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Charter School Funding: Inequity Expands

Meagan Batdorf
University of Arkansas, Fayetteville

Larry D. Maloney
University of Arkansas, Fayetteville

Jay F. May
University of Arkansas, Fayetteville

Sheree T. Speakman
University of Arkansas, Fayetteville

Patrick J. Wolf
University of Arkansas, Fayetteville, pwolf@uark.edu

See next page for additional authors

Authors
Meagan Batdorf, Larry D. Maloney, Jay F. May, Sheree T. Speakman, Patrick J. Wolf, and Albert Cheng

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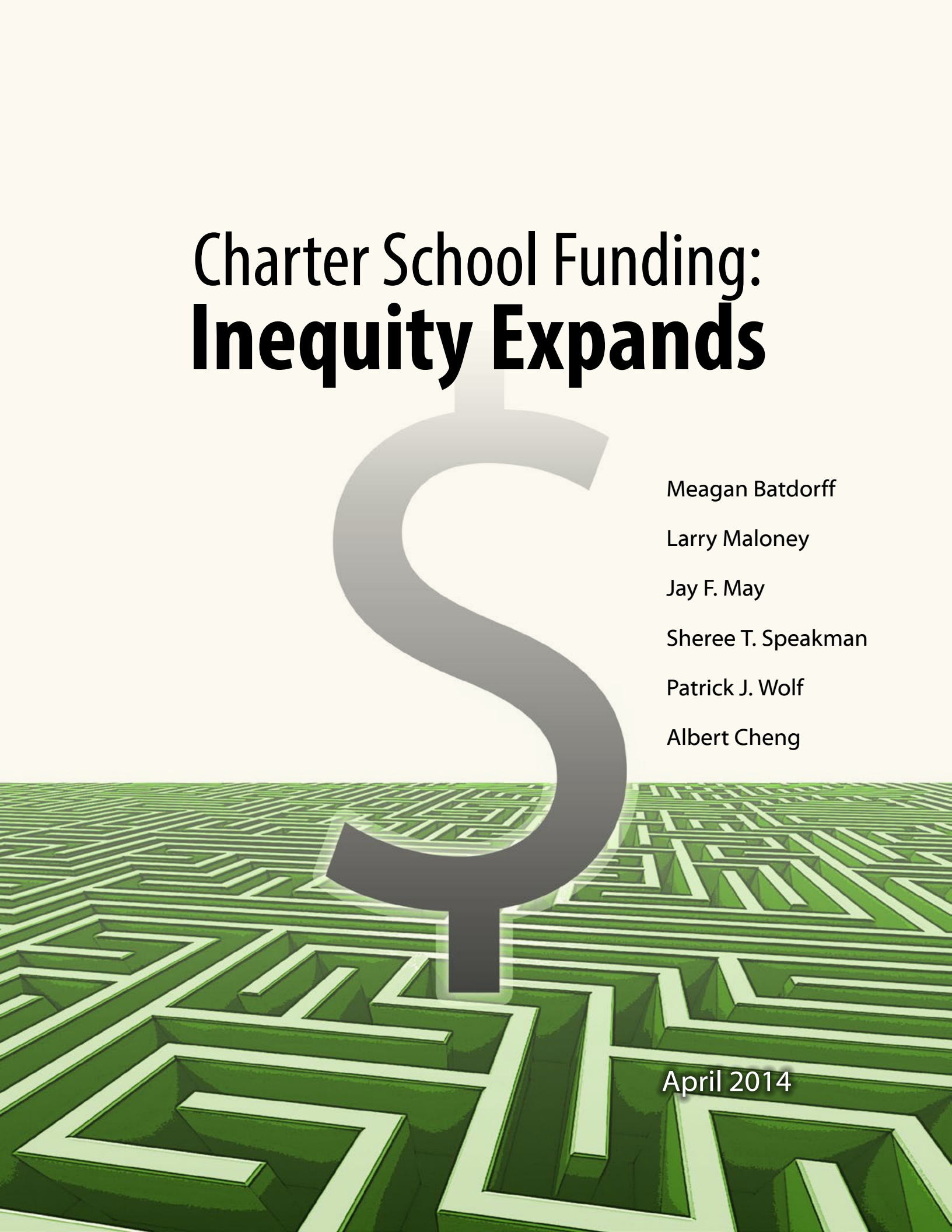

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School Choice Demonstration Project
Department of Education Reform
University of Arkansas
201 Graduate Education Building
Fayetteville, AR 72701
479-575-6345
www.uaedreform.org/charter-funding-inequity-expands/

The University of Arkansas was founded in 1871 as the flagship institution of higher education for the state of Arkansas. Established as a land grant university, its mandate was threefold: to teach students, conduct research, and perform service and outreach.

The College of Education and Health Professions established the Department of Education Reform in 2005. The department's mission is to advance education and economic development by focusing on the improvement of academic achievement in elementary and secondary schools. It conducts research and demonstration projects in five primary areas of reform: teacher quality, leadership, policy, accountability, and school choice.

The School Choice Demonstration Project (SCDP), based within the Department of Education Reform, is an education research center devoted to the non-partisan study of the effects of school choice policy and is staffed by leading school choice researchers and scholars. Led by Dr. Patrick J. Wolf, Professor of Education Reform and Endowed 21st Century Chair in School Choice, SCDP's national team of researchers, institutional research partners and staff are devoted to the rigorous evaluation of school choice programs and other school improvement efforts across the country. The SCDP is committed to raising and advancing the public's understanding of the strengths and limitations of school choice policies and programs by conducting comprehensive research on what happens to students, families, schools and communities when more parents are allowed to choose their child's school.

Charter School Funding: Inequity Expands

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Foreword

by Patrick J. Wolf

Public charter schools enrolled over 2 million school children in over 6,000 schools in 41 states plus the District of Columbia in the 2012-13 school year. Charters are public schools that operate based on an explicit agreement that generally commits the school to accomplish certain goals over a multi-year period or be closed by its authorizing body. In exchange for this promise of effective performance, charter schools tend to be granted autonomy from many bureaucratic rules and regulations that apply to traditional public schools run by school districts. Most charter schools enroll any students who wish to attend, regardless of where they live, and admit students by random lottery if they are over-subscribed.

The first public charter school was established, amidst much political controversy, in St. Paul, MN, in 1991. In the 23 years since that epochal event, charter schooling has gained substantial public legitimacy and support. The three most recent Presidents of the United States all have been strong supporters of public charter schools. Current U.S. Secretary of Education Arne Duncan required many states to make their policies more charter-friendly in order to qualify for billions of dollars in federal Race-to-the-Top funds. When the popular new mayor of New York City, Bill De Blasio, threatened to exclude public charter schools from space they shared with traditional public schools in the city, his popularity plummeted, leading him to beat a hasty retreat from the proposal.

Are They Funded Equally?

Since public charter schools are becoming increasingly politically popular and therefore common in the U.S., we might expect that they would be funded at levels comparable to traditional public schools. After all, they are public schools, too. We would be mistaken. The research team systematically collected and reviewed audited financial statements from the 2010-11 school year for the 30 states and the District of Columbia with substantial charter school populations. We carefully tracked all the revenues committed to public charter and traditional public schools from every source, public and private. We identified a funding gap of 28.4 percent, meaning that the average public charter school student in the U.S. is receiving $3,814 less in funding than the average traditional public school student. Since the average charter school enrolls 400 students, the average public charter school in the U.S. received $1,525,600 less in per-pupil funding in 2010-11 than it would have received if it had been a traditional public school. The gap is actually higher in focus areas within states where charter schools are more commonly found, such as major cities.

What Explains the Gap?

The fact that some students attending public schools receive less funding than others, merely because the word “charter” is in the school’s name, may seem shocking. Isn’t all public school funding within a state or locality based on a common student formula? Actually, no. As detailed in this study, both public charter schools and traditional public schools receive much of their revenue from sources outside of per-pupil state allocations. These include federal categorical aid programs that can include both public charter schools and traditional public schools or just one and not the other, plus local funding raised through property taxes, as well as private philanthropy.

Of the four major sources of revenue for public schools, the largest source of the charter school funding gap is that public charter schools only receive an average of $1,780 from local government sources while traditional public schools receive an average of $5,230. On average, charters receive somewhat more state money than traditional public schools, while receiving somewhat less federal money. Although there is a perception that public charter schools receive a great deal of money from non-public sources and private philanthropies, this careful research shows that traditional public schools received slightly more funds from non-public and charitable sources, per-pupil, in 2010-11 than did public charter schools.

Is the Gap at Least Shrinking?

The first systematic study of charter school funding equity, *Charter School Funding: Inequity's Next Frontier*, by the Fordham Institute in 2005, revealed that per-pupil funding was 21.7 percent lower in public charter schools relative to traditional public schools. A follow-up study, *Charter School Funding: Inequity Persists*, by Ball State University in 2010, found a funding gap of 19.2 percent remained. Many of the same researchers who conducted those pioneering studies were re-assembled for this latest project and discovered to our surprise that the inequity in public charter school funding has actually grown.

What Return-On-Investment are Charters and Traditional Public Schools Delivering?

Policymakers and the public also might like to know what the payoffs are from their investments in education in both the public charter and traditional public school system. This question of the comparative return-on-investment in public education will be the subject of a follow-up report to be released in May of 2014.

What Are the Limitations of This Report?

This is a careful study of the documented sources and amounts of revenue received by public charter and traditional public schools nationally, within individual states, and within focus areas within states. It is a descriptive report of the financial realities in the two public school sectors. Although the report tells us conclusively that public charter schools tend to receive less money, and what funding source (local government) is most clearly responsible for the inequity, it cannot tell us in all cases exactly why local governments provide students in public charter schools with so much less money for their education than for students in traditional public schools. Answers to that important question will have to await further research.

Who Made This All Possible?

Thanks go to Meagan Batdorff, Larry Maloney, and Jay May who carefully collected and analyzed the revenue data and wrote the state chapters in this and the previous two studies of charter school funding inequities. We appreciate the work of Sheree Speakman, who wrote the executive summary and overview of the findings. We are grateful to Marlo Crandall of Remedy Creative for graphic design and formatting enhancements. The work was expertly advised by a board including: Andrew Broy, President of the Illinois Network of Charter Schools; Robin Gibson, Partner of the Gibson Law Firm; Dale Keagy, Southern York County School District (retired); Alex Medler, Vice President of Research at the National Association of Charter School Authorizers; Toni Templeton, Quality Initiatives Data Analyst at the Texas Charter Schools Association; and, Todd Zeibarth, Senior Vice President of State Advocacy and Support at the National Alliance for Public Charter Schools.

This work was made possible by a grant from the Walton Family Foundation. We thank them for their continued support of this research project and the two previous revenue studies. The content of the report is entirely the responsibility of the research team and does not necessarily reflect the positions of the Foundation or the University of Arkansas.

Charter School Funding: Inequity Expands

Executive Summary

The revenue study is based on Fiscal Year 2010–11 (FY11) data for each of 30 selected states plus the District of Columbia (D.C.). Traditional school districts and public charter schools were analyzed and aggregated "statewide." For each state, one to three "focus areas" were selected based on larger concentrations of charter students – most focus areas are large cities, some are metropolitan counties. Traditional school districts and charter schools were analyzed separately in each focus area. The analytic team collected and analyzed all revenues, public and private, flowing to traditional district and public charter schools. FY11 funding includes Federal, State, Local, Other, Public-Indeterminate, and Indeterminate sources.

The revenue study relies on one general standard: find and analyze 100% of the dollars for the states and cities under review. Certain adjustments were made to FY11 figures, eliminating adult education and PreK revenues. The goal was to make district and charter figures as comparable as possible.

The study findings raise several concerns: a 55% increase in the weighted per pupil disparity amount favoring districts between FY07 and FY11; little improvement in charter schools' access to local public tax revenues or facilities funding; and, state aid systems that systematically deny charter students the same funding levels provided to district students.

When will charter schools see a reduction in the funding disparity? When will public school students experience resource equity? Clearly, neither of these events occurred in the FY11 round of research. School finance and policy levers are available to state education agencies that want to equalize charter funding. It is not a matter of intellect but, instead, of building political will to advance the goal of equity for district *and* charter school students.

Findings

Nationally, district and charter school funding has been squeezed since 2007–08, affected negatively by the economic downturn nationwide. This period saw a decline in state tax receipts until fiscal 2011, when income and tax revenues showed upward movement. While funding to offset the downturn was distributed to states beginning with the 2009 Federal "American Recovery and Reinvestment Act," these revenues did not fully offset education job losses and state budget cuts. Ongoing fiscal pressures on school funding continue to affect nearly every state and school in the U.S.

Finding 1: The funding disparity between districts and charter schools has increased more than 54% in eight years.

- In FY11 districts received $3,509 more per pupil than charter schools, a 54.5% increase since FY03 (inflation-adjusted). The funding gap has increased significantly since FY03 even though charter enrollment has increased in every state and in Washington, D.C., in the same period. District enrollment decreased in D.C. and in 16 of the 24 states included in this study since FY03 (methods used for weighted calculations are reviewed in Appendix A).
- Across the nation, the focus areas reported greater funding disparity in FY03, with districts receiving $4,352 more per pupil on average than charter schools in FY11. This is significant given that charter schools in focus areas educated 41.9 percent of all charter students in all states, whereas district schools in focus areas educated only 15.1 percent of all district students.
- For the 30 states and D.C. included in the study for FY11, the charter percentage of total student enrollment was 4.4 percent, whereas the charter percentage of total revenues received was 3.4 percent. Only Texas and Tennessee reported charter schools as receiving revenues in equal proportion to their student enrollment percentages.
- The loss in revenues to a single charter school is enormous. For a charter school enrolling 400 students in FY11, the school received $1,525,600 (weighted) less on average than would have been the case if funding were equalized between district and charter schools.
- Magnitude of Disparity: If, in aggregate, districts in the 30 states and D.C. received the same level of per pupil funding as charter schools received in FY11, districts would have received *$110,860,725,324 less* in total revenues.

Figure M1: Change in Disparity, FY03 to FY11

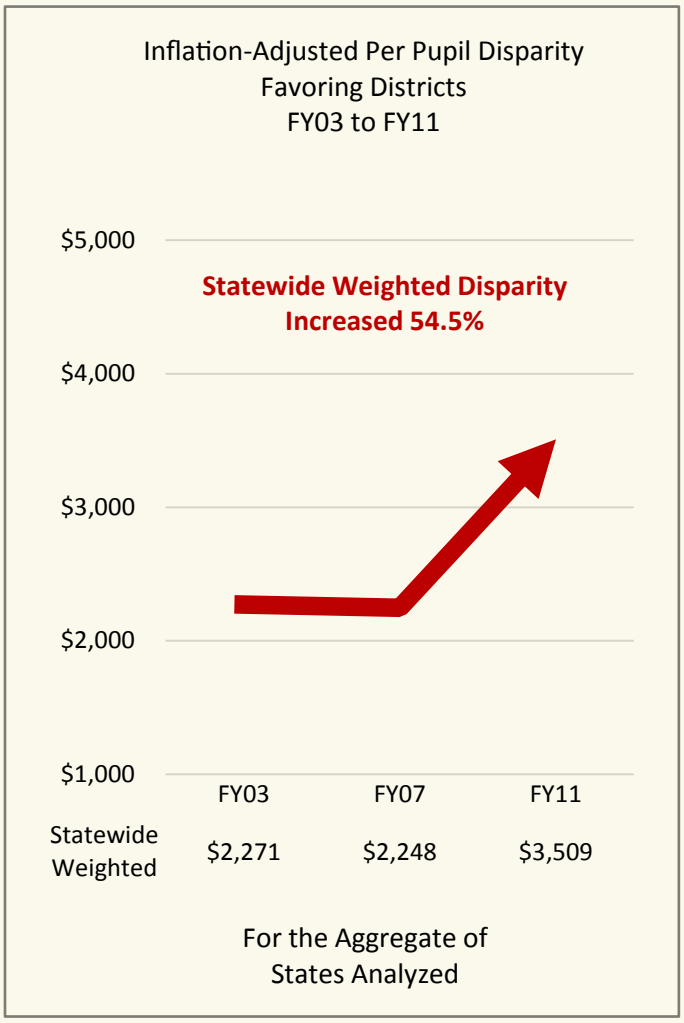


Figure M2: Funding Disparity Illustration for a 400 Student School

Charter School Funding Loss	**FY 2011** (2010-11)
Dollar Value Loss from the FY11 disparity to a Public Charter School of 400 Students (est. for FY11)	$1,525,600

Finding 2: Charter school funding plunged during the economic crisis.

Existing disparities in funding grew worse when the economy retrenched, leaving charter schools in many states without a lifeline.

- Nationwide, districts and charter schools recorded the same percentage of growth in funding between FY03 and FY11, 13.4% for districts and 13.3% for charter schools. During the period of the economic collapse, from FY07 to FY11, however, school district total funding increased by 2.0%, while charter school funding fell 5.9%.
- During the FY07 to FY11 period, total funding declined for districts in seven states, while total funding declined for charter schools in 14 states.
- By FY11, charter schools nationwide lost $555 per pupil when compared to the total funds received in FY07 ($9,419), while school districts gained $233 per pupil compared to their total FY07 funding ($11,389).
- As State and Local tax sources declined during the recession, charter schools lost more than 146 percent in Local and State revenue when compared to FY07 levels, $902 per pupil. Districts lost only $485 per pupil, compared to FY07 levels.
- School districts benefited the most from the increased flow of Federal funds during the economic crisis, receiving an additional $562 per pupil above FY07 Federal funding ($804) compared to a $212 per pupil increase for charter schools above their FY07 Federal funding ($689).
- Other funding revenues (non-tax sources and philanthropy) during the economic downturn resulted in charter schools receiving $136 more per pupil when compared to FY07 funding levels, while school districts received $157 more per pupil. The FY11 increase in Other did not help charters close the gap in their Local and State revenue losses.

Finding 3: State K-12 Funding Policies Drive Structural Disparities. Inequitably Distributed State Funding Components By-Pass Foundation Funding Equalization.

- Findings for FY11 debunk the myth that charter schools received disproportionate funding from non-public sources, such as philanthropy, to reduce the gap in the funding disparity. Districts recorded more per pupil funding from Other non-public sources than did charter schools, $571 to $552 per pupil, respectively. Instead of reducing the funding disparity, Other funding in FY11 contributed to a broader disparity resulting from state funding policies.
- For most states, the states' structural funding mechanisms causing a substantial portion of charter school funding inequities were in law well before the nation's first charter laws were enacted.
  - District-to-charter funding equity is highly dependent upon how well a state achieves district-to-district funding equity. Charter school funding is often based on its host district's funding. Therefore, many states with funding formulas that do not adequately equalize for district-to-district inequity will also show high levels of charter funding inequity.
  - Most states tweak funding mechanisms annually at the margin. There is overwhelming evidence that state funding inequities are structural in nature and charter funding can't possibly be resolved without starting over.
  - New Mexico is a rare exception, with a FY11 weighted disparity of only $365 per pupil or 3.4 percent favoring districts. New Mexico's funding mechanism dates back decades but began with a goal of structural efficacy to achieve funding equity. The state continues to successfully distribute funding on a near-equitable basis year after year.

– Pennsylvania, in contrast, ensures charter schools will receive less funding, in statute and through administrative actions to restrict Local and Federal funding to charter schools; the state's FY11 weighted disparity was $5,844 per pupil or 31.9 percent.

- State funding mechanisms are excessively complex. When a state's original funding mechanism does not achieve equity, years of legislative and administrative tweaking often ensue, adding complexity with little commensurate improvement in equity. In general, the more complex the mechanism, the more funding levels differ from original legislative intent.

Figure M3: Access to Revenue Sources, Statutory and In Practice

Access to Revenue Sources	Yes	No
Federal: Statutory Access	30	1
In practice, do charters have as much access as districts?	12	16
State: Statutory Access	31	—
In practice, do charters have as much access as districts?	19	9
Local: Statutory Access	15	15
In practice, do charters have as much access as districts?	0	26
Facilities: Statutory Access	14	17
In practice, do charters have as much access as districts?	—	27

State Public Funding and Charter Access, in Statute and in Practice

- The most equitable component of state funding mechanisms is the basic foundation grant (which can go by different names in different states). The basic foundation component distributes funding based on pupil counts on an equitable basis. As an example, only 15% (South Carolina) and up to 60% (New Mexico) of a district's or charter's total funding from all sources is distributed through the basic foundation grant. Additional State, Federal, and Local revenues flow outside of this equitable foundation funding component. While some of the funding flowing outside the basic foundation component may be distributed on an equitable basis, often it is not. This is when the opportunity for inequity is introduced. Funding that flows outside the foundation amount is a large part of the cause of a weighted disparity of $3,814 per pupil or 28.4 percent of total funding favoring districts for the average of the states analyzed.
  - New Mexico, with a weighted funding disparity of only $365 (3.4%) favoring districts—among the states with the lowest disparity amounts—also has one of the largest ratios of basic foundation funding to total funding, at 60.6 percent, and to state-controlled funding, at 77.0 percent.
  - Maryland has a large funding disparity of $7,347 (38.5%) and among the lowest ratios of basic foundation funding to total funding, at 30.1 percent, and to state-controlled funding, at 34.0 percent.

Finding 4: Return-on-Investment Comparisons between Charter and Traditional Public Schools

For the first time in the FY03-11 series of charter revenue studies, we compare the productivity of charter and traditional public schools. This is done by estimating a return-on-investment (ROI) figure for charter and traditional public schools, respectively. The ROI figure is a ratio of the gains toward lifetime earnings for a student who attends a school in a particular sector to the costs of providing such schooling for that student. Revenue data from this study and student achievement data from the Center for Research on Educational Outcomes (CREDO) are used to compute ROI figures.

The policy-relevant question is not simply how much money is spent on schools but how well the money is spent. The ROI analysis serves to inform stakeholders of the latter question. ROI comparisons are conducted for Washington, D.C., as well as for 20 of the 30 states included in the revenue study, and at the national level. The ROI report will be released in May 2014.

Charter School Funding: Inequity Expands

Major Findings

The University of Arkansas Department of Education Reform published the revenue study "Charter School Funding: Inequity Expands" using data from school year 2010-11 (FY11). The study analyzes the revenue funding disparity that existed in U.S. states and cities, and compares 100 percent of the revenues distributed in FY11 to traditional public school districts ("District") separate from 100 percent of public charter schools ("Charter"). The analytic team examined all revenues, public and private, flowing to traditional district and public charter schools. FY11 funding includes Federal, State, Local, Other, and Indeterminate sources.

The detailed datasets supporting the revenue study were developed to answer a simple question, "Is there a funding disparity between traditional districts and public charter schools? Unfortunately, the answer is yes. How has the amount of the disparity changed over the past eight years? The disparity favoring districts has increased significantly.

For each state, we analyzed "Statewide" summary metrics and collected metrics for selected "focus areas." The focus areas were selected for their high concentration of charter schools, which tend to be found in larger urban school settings. Therefore, we use focus areas as a proxy for urban and metropolitan county settings. The Statewide metrics include the aggregate figures for all districts and all charter schools in the state. The focus area data are a subset of the Statewide data.

Figure M4: Scope of Three Studies, FY03, FY07 & FY11, Statewide Data

	Aggregate of States Analyzed	FY 2003 (2002-03)	FY 2007 (2006-07)	FY 2011 (2010-11)
	Number of States**	16 states + D.C.	24 states + D.C.	30 states + D.C.
E	Number of ALL District Students (including D.C.)	28,049,637	34,974,549	37,609,011
F	Number of ALL Charter Students (including D.C.)	582,133	1,027,518	1,678,987
	Total Students	28,631,770	36,002,067	39,287,998
A	Weighted* District Per Pupil (inflation-adjusted)	$10,092	$11,708	$12,373
B	Charter Per Pupil (inflation adjusted)	$7,821	$9,460	$8,864
C	Weighted* Per Pupil Disparity, Favoring Districts [B less A] (inflation adjusted)	($2,271)	($2,248)	($3,509)
D	Weighted* Disparity as Percent-to-Total District Weighted Per Pupil [C divided by A] (inflation adjusted)	–22.5%	–19.2%	-28.4%

* Because statewide aggregates include districts and charter schools in both urban/metropolitan settings and in suburban/rural settings in differing proportions, district enrollments are weighted to match the proportion of charter students attending in urban vs. suburban settings. Whereas, focus area metrics do not require weighting because proportions are matched for districts and charters – i.e. in each focus area 100% of district and charter students are enrolled in an urban setting.

** Because of data anomalies in Louisiana data, Louisiana is included in the count of states but Louisiana financial data are excluded from aggregate totals.

Figure M5: Scope of Three Studies, FY03, FY07 & FY11, Focus Area Data

	Aggregate of Focus Areas Analyzed* (focus area data are a subset of statewide data)	FY 2003 (2002-03)	FY 2007 (2006-07)	FY 2011 (2010-11)
	Number of Focus Areas**	27	40	48
G	Number of ALL District Students (including D.C.)	4,871,453	5,141,405	5,587,259
	% to Total State Students [G / M4.E]	17.4%	14.7%	14.9%
H	Number of ALL Charter Students (including D.C.)	224,080	414,631	715,399
	% to Total State Students [H / M4.F]	38.5%	40.4%	42.6%
	Total of Students in Focus Areas	5,095,533	5,556,036	6,302,658
J	District Per Pupil* (inflation-adjusted)	$9,909	$13,418	$14,014
K	Charter Per Pupil (inflation adjusted)	$7,610	$9,691	$10,011
L	Per Pupil Disparity*, Favoring Districts [K less J] (inflation adjusted)	($2,299)	($3,727)	($4,003)
M	Disparity as Percent-to-Total District Per Pupil [L / J] (inflation adjusted)	-23.2%	-27.8%	-28.6%

* For purposes of this study focus areas are used as a proxy for urban and metropolitan county settings. Focus area metrics are not weighted because all of the students in a focus area for both districts and charter schools are, by proxy, in urban settings. Therefore, the district students are already aligned to charter students by setting, and no weights are needed.

Analysis of States and Focus Areas

Study data and outcomes are developed from an explicit rule; 100% of all revenues received in FY11 by states, districts, and charter schools, are collected for the analysis. Revenue sources include public and private, operating, and capital, federal, state, local, philanthropic, and other dollars. The study is about revenues alone—what did states, schools, and cities receive to deliver student education?[1] Certain adjustments were made to FY11 figures, eliminating adult education and PreK revenues. The goal was to make district and charter figures as comparable as possible. The methodologies used in this report are discussed in detail in the Methodology section. Three major findings for the FY11 revenue analysis, and FY03 to FY11 longitudinal trends, follow.

Finding 1: The funding disparity between districts and charter schools has increased more than 54% in eight years

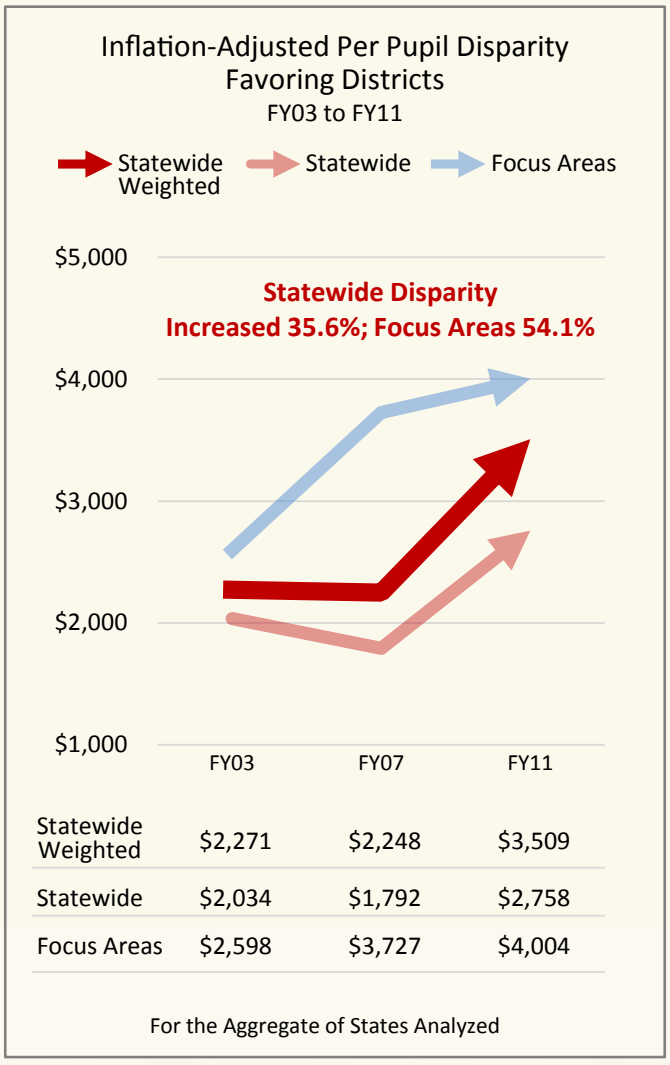
Since FY03 the funding disparity favoring districts has steadily increased, with the average, weighted per pupil disparity increasing from ($2,271) to ($3,509) by FY11, a 54.5% increase (inflation-adjusted).

Over the eight years that the funding disparity became more pronounced, charter enrollment also grew at a rapid pace. Between FY03 and FY11, charter school enrollment increased for every state and Washington D.C. (D.C.) in the study whereas district school enrollment declined in 16 states. Therefore, during these years when charter schools needed more resources to open and expand schools for ever-increasing numbers of students, states were increasing the gap between revenues distributed to district schools and charter schools.

In Figure M6, "Statewide" represents the actual aggregated total per pupil revenues for each state analyzed. The "Statewide Weighted" category is weighted to align the proportion of district and charter students educated in urban focus areas versus those educated in suburban and rural settings. As depicted in Figure M1, the weighted disparity from FY03 to FY11 reached 54.5 percent. This weighted calculation is necessary because typically urban centers have students with greater needs and higher funding levels. In most states, charter schools educate a much higher proportion of urban students in focus areas than districts do. The "focus areas" category is used as a proxy for urban settings. Therefore, both districts and charter schools in focus areas are educating the exact same proportion of urban versus suburban students – all students are located in an urban setting and are already matched to each other.

When a single aggregate disparity metric is discussed in this report the "weighted" statewide disparity is used because it is the single most

Figure M6



	FY03	FY07	FY11
Statewide Weighted	$2,271	$2,248	$3,509
Statewide	$2,034	$1,792	$2,758
Focus Areas	$2,598	$3,727	$4,004

For the Aggregate of States Analyzed

representative apples-to-apples metric. Because Figure M6 compares results between FY03, FY07 and FY11 the data are inflation-adjusted (to 2007 dollars).

See Appendix A for the Methodology section and descriptions of all metrics discussed in this report, and for the business rules guiding the analysis.

The Disparity's Annual Impact

The funding disparity has an enormous, negative impact on charter school budgets. In FY03, charter schools enrolled an average of 250 students. By FY11, the average charter school increased in size to 400 students. Using the average disparity, the estimated revenue loss to a charter school annually grew from $561,750 in FY07 to $1,525,600 by FY11 (weighted). For a charter school in FY11, an additional $1,525,600, on average, would have equated to another 20 teachers and counselors in school classrooms.

Figure M7: Annual Funding Loss for Illustrative Charter School

Funding Loss to A Charter School	FY 2003 (2002-03)	FY 2007 (2006-07)	FY 2011 (2010-11)
Dollar Value Loss to a Single Public Charter School	($450,250)	($561,750)	$1,525,600
Average Student Count Used in Estimate	250	250	400

Magnitude of Disparity

Magnitude of Disparity is the amount that district schools would have received if funded at the same revenue levels as charter schools. We calculate Magnitude of Disparity by multiplying the national statewide disparity ($3,814) (weighted, not adjusted for inflation) by total district enrollment nationwide. By this calculation, all districts in the study summed together would lose $110.9 billion per year. That's a tremendous number of teachers, administrators, counselors, curriculum materials, buses, school kitchens and school building needs that districts would have to eliminate – cutting back to reduced operating assets that are the operating reality for most charter schools every day.

State Results for FY11

Figure M8 ranks and assigns a grade of A, B, C, D, or F to the FY11 Disparity Weighted Averages for states. Tennessee is the only state that reported in FY11 a positive disparity of 0.1 percent. The dollar amount of the disparity was $15, with Tennessee charter students receiving that amount more in revenues than district students received. For the remaining 29 states and D.C., the trend was negative. Per-pupil charter funding percentage disparities ranged from (3.4%) for New Mexico down to (58.4%) for Louisiana. Comparable dollar figures were a negative disparity of ($365) in New Mexico and ($15,600) in Louisiana.

Figure M8: Weighted Funding Disparity between District and Charter Funding by State, FY11, No Inflation Adjustment

Disparity Grade (Weighted Percentage)	States Ranked in Order of Disparity Percentage	District PPR Weighted for Charter Enrollment	Charter PPR	State Disparity Weighted for Charter Enrollment	Percentage Variance Weighted for Charter Enrollment
A	Tennessee	$ 10,621	$ 10,635	$ 15	0.1%
B	New Mexico	$ 10,701	$ 10,336	$ (365)	-3.4%
	Texas	$ 11,072	$ 10,690	$ (381)	-3.4%
	Illinois	$ 13,461	$ 11,408	$ (2,053)	-15.3%

Disparity Grade (Weighted Percentage)	States Ranked in Order of Disparity Percentage	District PPR Weighted for Charter Enrollment	Charter PPR	State Disparity Weighted for Charter Enrollment	Percentage Variance Weighted for Charter Enrollment
D	North Carolina	$ 9,988	$ 8,277	$ (1,710)	-17.1%
	South Carolina	$ 11,019	$ 9,082	$ (1,938)	-17.6%
	Arizona	$ 9,532	$ 7,783	$ (1,749)	-18.4%
	Colorado	$ 11,102	$ 8,786	$ (2,316)	-20.9%
	Florida	$ 10,177	$ 8,047	$ (2,129)	-20.9%
	Utah	$ 8,039	$ 6,352	$ (1,687)	-21.0%
	Massachusetts	$ 17,943	$ 14,140	$ (3,802)	-21.2%
	Minnesota	$ 14,843	$ 11,429	$ (3,414)	-23.0%
F	Connecticut	$ 18,527	$ 13,902	$ (4,625)	-25.0%
	Hawaii	$ 14,161	$ 10,562	$ (3,599)	-25.4%
	Delaware	$ 13,869	$ 10,327	$ (3,542)	-25.5%
	Idaho	$ 8,262	$ 6,134	$ (2,128)	-25.8%
	Missouri	$ 18,073	$ 13,390	$ (4,682)	-25.9%
	Ohio	$ 11,764	$ 8,580	$ (3,184)	-27.1%
	Michigan	$ 13,118	$ 9,485	$ (3,633)	-27.7%
	California	$ 11,777	$ 8,324	$ (3,453)	-29.3%
	New York	$ 23,210	$ 15,920	$ (7,290)	-31.4%
	New Jersey	$ 22,056	$ 15,043	$ (7,013)	-31.8%
	Pennsylvania	$ 18,339	$ 12,495	$ (5,844)	-31.9%
	Arkansas	$ 12,521	$ 8,392	$ (4,130)	-33.0%
	Indiana	$ 13,286	$ 8,671	$ (4,616)	-34.7%
	Georgia	$ 13,060	$ 8,472	$ (4,588)	-35.1%
	Maryland	$ 19,101	$ 11,754	$ (7,347)	-38.5%
	Washington, D.C.	$ 32,822	$ 20,086	$ (12,736)	-38.8%
	Wisconsin	$ 16,757	$ 9,870	$ (6,887)	-41.1%
	Oregon	$ 10,968	$ 6,127	$ (4,841)	-44.1%
	Louisiana	$ 26,735	$ 11,134	$ (15,600)	-58.4%
	TOTAL*	$ 13,448	$ 9,635	$ (3,814)	-28.4%

* The total excludes Louisiana

FY11 Focus Area Findings

The focus areas selected for the FY11 study included all the areas studied in the FY03 and FY11 reports. Nine new focus areas including Little Rock, Wilmington, Baltimore City, Prince George's County, Multnomah County, Davidson, Shelby, Granite, and Salt Lake City were added to the FY11 analysis.

The nationwide average of all FY11 focus area disparities was even greater that the nationwide average of all statewide disparities, with districts receiving $4,352 more per pupil than charter schools. Our findings indicate that the funding disparity between charter schools and districts is generally larger in urban areas than in non-urban

areas. This is highly significant given that charter schools educate a much higher total percentage of focus area students than do district schools (41.9 percent versus 15.1 percent, respectively). This is the reason we include a weighted per pupil funding analysis – these weighted figures more accurately represent the funding disparities based on the urban populations that charter schools are educating.

Figure M9 below shows the focus area disparities in each state and the grade assigned to each focus area based on the net percentage amount of the disparity. Focus area dollar amount disparities range from a positive variance favoring charters of $650 per pupil in Houston, TX to a negative variance high of $20,339 per pupil in New Orleans, LA. Only three out of 49 focus areas received a grade of an "A" or "B".

Figure M9: Focus Area Disparity Grades A-D, with State Disparity Grades, FY11

Focus Area Disparity	Focus District	State	District PPR	Charter PPR	Funding Disparity*	Funding Disparity as a % of District PPR	State Weighted Disparity Grade
A	Houston	TX	$ 10,978	$ 11,627	$ 650	5.9%	B
B	Shelby	TN	$ 10,315	$ 10,197	$ (118)	-1.1%	A
B	Albuquerque	NM	$ 10,464	$ 10,258	$ (207)	-2.0%	B
C	Baton Rouge	LA	$ 13,344	$ 12,284	$ (1,061)	-8.0%	F
C	Dallas	TX	$ 11,542	$ 10,278	$ (1,264)	-10.9%	B
C	Granite	UT	$ 7,325	$ 6,451	$ (874)	-11.9%	D
C	Raleigh	NC	$ 9,782	$ 8,412	$ (1,371)	-14.0%	D
C	Chicago	IL	$ 13,518	$ 11,517	$ (2,002)	-14.8%	D
C	Davidson	TN	$ 13,219	$ 11,248	$ (1,971)	-14.9%	A
D	Boston	MA	$ 23,326	$ 19,010	$ (4,316)	-18.5%	D
D	Bridgeport	CT	$ 17,107	$ 13,889	$ (3,219)	-18.8%	F
D	Denver	CO	$ 13,564	$ 10,967	$ (2,597)	-19.1%	D
D	Wilmington	DE	$ 13,378	$ 10,725	$ (2,653)	-19.8%	F
D	Broward	FL	$ 10,175	$ 8,121	$ (2,054)	-20.2%	D
D	Colorado Springs	CO	$ 10,493	$ 8,322	$ (2,171)	-20.7%	D
D	Maricopa County	AZ	$ 9,443	$ 7,449	$ (1,994)	-21.1%	D
D	Gary	IN	$ 13,175	$ 10,335	$ (2,840)	-21.6%	F
D	Fulton County	GA	$ 12,854	$ 9,870	$ (2,984)	-23.2%	F
D	St. Paul	MN	$ 16,015	$ 12,223	$ (3,793)	-23.7%	D
D	San Diego	CA	$ 10,751	$ 8,158	$ (2,593)	-24.1%	F
D	Albany	NY	$ 22,259	$ 16,880	$ (5,379)	-24.2%	F
D	Prince George's County	MD	$ 15,574	$ 11,754	$ (3,819)	-24.5%	F
D	Kansas City	MO	$ 17,897	$ 13,506	$ (4,391)	-24.5%	F
D	Greenville	SC	$ 9,848	$ 7,427	$ (2,422)	-24.6%	D

Figure M9 (continued): Focus Area Disparity Grade F, with State Disparity Grades, FY11

Focus Area Disparity	Focus District	State	District PPR	Charter PPR	Funding Disparity*	Funding Disparity as a % of District PPR	State Weighted Disparity Grade
F	Dade	FL	$ 10,641	$ 7,953	$ (2,688)	-25.3%	D
F	Hawaii	HI	$ 14,161	$ 10,562	$ (3,599)	-25.4%	F
F	St. Louis	MO	$ 18,249	$ 13,274	$ (4,975)	-27.3%	F
F	Philadelphia	PA	$ 17,844	$ 12,626	$ (5,219)	-29.2%	F
F	Atlanta	GA	$ 18,980	$ 13,174	$ (5,806)	-30.6%	F
F	New York City	NY	$ 24,044	$ 16,420	$ (7,623)	-31.7%	F
F	Salt Lake City	UT	$ 10,343	$ 6,990	$ (3,353)	-32.4%	D
F	Minneapolis	MN	$ 18,370	$ 11,988	$ (6,381)	-34.7%	D
F	Los Angeles	CA	$ 15,729	$ 9,735	$ (5,995)	-38.1%	F
F	Washington, DC	DC	$ 32,822	$ 20,086	$ (12,736)	-38.8%	F
F	Multnomah County	OR	$ 9,268	$ 5,622	$ (3,646)	-39.3%	F
F	Dayton	OH	$ 14,732	$ 8,892	$ (5,840)	-39.6%	F
F	Newark	NJ	$ 28,321	$ 16,719	$ (11,602)	-41.0%	F
F	Baltimore City	MD	$ 20,042	$ 11,710	$ (8,331)	-41.6%	F
F	Detroit	MI	$ 16,698	$ 9,734	$ (6,964)	-41.7%	F
F	Buffalo	NY	$ 23,524	$ 13,713	$ (9,811)	-41.7%	F
F	New Haven	CT	$ 23,347	$ 13,502	$ (9,845)	-42.2%	F
F	Indianapolis	IN	$ 15,017	$ 8,660	$ (6,357)	-42.3%	F
F	Boise	ID	$ 9,259	$ 5,306	$ (3,954)	-42.7%	F
F	Jersey City	NJ	$ 23,154	$ 13,138	$ (10,016)	-43.3%	F
F	Little Rock	AR	$ 14,411	$ 8,151	$ (6,260)	-43.4%	F
F	Milwaukee	WI	$ 19,313	$ 10,582	$ (8,731)	-45.2%	F
F	Cleveland	OH	$ 15,684	$ 8,523	$ (7,161)	-45.7%	F
F	Trenton	NJ	$ 31,412	$ 16,183	$ (15,229)	-48.5%	F
F	Pittsburgh	PA	$ 24,377	$ 12,542	$ (11,834)	-48.5%	F
F	New Orleans	LA	$ 31,174	$ 10,835	$ (20,339)	-65.2%	F
	Total*		**$ 15,233**	**$ 10,881**	**$ (4,352)**	**-28.6%**	

* The total excludes Hawaii and New Orleans

Finding 2: Charter School Funding Plunged During the Economic Crisis

When the Thomas B. Fordham Institute released the first charter school funding study in 2005, the charter school community raised alarms that these public schools received 21.7 percent less funding than school districts. The one year snapshot, however, raised almost as many questions as it answered. Did this 21.7 percent disparity represent an aberration in funding during the one year studied (FY03), or did it signify a structural problem in the way states fund charter schools? Eight years later, the 2005 report's findings can be placed in context by comparing those results to those from the Ball State University report, and finally, to the results from the current study.

Through sheer happenstance, the three research periods capture how the nation's economic health affected the funding trends in public education: the 2005 report for FY03 showed funding levels as the economy stabilized after the shock of 9/11 and the popping of the dot-com bubble; the 2010 report for FY07 focused on the funding levels occurring before the economic collapse of 2008; and, the current report analyzes findings from FY11, the first year of economic stability after the economic crisis.

The two years that bookend the eight year timespan, FY03 and FY11, frame an overall period of revenue growth for districts and for charter schools (Table M10). In FY03, the 24 states for which we have FY03, FY07, and FY11 data recorded an average funding increase from $10,251 per pupil to $11,622 per pupil when adjusted for inflation, or 13.4 percent. Over the same period, charter schools, while receiving less funding overall, also reported positive growth with total funding rising from $7,825 per pupil to $8,864 per pupil, or 13.3 percent. Between FY03 and FY11, the entire study period, districts increased average total revenues from all sources by $1,371 per pupil, and charters on average posted a gain in total funding of $1,039 per pupil.

Even when the total of all states in the study averaged a positive rates of growth, the findings between FY03 and FY11 indicate that some states experienced declines in funding during the period: five states recorded less total funding for districts, ranging from a 0.6 percent loss in New Mexico to a 12.7 percent decline in Colorado. For charters, records from this period indicate that nine states experienced declining total revenues for their charters, ranging from 2.0 percent in New Mexico to 20.3 percent in Indiana. Only four western states recorded a simultaneous decline in funding for their districts and charters between FY03 and FY11 – Arizona, Colorado, Idaho, and New Mexico. Focus area analysis over the same period also reveals a similar pattern with charter per pupil average total revenues falling at a faster pace than for districts. Total district funding fell in five of the 38 major metropolitan areas in the study, while funding fell for charter schools in 14 of the 38 cities (see detailed tables for focus areas in Appendix D, Figures A17 through A22).

Given the downturn in the economy, an immediate question arises in the FY03 to FY11 findings – did states with positive growth in funding across the eight years record growth in each period, or did the slowdown in the economy have an impact on funding? Focusing on the results between FY03 and FY07, and subsequently FY07 to FY11, we see the funding instability that charter schools face.

Figure M10: Total Funding FY03-11, Inflation Adjusted

Total Funds	District				Charter			
	FY03	FY11	Difference FY03–FY11	%	FY03	FY11	Difference FY03–FY11	%
Arkansas		$10,464				$7,220		
Arizona	$9,608	$8,784	($824)	-8.6%	$7,651	$7,160	($491)	-6.4%
California	$7,976	$10,278	$2,470	31.0%	$5,464	$7,658	$2,202	40.3%
Colorado	$11,605	$10,135	($1,471)	-12.7%	$9,450	$8,083	($1,367)	-14.5%
Connecticut	$13,053	$15,382	$2,329	17.8%	$12,750	$12,789	$40	0.3%
Delaware	$13,190	$12,876	($314)	-2.4%	$9,233	$9,501	$267	2.9%
Florida	$8,849	$9,342	$493	5.6%	$7,838	$7,404	($434)	-5.5%
Georgia	$8,369	$10,802	$2,433	29.1%	$5,791	$7,794	$2,003	34.6%
Hawaii		$13,028				$9,717		
Idaho	$8,081	$7,253	($828)	-10.2%	$6,205	$5,643	($562)	-9.1%
Illinois	$9,945	$11,850	$1,905	19.2%	$7,660	$10,495	$2,835	37.0%
Indiana	$9,095	$10,171	$1,075	11.8%	$10,011	$7,977	($2,033)	-20.3%

Louisiana	$8,683	$11,242	$2,559	29.5%	$7,856	$10,243	$2,387	30.4%
Maryland		$14,963				$10,814		
Massachusetts	$14,562	$15,658	$1,096	7.5%	$11,666	$13,009	$1,343	11.5%
Michigan	$10,395	$10,804	$409	3.9%	$9,075	$8,726	($349)	-3.8%
Minnesota	$11,363	$11,478	$115	1.0%	$11,641	$10,515	($1,127)	-9.7%
Missouri	$14,283	$16,659	$2,376	16.6%	$10,173	$12,319	$2,146	21.1%
New Jersey	$14,708	$17,156	$2,448	16.6%	$11,310	$13,839	$2,529	22.4%
New Mexico	$10,193	$10,127	($65)	-0.6%	$9,706	$9,509	($196)	-2.0%
New York	$15,019	$19,460	$4,441	29.6%	$11,919	$14,646	$2,727	22.9%
North Carolina	$8,435	$9,199	$764	9.1%	$7,968	$7,615	($353)	-4.4%
Ohio	$9,258	$10,118	$860	9.3%	$6,361	$7,894	$ 1,533	24.1%
Oregon		$9,941				$5,637		
Pennsylvania	$10,630	$13,841	$3,211	30.2%	$8,641	$11,495	$2,854	33.0%
South Carolina	$9,880	$10,171	$291	2.9%	$5,977	$8,355	$2,379	39.8%
Tennessee		$8,485				$9,784		
Texas	$9,555	$10,064	$509	5.3%	$8,249	$9,835	$1,586	19.2%
Utah		$7,356				$5,844		
Washington, D.C.	$18,212	$30,196	$11,984	65.8%	$14,198	$18,479	$4,280	30.1%
Wisconsin	$11,620	$13,759	$2,139	18.4%	$8,193	$9,081	$888	10.8%
Total	$10,251	$ 11,622	$1,371	13.4%	$7,825	$ 8,864	$ 1,039	13.3%

The summary below isolates net funding gains and (losses) for districts and charter students for two periods; FY03-07 and FY07-11. The revenue study inflation-adjusts all year-over-year figures so that the analysis of changes in funding is comparable.

In the period FY03-07, school revenues were much stronger because of a fairly robust economy and steady tax collections. Both districts and charters increased revenues in this period, adjusted for inflation. Between FY03 and FY07, districts recorded, on average, a $1,138 per pupil increase in funding, or 11.1 percent. During that period, seven states recorded declines in total funding for districts, with five of those states reducing district funding by 1.0 percent or less (Figure M11).

Figure M11: Total Funding FY03-07, Inflation Adjusted

Total Funds	District				Charter			
	FY03	FY07	Difference FY03–FY07	%	FY03	FY07	Difference FY03–FY07	%
Arkansas								
Arizona	$9,608	$9,577	($31)	-0.33%	$7,651	$7,597	($54)	-0.7%
California	$7,976	$10,559	$2,583	32.4%	$5,464	$9,987	$4,523	82.8%
Colorado	$11,605	$9,763	($1,842)	-15.9%	$9,450	$8,306	($1,144)	-12.1%
Connecticut	$13,053	$14,742	$1,689	12.9%	$12,750	$12,631	($119)	-0.9%
Delaware	$13,190	$13,655	$465	3.5%	$9,233	$9,990	$757	8.2%
Florida	$8,849	$10,966	$2,117	23.9%	$7,838	$8,195	$357	4.6%

Georgia	$8,369	$9,892	$1,523	18.2%	$5,791	$8,880	$3,089	53.3%
Hawaii								
Idaho	$8,081	$8,108	$27	0.3%	$6,205	$6,178	($27)	-0.4%
Illinois	$9,945	$11,478	$1,533	15.4%	$7,660	$10,616	$2,956	38.6%
Indiana	$9,095	$7,074	($2,021)	-22.2%	$10,011	$9,328	($683)	-6.8%
Louisiana	$8,683	$10,327	$1,644	18.9%	$7,856	$9,971	$2,115	26.9%
Maryland								
Massachusetts	$14,562	$15,396	$834	5.7%	$11,666	$12,838	$1,172	10.0%
Michigan	$10,395	$10,341	($54)	-0.5%	$9,075	$8,652	($423)	-4.7%
Minnesota	$11,363	$11,250	($113)	-1.0%	$11,641	$11,081	($560)	-4.8%
Missouri	$14,283	$14,200	($83)	-0.6%	$10,173	$10,085	($88)	-0.9%
New Jersey	$14,708	$17,110	$2,402	16.3%	$11,310	$12,442	$1,132	10.0%
New Mexico	$10,193	$10,149	($44)	-0.4%	$9,706	$9,240	($466)	-4.8%
New York	$15,019	$19,518	$4,499	30.0%	$11,919	$12,908	$989	8.3%
North Carolina	$8,435	$8,995	$560	6.6%	$7,968	$8,065	$97	1.2%
Ohio	$9,258	$9,779	$521	5.6%	$6,361	$8,190	$1,829	28.8%
Oregon								
Pennsylvania	$10,630	$12,004	$1,374	12.9%	$8,641	$10,230	$1,589	18.4%
South Carolina	$9,880	$10,165	$285	2.9%	$5,977	$8,396	$2,419	40.5%
Tennessee						$0		
Texas	$9,555	$9,773	$218	2.3%	$8,249	$9,141	$892	10.8%
Utah								
Washington, D.C.	$18,212	$29,808	$11,596	63.7%	$14,198	$17,525	$3,327	23.4%
Wisconsin	$11,620	$13,295	$1,675	14.4%	$8,193	$10,422	$2,230	27.2%
Total	$10,251	$ 11,389	$1,138	11.1%	$7,825	$ 9,419	$ 1,594	20.4%

For charter schools, FY07 brought higher revenues with the average charter school increasing its funding by $1,594 per pupil since FY03, or 20.4 percent. Increased prosperity, however, skipped some of the charter school states entirely between FY03 and FY07. As seen in Figure M11, nine charter school states recorded declines in total funding, although four of those states recorded a decline of 1.0 percent or less.

Of the 24 states studied between FY03 and FY07, 11 states recorded higher average total revenue increases for their charter schools than for their districts. South Carolina led this group with its charters receiving $2,134 more per pupil than the state's districts. California, Georgia, Illinois, and Ohio also reported charter school average total funding increases of more than $1,000 per pupil above the funding recorded by their districts.

All of the states that recorded a decline in total revenue for districts between FY03 and FY07 also recorded declines for charter schools. Only Idaho and Connecticut recorded charter funding declines while their districts received increased funding.

In the focus areas, districts in 30 urban metropolitan areas recorded growth between FY03 and FY07 that ranged from a 2.4 percent increase in Minneapolis to a 54.6 percent increase in Los Angeles.[2] Charter schools in 23 focus areas also recorded growth between FY03 and FY07, ranging from a 0.9 percent increase in Buffalo to a 40.5 percent increase in Chicago.

As seen with the statewide revenue trends during this period, not all districts and charters recorded growth between FY03 and FY07: seven urban areas recorded declines in total funding for their districts, while 14 focus areas recorded declines for charter schools. Declines for districts and for charters occurred only in four of the focus areas – Fulton County, Indianapolis, Minneapolis and St. Louis. Of the seven states that recorded declines for districts and charters between FY03 and FY07, only Indiana recorded district and charter declines in focus areas.

The weak results for FY07-11 stand in stark contrast to the FY03 to FY07 period. States suffered a significant decline in state tax receipts beginning in FY08 and subsequently reduced funding to many health and welfare, education, and capital investment programs as the economy slowed. By FY11, nearly every state in the revenue study posted declines in tax collections, with corresponding job losses. Federal stimulus funding (ARRA) was distributed between FY09 and FY11 to offset, in part, local and state funding shortfalls. ARRA included funding targeted for K-12 education.

In spite of the economic crisis and with ARRA funding, districts on average managed to eke out a nominal increase in total revenues of $233 per pupil, considerably lower than FY03-07 gains, but positive nonetheless. This gain represented a 2.0 percent increase in funding for the four-year period. Of the 24 states and D.C. included in the FY07 and FY11 analyses, 18 states recorded total funding increases for their districts ranging in size from 0.1 percent in South Carolina to 43.8 percent in Indiana.

Charter schools, on the other hand, recorded funding gains in only 11 of the study sites included in both studies, with increases ranging from 0.9 percent in Michigan to 22.2 percent in Missouri. More charters lost funding during the economic crisis than gained funding with the average charter school losing $555 per student, or 5.9 percent, between FY07-11 (Figure M12). Of the 24 states and DC included in the FY07 and FY11 analyses, 14 states recorded losses in average total funding for charter schools, ranging from 0.5 percent in South Carolina to a 23.3 percent drop in California. Of the 14 states recording funding declines for charters, five also recorded simultaneous declines for their districts.

Figure M12: Aggregate Total Per Pupil Revenues, Gains & Losses: FY03 to FY07 and FY07 to FY11

Total Revenues (All Sources)	Gain (Loss) FY03-07 (inflation adjusted)		Gain (Loss) FY07-11 (inflation adjusted)	
	District	Charter	District	Charter
24 States, D.C.	$1,138	$1,594	$233	($555)
Gains	18	16	18	11
Loses	7	9	7	14

In focus areas, total funding for districts declined for 14 of the 39 urban metropolitan areas studied in FY07 and FY11, while total funding declined for charter schools in 18 of the 39 focus areas. District percentage losses ranged from 0.8 percent for Albuquerque to 25.7 percent for San Diego. Charter school funding losses ranged from 0.6 percent in Boston to 21.5 percent in Boise. Of the five states that recorded losses in total funding for districts and charters during this period, four states recorded losses for both districts and charters in all focus areas.

Figure M13: Total Funding FY07-11, Inflation Adjusted

Total Funds	District				Charter			
	FY07	FY11	Difference FY07–FY11	%	FY07	FY11	Difference FY07–FY11	%
Arkansas		$10,464				$7,220		
Arizona	$9,577	$8,784	($793)	-8.3%	$7,597	$7,160	($437)	-5.8%
California	$10,559	$10,278	($281)	-2.7%	$9,987	$7,658	($2,329)	-23.3%
Colorado	$9,763	$10,135	$372	3.8%	$8,306	$8,083	($223)	-2.7%
Connecticut	$14,742	$15,382	$640	4.3%	$12,631	$12,789	$158	1.3%
Delaware	$13,655	$12,876	($779)	-5.7%	$9,990	$9,501	($489)	-4.9%
Florida	$10,966	$9,342	($1,624)	-14.8%	$8,195	$7,404	($791)	-9.7%
Georgia	$9,892	$10,802	$910	9.2%	$8,880	$7,794	($1,086)	-12.2%
Hawaii		$13,028				$9,717		
Idaho	$8,108	$7,253	($855)	-10.5%	$6,178	$5,643	($535)	-8.7%
Illinois	$11,478	$11,850	$372	3.2%	$10,616	$10,495	($121)	-1.1%
Indiana	$7,074	$10,171	$3,097	43.8%	$9,328	$7,977	($1,351)	-14.5%
Louisiana	$10,327	$11,242	$915	8.9%	$9,971	$10,243	$272	2.7%
Maryland		$14,963				$10,814		
Massachusetts	$15,396	$15,658	$262	1.7%	$12,838	$13,009	$171	1.3%
Michigan	$10,341	$10,804	$463	4.5%	$8,652	$8,726	$74	0.9%
Minnesota	$11,250	$11,478	$228	2.0%	$11,081	$10,515	($566)	-5.1%
Missouri	$14,200	$16,659	$2,459	17.3%	$10,085	$12,319	$2,234	22.2%
New Jersey	$17,110	$17,156	$46	0.3%	$12,442	$13,839	$1,397	11.2%
New Mexico	$10,149	$10,127	($22)	-0.2%	$9,240	$9,509	$269	2.9%
New York	$19,518	$19,460	($58)	-0.3%	$12,908	$14,646	$1,738	13.5%
North Carolina	$8,995	$9,199	$204	2.3%	$8,065	$7,615	($450)	-5.6%
Ohio	$9,779	$10,118	$339	3.5%	$8,190	$7,894	($296)	-3.6%
Oregon		$9,941				$5,637		
Pennsylvania	$12,004	$13,841	$1,837	15.3%	$10,230	$11,495	$1,265	12.4%
South Carolina	$10,165	$10,171	$6	0.1%	$8,396	$8,355	($41)	-0.5%
Tennessee		$8,485				$9,784		
Texas	$9,773	$10,064	$291	3.0%	$9,141	$9,835	$694	7.6%
Utah		$7,356				$5,844		
Washington, D.C.	$29,808	$30,196	$388	1.3%	$17,525	$18,479	$954	5.4%
Wisconsin	$13,295	$13,759	$464	3.5%	$10,422	$9,081	($1,341)	-12.9%
Total	$11,389	$11,622	$233	2.0%	$9,419	$8,864	($555)	-5.9%

Given the growing disparity from the declining revenues distributed to charter schools, the analytic team further investigated the disparity by examining changes in funding by source. For this next level of analysis, all revenues from the federal government and from non-public sources were subtracted from the totals provided above. Figure M15 indicates the true source of the charter funding crisis: for many states, the decline occurred at the Local and State revenue levels. Although nearly every state in the study, if not all, faced shrinking budgets and

many cut education spending due to shortfalls, some states with shrinking budgets did not elect to reduce K–12 education spending in FY09 or FY10, preferring to make cuts elsewhere in state programs. Political pressure impacts education funding decisions and many governors use education funding to build or sustain political momentum.

Legislators in DC and 10 of the states in this study increased funding for districts from Local and State sources during the downturn in the economy, ranging from a 0.2 percent increase in Massachusetts to a 52.5 percent increase in Indiana. Of the 11 sites reporting increases during the economic crisis, eight recorded an increase in State and Local funding of less than 10.0 percent during the four-year period. During the same period in the same sites, charter schools recorded increased revenues in seven states and in D.C.: five of the eight registered increases of less than 10.0 percent. Of the 11 sites that increased Local and State funding for districts, seven also increased funding for their charter schools.

The more common experience during the economic crisis was a loss in funding from Local and State sources for districts and charters. On average, districts lost $485 per pupil in Local and State revenue between FY07 and FY11, representing a decline of 4.8 percent. Districts in 14 states recorded losses in Local and State funding ranging from 0.3 percent in Connecticut to 19.6 percent in Florida. Nine of the 14 states recorded losses in district funding of less than 10.0 percent, while five states recorded losses in Local and State funding of greater than 10.0 percent.

Charter schools, on average, lost significantly more Local and State revenue as their school district peers. Between FY07 and FY11, charter schools on average lost 10.8 percent of their Local and State revenue, or $902 per pupil, compared to the $485 decline for districts. At the state level, charter schools in 15 states recorded declines in Local and State funding that ranged from 0.9 percent in Illinois to 20.4 percent in Georgia. In the 12 states where districts and charters both recorded per pupil losses in Local and State funding, half of the states recorded their charter schools losing more per pupil funding from these sources than the districts in those states. In Connecticut, districts lost $45 per pupil in Local and State funding, while the charter schools lost $2,302 per pupil from the same sources.

Figure M14: Total Per Pupil Revenues from All Sources, Inflation-Adjusted, FY07 to FY11

Total Revenues (All Sources)	Total Revenues Gains or (Losses) District FY07–11	Total Revenues Gains or (Losses) Charter FY07–11
Missouri	$2,459	$2,234
New York	($58)	$1,738
New Jersey	$46	$1,397
Pennsylvania	$1,837	$1,265
D.C.	$388	$954
Texas	$291	$694
New Mexico	($22)	$269
Louisiana	$915	$272
Massachusetts	$262	$171
Connecticut	$640	$158
Michigan	$463	$74
South Carolina	$6	($41)
Illinois	$372	($121)
Colorado	$372	($223)
Ohio	$339	($296)
Arizona	($793)	($437)
North Carolina	$204	($450)
Delaware	($779)	($489)
Idaho	($855)	($535)
Minnesota	$228	($566)
Florida	($1,624)	($791)
Georgia	$910	($1,086)
Wisconsin	$464	($1,341)
Indiana	$3,097	($1,351)
California	($281)	($2,329)
Arkansas	n/a	n/a
Hawaii	n/a	n/a
Maryland	n/a	n/a
Oregon	n/a	n/a
Tennessee	n/a	n/a
Utah	n/a	n/a
National Average*	$233	($555)

* Louisiana was not included in the national district and state averages.

Figures unweighted and inflation-adjusted.

Figure M15: Total Non-Federal Public Funding FY07-11, Inflation Adjusted

Total Non-Federal Public Funds	District				Charter			
	FY07	FY11	Difference FY07–FY11	%	FY07	FY11	Difference FY07–FY11	%
Arkansas		$7,625				$5,740		
Arizona	$8,550	$6,652	($1,899)	-22.2%	$6,925	$5,798	($1,128)	-16.3%
California	$9,696	$7,860	($1,836)	-18.9%	$9,475	$6,467	($570)	-8.1%
Colorado	$9,042	$8,220	($822)	-9.1%	$7,669	$6,370	($1,298)	-16.9%
Connecticut	$14,212	$14,167	($45)	-0.3%	$11,703	$9,401	($2,302)	-19.7%
Delaware	$12,439	$11,195	($1,244)	-10.0%	$8,085	$7,230	($855)	-10.6%
Florida	$9,319	$7,491	($1,828)	-19.6%	$7,319	$6,444	($876)	-12.0%
Georgia	$9,095	$8,782	($313)	-3.4%	$8,044	$6,406	($1,639)	-20.4%
Hawaii		$10,861				$5,882		
Idaho	$6,789	$5,974	($815)	-12.0%	$5,469	$4,693	($776)	-14.2%
Illinois	$9,915	$10,273	$358	3.6%	$8,599	$8,519	($80)	-0.9%
Indiana	$5,676	$8,654	$2,977	52.5%	$6,548	$5,937	($611)	-9.3%
Louisiana	$8,133	$9,034	$901	11.1%	$7,492	$7,661	$169	2.3%
Maryland		$13,213				$10,814		
Massachusetts	$14,062	$14,094	$31	0.2%	$10,260	$10,668	$408	4.0%
Michigan	$9,720	$9,081	($638)	-6.6%	$7,888	$7,152	($736)	-9.3%
Minnesota	$9,975	$9,573	($402)	-4.0%	$9,914	$8,989	($925)	-9.3%
Missouri	$11,325	$12,591	$1,266	11.2%	$8,544	$8,848	$304	3.6%
New Jersey	$16,020	$16,081	$61	0.4%	$11,238	$12,596	$1,358	12.1%
New Mexico	$8,757	$7,930	($827)	-9.4%	$8,640	$8,363	($276)	-3.2%
New York	$18,612	$17,063	($1,549)	-8.3%	$11,307	$13,225	$1,917	17.0%
North Carolina	$7,610	$7,514	($96)	-1.3%	$6,943	$6,341	($602)	-8.7%
Ohio	$9,018	$9,159	$140	1.6%	$6,991	$6,775	($216)	-3.1%
Oregon		$7,588			$0	$5,129		
Pennsylvania	$11,257	$12,305	$1,048	9.3%	$9,196	$10,157	$960	10.4%
South Carolina	$8,218	$8,078	($140)	-1.7%	$0	$7,181		
Tennessee		$6,967				$7,563		
Texas	$8,108	$8,173	$65	0.8%	$7,268	$7,756	$488	6.7%
Utah		$5,905	$170	1.5%		$0		
Washington, D.C.	$24,582	$26,128	$1,546	6.3%	$14,029	$14,483	$454	3.2%
Wisconsin	$11,293	$11,464			$0	$5,054		
Total	$10,216	$9,731	($485)	-4.8%	$8,357	$7,455	($902)	-10.8%

Districts and charters in focus areas also recorded declines in Local and State funding during this timeframe: 23 of 39 focus areas recorded declining Local and State revenue for districts, while 22 of 39 focus areas recorded Local and State revenue declines for charter schools. The declines, however, were not spread evenly between districts and charters. In nine focus areas, districts lost funds while their charter peers received increased Local and State funds. However, 15 of the 22 focus areas where charters lost Local and State funding lost a higher percentage from those sources than their district peers.

Figure M16 indicates the role Federal funding played in shoring up education funds during the economic crisis. With only two exceptions, Federal funding remained positive and strong for all the states studied between FY07 and FY11. Federal funding for districts increased on average $562 per pupil, or 69.8 percent. Federal funds increased from $175 per pupil for Indiana's districts to $1,907 per pupil for districts in Missouri. Only Washington, D.C. recorded a decline in Federal funding between FY07 and FY11[3].

Figure M16: Total Federal Funding FY07-11, Inflation Adjusted

Total Federal Funds	District				Charter			
	FY07	FY11	Difference FY07–FY11	%	FY07	FY11	Difference FY07–FY11	%
Arkansas		$1,625				$1,114		
Arizona	$1,022	$1,472	$450	44.1%	$658	$825	$167	25.4%
California	$863	$1,297	$434	50.3%	$512	$728	$216	42.1%
Colorado	$707	$1,164	$457	64.7%	$292	$379	$87	29.8%
Connecticut	$531	$1,215	$684	128.9%	$928	$1,015	$87	9.4%
Delaware	$655	$1,245	$590	90.0%	$620	$844	$224	36.1%
Florida	$1,002	$1,807	$805	80.3%	$317	$593	$276	87.2%
Georgia	$643	$1,385	$742	115.3%	$249	$690	$441	177.1%
Hawaii		$1,651				$2,385		
Idaho	$817	$1,018	$201	24.5%	$400	$523	$123	30.6%
Illinois	$783	$959	$176	22.5%	$375	$848	$473	126.1%
Indiana	$701	$876	$175	24.9%	$1,114	$1,465	$351	31.5%
Louisiana	$1,788	$2,026	$238	13.3%	$1,812	$2,185	$373	20.6%
Maryland		$1,294						
Massachusetts	$887	$1,219	$332	37.4%	$1,032	$1,165	$133	12.9%
Michigan	$622	$1,328	$706	113.6%	$765	$1,376	$611	79.9%
Minnesota	$617	$913	$296	47.9%	$1,039	$1,073	$34	3.3%
Missouri	$1,889	$3,796	$1,907	100.9%	$1,056	$2,060	$1,004	95.1%
New Jersey	$550	$744	$194	35.3%	$1,141	$1,100	($41)	-3.6%
New Mexico	$1,391	$1,993	$602	43.2%	$600	$868	$268	44.7%
New York	$761	$2,136	$1,375	180.7%	$610	$824	$214	35.1%
North Carolina	$844	$1,364	$520	61.7%	$577	$862	$285	49.4%
Ohio	$760	$960	$200	26.3%	$923	$1,119	$198	21.4%
Oregon		$1,354				$239		
Pennsylvania	$441	$1,373	$932	211.3%	$667	$1,044	$377	56.6%
South Carolina	$1,014	$1,408	$394	38.9%	$0	$828		

Tennessee	N/A	$1,235				$797		
Texas	$940	$1,546	$606	64.4%	$1,155	$1,394	$239	20.7%
Utah	$0	$939			$0	$530		
Washington, D.C.	$4,676	$3,557	($1,119)	-23.9%	$1,756	$2,775	$1,019	58.0%
Wisconsin	$715	$1,203	$488	68.3%				
Total	$804	$1,366	$562	69.8%	$689	$900	$212	30.7%

While districts recorded a 69.8 percent increase in Federal funds, charter schools recorded a smaller average gain of 30.7 percent during the same period with the only decline in Federal funding recorded in New Jersey (3.6%). Charter schools in six states received more Federal funding during the downturn in the economy than their district peers.

Federal funding for districts rose by double or triple digits for 36 of 39 focus areas and declined only for the New Orleans' districts. Federal funding, however rose for fewer charter schools in focus areas – 31 of 38. Charters in six focus areas received more Federal funding per pupil than their peer districts: conversely, 32 districts in focus areas received more Federal funding than their charter peers. Additionally, while Federal funding declined for one district in one focus area, charters in seven focus areas received less Federal funding during the economic crisis.

Finally, Figure M17[4] documents the role Other funding played during the economic crisis. In the revenue study, Other represents funding from non-public funding sources, which can include interest from accounts, activity fees, food service revenue, fundraising and philanthropy. Charter schools, in particular, rely on philanthropy to help close the gap generated by decreasing state-controlled revenues. During the economic crisis, however, Other revenues failed to offset the declines in state-controlled funds for charter schools. While charter schools lost $902 per pupil in state-controlled funds during the economic crisis, revenue from Other increased only $147 per pupil. For school districts, Other funding rose by $157 per pupil during the same period.

The average across all states in the study, however, masks the fact that the majority of districts and charters in individual states faced declining Other revenues during the financial crisis. Districts in only five states recorded gains in Other funding between FY07 and FY11, while districts in 15 states recorded declines. Charter schools in eight states recorded gains in Other funds during the downturn, but 10 reported declines. In the focus areas, 11 districts recorded gains in Other revenue, while 12 experienced losses. Charters in nine focus areas recorded increases in Other revenue, while 15 recorded losses.

Figure M17: Total Other Funding FY07-11, Inflation Adjusted

Total Other Funds	District					Charter			
	FY07	FY11	Difference FY07–FY11	%		FY07	FY11	Difference FY07–FY11	%
Arkansas		$1,214					$866		
Arizona	$4	$660	$656	16401.9%		$14	$538	$524	3740.0%
California		$1,121					$463		
Colorado	$14	$751	$737	5261.4%		$345	$1,334	$989	286.5%
Connecticut							$2,373		
Delaware	$560	$436	($124)	-22.1%		$1,285	$1,427	$142	11.1%
Florida	$645	$43	($602)	-93.3%		$559	$366	($193)	-34.5%
Georgia	$155	$635	$480	309.8%		$587	$698	$111	19.0%

Hawaii		$515				$1,450		
Idaho	$502	$261	($241)	-48.0%	$309	$428	$119	38.5%
Illinois	$781	$618	($163)	-20.8%	$1,642	$1,128	($514)	-31.3%
Indiana	$669	$642	($27)	-4.1%	$1,666	$576	($1,090)	-65.4%
Louisiana	$407	$182	($225)	-55.3%	$667	$397	($270)	-40.5%
Maryland		$456						
Massachusetts	$447	$345	($102)	-22.8%	$1,546	$1,176	($370)	-23.9%
Michigan		$394				$198		
Minnesota	$658	$993	$335	50.9%	$129	$452	$323	250.8%
Missouri	$987	$271	($716)	-72.5%	$485	$1,411	$926	190.9%
New Jersey	$541	$331	($210)	-38.8%	$72	$143	$71	98.9%
New Mexico		$204				$278		
New York	$145	$261	$116	80.1%	$991	$597	($394)	-39.7%
North Carolina	$540	$321	($219)	-40.6%	$545	$412	($133)	-24.4%
Ohio					$276			
Oregon		$1,000				$269		
Pennsylvania	$305	$163	($142)	-46.4%	$366	$295	($71)	-19.5%
South Carolina	$932	$685	($247)	-26.5%		$346		
Tennessee		$284				$1,424		
Texas	$724	$346	($378)	-52.3%	$719	$686	($33)	-4.6%
Utah		$512				$260		
Washington, D.C.	$550	$511	($39)	-7.1%	$1,740	$1,221	($519)	-29.8%
Wisconsin	$1,286	$1,092	($194)	-15.1%				
Total	$368	$525	$157	42.6%	$372	$508	$136	36.4%

When reviewing each of the funding sources for charter schools during the economic crisis, the most damaging decline occurred in the collapse of Local and State funding, which fell by $902 per pupil. While Federal funds increased by an average of $212 per pupil, and Other revenue increased by $147 per pupil, neither source provided sufficient funding to cover the losses reported in Local and State revenues.

Finding #3: State K-12 Funding Policies Drive Structural Disparities. Inequitably Distributed State Funding Components By-Pass Foundation Funding Equalization.

Background

The revenue study is singularly focused on examining funding equity between district and charter schools with the primary goal being to understand how to reduce or eliminate the disparity between the two. The FY11 revenue study highlights statewide and focus area funding disparities and discusses trends over the past eight years, while state chapters examine and discuss the probable causes for the FY11 disparities. There are separate sections in state chapters discussing how the state formula allocates funding to district schools and charter schools generally, and how funding has changed over time.

Finding #3 provides background knowledge and data that can help advocates for funding equity revise state policies to reduce funding disparities. Funding equity for charter schools cannot be fully accomplished independent of achieving district-to-district equity. Although the revenue study is focused on charter school equity, the path to charter equity invariably involves the analysis of intra-state district-to-district equity. Understanding state funding

is the foundation for designing and implementing policy changes to accelerate a state's progress toward charter funding equity. The following information is available:

- For each state and D.C., the state's official revenue data and/or independent audits for some charter schools are analyzed using a common methodology across all states. The methodology separately examines the traditional district sector and the charter school sector. Revenues for districts and charter schools are grouped statewide and reported for individual focus areas. Revenue data are classified into six standard sources. Figure 3 in each state chapter summarizes the results of this financial analysis for FY11;
- Each state chapter provides an assessment of the *Probable Causes of the Disparity.* Funding sources are graphed to show the dollar and percentage impact of changes over time. Changes in funding are supported by an overview of the state's funding mechanism, discussing major differences between the state's revenue distributions to its districts and charter schools;
- Findings #1 and #2 at the beginning of the monograph provide an understanding of changes occurring at the national level, and discuss funding sources and trends over time to show state changes on a broader level; and,
- Finding #3 shows how public and private funding is distributed through a state's funding policies and shows that "state-controlled dollars" are the bedrock of state-specific disparities.

The FY11 disparity is the per pupil total of multiple factors—public vs. private funding, lack of access to one or more funding sources, and lack of equalization between districts and charters in state formulas. Three sections of the study isolate these factors for review and better understanding: "Public and Private Funding Vary Each Year;" "A Charter School's Lack of Access to Public Funding Sources Increases the Disparity;" and, "State Aid Distribution Enforces Funding Inequities." The last section on state aid highlights four states with good state aid practices for achieving equity, and two states where funding policies undermine any hope for charter funding equity.

State policy is the framework to support improvement for equitable charter funding. Why? Overwhelming evidence makes clear that funding inequity, both district-to-district inequity and district-to-charter inequity, is structural. Most state aid formula funding and allocation methodologies have remained unchanged for decades, although many states make nominal changes annually to accommodate current programs, adjust student weights for supplemental services, and align distributions with available tax revenues.

Our experience indicates that very few individual legislators can decipher how annual changes to a state's funding system will impact charter equity, because school finance is a difficult subject that lacks transparency. We see little evidence from the FY11 study that any state has developed an accountability process to monitor and report on the degree of progress made to achieve charter funding equity—where equity is defined as charter access to 100% of the dollars available from all sources that also are available to districts.

We see from a few states that improvement is on its way. In recent years, some states modified their state funding systems and signed new legislation into law, led by Pennsylvania in 2009 and California in 2013. Legislation to change charter funding in Illinois was put forth in February 2014, and is under discussion. It appears that changes to California and Illinois laws will narrow their respective charter funding disparities over time, by making structural funding adjustments to increase funding equity. In contrast, Pennsylvania's changes to its funding system further codify limitations for charter school access to revenue sources, including the denial of access to specified federal revenues. Pennsylvania's foundation formula and charter restrictions guarantee that charter schools will receive fewer public revenue dollars per pupil than focus area districts.

State finance systems distribute revenues to all K-12 public schools, and charter funding equity is only one of the many issues facing the states. Each state grapples first with its equity mandate to meet the needs of students who live and learn in high-poverty conditions. The FY11 revenue study does not address funding strategies to equitably fund the needs of high-poverty students nor show how to fund "adequate" levels of resources to achieve specific educational outcomes. Readers interested in these issues should refer first to work by Bruce D. Baker et al, "Is

School Funding Fair? A National Report Card (2014), and then to the book by Allan Odden, Larry Picus, and Michael Goetz, "A 50-State Strategy to Achieve School Finance Adequacy."[1]

Emerging research on funding for K-12 education shows that forthcoming expenses for pensions and investment requirements for technology will increase the financial pressures placed on schools, impacting both districts and charter schools. But it will be critical to get the charter funding disparity under control first before expanding the discussion to other costs. It is time to rewrite policy to improve funding equity, which is fundamental to achieving sustainable growth for public charter schools.

Public and Private Funding Vary Each Year

Figure M20 includes FY11 district and charter per pupil funding, by source, for 30 states and D.C. Three sources, Federal, State, and Local, were reviewed in Finding #2, to show the changes occurring over the past eight years on an inflation-adjusted basis. Figure M20 lists all six of the FY11 revenue accounting categories in the revenue study. The revenue study reviews 100% of district and charter revenues to understand how individual funding sources contribute to the disparity. We focus now on the definition of public versus private funding of district and charter schools, and provide examples from FY11 as to how public and private funding can vary.

Public funding includes Federal, State, Local, Public-Indeterminate and Indeterminate. Private funding includes other. The format of Figure M20 is the same as appears in Figure 3 in each state chapter. Per pupil averages and percentages in Figure M20 include revenue data from all states except Louisiana. When looking at each source of funding in any given fiscal year, the percent-to-total for any category can vary significantly. The expected and unexpected annual variation in individual funding sources helps to explain the disparity.

FY11 district per pupil funding equaled $12,633 and per pupil charter funding was $9,635, a disparity of $2,998.

Figure M20: Total District and Charter Per Pupil Funding, by Source, FY11

All States and D.C.	FY11 Funding Sources			
Per Pupil	District		Charter	
Federal	$1,485	11.8%	$979	10.2%
State	5,333	42.2%	5,817	60.4%
Local	5,230	41.4%	1,781	18.5%
Other	571	4.5%	552	5.7%
Public-Indeterminate	(7)	-0.1%	114	1.2%
Indeterminate	21	0.2%	392	4.0%[1]
Total	$12,633	100.0%	$9,635	100.0%

The Methodology section discusses the data collection, categorization, and calculation methods in detail.

1 Bruce D. Baker, David G. Sciarra, and Danielle Farrie "Is School Funding Fair?—A National Report Card," Education Law Center, 2014. Allan R. Odden, Lawrence O. Picus, and Michael E. Goetz "A 50-State Strategy to Achieve School Finance Adequacy," Educational Policy, 24:628, 2010. Lawrence O. Picus and Allan R. Odden "Reinventing School Finance: Falling Forward," Peabody Journal of Education, 86:3, 291-303, 2011.

Public Funding Sources

For purposes of this revenue study, the six specialized terms used for funding sources are capitalized in order to distinguish their use from other general usage of the same or similar words.

Federal: Federal revenue for standard Title programs, including Title I, ESL (English as a Second Language), Special Education, and other programs is distributed to states in four ways: directly to districts and charter schools; directly to districts and then from districts to charter schools; directly to states and then to districts and charter schools; and directly to states and then to districts, which then pass Federal revenues to charter schools. A common method of distribution uses individual student enrollment counts for program enrollment, or uses school-level grants when children enrolled exceed specific threshold levels of poverty.

Federal Title dollars and other grants are distributed directly to districts and charter schools if they are legally designated as local education agencies, or LEAs. Nearly 100% of districts operate as LEAs and receive Federal revenues directly. Many charter schools do not have LEA status, and do not receive Federal dollars directly. The state chapters provide evidence to show that when charter schools receive Federal funding through allocations from their local district, the result is almost always less funding per pupil than charters would have received directly.

States determine whether to permit charter schools to organize as LEAs. In FY11, 20 states and the District of Columbia permitted charters to operate legally as LEAs and the remaining 10 did not. As seen in Figure M21, LEA status alone does not guarantee equity in federal funding: only nine of the 21 states (and D.C.) that recognize charters as LEAs for federal funding purposes actually received at least 95.0 percent of the funding received by their local district peers. None of the charter schools without LEA status received at least 95.0 percent of the funding received by their local district. Charter schools and advocates should note that even in states that permit charters to organize as a LEA, some charters choose not to do so. LEA status obligates a school to federal reporting, and some charters do not want to incur the time or expense. Also, in some states LEA status adds special education obligations and financial risk associated with expanded special education responsibilities.

That being said, failure to file for LEA status frequently results in charters receiving fewer federal dollars than would otherwise be the case. In the 2014-15 school year the federal government will start collecting data from states on the number and percentage of charter schools that have LEA status.

There are certain administrative and application fees that districts are allowed to withhold from charters. In certain states, a district may withhold Federal funding and provide services to eligible charter students in lieu of distributing Federal funding. District practices vary from state-to-state. Charters that elect to organize as an LEA and receive federal funding directly, if permitted to do so in a state, can independently apply for federal grants whether or not their host district applies for those specific grants.

Federal funding increased beginning in 2009 with the newly enacted "American Recovery and Reinvestment Act (ARRA)." ARRA funding was distributed to states as a block grant, and in turn, states distributed these funds to districts and charter schools through the state's foundation funding formula. In 2009, ARRA funds were used to launch two new competitive federal grant programs, Race to the Top (RttT) and Investing in Innovation (i3). Delaware and Tennessee were the first two states in 2010 to win RttT awards; those initial awards began to increase these state's revenues from Federal sources in FY11.

Federal funding increased in the states that won competitive grants, but the grants are restricted and could not be distributed to districts or charters to fund operations. For states where Federal funding increased significantly between FY07 and FY11, those increases are temporary.

State: State aid is distributed to local districts and charter schools via a state's finance system and a state's foundation funding formula. State chapters specify the primary practices used to distribute annual funding. Most states provide

students enrolled in district and charter schools with an annual "foundation" or "general education" per pupil amount. States increase student and school allocations using other factors like the percentage of students eligible for free or reduced-price lunch (FRL), service needs for special education, and supplemental program weightings so that district and charter schools can deliver the education required by the state.

Most states make many line-item distributions outside of the foundation funding formula, for which student needs and weightings may not be part of the calculation. The federal RttT and i3 grant awards distributed directly to states would be good examples. And there are numerous additional distributions made for a multitude of reasons. In states where a significant percentage of aid flows outside the foundation formula, many inequities can develop that are not readily apparent. Examples of distributions through the foundation funding formula and outside of the formula are discussed in the section that follows, "State Aid Distribution Enforces Charter Funding Inequities."

Local: States that deny charter schools access to local revenues continue to report large funding disparities state-by-state. The simple solution to charter funding is to permit charters to receive state and local funding at the same per pupil rate as received by district schools. States that do not permit charter schools to receive local funds commit to "equalization" from state sources, but in actual practice, very few states make charter funding equal to district per pupil funding.

Other: Other funding is discussed below, under the heading "Private Funding Sources."

Figure M21: Charter LEA Status and Equitable Federal Funding

	States FY11	States where the majority of charter schools are treated as LEAs for Federal funding purposes	State charter schools received at least 95% of what districts received in Federal funding in FY11
AZ	Arizona	Y	Y
HI	Hawaii	Y	Y
IN	Indiana	Y	Y
LA	Louisiana	Y	Y
MA	Massachusetts	Y	Y
MI	Michigan	Y	Y
MN	Minnesota	Y	Y
NJ	New Jersey	Y	Y
OH	Ohio	Y	Y
AR	Arkansas	Y	No
CA	California	Y	No
CT	Connecticut	Y	No
DE	Delaware	Y	No
ID	Idaho	Y	No
MO	Missouri	Y	No
NC	North Carolina	Y	No
PA	Pennsylvania	Y	No
TX	Texas	Y	No
UT	Utah	Y	No
DC	Washington, D.C.	Y	No
NY	New York	No	No
CO	Colorado	No	No
FL	Florida	No	No
GA	Georgia	No	No
IL	Illinois	No	No
MD	Maryland	No	No
NM	New Mexico	No	No
OR	Oregon	No	No
SC	South Carolina	No	No
TN	Tennessee	No	No
WI	Wisconsin	No	No

Public-Indeterminate: A revenue item is classified as Public-Indeterminate if it can be determined that the item is sourced from public taxes. Periodically, state accounting records do not reveal whether a line item is from a Federal, State, or Local source.

Indeterminate: If the state's financial detail lacks sufficient specificity to classify a revenue item into any of the other five source classifications, then that revenue item is classified as "Indeterminate."

Negative Revenue Amounts – Source data for some states show a net negative amount for the Public-Indeterminate or Indeterminate sources. This can occur when a negative adjustment line item is added to the analysis to remove preschool, adult education revenues, or charter school pass-through payments. Negative revenue amounts can also occur when one side of an accounting entry is classified into one source category and the other side of the accounting entry is classified into a different source category, such as for Indeterminate. Negative revenue amounts occur naturally in most financial systems for a variety of reasons. However, in sources with large dollar revenues (Federal, State, Local, and Other) these negative amounts in aggregate net to a positive revenue amount and are not observable. Whereas, Public-Indeterminate and Indeterminate sources contain lower revenue amounts and are more likely to aggregate to a negative number if there are fewer transactions being recorded in the account.

Private Funding Sources

Other: Private and philanthropic funding sources are classified as "Other" if the analytic team confirms revenues are privately funded, and not sourced from taxes or other public sources. Figure M20 shows that district and charter schools both received Other funding. Privately funded Other includes philanthropic grants and investment income on cash reserves and security investments. Districts, in particular, may have sizable cash reserves on hand earning interest over the course of a year, including funds from gate receipts, fees for student meals, and additional sources of Other revenues. Other also includes funds that represent one-time, operating or capital-related donations from private sources.

In FY11, district per pupil Other funding averaged $571, and charter per pupil funding averaged $552. Districts received 4.5% of $12,633 from Other while charters received 5.7% of $9,635.

It is a persistent myth in charter funding debates that charter schools benefit consistently from Other funding (inclusive of philanthropic grants and private contributions) while districts receive little to no Other funding. In fact, state, district, and charter leaders steadfastly pursue new, unrestricted funding from philanthropic and private sources, and fee generated revenues, year in and year out. Many districts and charters successfully raise money through this source. But Other funding varies widely from year to year, and accurate projections and receipts from private funding cannot be counted upon to sustain operations.

In FY11, charters received more Other funding than districts in 16 states, while districts received more Other funding than charters in 10 states. Five states—Connecticut, Louisiana, Maryland, Ohio, and Wisconsin—were eliminated from the district and charter Other funding average because of accounting exceptions in either the district or charter reporting (Figure M21). More state funding information is available in Figure 3 in the state chapters.

Figure M22 shows the FY11 percent-to-total disparity of a state's aggregate difference in district Other revenues versus charter Other revenues. In other words, how much of each state's FY11 funding disparity can be attributed to non-public Other revenues. Columns 2 through 5 show district and charter per pupil revenues, by amount and percent-to-total. Column six nets district and charter Other per pupil funding to show which sector received more Other funding. When districts received more Other funding than the charters the figures are red. When charters received more Other funding than districts the figures are black.

Tennessee: In Figure M22, the seventh and last column to the right illustrates that the additional $1,239 in per pupil Other revenues received by charter schools in Tennessee was responsible for 87.7% of Tennessee's positive funding disparity favoring charter schools. Only 12.3% (or $174 per pupil) of the positive funding disparity resulted from public funding. In other words, if Other revenues were excluded from both charter school and district totals and the analysis focused solely on public funding, then the disparity favoring Tennessee charter schools would be $174, instead of $1,413.

Texas: Texas had a negative FY11 per pupil disparity amount of $249 favoring districts. Non-public Other funding for charter schools was $370 per pupil higher in FY11 than for districts; or, 148.5% of the disparity amount. If Other revenues were excluded from both charter schools and districts, then the disparity, based solely on public funds, would increase to $619 per pupil ($249 plus $370) instead of $249.

California: California had a negative FY11 per pupil disparity of $2,848 favoring districts. Non-public Other funding for charter schools is $716 less than for districts; or, 25.1% of the disparity amount. If Other revenues were excluded from both charter schools and districts, then the disparity favoring districts would decrease to $2,132 ($2,848 less $716) instead of $2,848 when basing the calculation solely on FY11 public funding.

It is a myth that funding disparities between districts and charter schools can be explained away by Other revenues. Other revenues are included in the revenue study to achieve transparency on the issue. The facts show that charter schools do not consistently receive more Other funding than districts. Also, in a few states with lower funding disparities, Other revenues can have a significant proportional impact on disparity amounts – and that impact may be to broaden the disparity in some cases, and to reduce the disparity in others. For most states, the difference in Other funding between districts and charter schools had less than a 30% average impact on the disparity amount. Therefore, it is important and "fair" to include Other revenues in the analysis, to enable state-specific consideration of the facts and to dispel common myths.

Figure M22: FY11 Other Funding, District and Charter Percent-to-Total, Percent-to-Disparity

States	District	Charter	District %-to-Total	Charter %-to-Total	Charter $ Over (Under) District	Over (Under) % of Unweighted Disparity
Tennessee	$309	$1,548	3.3%	14.6%	$1,239	87.7%
Minnesota	$1,079	$492	8.7%	4.3%	($587)	56.1%
California	$1,219	$503	10.9%	6.0%	($716)	25.1%
South Carolina	$744	$376	6.7%	4.1%	($368)	18.7%
Oregon	$1,086	$292	10.1%	4.8%	($795)	17.0%
Utah	$556	$283	7.0%	4.5%	($273)	16.6%
Arkansas	$1,319	$941	11.6%	11.2%	($378)	12.7%
Michigan	$428	$215	3.6%	2.3%	($213)	9.4%
Arizona	$717	$584	7.5%	7.5%	($133)	7.5%
New Jersey	$360	$156	1.9%	1.0%	($204)	5.7%
Indiana	$698	$626	6.3%	7.2%	($72)	3.0%
Georgia	$690	$759	5.9%	9.0%	$68	(2.1%)
Pennsylvania	$178	$320	1.2%	2.6%	$143	(5.6%)
North Carolina	$349	$448	3.5%	5.4%	$99	(5.8%)
Washington, D.C.	$556	$1,327	1.7%	6.6%	$771	(6.1%)
New York	$284	$649	1.3%	4.1%	$366	(7.0%)
Idaho	$284	$465	3.6%	7.6%	$181	(10.3%)
New Mexico	$222	$302	2.0%	2.9%	$80	(11.9%)
Florida	$47	$398	0.5%	4.9%	$351	(16.7%)
Missouri	$295	$1,533	1.6%	11.5%	$1,239	(26.3%)
Hawaii	$560	$1,576	4.0%	14.9%	$1,016	(28.2%)
Colorado	$816	$1,450	7.4%	16.5%	$634	(28.4%)

Delaware	$474	$1,551	3.4%	15.0%	$1,077	(29.4%)
Massachusetts	$375	$1,279	2.2%	9.0%	$903	(31.4%)
Illinois	$672	$1,226	5.2%	10.7%	$554	(37.6%)
Texas	$376	$745	3.4%	7.0%	$370	(148.5%)
Connecticut	n/a	n/a	n/a	n/a	n/a	n/a
Louisiana	n/a	n/a	n/a	n/a	n/a	n/a
Maryland	n/a	n/a	n/a	n/a	n/a	n/a
Ohio	n/a	n/a	n/a	n/a	n/a	n/a
Wisconsin	n/a	n/a	n/a	n/a	n/a	n/a
Total[2]	$571	$552	4.5%	5.7%	($19)	(0.6%)

Other funding is very difficult to forecast, given that it comes from private sources and is subject to high levels of variability from year-to-year. Very few districts or charter schools include estimates of Other funding in policy or political advocacy. When private funding grows in any particular year, disparities can turn positive, as occurred for Tennessee in FY11. Unexpectedly high levels of Other funding in any given year can make it appear that districts or charters are better off than might be the case when looking solely at public funding levels and disparities. States in the early years of charter school growth or those that are experiencing exceptionally high growth in a more mature charter market will experience substantial variances in revenue sources and uses. Trends in equity over time are more indicative of structural funding strengths and weaknesses than are available from a point-in-time analysis. More simply, Other funding is not public funding, and equalization of public funding between district and charter schools is the only sustainable solution to disparities. The remainder of the report focuses on public funding, and how annual funding disparities are impacted state-to-state.

Figure M23: FY11 State Public Funding and Charter Access, in Statute and in Practice

Access to Public Revenues	Yes	No
Federal: Statutory Access	30	1
In practice, do charters have as much access as districts?[4]	12	16
State: Statutory Access	31	—
In practice, do charters have as much access as districts?	19	9
Local: Statutory Access[5]	15	15
In practice, do charters have as much access as districts?	0	26
Facilities: Statutory Access	14	17
In practice, do charters have as much access as districts?	—	27

A Charter School's Lack of Access to Public Funding Sources Increases the Disparity

Public funding inequities are the foundation for charter funding disparities. In FY11, as in the two prior revenue studies, restricted access by charters to Federal and Local funding represented the largest percentage amounts in the funding disparity. Figure M23 lists the three primary funding sources, as well as funding for facilities, for the 30 states and D.C.. The first line item of each funding source shows whether or not state policies offer, define, or acknowledge a charter school's right to access that funding source. State funding is the only source that is offered to charter schools in all 31 jurisdictions. In contrast, local funding access for charters is permitted in only 15 of the 30 states, with D.C. not included in the count because the city refers to its contributions toward public education as "state" funding. Oregon state policy is silent regarding charter school access to federal revenue sources.

Only half of the states permit access to local funding. This pattern has not improved between FY03 and FY11, with a few exceptions noted in state chapters.

The second row of Federal, State, and Local public revenue sources show whether or not charters actually receive the same dollar allotment by source that districts receive. Only 13 states permit equal federal per pupil revenues to be distributed to districts and charter schools. State and local funding is worse, with 10 states providing the same per pupil state funding to districts and charters, and only 2 states providing equal local per pupil revenues to charters. States confirm in statute that charters have access to funding, when in practice, charters receive less per pupil funding than districts. This pattern holds true even when district schools and charter schools report the same demographic patterns in student enrollment.

Facilities: School buildings are funded publicly in states using a combination of state and local revenues. Facility funding methods vary widely, depending on the state. Lack of access to facility funding from state or local revenues is the third factor contributing to the disparity for charters. The state chapters discuss facility funding, and whether a state provides capital funding, allowances for leasehold improvements, and/or leases empty district facilities to charters.

Capital is included in the FY11 revenue study because facilities funding for charters is a critical issue, and lack of access to facilities funding is a critical element of the annual charter funding disparity that exists in the states. Understanding the level of access and the annual allocations for new facility projects is important to charter advocacy, funding, and financial stability. Capital funding is reflected in state and focus area totals as capital revenue is recognized. Debt service revenues are included for both districts and charter schools. The aggregate value of bond proceeds are excluded from the analysis in the year a bond is issued.

It was noted that charter access to facilities funding in many states is prohibited statutorily, and where access is granted, legislative line-item funding is inconsistent and unreliable. Per-pupil facilities funding or capital financing is inconsistent within states, and limited annual funding of facilities is damaging to both district and charter financial planning.

Figure M24 shows charter access to funding sources by state. Statutory access for charters is shown on the left side of the table, and the right side shows charter funding access, in practice. If a state is committed to achieving funding equity between districts and charters, charter schools would have statutory access to all funding sources, by statute and in practice. There would be a Y in every cell of Figure M24. At a minimum, states committing to achieving funding equity over time would offer districts and charters the same per pupil amount by funding source, e.g., the right-hand side of the table would be the same pattern as appears on the left-hand side of the table. The reality is that many states grant charters statutory access to many funding sources, while in practice they distribute lower per pupil revenues to charters than are distributed to districts.

Figure M24: Revenue Sources, Charters' Statutory Rights, and In Practice Rights to Funding, by Type

Do charters have state statutory access to:				State	In practice, do charters have as much access to this funding source as districts:			
Federal funds?	State funds?	Local funds?	Facility funds?		Federal funds?	State funds?	Local funds?	Facility funds?
Y	Y	No	Y	Arizona	No	No	No	No
Y	Y	No	No	Arkansas	Y	Y	No	No
Y	Y	Y	Y	California	No	No	No	No
Y	Y	Y	Y	Colorado	No	Y	No	No
Y	Y	No	Y	Connecticut	Y	Y	No	No
Y	Y	Y	No	Delaware	No	No	No	No
Y	Y	Y	Y	Florida	No	No	No	No
Y	Y	Y	Y	Georgia	No	Y	No	No
Y	Y	No	No	Hawaii	Y	No	No	No
Y	Y	No	Y	Idaho	No	Y	No	No
Y	Y	Y	No	Illinois	No	Y	No	No
Y	Y	No	Y	Indiana	Y	Y	No	No
Y	Y	Y	No	Louisiana	Y	No	No	No
Y	Y	Y	No	Maryland	Unknown	Unknown	Unknown	Unknown
Y	Y	Y	Y	Massachusetts	Y	No	No	No
Y	Y	No	No	Michigan	Y	Y	No	No
Y	Y	No	Y	Minnesota	Y	Y	No	Unknown
Y	Y	Y	No	Missouri	No	Y	No	No
Y	Y	Y	No	New Jersey	Y	Y	No	No
Y	Y	No	Y	New Mexico	No	Y	No	No
Y	Y	No	No	New York	No	Y	No	No
Y	Y	Y	No	North Carolina	No	Y	Y	No
Y	Y	No	No	Ohio	Y	Y	No	No
No	Y	No	No	Oregon	No	Y	No	No
Y	Y	Y	No	Pennsylvania	No	No	Unknown	No
Y	Y	Y	No	South Carolina	No	Y	No	No
Y	Y	Y	Y	Tennessee	Unknown	Unknown	Unknown	Unknown
Y	Y	No	No	Texas	Y	Y	No	No
Y	Y	No	Y	Utah	Y	Y	No	No
Y	Y	N/A	Y	Washington, D.C.	No	No	N/A	No
Y	Y	No	No	Wisconsin	Unknown	Unknown	Unknown	Unknown

State Aid Distribution Enforces Funding Inequities

The FY11 revenue study defines state-controlled revenues as *total revenues less Federal and Other sources*. A state has exclusive power to design and distribute state and local aid to compensate for poverty and other community and school factors. Students with educational needs beyond the general education offered by the state receive supplemental services and programs from weighting factors that differ among states and across revenue streams within each state. New or priority educational programming for reading, curriculum, teacher professional development, testing and measurement, are funded as revenues permit or as agreed by the state's legislature.

Figure M25 shows that FY11 district total per-pupil revenues averaged $12,633 and charter total per-pupil funding averaged $9,635. These figures were first reviewed in Figure M20, showing total revenues from all six sources. State-controlled revenues are calculated by subtracting Federal and Other sources from FY11 district and charter revenues, resulting in district per-pupil revenues of $10,577 and charter per-pupil revenues of $8,104.

Figure M25: State-Controlled Funding, Total Less Federal and Other, FY11

	State-controlled Revenues FY11 Sources			
Per Revenues Per Pupil	District		Charter	
Total Revenues	$12,633	100.0%	$9,635	100.0%
Less: Federal & Other	2,056	16.3%	1,531	15.9%
State-controlled Revenues	$10,577	83.7%	$8,104	84.1%

The proportion of dollars under state-control is nearly equal for districts and charters, at 83.7 percent and 84.1 percent respectively. But the FY11 disparity is in plain sight: netting district per-pupil funding of $10,577 and charter per pupil funding of $8,104, shows a difference of $2,473.

This difference is the crux of the disparity: M25 shows that states have nearly the same percentage of state-controlled resources allocated to charters, but the resulting per pupil amounts are not equal in value. In effect, the lack of equitable funding from state-controlled sources accounted for 82.5 percent of the total disparity between districts and charters in the FY11 revenue study. When the first revenue study was published in 2005, the FY03 total funding disparity was $1,801. At that point, states that funded charters at lower levels could have equalized charter per pupil revenue through a one-time adjustment, bringing charters up to district levels. But very few states have attempted to achieve funding equality, and so, the average disparity continues to grow.

States with political will can equalize funding for charter schools and students using existing policy levers and practices. The annual process of budgeting, allocating, and distributing state aid is complex and leans upon historical state funding practices—factoring in statutory protections of existing programs and new legislative mandates. State aid specifies a foundation grant amount in the state aid formula. The foundation grant or base amount in most states is linked to student needs and enrollment. In a few states, the base amount is indexed to teaching and administrative personnel, funding adult positions that are calculated using estimates of student needs.

Regardless of the method, after the foundation grant is established, supplementary funding is distributed for all remaining dollars. A few states distribute a high percentage of state-controlled revenues inside the foundation formula, while many distribute large proportions of aid outside of the foundation formula. The funding inequities that arise occur during this process are described individually in state chapters, under the heading, "Probable Causes of the Disparity."

State examples show that revenues distributed outside the foundation formula triggered the funding disparity for most states in the FY11 revenue study. Many states use foundation funding laws enacted well before state charter

laws were passed. Line-item funding rules already in state law were written for public school districts and very few states have taken on the herculean task of amending all line-item historical funding sources to make programs or dollars equally available to districts and to charters.

States That Set an Example of Funding Inside the Foundation Formula

When state aid is distributed in high percentages through the foundation formula, states have less opportunity to expand the disparity between district and charter funding. When the funding formula is predictable, district and charter schools can strengthen planning and budgeting. If high percentages of revenue flow outside the state foundation formula, funding disparities are more likely to grow unless other adjustments are made.

Figure M26 shows that New Mexico and Tennessee distribute a majority of state aid to district and charter schools through their respective foundation formulas.

Figure M26: Proportion of Foundation Funding

States	State-Controlled Revenues FY11	Foundation Funding		
		Amount	% to State Controlled	% to Total Revenues
New Mexico	$8,642	$6,652	77.0%	60.6%
Tennessee	$7,267	$5,087	70.0%	55.1%

For FY11, these two states posted single-digit disparities. New Mexico had a disparity of 6.7 percent favoring districts in FY07 and reduced it to 3.4 percent in FY11. New Mexico distributed an average of 77.0 percent of its state-controlled revenues through the base amount in FY11.

Tennessee was included for the first time in the FY11 study. It was the only state to show a positive disparity of 0.1 percent, funding its charter schools at a slightly higher dollar per pupil rate than its district schools. Figure M26 shows that the state distributed 70.0 percent of its FY11 aid through its foundation formula.

Maryland was included for the first time in the FY11 study. Maryland had a 38.5 percent funding disparity favoring districts; and distributed only 34.0 percent of its state-controlled funding via its foundation formula.

D.C. uses its uniform per student funding formula to distribute $8,945 per pupil to district and charter schools; but, this amounts to only 37.3 percent of state-controlled funding. Charter schools then receive a supplementary per pupil facilities allowance in addition to the per pupil amount of $8,945, creating the appearance of equitable funding. The concern about D.C., however, arises from the fact that the city distributes significant aid to the district schools outside its base amount, which significantly increase funding disparities. Additionally, the city's complex history home rule in 1999 also led to the federal government covering pension payments for the district but not for its charter schools, further increasing the disparity.

In the FY11 study, California distributed the highest percentage, 78.1 percent through state-controlled dollars while the lowest distribution was South Carolina at 18.6 percent. Posting a higher percentage of equalized basic foundation funding to state-controlled funding does not guarantee greater charter equity (as in California's case), but it improves the odds that the disparity can be reduced. California will begin implementing its new Local Control Funding Formula in FY2014-15 and that formula will expand the flexibility local communities have to meet student needs while improving equity. California's new formula is projected to distribute 94 percent of state-controlled

funding through its foundation grant. But the reality overall is that very few states are changing their state aid systems, and fewer still have made the effort to "correct" for disparities favoring public school districts at the expense of charter schools, the other public schools.

State Practices that Increase the Disparity

Pennsylvania reported a weighted disparity of $5,844 per pupil or 31.9 percent in FY11. By statute, Pennsylvania charter schools receive less per pupil funding. Pennsylvania adopted a new funding formula in FY09, but the state moved from having no funding formula to use of a formula that carves out a significant dollar amount of funding that is distributed exclusively to district schools. The immediate result is less funding for public school students who choose the public charter school option.

Oregon is in a league of its own when it comes to state-controlled funding. The state statute is silent on a district's obligation to pass federal funding through to charter schools proportionally, even when charter students meet all the eligibility requirements. Oregon's FY11 disparity was $4,841 or 44.1 percent per pupil, the highest disparity percentage reported with the exception of Louisiana. The state also denies charters access to local funds and facility funds in statute and in practice.

States Address Urban Schools

State-controlled dollars for K-12 students are used to balance many competing claims and priorities. A central concern for all states is the time and effort it takes to address the complex needs of urban schools. Most but not all of the states in the FY11 revenue study are a balance between urban and suburban geographies, while a few others balance urban and rural demographics. But regardless of state characteristics, the concentration of poverty in urban cities and demand for high levels of supplemental education and social services present challenges that cannot be fully addressed by state aid without reducing the funding for suburban and rural communities.

Focus area analysis is central to the methodology used in the FY11 revenue study. Three focus area issues are discussed in this section: state enrollment for district and charter students statewide, and charter concentration proportions found in focus areas; the proportion of state aid directed to urban centers; and, student test performance in math and English language arts. This last issue, student performance, will be addressed in May 2014 with the release of the return-on-investment report comparing district and charter school performance, and district and charter school revenues.

Enrollment

State and focus area methods for counting students are discussed in the Methodology section in Appendix A. States calculate enrollment in multiple ways, and the study relied upon official state FY11 fall headcount figures whenever possible. The few exceptions are noted in state chapters.

Changes in state population impact changes in school enrollment. Population changes are a constant, triggered by economic changes, employment opportunities, and immigration flows. Figure M27 shows state enrollment gains and losses reported in the revenue studies between FY03 and FY11. Seventeen states and D.C. are included in the table, the locations for which we have enrollment data for district and charter students dating back to FY03.

Every state emphasizes how its foundation formula distributes funding "fairly" based on either unweighted or weighted student counts of some form. The public message is that funding is "fair" and equitable. The math behind state funding mechanisms tells a different story. As noted above, state foundation formulas range from 18.6 percent to 78.1 percent of total state-controlled funding, depending on the state. Line-item funding not related to the foundation formula, however, contributes to inequities in state funding for districts and for charter

schools, as discussed above. Figure M27 presents enrollment gains and (losses) and the impact on district and charter per pupil funding between FY03 and FY11. The trend analysis shows net funding changes in tandem with changes in enrollment over eight years.

Figure M27: FY03 to FY11 Changes in State Total Enrollment for Combined District and Charter Counts, and Changes in State-Controlled Funding (inflation-adjusted)

State Total Enrollment Gain or (Loss)	Location FY03-11[6]	State-controlled Revenues, District and Charter, FY03-11			
		District		Charter	
		Inc / (Dec)	% Change	Inc / (Dec)	% Change
445,557	Texas	($97)	-1.2%	$1,242	19.1%
115,325	Arizona	($1,823)	-21.5%	($845)	-12.7%
110,960	North Carolina	($151)	-2.0%	($1,050)	-14.2%
98,779	Colorado	($1,099)	-11.8%	($1,536)	-19.4%
96,267	Florida	($444)	-5.6%	($871)	-11.9%
42,308	Idaho	($964)	-13.9%	($551)	-10.5%
30,162	Indiana	$1,090	14.4%	($2,202)	-27.1%
17,105	New Mexico	($875)	-9.9%	$288	3.6%
10,378	Delaware	($808)	-6.7%	($1,434)	-16.5%
(11,764)	Washington, D.C	$10,086	62.9%	$2,745	23.4%
(18,982)	Missouri	$221	1.8%	($503)	-5.4%
(20,891)	Massachusetts	$632	4.7%	$475	4.7%
(25,910)	Minnesota	($929)	-8.8%	($1,363)	-13.2%
(26,559)	Connecticut	$1,629	13.0%	($2,176)	-18.8%
(28,735)	Illinois	$1,118	12.2%	$2,466	40.7%
(40,724)	Louisiana	$1,717	23.5%	$1,579	26.0%
(44,057)	New Jersey	$1,913	13.5%	$2,225	21.5%
(94,285)	Pennsylvania	$2,273	22.7%	$2,669	35.7%
(134,197)	New York	$3,432	25.2%	$3,484	35.8%
(197,403)	Michigan	($382)	-4.0%	($1,109)	-13.4%

District and charter enrollment gains and losses during the period impact state funding in unexpected ways. If state funding mechanisms were completely tied to student counts (weighted or unweighted), for the majority of funding dollars, we would expect state-controlled revenue amounts on a per pupil basis to remain the same regardless of whether or not state enrollments were increasing or decreasing. However, that is not the result. Figure M27 shows us a distinctive pattern – when comparing changes in enrollment to changes in funding; states that saw net enrollment increases distributed declining per pupil dollars over the same period (figures in red), and states that lost enrollment raised per pupil state-controlled funding in most locations. Therefore, funding does not follow the students in the majority of states in this study.

Why does a consistent level of per pupil funding not follow students? The state-controlled funding that flows outside of the foundation formula represents 21.9 percent to 81.4 percent of all state-controlled funding states in the FY11 revenue study. Only the foundation formula portion of funding is guaranteed to be distributed based

on pupil counts. All other state-controlled funding is not guaranteed to follow students, and much of it does not follow students. One example is any form of "hold harmless" funding, whereby a district receives the same level of funding at higher enrollment levels even when its enrollment decreases. Hold harmless funding is discussed below in the section of focus area enrollment.

Trends in Focus Area Enrollment

Figure M28 shows net and sector enrollment for district and charter students by focus areas, between FY03 and FY11. The enrollment table shows the fluctuation in urban city and metropolitan counties over the past eight years. Column one shows a net focus area gain or loss. Five focus areas experienced enrollment increases for both district and charter schools. Twenty-four focus areas reported district losses, and in five of these locations, charter enrollment growth was larger than district losses, so the net enrollment figure was positive. In 19 focus areas, districts lost students over and above charter enrollment increases.

The last column indicates whether hold harmless funding was allocated to focus area districts to transition to lower enrollment levels. States offer such funding for several reasons, but primarily to recognize that districts bear fixed costs that do not vary with student enrollment increases or decreases. By its very definition, when districts receive *hold harmless* funding states are increasing funding inequity, and are not letting funding follow students. Districts receiving hold harmless funding do so at the expense of districts and charter schools that have increasing enrollments.

Transition aid or "hold harmless" funding is a good example of a payment made to districts that does not benefit charter students. Hold harmless funding is designed to fill the funding gap left as either students leave a district or changes to the funding formula would disadvantage certain districts. The drop in district enrollment has impacted many districts across the U.S., and some states support districts transitioning to lower levels of enrollment by continuing to pay districts as if all students were still enrolled in district schools. Hold harmless language is found in statute in Illinois, Indiana, Minnesota, Missouri, New York, and Texas. States with hold harmless provisions have varying reasons for transitioning districts to lower levels of enrollment.

Figure M28: FY03 to FY11 Focus Area Enrollment Gains and (Losses), Focus Area Hold Harmless Funding

Enrollment Net Gain / (Loss) Where District Losses Exceed Charter Gains	District Gain or (Loss)	Charter Gain or (Loss)	Location FY03-11	State Gained or (Lost)	Hold Harmless Funding
100,588	61,013	39,574	Maricopa County	AZ	N
37,956	35,324	2,632	Wake County (Raleigh)	NC	N
18,840	16,345	2,495	Fulton County	GA	N
12,953	5,117	7,836	Albuquerque	NM	N
9,643	7,938	1,706	Greenville	SC	N
5,934	(218)	6,152	Denver	CO	N
5,335	(23,379)	28,714	Chicago	IL	Y
1,733	(8,196)	9,929	Indianapolis	IN	Y
974	(14,940)	15,914	Dallas	TX	Y
434	(1,140)	1,574	Albany	NY	Y
(2,047)	(3,427)	1,380	Wilmington	DE	N
(2,107)	(2,371)	264	Colorado Springs	CO	N
(2,412)	(3,988)	1,576	Dayton	OH	N

Enrollment Net Gain / (Loss) Where District Losses Exceed Charter Gains	District Gain or (Loss)	Charter Gain or (Loss)	Location FY03-11	State Gained or (Lost)	Hold Harmless Funding
(3,507)	(8,401)	4,894	St. Paul	MN	Y
(5,036)	(8,057)	3,021	Atlanta	GA	N
(5,886)	(13,843)	7,957	Minneapolis	MN	Y
(6,435)	(9,999)	3,564	Buffalo	NY	Y
(8,969)	(15,695)	6,726	San Diego	CA	Y
(9,136)	-24,870	15,734	Houston	TX	Y
(9,314)	(12,727)	3,413	Kansas City	MO	Y
(9,668)	(16,928)	7,260	St. Louis	MO	Y
(11,350)	(23,424)	12,074	Broward County	FL	N
(11,764)	(23,710)	11,946	Washington, D.C.	D.C.	N
(19,156)	(28,250)	9,253	Cleveland	OH	N
(21,300)	(25,480)	4,180	Milwaukee	WI	Y
(23,477)	(56,798)	33,321	New York City	NY	Y
(26,402)	(53,551)	27,149	Miami-Dade	FL	N
(72,584)	(88,439)	15,855	Detroit	MI	N
(79,601)	(118,854)	39,253	Los Angeles	CA	Y

A follow-up study is planned to evaluate the rate of student mobility in a district, compared to the rate of students enrolling in charter schools. Many questions are raised by enrollment patterns. The revenue study does not analyze enrollment for specific children, to understand which students are leaving a district entirely, or leaving one school to attend a charter school in the same district. But we suggest that the net gain in charters is almost always lower than the net loss in district. With a few exceptions in specific focus areas, we suggest that students are leaving districts for many reasons other than to enroll in local charter schools. Student mobility from family moves, increases in home schooling, and drop-outs are three parts of this equation that merit more analysis.

Magnitude of Disparity

Figure M23 above showed charter school access to funding in statute, and in practice. While many legislators can be counted on to champion charter students and introduce legislation, most legislators do not understand the details of state funding systems. Instead, legislators have a laser-like focus on the distribution process for state aid, and focus on comparing their district's current year per pupil funding to last year's distribution.

Figure M29 answers the question "How much less in total funding would district students receive if funded at the level of total funding received by charter students?" The calculation multiplies the district's enrollment in focus areas by the focus area disparity. Using Little Rock as an example, its FY11 funding disparity was -$6,260, and Little Rock's district enrollment was 24,226. Its district students would have received $151.6 million less in FY11 if total district per pupil funding was made equal to charter funding. In essence, Figure M29 reverses the charter funding disparity and applies it to districts. This is what equity would look like based on current funding patterns for each state's charter schools.

A second example shows that Washington, D.C. would be penalized even more than Little Rock if forced down to charter per pupil funding levels. D.C. district students would have received $535.9 million less in FY11 total per pupil funding if D.C. district schools had received funding equal to its charter schools.

M29: Magnitude of Disparity for Focus Areas

States	Focus Area 1	Focus Area 2	Focus Area 3
Arkansas	Little Rock		
	$151,666,316		
Arizona	Maricopa County		
	$1,137,350,785		
California	Los Angeles	San Diego	
	$3,578,929,681	$301,173,143	
Colorado	Colorado Springs	Denver	
	$57,820,278	$169,433,056	
Connecticut	Bridgeport	New Haven	
	$62,108,739	$178,990,404	
Delaware	Wilmington		
	$86,692,645		
Florida	Broward	Miami-Dade	
	$468,065,189	$821,561,871	
Georgia	Atlanta	Fulton County	
	$259,757,596	$256,185,111	
Hawaii	Hawaii[7]		
	$641,267,582		
Idaho	Boise		
	$99,079,030		
Illinois	Chicago		
	$786,467,716		
Indiana	Gary	Indianapolis	
	$29,720,075	$206,819,825	
Louisiana	Baton Rouge	New Orleans	
	$52,962,612	$229,971,602	
Maryland	Baltimore City	Prince George's Cty.	
	$559,822,312	$453,602,956	
Massachusetts	Boston		
	$230,919,205		
Michigan	Detroit		
	$524,130,832		
Minnesota	Minneapolis	St. Paul	
	$213,227,852	$140,406,205	
Missouri	Kansas City	St. Louis	
	$61,699,878	$103,881,122	

States	Focus Area 1	Focus Area 2	Focus Area 3
New Jersey	Jersey City	Newark	Trenton
	$253,503,427	$379,412,671	$131,167,361
New Mexico	Albuquerque		
	$18,311,499		
New York	Albany	Buffalo	New York City
	$44,258,763	$309,931,837	$7,419,201,345
North Carolina	Raleigh		
	$190,864,268		
Ohio	Cleveland	Dayton	
	$310,543,450	$82,783,533	
Oregon	Multnomah County		
	$510,263,664		
Pennsylvania	Philadelphia	Pittsburgh	
	$817,081,762	$307,337,340	
South Carolina	Greenville		
	$169,346,252		
Tennessee	Davidson	Shelby	
	$145,574,225	$17,234,872	
Texas	Dallas	Houston	
	$187,114,405	$121,397,386	
Utah	Granite	Salt Lake City	
	$59,908,847	$80,336,564	
Washington, D.C.	Washington, D.C.		
	$535,921,007		
Wisconsin	Milwaukee		
	$556,106,583		

In the discussion of enrollment gains and losses, it was noted that some states offer transition aid for districts that are showing student losses in enrollment. The Magnitude of Disparity shows that focus area district schools generally receive higher levels of per pupil revenues than schools in suburban and rural areas statewide, reflecting many differences. District schools bear the costs of large facility operations and debt obligations tied to those facility costs. District personnel and teaching positions are more extensive, and in some states, districts are making significant pension payments related to the teachers. Student enrollment is higher, and programming is more extensive. District cost patterns, both fixed and variable, are different than charter school fixed and variable costs. State-controlled funding systems acknowledge district cost realities, and district aid distribution attempts to fund districts at adequate levels. Lowering district per pupil funding to the level of charter per pupil funding is not reflective of historical costs necessary to sustain district schools.

States Can Improve Funding Policy & Practices

Charter school leaders operate public schools and are asking for equity in public funding. Annual charter funding disparities are the sum total of a number of funding differences in public and private sources year-over-year. State practices that widen the disparity include restrictions on charters applying for and receiving LEA status, denying charters some of the funding distributed to districts in the foundation formula, prohibitions on charters accessing local funding, and reduced or zero access to public facility funding.

State chapters list and discuss "Probable Causes of the Disparity" state-by-state. Charter advocates with day-to-day policy responsibilities will want to focus on the relevant state chapter as a primary source of information and understanding. A simple summary of FY11 state formula practices is: State and local dollars are aggregated at the state level and re-distributed to districts and to charters on an unequal basis. The ineffectiveness of state aid systems for equalizing funding to charter schools is the single greatest cause of the funding disparities noted in this study.

Other factors that may or may not influence the funding disparities in the states include:

- Funding from private or philanthropic sources;
- Facility funding available through state aid or other capital programs fully accessible to districts but not accessible by charter schools;
- Enrollment growth or decline in district and charter schools, in focus areas and statewide;
- Selected demographic characteristics, e.g., free or reduced-price lunch, Title I, and Special Education enrollment. Extensive analysis in state chapters discusses whether these state data were available, or reliable; and,
- Data Quality, defined as a state's willingness to collect and provide district and charter revenue and accounting information that is fairly easy to retrieve.

We show that private funding for district and charter schools is unpredictable and can impact the disparity in any given year. Facility funding is unpredictable, or unavailable depending on the year. For the remaining issues, the analytic team confirms that no one of these issues influenced a major shift, either positive or negative, in the average national weighted disparity of $3,814.

States can set a goal to move toward funding equity, and use policy to reduce the funding disparity. Practices for discussion and consideration include:

- A state charter law that codifies the purpose of charter schools as a setting for innovation, quality education, and persistence to and through college.
- States committing to funding equity will apply the foundation funding formula equally to districts and charter schools (with minor funding amounts distributed outside the formula).
- Funding practices that address both equity and adequacy. Use of poverty and adequacy factors to set the dollar per pupil foundation amount distributed to all school students. Use of equity as the primary principle for distributing the foundation pool of money. Ideally, have funding follow students, weighted for student needs.
- A determination of the revenues to be dedicated to the foundation pool can be made based on either historical expenditure analysis or a revenue-based analysis, or by other means. However, the determination for how the money will be distributed should be based on student counts, weighted student counts, or on revenues; but, should not be based on expenditures (current year or prior year). A state controls the accounting and reporting for revenues; whereas a district controls the accounting and reporting of expenditures.
- Use of a fiscal mechanism that aggregates State and Local money into a foundation pool; or, sets a floor for the foundation pool equal to 70 percent or more of total State and Local revenues that will be distributed through the foundation pool.
- Each state should include federal funding in its analysis of funding equity, because states have accountabilities related to federal funding. The ideal would be for all states to include federal funding in their respective calculations to achieve funding equity, but we did not find states that do this today.

Despite constitutional responsibilities, most states do not regularly evaluate their funding mechanism's success in meeting statutory goals for equity or adequacy.. They should. Equity is best viewed from the perspective of the state's responsibility to its youngest citizens. From that perspective, equity should be pursued using all sources of revenues (even Federal and Other), because that offers students and parents the opportunity for more education and services in a school of their choosing.

This revenue analysis challenges decision-makers and advocates to explore what is and is not working elsewhere, and to frame an action plan for improving equitable funding beginning in the 2015-16 school year.

We have learned that there are states that have been very intentional about improving equity. Further, we have shown that most school finance systems use enrollment as a primary method of distributing the majority of state-controlled revenues. The simplest approach for generating equitable funding results is to have funding dollars follow students that are weighted for student needs. Charter advocates can and should explore state-specific statutes, funding policies, and practices to identify state environments that are conducive to and supportive of charter school expansion on a level field. A state's funding supports for charter school expansion may have more impact on success in the charter school sector than any other single factor.

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Charter schools have long been accused of "taking money from public schools." The data show that this accusation is overstated. The evidence suggests that three trends are occurring in some of the focus areas: 1) the population, in general, is decreasing in these cities; 2) students are specifically leaving their district schools (it is unknown if these same students enrolled in a charter school or leave the district altogether); and 3) charter schools are increasing enrollments year-over-year.

If a district governs with the intention of providing students and parents with a high degree of choice in neighborhood, magnet, and charter school options, then charters schools are a part of the public school solution. When charter schools expand student enrollment, they are not taking money from public schools, they are expanding public school options in a district. And the money used for charter students is an investment in student retention, growth, and educational programming, all of which matter to parents.

(Footnotes)

1 The indeterminate category is used for states that did not provide accounting information for district or charter revenues. Wisconsin, Maryland, and Florida did not provide reasonable access to detailed public funding data for charters in FY11. These three states together accounted for 88.0 percent of the FY11 per pupil total of $392.

2 The national average excludes Louisiana from the weighted total. The average presented in Figure M22 will differ from the national average in Figure M17 as it excludes Connecticut, Maryland, Ohio, and Wisconsin, as well, because of state accounting practices that do not allow other funding to be analyzed with precision. Maryland does not provide revenue accounting information by funding source.

3 Other for districts equals average per pupil funding of $584, when all five states are eliminated from the average.

4 Note: Three of the states are not included in the "In Practice…" results for Federal, state, local, and facility funding because Maryland, Tennessee, and Wisconsin did not provide funding sources data for the FY11 analysis.

5 D.C. is not included in the count because it does not have "local" funding.

6 Six states—Arkansas, Hawaii, Maryland, Oregon, Tennessee, and Utah—were added to the study in FY11 and are not included in the chart. Five additional states—California, Georgia, Ohio, South Carolina, and Wisconsin were eliminated from the table owing to FY03 figures enrollment data that would not permit the analysis to be included.

7 Hawaii is a single district state.

Endnotes

1 Some states do not collect revenue data for public education. When revenues were not available, expenditure data were used as a proxy for revenues.

2 New Orleans actually recorded a 303.0 percent increase in funding between FY03 and FY07. However, we do not use New Orleans as a reference point due to the influx of rebuilding funds after Hurricane Katrina and due to the fact that the district uses an unknown portion of their funds to support charter schools in the city.

3 Between FY07 and FY11 the city of Washington DC adjusted their accounting practices for District of Columbia Public Schools expenditures and separated funding for the district from funding for the Office of the State Secretary of Education, which prior to this period had been included with the district's accounting.

4 Due to differences in reporting practices across all states in this study, information on Other funds is not available for five of the states that have been analyzed since FY03.