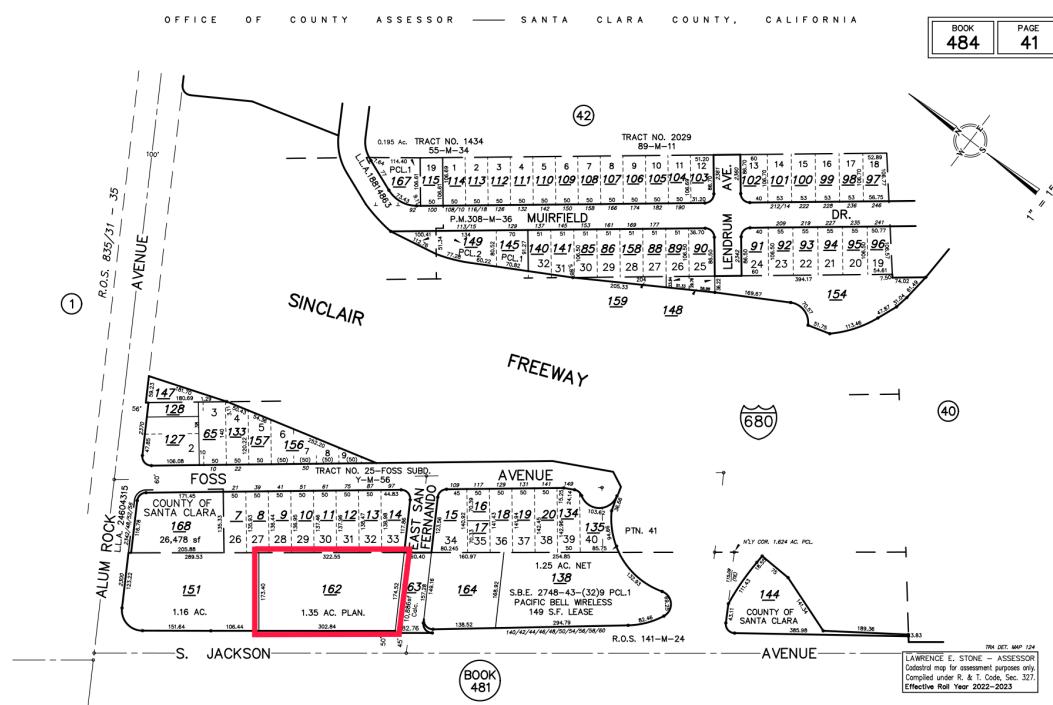


Google. (n.d). [Google Earth image]. Retrieved 07 Jan 2023 from <https://tinyurl.com/spark-academy>. Note: The outline is approximate.

**Table 23**  
*Fuerza: Property Information*

Property Address	70 S. Jackson Ave, San José, CA 95116
Assessor's Parcel No.	484-41-162
Size	1.35ac
Date of Last Sale	02 Feb 2018

**Figure 28**  
*Fuerza Plat Map*



Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 07 Jan 2023 from <https://tinyurl.com/fuerza-plat-map>.

**Table 24**

*Fuerza: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$2,656,862	\$937,117	\$3,593,979
2021	\$2,604,767	\$918,743	\$3,523,510
2020	\$2,578,059	\$909,323	\$3,487,382

**Figure 29**

*Fuerza Satellite Photo*



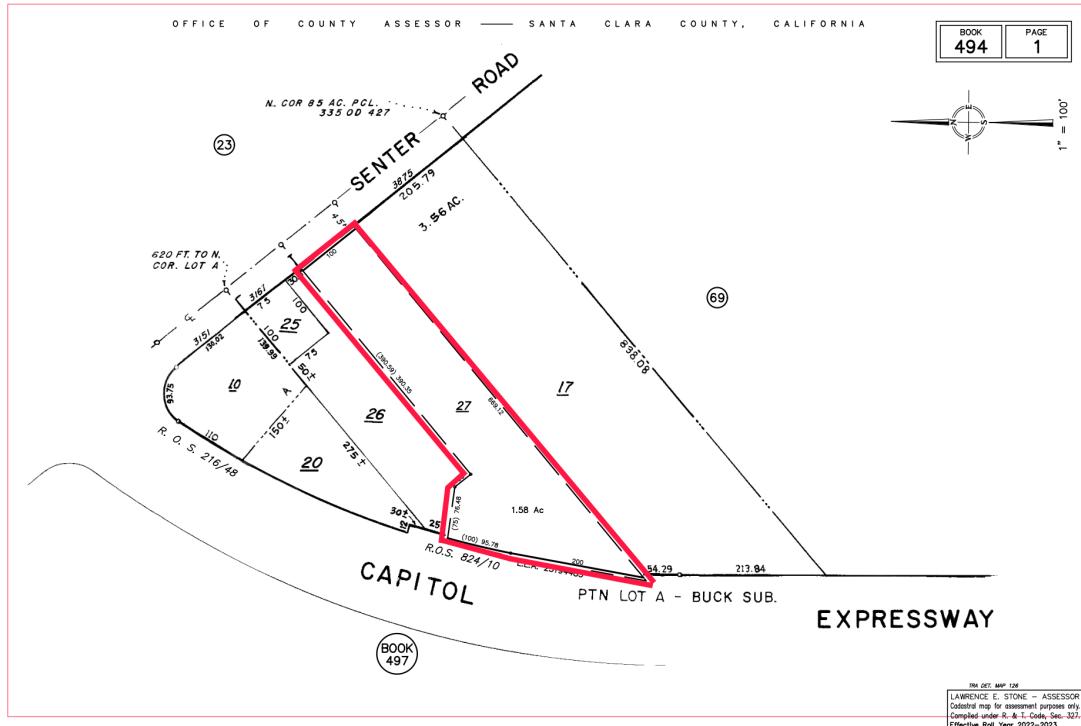
Google. (n.d). [Google Earth image]. Retrieved 07 Jan 2023 from <https://tinyurl.com/fuerza-v2>.

2185 B.10 Rising Stars

**Table 25**  
*Rising Stars: Property Information*

Property Address	3173 Senter Road, San José, CA 95111
Assessor's Parcel No.	494-01-027
Size	1.58ac
Date of Last Sale	01 Dec 2016

**Figure 30**  
*Rising Stars Plat Map*



Santa Clara County Assessor's Office (n.d.). [Plat Map]. Retrieved 07 Jan 2023 from <https://tinyurl.com/rising-stars-plat-map>.

**Table 26**

*Rising Stars: Taxable Amount of Assessed Property*

Year	Land	Improvements	Total Assessed Value
2022	\$2,997,872	\$12,139,470	\$15,137,342
2021	\$2,939,091	\$11,901,442	\$12,139,470
2020	\$2,908,955	\$11,779,408	\$14,688,363

**Figure 31**

*Rising Stars Satellite Photo*



Google. (n.d). [Google Earth image]. Retrieved 07 Jan 2023 from <https://tinyurl.com/rising-stars-v2>.

**Figure 32***Consolidated Financial Position, Years Ending 2010-2022***Figure 33***Consolidated Financial Position, Years Ending 2010-2022***Figure 34***Consolidated Financial Position, Years Ending 2010-2022***Figure 35***Consolidated Financial Position, Years Ending 2010-2022*



**Figure 36**  
*Consolidated Activities, Years Ending 2010-2022*

**Figure 37**  
*Consolidated Activities, Years Ending 2010-2022*

**Figure 38**  
*Consolidated Activities, Years Ending 2010-2022*

**Figure 39**  
*Consolidated Activities, Years Ending 2010-2022*



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2195

## Colophon

2196 Two versions of this dissertation are available. The contents of both are identical; only the  
 2197 formatting differs.

2198 1. <https://leonora.org>

2199 This version, the readable version, has been formatted according to standard typographic  
 2200 practice which emphasizes readability, and it is hoped, good taste and elegance.

2201 2. <https://sjsu.edu>

2202 This version, the official, submitted version, has been formatted to meet the SJSU Ed.D.  
 2203 doctoral dissertation guidelines. You should read this version only under duress.

2204 This dissertation was created nearly entirely with free, open source programs.<sup>55</sup> The  
 2205 typefaces, the text editor, the markup language, the reference manager, the operating system,  
 2206 and many utilities are all FOSS (free, open source software).

2207



2208 The body and headings were set in 12pt Alegreya. The Alegreya family of serif & sans serif  
 2209 typefaces was designed by Juan Pablo del Peral of Huerta Tipográfica in 2011 and immediately  
 2210 won praise and awards. It is a classic Renaissance typeface, a kind that was first developed in the  
 2211 fourteenth and fifteenth centuries in northern Italy. It comes in Regular, Medium, Bold and Black  
 2212 weights, all of which are available in Roman and Italic styles. There is a full set of Greek and  
 2213 Cyrillic letters as well as Latin small caps. All have a full set of ligatures, and Old Style, and Lining  
 2214 numerals. Notably, all the numerals share the same width so they line up regardless of which style  
 2215 is being used. (Multiplication using Roman numerals, anyone?) If any criticism can be leveled  
 2216 against the Alegreya superfamily, it is that the family doesn't include display sizes and doesn't  
 2217 contain swash characters. Otherwise it is nearly perfect.

2218



2219 The programs  $\text{\TeX}$  &  $\text{\LaTeX}$  and the document class `memoir` were used to format this dissertation.  
 2220  $\text{\LaTeX}$  was created by Leslie Lamport as a user-friendly version of one of the first digital  
 2221 typesetting systems,  $\text{\TeX}$ .  $\text{\TeX}$  is one of the masterpieces of computer programming whose  
 2222 author, Donald Knuth, won the Turing Award in 1974. It is a testament to Knuth's brilliance as  
 2223 both a mathematician and a programmer that  $\text{\TeX}$  is still in use more than four decades later and  
 2224 arguably has no peers when it comes to typesetting complex mathematics and scientific material.

---

<sup>55</sup>Two closed source, proprietary programs were used to manipulate PDF files, themselves proprietary programs until recently. These programs could have been replaced with FOSS programs, but the results would not have been as high quality.

2225 It is, however, awkward to use and hard to learn. Fortunately, Leslie Lamport wrapped TeX in a  
2226 macro system, L<sup>A</sup>T<sub>E</sub>X, which was orders of magnitude easier to use than TeX itself. LaTeX is  
2227 extraordinarily flexible because there are thousands of packages which implement specialized  
2228 tasks. Currently, CTAN (the Comprehensive TeX Archive Network) has just shy of 6000 packages  
2229 which can be downloaded. One of those packages implements the class *memoir* that was used  
2230 here. It was written by Peter Wilson, and released in 2001. (I'm listed as a contributor to *memoir*,  
2231 but in truth I really only just corrected some minor typos.)



2233 Wilson's muse is Robert Bringhurst, author of *The Elements of Typographic Style*, which some  
 2234 consider to be the definitive book on typography and book design. It is certainly the most elegant.  
 2235 The package `memoir` would undoubtedly meet with Bringhurst's approval. The class `memoir`  
 2236 provides in one package nearly everything a person needs to produce "beautiful books" (Knuth's  
 2237 words). Although creating a bibliography, glossary, and an index are possible in `memoir`,  
 2238 specialized packages are normally used instead of the built-in ones supplied by `memoir`.



2240 Zotero is a program to manage and maintain a bibliographic database and to provide citations on  
 2241 demand. It, along with the text editor GNU Emacs ("an operating system disguised as an editor")  
 2242 and the package `refTeX`, cooperate with `memoir` to provide a complete system for writing  
 2243 scholarly papers, theses, reports, and dissertation.



2245 All of these programs run on Linux, a version of Unix using a particular distribution, Arch Linux,  
 2246 one of many. It is notable that GNU Linux, GNU Emacs, `TEX` and `LATEX` are all programs that are  
 2247 decades old, have never been replaced or superseded, are constantly being improved, and are  
 2248 actively used. They share a common set of characteristics: their fundamental architecture is  
 2249 sound, extensibility is a core feature, and they and thousands of specialized packages are freely  
 2250 available. I predict that iPhones will be the faintest of memories when GNU Unix, GNU Emacs,  
 2251 and `LATEX` start to fade from view.