**QUESTIONS AND CONCERNS:**
ROCKETSHIP PUBLIC SCHOOLS CHARTER APPLICATION IN TARRANT COUNTY
September 5, 2020

**Overview: Rocketship Public Schools**, a California-based charter chain, has submitted a charter application to TEA to open a new charter school in Tarrant County (Texas) with four campuses serving grades PK-5 and enrollment of 2,776 students at capacity. The first two campuses to open in 2021 would be located in Fort Worth ISD and Lake Worth ISD. There are seven districts in the primary geographic boundary and an additional 16 in the overall geographic boundary. This is Rocketship’s third try to open a charter school in Texas. Rocketship currently operates 19 schools and enrolls 9,770 students that are concentrated in California, with locations in Nashville, Milwaukee, and Washington, DC.
 **Revenue loss for public school districts:** At a minimum, Tarrant County public school districts will lose an estimate of up to $**26.8 million** in revenue annually once Rocketship is at maximum enrollment capacity. Over ten years, Tarrant County districts would lose an estimate of up to **$218 million** in revenue (*based on average estimated per student revenue loss*).
 **Fiscal cost to the state:** Because the charter funding advantage gives charter schools a larger entitlement than most school districts, Rocketship Texas will cost the state an additional **$6,888,387** in its first five years and **$17,965,459** in its first ten years over the cost of enrollment of the same students in Fort Worth ISD and Lake Worth ISD.

**State tax dollars sent to an out-of-state CMO:** In addition, Rocketship Texas will pay the out-of-state Rocketship charter management organization (CMO) 15% of all state funds it receives, a total of
**$13.7 million** over the next five years.

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Rocketship publicly states it will open 4 campuses in Tarrant County – but internal Rocketship Education (CMO) Board documents reveal they already are planning to open 10 campuses**. Rocketship has not disclosed that they already are planning to expand to 10 campuses.If Rocketship is approved, within three years it can submit charter amendments to TEA to open an unlimited number of new charter campuses anywhere in Texas at the sole discretion of the Commissioner.

**Low community turnout at Rocketship’s public meetings.** Only 15 people attended the public meeting for the second Rocketship campus in Lake Worth ISD, and three of those attendees were Lake Worth ISD leaders attending to learn more about the proposed charter because Rocketship had not reached out to the district. Only 30 people attended the public meeting conducted for Fort Worth ISD.

**High teacher attrition rates - up to 59 percent in one year.** In 2018-2019, teacher attrition rates at 6 of the 8 Rocketship schools in San Jose, CA were 40 percent or higher with one campus at 59 percent.

**High student attrition rates.** Rocketship loses a significant percentage of Kindergarten students by the time they enter 5th grade. For example, while 127 Kindergarten students enrolled at the Alma Academy in San Jose in 2013-2014, only 56 students were enrolled at 5th grade in 2018-2019 – a 56% decline.

**A history of budget deficits.**  California state and county education authorities have continued to raise red flags about the Rocketship’s financial condition. Examples include: The state denied a new Rocketship campus in 2018 citing an “unrealistic financial and operational plan.” The state sent formal letters of concern about a negative ending fund balance of $916,509 and a zero percent reserve at another California school.  Board documents from Rocketship Education forecast budget deficits for the Nashville and Milwaukee schools at $597,000 and 1,157,000$ respectively.

**Concerns about CMO lease and fee deferrals to schools and inter-company loans.** To address these and other operating shortfalls, the Rocketship CMO has deferred $8.8 million in lease payments and CMO management fees that are owed by existing schools to the CMO or to Launchpad, Rocketship’s affiliated real estate organization. As a result of these deferrals, Rocketship's CMO has been annually incurring expenses that are $3-$4 million higher than its revenue (Board documents). Rocketship is also delaying opening new schools. Plus, Rocketship reports $12.5 million in “intercompany” and “long-term” loans which are not fully described. These financial arrangements between the CMO and the Rocketship schools raise questions about the relationship between these two parties which should be “arms-length” especially regarding financial transactions and deferral of payments.

**Lack of transparency: The management contract is redacted.** Despite the complicated charter management arrangement**,** the entire 34-page CMO management services contract for Rocketship Texas was redacted from the charter application because the agreement was “copyrighted” by the attorney for Rocketship. As a result, the legal contract between Rocketship Texas and the CMO is not a public document available for review, and important details about the management services fee, roles and responsibilities, and legal relationships are not disclosed.

**Double-digit achievement gap for Hispanic students.** Rocketship makes closing the achievement gap for students of color a top priority, yet student performance data from California show a double-digit achievement gap for Hispanic students within the majority of students enrolled at the Rocketship schools in California.

**Low performance rates for English Learners.** English Learners (EL) shows poor EL progress among existing Rocketship schools in California: 11 of 13 campuses scored either “Low” or “Very Low” in EL academic progress, and no campus scored “High” or “Very High.”

**Rocketship underserves students with special needs in California.** Rocketship serves an average of 7.7 percent of students with special needs in California, compared to a statewide average of 11.7 percent - 34 percent less.

**A history of schools closures, denials, and delayed openings.** Examples:

* Denied - By a 9-1 vote, the California State Board of Education denied the appeal for a new Rocketship school in San Pablo (2018).
* Closed - Rocketship closed the new Partners Community Prep in Nashville only months after it opened (2018).
* Failure to open - With only 22 families signed up to attend the new Washington DC Rocketship school (160 projected), Rocketship announced the school would not open (2018).
* Delayed - Rocketship has delayed opening a Nashville school “to better navigate uncertainty as well as high fixed costs for initial facility” (2020).

**More information needed: Launchpad Development Company.** Few details are available about the financial transactions with Launchpad which is Rocketship’s affiliated real estate organization that acts as the lessor for Rocketship’s school facilities. Questions have been raised, such as: Does the lease with Rocketship schools include an annual escalating rental payment in the lease contract? Does the lease include a purchase option that guarantees Launchpad a sale price at a percentage above the original project cost? Does Rocketship receive credit against the sale price for the rent it paid over the years since it was paid to a Rocketship “supporting organization”? Where do the profits go when Launchpad sells a school facility to the Rocketship schools?

**More information needed: Concerns about the Rocketship education model.** Little detail is provided in the application or during the interviews to address continuing parent and teacher concerns about the Rocketship education model. Examples of concerns include: “open-space” classrooms of 100+ students supervised by uncertified teachers; high student/teacher ratios; “obsessive” focus on test scores; excessive computer time for students that is not developmentally appropriate for their age; limited time for recess and lunch; high teacher turnover rates; limited time for bathroom breaks; and more.

**Operational and instructional staff from California**. Despite questions about governance raised by TEA staff, there are still continuing questions about the broad authority that the Rocketship CMO will have over the essential functions of Rocketship Texas. The application states that the Rocketship CMO will operate the Texas campuses “day-to-day.” In addition, all ten of the instructional team members listed in the application are employees of the Rocketship CMO, are not Texas hires, and presumably report to the CMO.

Link to the application: <http://castro.tea.state.tx.us/charter_apps/content/downloads/Nocdn/25-21.pdf>