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## Charter School Funding: Inequity's Next Frontier

Meagan Batdorf

*University of Arkansas, Fayetteville*

Chester E. Finn

*University of Arkansas, Fayetteville*

Bryan Hassel

*University of Arkansas, Fayetteville*

Larry D. Maloney

*University of Arkansas, Fayetteville*

Eric Osberg

*University of Arkansas, Fayetteville*

*See next page for additional authors*

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## Authors

Meagan Batdorf, Chester E. Finn, Bryan Hassel, Larry D. Maloney, Eric Osberg, Sheree T. Speakman, and Michelle Terrell

# **CHARTER SCHOOL FUNDING:**

## **Inequity's Next Frontier**

August 2005



**PROGRESS ANALYTICS INSTITUTE**  
and **PUBLIC IMPACT**

*We dedicate this report to the memory of John Walton, who believed  
that every parent and child deserve a real choice of schools.  
His passion for fairness led him to do more than any other American to advance and  
strengthen the charter school option for needy youngsters.*

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# Foreword

by Chester E. Finn, Jr. and Eric Osberg

The sad tale that follows describes and, for the first time, measures the fiscal gap by which U.S. charter schools are being starved of needed funds in almost every community and state. These data command the urgent attention of all policymakers—not just charter partisans—because charter schools are no less public than their traditional counterparts and typically serve needier students. We suspect that charter fans will likely grow angry (and perhaps litigious) based on what they read here, and we can't blame them. The current arrangements bear the hallmark of a misguided or rigged policy process; the finance ground rules appear designed to produce failure, not success, on the part of charter schools across the land.

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When the 2005-06 school year opens, more than 3,500 charter schools will enroll more than a million children in dozens of states. This new universe of educational institutions is stunningly diverse, its performance to date uneven. Some charter schools are superb, others dismal. But this institutional innovation has proven hugely popular with parents, children, educators, and communities because it provides an outlet for committed citizens and entrepreneurial educators to do something about the appalling school options facing hapless children and desperate families in far too many places. And it has demonstrated that the old way—districts, superintendents, bureaucracies, regulations, and so on—isn't always the best and certainly isn't the only way. So popular, in fact, has the charter movement become that, if it were free to grow in response to demand, rather than to fight endless battles and constraints imposed by its opponents, the National Alliance for Public Charter Schools (formerly known as the Charter School Leadership Council) estimates it would be at least twenty percent larger than it is today.

The ascendancy of “standards-based reform” in general and No Child Left Behind in particular intensifies the

demand for strong charter schools. The standards-testing-accountability regimen turns out to be notably more adept at identifying low-performing schools than at turning them around. This means that millions of children are now more or less trapped long-term in schools acknowledged to be “in need of improvement” and, for the many low-income families within that population, few decent education alternatives are at hand. Good charter schools present a terrific option for them. Yet today, in all but a few places, there aren't enough of those schools either.

The charter movement, in fact, is at a crossroads. Over the past 15 years, it has grown from infancy to adolescence and has established itself as a major source of educational opportunity for America's neediest children. In some places, it's also beginning to show promise as a competitive spur to existing schools. Yet its success and staying power have only strengthened the resolve of its many opponents to cram what they view as an evil education genie back into its bottle. And to keep it on short rations in the meantime.

## The War Against Charter Schools

Charter foes deploy many weapons. First, of course, they strive to prevent legislatures from enacting charter laws. Failing that, they keep the laws weak (e.g., empowering only local school boards to sponsor charter schools), the regulatory burden heavy (e.g., requiring schools to employ only “certified” staff), and the caps tight (e.g., limiting how many charter schools may open or how many students may enroll in them). They file lawsuits alleging that charters are unconstitutional. They woo journalists to write unfriendly stories and harp on the occasional school failure. They publish ersatz studies purporting to show that charter schools are failing to educate children. They boost the political fortunes of candidates who pledge to curb this unwanted

ed “reform”—and strive to end the careers of charter-friendly officials. They organize charter-school employees into unions. They create faux charters under district auspices to appease would-be clients, drain the marketplace of demand, and commandeer scarce federal start-up dollars. They make charter operators’ lives miserable in such areas as student transportation and special ed. And they throw up barrier after barrier (e.g., zoning, building inspections) to the establishment of more or larger charter schools.

Though such stratagems have surely kept the charter movement from gaining the scale and momentum it might otherwise have attained, they’ve obviously failed to contain, much less kill, it. To the contrary, it has continued to grow, with more schools and more students every year. So, like medieval armies besieging a castle, its enemies have resorted to yet another mode of attack, this one slow-acting, undramatic, and only semi-visible but insidious and in time crippling: old-fashioned starvation.

If the resources that charter schools need to succeed can be kept away from them, they will eventually falter, weaken, and wither. They will try eating leaves and roots, then perhaps rats, then maybe one another. If the siege continues and the starvation worsens, sooner or later few will remain standing.

## Recognizing the Gap

At the Thomas B. Fordham Foundation, the charter-starvation strategy began to reveal itself several years ago in Dayton, Ohio. The charter schools we were working with in that small city never seemed to have enough money to obtain the facilities, the staff, the materials, and the expert help that many needed. They kept asking us and others for grants to cover basic goods and services. Community leaders also pointed out that the two largest charters in town, both now run by Edison Schools, could not have opened had local business leaders and philanthropists not come up with an off-budget way to pay for their buildings. Edison, we were told, was unable to make ends meet based on

the per-pupil funding that Ohio channeled into its charter schools, not, at least, if that funding had to cover the expense of facilities, too.

When we asked local charter activists about expanding their extant K-8 schools into the high-school years to meet an acute education need among Dayton-area youngsters, they responded that the economics of Ohio charter schools were such that they couldn’t afford to run a high school.

Yet even as we observed these signs of poverty among charter operators, local school-system officials kept up a steady drumbeat of allegation that charter schools were bankrupting the district by running off with vast sums of “its” money. District leaders characteristically do not regard public education dollars as belonging to the children being educated and meant to follow those girls and boys to whatever schools they enroll in. Rather, they see these monies as the patrimony of their own institutions, as revenues to which district-operated schools have some inherent right, whether anyone wants to attend those schools or not. Every penny that flows into a charter school, in their view, is a penny lost to “public education.” Never mind that this misrepresents public education, places the interests of adults ahead of children, and privileges institutional budgets at the expense of academic achievement.

The district, in short, felt victimized by charter school funding even as the charter schools felt victimized by insufficient funding. Something did not compute. Something, it appeared, was amiss or misunderstood or, at minimum, being misrepresented by at least one side of this dispute.

## Measuring the Gap in Dayton

We asked one of America’s most respected charter-school analysts, Bryan Hassel, and his talented colleague, Michelle Godard Terrell, to examine the financing of charter and district schools in Dayton and reveal the facts to the community. Their fine short report, *School Finance in Dayton: A Comparison of the Revenues of the School District*



*and Community Schools*, published in March 2004, revealed a sobering truth: the charter schools (officially known in Ohio as “community schools”) were, if not starving, on mighty short rations. (You can find it on the web at <http://www.edexcellence.net/foundation/publication/publication.cfm?id=330>.)

Using data from 2001-02, when Dayton had 11 charter schools, Hassel and Terrell found that district schools received an average of \$10,802 per pupil from all sources while charter schools were funded at \$7,510, i.e., 30 percent lower than the monies flowing into district schools. And that was without counting hundreds of millions of dollars in separate facilities funding that the district stood to receive from state and local sources to underwrite the construction, refurbishing, and maintenance of its buildings. Ohio charter schools, by contrast, receive no public help with facilities (unless they are “conversion” schools operating in district buildings, as was the case with one Dayton charter).

To be sure, the Dayton Public Schools (DPS) served a somewhat “more expensive student population,” particularly special ed pupils. Hassel and Terrell estimated that, if the charter population were identical to that of DPS, funding formulas would have yielded charter schools an additional \$421 per student, i.e., would narrow the \$3,292 gap to about \$2,871. But that gap would have remained. For a charter school enrolling one hundred students, it translates to \$287,100 missing from its operating budget. For a thousand-pupil school (like the Edison-run charters), the funding gap was almost \$2.9 million—again, without factoring in capital funding and facilities budgets.

What accounts for the discrepancy? The biggest factor, by far, is that Ohio charter schools are funded at a state-established “foundation” level and do not receive any of the additional locally-generated dollars with which school systems commonly “top up” their budgets. Yes, some charters work hard to raise private dollars—Hassel and Terrell found philanthropy accounting for 5 percent of their revenues in 2001-02—and some are enterprising at leveraging federal aid for which their students

may be eligible (e.g., Title I, free and reduced price lunch, Individuals with Disabilities Education Act). But none of this came even close to closing the funding gap between district and charter schools in Dayton.

## Beyond Dayton

Was Dayton unique? What about charter schools in the rest of the country? This was worth finding out. Bryan Hassel and Michelle Godard Terrell agreed, as did veteran school finance analyst Sheree Speakman. With much-needed help from the Walton Family Foundation and the Bill and Melinda Gates Foundation, we were able to mount a multi-state and multi-city study, the first of its kind. Speakman’s non-profit firm, the Progress Analytics Institute, engaged the help of some of America’s ablest crunchers of public-finance data, crafting an ambitious research design—even more ambitious, it turned out, than the available data could sustain.

As everyone who has spent time in the charter-school world knows, the answer to every policy question begins with the sentence, “It depends on the state.” Nice as it would be to develop a simple, national answer to the question, “Are charter schools fairly funded?”, we knew from the outset that this analysis had to be done state by state. And we knew enough about public-school finance in general to recognize that, while some states have gone a long way toward equalizing the funding of all their public schools, in many parts of the country school financing still depends heavily on local sources. With charter schools heavily concentrated in urban America, we judged that their financing needed to be compared with that of the city systems in whose midst they operated. That argued for a state-and-city analysis of charter-school funding vis-à-vis the funding of district-operated public schools.

And that’s what we have done, going, in the course of this study, where none had journeyed before.

Our original hope was to examine the finances of charter and district public schools in all the major charter-

school states and in a couple of major cities within each of those states. In the end, we've come close to that goal, with reasonably solid data and patient, cogent analyses for school year 2002-03 for 27 districts located in 16 states and the District of Columbia. In 12 of the states, we were also able to obtain statewide average revenues for charter and district schools. (In the remaining states, we extrapolated average revenues from more reliable large city data.)

## The Ubiquitous Gap

What did this analysis yield? At 34 percent, Dayton turns out to be home to one of the largest discrepancies and among the most acute cases of inequitable funding (though Atlanta, Greenville, and San Diego are worse). But it's a difference of degree, not of kind. In 26 of the 27 communities examined in this study, charter schools are underfunded (versus district-run public schools) by amounts that range from one thousand to nearly five thousand dollars per pupil. (The city of Albuquerque was the exception in 2002-3, owing to higher proportions of short-term grant funding for its charters that year than for district schools.)

At the state level, just one jurisdiction "favors" charter schools financially, while 16 underfund them. The few hundred dollars per pupil by which Minnesota charters surpass their district counterparts in revenue appear to be explained by their needier pupil population and the categorical funding that comes with it—and by what seems to be an earnest effort by America's first charter state to finance these schools fairly.

Weighting the states by their charter enrollments, the "average" discrepancy was \$1,801 per pupil, or 21.7 percent. As the analysts point out, for 2002-03 that meant a total charter school funding shortfall (in the 16 states and District of Columbia studied here) of just over \$1 billion, which for an average-size charter school translates to a \$450,250 hole in its budget.

Consider what a 250-pupil school could do with \$450,000. It could hire 10 more teachers or 15 aides.

It could build science labs, create internet access, and stock the library. It could run an after-school or summer program. It could subsidize pupil transportation. It could fix the roof, run a full-day kindergarten program, or hire reading and math specialists. It could expand its extra-curricular offerings and athletic or musical opportunities. The list goes on. If you asked charter schools' cash-strapped but enterprising principals, they would swiftly name a dozen more things that their schools urgently need to do right by their children. And since basic school financing is an annual thing, not a one-time windfall like a charitable gift or federal start-up grant, the following year would bring another \$450,000 with which to tackle still more urgent projects.

## Comparing the States

The analytic team found that charter-school funding in 2002-03 fell into four bands. The most favorable, in which charter and district school revenues approach parity, is inhabited by two states (Minnesota and New Mexico) and by one of the districts in this analysis. In these jurisdictions, there was no more than a 5 percent gap between charter and district-school funding.

The second band, with moderate funding gaps (5 to 14.9 percent), contains four states (North Carolina, Florida, Michigan, and Texas) and four districts. In these, the discrepancy grows troublesome and unjust.

The third band has large funding gaps that range from 15 to 24.9 percent, posing an acute threat to the viability of charter-schools in these jurisdictions. It contains five states (Colorado, Arizona, New York, the District of Columbia, and Illinois) and nine districts.

In the shameful cellar, occupying the fourth band and reflecting severe inequity (a funding gap wider than 25 percent) between charter and district-operated schools, we find the states of Missouri, Wisconsin, Georgia, Ohio, California, and South Carolina, and 13 districts.

## Equity, Adequacy, Fairness

“Inequity” is precisely the right word. For decades, the central theme in American school finance debates, policy challenges and court cases was “equity,” recently joined by the concept of “adequacy.” The core question is whether a child attending public school in, say, Laredo should have less spent on his education than a youngster enrolled in a posh Dallas suburb. Do kids living in Bronxville deserve a “better” education than their age-mates in the Bronx?

To be sure, probing questions should be asked about the correlation between education spending and quality, between school inputs and results. We know that thinly-funded schools can sometimes be superb and that lavishly-funded schools can be awful. But policy makers and judges, after acknowledging the shaky relationship between what goes into a school by way of resources and what comes out by way of learning, almost invariably conclude that this is overridden by basic considerations of fairness, equality, and justice and that, at the very least, a child’s educational opportunities should not be restricted by inadequate resources due entirely to his/her geographic location within a state or district. Put differently, states’ self-imposed constitutional obligation to provide *all* their citizens with free public education means they have an ineradicable obligation to provide all children throughout the state with substantially equal education resources.

We defer for later discussion the dubious if popular claim that educational “adequacy” can be gauged by funding levels. With it comes the erroneous supposition that money alone leads to better schools. But we subscribe to a more fundamental and deeply established American principle enshrined in that earlier generation of lawsuits, as well as in civil rights statutes and constitutional protections: that equality and fairness are the birthright of all Americans. People should be treated alike. All have the same right to life, liberty, and the pursuit of happiness. And everybody’s children must have the same right to a decent education. That includes equitable funding for that education.

Today, however, that reasoning excludes charter schools and *their* pupils. Almost everywhere in the land, they have been given the short end of the funding stick. Their education resources are palpably unequal, inequitable, and, in many cases, inadequate. They are, in truth, being discriminated against, notwithstanding that the majority of their pupils are disadvantaged and minority youngsters who in other contexts may not be discriminated against.

On reflection, it’s amazing that charter schools and their students have not yet been plaintiffs in precisely the same sorts of equity lawsuits that have been filed on behalf of youngsters in underfunded school systems. The evidence set forth in this report suggests that they would likely stand an excellent chance of prevailing in such litigation.

## Misguided Claims

We acknowledge that charter school partisans and their policymaking allies have not always paid close attention to the financing side, nor vociferously demanded their fair share of the public education dollar. Being insecure about their basic existence, accustomed to policy persecution of many kinds, and in the habit of making do with less, many have settled too meekly for crumbs from the school-finance table. Elected officials sometimes exacerbate this by promising not only that charter schools will deliver superior education but that they will do so for less money, thus leaving school operators hard-pressed to complain that they do not, in reality, have *enough* money to do the job properly.

It’s one thing to say that quality public education can and should be provided more efficiently and economically than it usually is. In most places, we believe that’s true. But it’s quite another to expect charter schools to make bricks without straw, to work education miracles on a pittance—even as the per-pupil funding that remains in their surrounding school systems rises with every youngster who opts to enroll in a charter school. Particularly when one considers how far behind the education eight-ball are many of the children entering

U.S. charter schools and how much needs to be done to catch them up, it seems to us worse than naïve to suggest that these schools will deliver the necessary results without the requisite resources.

## A Solvable Problem

The principal bases for short-funding of charter schools—above all, the denial of access to local resources and facilities dollars—could be rectified in every jurisdiction by amending the state charter law. Either charter schools can be given full access to those funds or compensatory payments can be made to them by states, sufficient to stitch together the bleeding lacerations in their present budgets. A stroke of the policymaker’s pen is all that’s needed.

Or several strokes of several pens. Sometimes, the problem stems not from calculated attempts to deny charters funding but from the challenges of fitting square-peg schools into round-hole programs. School funding has evolved over so many decades in so many different ways in so many places, piling up layer by layer like the tax code, that it approaches a thousand-piece puzzle. That makes it extremely difficult, when policymakers legitimately hope to innovate—to create a new type of school, say, a charter school—to ensure that these schools have a fair shot at each piece of the fiscal puzzle. Thus we find, for example, that a state’s decision about whether to designate charter schools as their own “LEAs” (local education agencies, akin to school districts) has a profound impact on the schools’ ability even to apply for certain federal and state funds, funds that were set up to be accessed only by LEAs. Or, this summer in Arizona, we observed for-profit charter schools being denied federal funds for which their children were plainly eligible because an existing federal definition of “public” schools was written without contemplating such schooling arrangements. Charter operators in every state could name myriad such examples, small and large, which add up to a substantial financial shortfall. How can such innovative schools coexist with the complexity imbedded in traditional public-school funding? The right answer would be a vast simplifica-

tion of school financing everywhere. A more practical answer is that state and federal policymakers should heed the cries of charter leaders when they point out that funding formulas overlook their schools and that programs often come with such daunting bureaucratic requirements as to elude the grasp of many small, thinly staffed, and relatively inexperienced schools.

Nowhere is addressing the funding gap more urgent than in America’s cities. That’s where today’s gravest education challenges are found, where charter schools are most often located, and where disadvantaged and minority families have the greatest need for decent education options for their daughters and sons. Yet, as the following pages demonstrate beyond dispute, it is America’s cities where charter schools face the biggest discrepancies, the widest gaps and the greatest injustices. If those schools are to do their part to deliver on the promise that these children will not be left behind, policymakers need to assure them enough straw to make sturdy bricks.

And one thing more: This analysis revealed beyond our wildest fears how uneven, incommensurable, and in many cases plain shoddy and gap-filled are state and local school-finance data. It’s hard enough to figure out how much money flows into the coffers of district-operated schools in a given year, whence it comes, and what formulas govern the amount and shape the channels through which it flows. To find these things out for charter schools in any fashion that can begin to be compared with district (or state) data verges on impossible. Our analysts gave it their all. Some gaps remain and we do not doubt that other researchers will challenge some of the assumptions and adjustments that we made in the name of completeness and comparability. But this is a task that simply should not be as difficult as it is today.

We are indebted to many people and organizations for making this study possible. We would like, in particular, to thank the Walton Family Foundation and the Bill and Melinda Gates Foundation for their financial assistance and wise counsel. Walton’s Cathy Lund was

an immediate and constant champion of this analysis, and David Ferrero of the Gates Foundation was supportive and helpful as well. Public Impact's Amy Way contributed significant data-gathering, analytic, and writing skills. At the Fordham Institute, Michael Connolly provided a careful eye for detail, and Justin Torres offered sage advice and guidance. Anne Elliott corrected our many errors and omissions. And the layout and design talents of Emilia Ryan are evident throughout this report; we appreciate her hard work and endless patience. Finally, our research team benefited from the astute guidance and sound advice of many people. A list of those individuals and organizations to which we are most indebted is provided in Appendix B.

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Progress Analytics Institute is a 501(c)(3) corporation dedicated to the research and reporting of issues and solutions that will improve educators' access to resources and students' access to deep learning. Topics of particular interest include leadership development, charter school and curriculum-centered school models, state policy and school funding, and school system innovation and change management. These issues are vital to improving public education and student learning in urban, suburban, and rural settings.

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Public Impact (<http://www.publicimpact.com>) is a national education policy and management consulting firm committed to furthering initiatives that have a direct and significant impact on education for all children. It consults nationally with leading organizations to create policies and approaches that give schools the freedom, motivation, and capacity to perform. Public Impact creates toolkits for practitioners, writes policy briefs for lawmakers, develops information guides for the public, conducts research for public and nonprofit organizations, and consults on the design and management of innovative initiatives for numerous groups engaged in education reform.

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# Executive Summary

Of all the controversies swirling around the nation's charter schools, none is more hotly contested than the debate over funding. Charter opponents charge that these autonomous public schools are draining scarce resources from public school districts. Proponents, by contrast, complain that charter schools do not get their fair share of public education dollars.

Despite all the smoke and flame around this issue, however, there has been little research about how much public revenue actually goes to charter schools. To remedy that lack of information, this study examines charter school funding in 16 states and the District of Columbia, jurisdictions that collectively enroll 84 percent of the nation's charter school students, according to the Center for Education Reform (CER). Within each of those states, the study also investigates charter school funding in one to three large districts, 27 districts in all. The research team

spent nearly a year gathering data about how much revenue charter schools in those states and districts received in 2002-03, and how that compares with district school funding in the same places. In addition to calculating differences between district and charter funding, we also sought to account for those differences by examining in detail how school funding works in each state.

## Primary Findings

**Overall, charter schools are significantly underfunded relative to district schools.** The per-pupil funding disparity ranged from 4.8 percent in New Mexico to 39.5 percent in South Carolina. In dollars, the gap ranged from an estimated \$414 in North Carolina to \$3,638 less per pupil in Missouri. Only in Minnesota did charter schools receive more funding per pupil (2.4 percent more) than their district peers

**Table 1:** State Disparities between Charter and District Funding, 2002-03

Gap	State	District PPR	Charter PPR	Variance	% Variance
<b>Approaching Parity</b>	Minnesota	\$10,056	\$10,302	\$245	2.4%
	New Mexico	\$9,020	\$8,589	(\$430)	-4.8%
<b>Moderate</b>	North Carolina	\$7,465	\$7,051	(\$414)	-5.5%
	Florida	\$7,831	\$6,936	(\$896)	-11.4%
	Michigan	\$9,199	\$8,031	(\$1,169)	-12.7%
	Texas	\$8,456	\$7,300	(\$1,155)	-13.7%
<b>Large</b>	Colorado	\$10,270	\$8,363	(\$1,908)	-18.6%
	Arizona	\$8,503	\$6,771	(\$1,732)	-20.4%
	New York	\$13,291	\$10,548	(\$2,743)	-20.6%
	Washington, D.C.	\$16,117	\$12,565	(\$3,552)	-22.0%
	Illinois	\$8,801	\$6,779	(\$2,023)	-23.0%
<b>Severe</b>	Missouri	\$12,640	\$9,003	(\$3,638)	-28.8%
	Wisconsin (estimated*)	\$10,283	\$7,250	(\$3,034)	-29.5%
	Georgia (estimated*)	\$7,406	\$5,125	(\$2,281)	-30.8%
	Ohio (estimated*)	\$8,193	\$5,629	(\$2,564)	-31.3%
	California (estimated*)	\$7,058	\$4,835	(\$2,223)	-31.5%
	South Carolina (estimated*)	\$8,743	\$5,289	(\$3,453)	-39.5%
<b>State Average (weighted by charter enrollment)</b>		<b>\$8,504</b>	<b>\$6,704</b>	<b>(\$1,801)</b>	<b>-21.7%</b>

\* In five states, we were unable to obtain statewide data on charter and/or district revenues. In those states, we used data from large districts as a proxy. Full details on this calculation appear in the methodology section and the state chapters.

due to their needier student population and the categorical funding that comes with it.

Weighting the states by charter enrollment, charter funding fell short of district funding overall by \$1,801 per pupil, or 21.7 percent. With over 580,000 students attending charter schools in these 17 states in 2002-03, this discrepancy amounted to over \$1 billion. For a typical charter school with 250 students, the gap meant a shortfall of \$450,250.

Table 1 ranks the 16 states and D.C. according to the degree of disparity between district and charter fund-

ing. The states fall into four distinct bands. At the bottom are six states labeled “Severe,” with gaps of 25 percent or greater. The next category is “Large,” comprised of five states with variances from 15 to 24.9 percent. Four states showed “Moderate” disparities of 5 to 14.9 percent. And two states merited a rating of “Approaching Parity.” For reasons explained below, no state received a rating of “Parity.”

**Discrepancies are larger in most big urban school districts.** In the large districts we studied, district-charter revenue discrepancies were even more substantial. Among cities in which charter schools were underfund-

**Table 2:** City Disparities between Charter and District Funding, 2002-03

Gap	District	District PPR	Charter PPR	Variance	% Variance
<b>Approaching Parity</b>	Albuquerque, NM	\$7,745	\$8,511	\$766	9.9%
<b>Moderate</b>	St. Paul, MN	\$11,876	\$10,800	(\$1,076)	-9.1%
	Denver, CO	\$9,954	\$8,755	(\$1,199)	-12.0%
	New York City, NY	\$12,505	\$10,881	(\$1,624)	-13.0%
	Dallas, TX	\$8,300	\$7,125	(\$1,174)	-14.2%
<b>Large</b>	Detroit, MI	\$9,899	\$8,395	(\$1,504)	-15.2%
	Minneapolis, MN	\$13,701	\$11,575	(\$2,127)	-15.5%
	Houston, TX	\$7,724	\$6,382	(\$1,341)	-17.4%
	Broward Co., FL	\$7,669	\$6,273	(\$1,396)	-18.2%
	Miami-Dade, FL	\$7,971	\$6,465	(\$1,506)	-18.9%
	Fulton Co., GA	\$11,748	\$9,325	(\$2,423)	-20.6%
	Washington, D.C.	\$16,117	\$12,565	(\$3,552)	-22.0%
	Buffalo, NY	\$13,197	\$10,211	(\$2,986)	-22.6%
	Chicago, IL	\$8,907	\$6,847	(\$2,060)	-23.1%
<b>Severe</b>	Maricopa Co., AZ	\$8,743	\$6,389	(\$2,354)	-26.9%
	Colorado Springs, CO	\$8,401	\$6,100	(\$2,301)	-27.4%
	St. Louis, MO	\$12,531	\$9,035	(\$3,495)	-27.9%
	Cleveland, OH	\$10,732	\$7,704	(\$3,028)	-28.2%
	Los Angeles, CA	\$7,960	\$5,653	(\$2,307)	-29.0%
	Milwaukee, WI	\$11,267	\$7,944	(\$3,323)	-29.5%
	Wake Co., NC	\$9,237	\$6,510	(\$2,727)	-29.5%
	Kansas City, MO	\$12,795	\$8,990	(\$3,806)	-29.7%
	Albany, NY	\$15,226	\$10,235	(\$4,991)	-32.8%
	Dayton, OH	\$11,498	\$7,614	(\$3,884)	-33.8%
	Atlanta, GA	\$12,766	\$7,949	(\$4,818)	-37.7%
	Greenville, SC	\$8,477	\$5,126	(\$3,351)	-39.5%
	San Diego, CA	\$8,333	\$4,964	(\$3,369)	-40.4%
<b>District Average (weighted by charter enrollment)</b>		<b>\$9,604</b>	<b>\$7,348</b>	<b>(\$2,256)</b>	<b>-23.5%</b>



ed, the gap ranged from 40.4 percent in San Diego to 9.1 percent in St. Paul. In dollar terms, the discrepancy ranged from \$4,991 per pupil in Albany to \$1,076 in St. Paul. Of the 27 cities, Albuquerque was the only one where charter funding exceeded district funding per pupil (due largely to grant funding). Weighted by charter enrollment, the average discrepancy across these 27 districts was \$2,256 per pupil, or 23.5 percent.

Table 2 ranks the 27 districts according to the percentage variance between charter and district funding and divided into the same four bands as table 1. Thirteen of them received a rating of “Severe,” nine “Large,” four “Moderate,” and one “Approaching Parity.”

These district-level gaps tend to be larger than the overall statewide gaps. For 16 of the 27 districts, we were able to make meaningful comparisons between statewide and district gaps. Charter schools were worse off, in percentage terms, in 12 of these 16 districts.

**Table 3:** Number of States Providing Access to Specific Revenue Categories

Type of Funding	Full Access	Partial Access	No Access	Not Applicable
Federal	7	9	0	1
State	9	8	0	0
Local	0	11	4	2
Facilities	0	5	12	0

Note: See table 8 for details.

**The primary driver of the district-charter gaps is charter schools’ lack of access to local and capital funding.** We rated each state on the degree to which it offered charter schools access to federal, state, local, and capital funds in practice, assigning ratings of “Full,” “Partial,” or “No” access. Table 3 shows the results. All of the states for which we could make a determination offered at least partial access to federal funds, with seven states offering full access. For state funds, all states offered at least partial access, with nine providing full access. For local funding, eleven provided partial

access. For facilities funding, no state offered full access, and only five offered partial access.

Since most facilities funding for K-12 schooling is locally provided, the lack of access to local funds turns out to be the chief reason why charter schools are typically underfunded. When states pass charter school laws, it is relatively easy for them to ensure that federal and state funds flow to charter schools. To move local funds to charter schools requires substantially more political will. Some states try to make up for the absence or shortfall in local funds by providing additional state funds to charter schools, but, as the numbers in Table 1 reveal, these strategies are generally not sufficient to compensate for local shortfalls.

In places where charters appear to receive as much funding as district schools, short-term start-up grants and charitable donations generally explain their relative success. In our analysis, we included start-up and grant dollars for charters, despite the fact that these funds cannot be expected to recur year after year. Had we disregarded those temporary revenue streams, the disparities reported would be even larger.

**Data to make comparisons between charter and district funding are often not readily available.** We assigned ratings to each state based on the quality and accessibility of data. We judged data availability on the ease of access to the information needed for this study and others like it. A rating of “Yes” means either that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available through web sources or via state departments of education. A rating of “No” means the data were not available from either place.

Table 4 shows that eight states received a “Yes” and eight others a “Partial” for the availability of district school data. For charter school data, only six states merited a “Yes,” with five receiving a “Partial” and six receiving a “No.”

**Table 4:** Number of States Providing Quality Data on Charter and District Funding

School Type	Yes	Partial	No
District	8	8	1
Charter	6	5	6

Note: See table 11 for details.

All the states were contacted numerous times in pursuit of the data needed for this study. Many were responsive to our requests, even going so far as to instruct the researchers on filing Freedom of Information Act (FOIA) requests to obtain the necessary data. Nonetheless, despite selecting a school year that ended two years ago and allowed ample time for compiling, auditing, and reporting, the data were extremely difficult to gather and sometimes nonexistent.

During the course of our research, many datasets were either unavailable or changed multiple times. Through diligence, we were able to obtain sufficient data to draw the conclusions outlined above and developed below. Improved data systems, greater data availability, better accounting, and internal control practices would ease future research efforts and enable policymakers and taxpayers to better understand charter school and district funding.

## Policy Implications

A number of studies over the past 24 months have endeavored to appraise the state of the charter school movement and its learning outcomes, policy environments, and oversight processes and quality.

The Center for Education Reform (CER) and the Thomas B. Fordham Institute (TBFH) are prominent sources of state-specific information about charter schools. Last year, CER published *The Simple Guide to Charter School Laws – A Progress Report*, and Fordham published *Charter School Authorizing: Are States Making the Grade?* in 2003. Table 5 summarizes the grades received by each state from those reports along-

side state results from this study for the 16 states and the District of Columbia.

Clearly, there's no straightforward correlation between the fairness of a state's funding system and the overall policy climate as gauged by CER and Fordham. There are many states, like Arizona, that do well under one ranking ("A" from CER), but poorly under another ("L" for Large Gap from this study). This diversity reflects the complexity of charter policymaking and the complicated nature of the political compromises that beget charter school and funding legislation.

**Table 5:** Comparative Ratings across Three Charter School Studies

State	Policy	Authorizing	Funding Gap
Arizona	A	B	L
California	B	D+	S
Colorado	B	C–	L
District of Columbia	A	B–	L
Florida	B	C+	M
Georgia	C	–	S
Illinois	C	B–	L
Michigan	A	B–	M
Minnesota	A	C–	AP
Missouri	B	C	S
New Mexico	B	D	AP
New York	B	B–	L
North Carolina	B	B	M
Ohio	B	B–	S
South Carolina	C	–	S
Texas	B	B+	M
Wisconsin	B	B	S

Sources: "Policy" grades reflect the Center for Education Reform's 2004 rankings of the "strength" of state charter laws. "Authorizing" grades reflect the Thomas B. Fordham Institute's 2003 evaluation of the policy environment, authorizer practices, and quality of oversight in each state. "Funding Gap" grades are the ratings given to states in the present study, ranked according to the percentage disparity between district and charter PPR. The rating categories are: Approaching Parity (AP); Moderate Gap (M); Large Gap (L); and Severe Gap (S).

One clear pattern emerges, however: few states get high marks across the board. For simplicity, consider just the CER and funding ratings. Only Minnesota received the highest grade on both. Just two other states (Michigan and New Mexico) received the highest grade in one and the second highest in the other. Three additional states got the second highest marks in both sys-

tems. The rest—11 jurisdictions—are in the bottom categories of at least one of the rating schemes.

In short, few states can boast a robust charter climate across the board. Almost 15 years into the charter-school experiment, it's difficult to find a place where the charter ideal has been fully developed in both policy and practice.

# Major Findings

by Sheree Speakman and Bryan Hassel

This section presents in detail the four major findings of this study. Specifically:

1. Charter schools overall are significantly underfunded relative to district schools.
2. Funding discrepancies are even wider in most big urban school districts.
3. The chief culprit is charter schools' lack of access to local and capital funding.
4. Quality data are often unavailable.

## Finding 1: Charter Schools Are Significantly Underfunded

The funding disparities we found ranged from 39.5 percent in South Carolina to 4.8 percent in New Mexico. In dollars, the state-level gap ranged from \$3,638 per pupil in Missouri to \$414 in North Carolina. Only in Minnesota did charter schools receive more funding per student (2.4 percent) than their district peers, due to charters' needier pupil population leading to additional categorical funding.

On average, weighted by enrollment, charter funding fell short of district funding by \$1,801 per pupil, or 21.7 percent, in the states we studied. With over 580,000 students attending charter schools in these 16 states and D.C. in 2002-03, this discrepancy amounted to over \$1 billion. For a typical charter school with 250 students, the gap meant a shortfall of \$450,250.

Table 6 ranks the 16 states and D.C. according to their funding disparities. The states fall into four distinct bands. At the bottom are six labeled "Severe," with charter funding gaps greater than 25 percent. Five states had "Large" variances, of 15 to 24.9 percent, four showed "Moderate" disparities of 5 to 14.9 percent, and just two states merited a rating of "Approaching Parity." No state received a rating of "Parity."

In addition to showing the gap in dollars and percentages, Table 6 includes comparisons of "Percentage of charter enrollment to total enrollment" and "Percentage of charter revenue to total revenue." If fair funding prevailed in a state, one would expect charter schools to receive a share of total revenue similar to their share of total pupil enrollment. Minnesota is the only state in this study where that is the case. In all other states, charters received a smaller percentage of the revenues than their student enrollment warrants.

Is it possible that differences in the student populations served by charter and district schools account for the funding discrepancies? For example, if charter schools have fewer low-income students, wouldn't we expect them to receive less per-pupil funding? If there are large differences in student population, the discrepancies we observe may not be a sign that states are treating charter schools unfairly, but that these states are directing funds to high-cost students wherever they are being educated.

*Our analyses show that differences in student population are not the driving force behind these gaps.* In a few states, discussed below, such differences may account for part of the gap. But by and large, the discrepancies we observe are due to structural features of how states fund charter schools, discussed under Finding 3.

Three major differences in student population could drive funding differences between charter and district schools, even if a state operated a completely "fair" funding system. One is the proportion of students eligible for free or reduced price lunches; if charter schools serve relatively fewer poor children, their funding might be lower. Second is special education; if charter schools serve a smaller proportion of students with special needs, they would likely receive less funding. Third is grade levels; because some states provide higher per-pupil funding to high schools, if charter schools

**Table 6:** State Disparities between Charter and District Funding, 2002-03

Gap	State	District PPR	Charter PPR	Variance	% Variance	Percentage of charter enrollment to total enrollment	Percentage of charter revenue to total revenue
<b>Approaching Parity</b>	Minnesota	\$10,056	\$10,302	\$245	2.4%	1.45%	1.49%
	New Mexico	\$9,020	\$8,589	(\$430)	-4.8%	1.37%	1.31%
<b>Moderate</b>	North Carolina	\$7,465	\$7,051	(\$414)	-5.5%	1.50%	1.42%
	Florida	\$7,831	\$6,936	(\$896)	-11.4%	1.99%	1.77%
	Michigan	\$9,199	\$8,031	(\$1,169)	-12.7%	3.87%	3.40%
	Texas	\$8,456	\$7,300	(\$1,155)	-13.7%	1.22%	1.06%
<b>Large</b>	Colorado	\$10,270	\$8,363	(\$1,908)	-18.6%	3.79%	3.11%
	Arizona	\$8,503	\$6,771	(\$1,732)	-20.4%	7.38%	5.97%
	New York	\$13,291	\$10,548	(\$2,743)	-20.6%	0.37%	0.30%
	Washington, D.C.	\$16,117	\$12,565	(\$3,552)	-22.0%	14.09%	11.34%
	Illinois	\$8,801	\$6,779	(\$2,023)	-23.0%	0.53%	0.41%
<b>Severe</b>	Missouri (K.C. & St Louis)	\$12,640	\$9,003	(\$3,638)	-28.8%	12.52%	9.25%
	Wisconsin (estimated*)	\$10,283	\$7,250	(\$3,034)	-29.5%	2.25%	1.60%
	Georgia (estimated*)	\$7,406	\$5,125	(\$2,281)	-30.8%	2.01%	1.40%
	Ohio (estimated*)	\$8,193	\$5,629	(\$2,564)	-31.3%	1.92%	1.32%
	California (estimated*)	\$7,058	\$4,835	(\$2,223)	-31.5%	2.51%	1.73%
	South Carolina (estimated*)	\$8,743	\$5,289	(\$3,453)	-39.5%	0.20%	0.12%
<b>State Average (weighted by charter enrollment)</b>		<b>\$8,504</b>	<b>\$6,704</b>	<b>(\$1,801)</b>	<b>-21.7%</b>		

\* In five states, we were unable to obtain statewide data on charter and/or district revenues. In those states, we used data from large districts as a proxy. Full details on this calculation appear in the methodology section and the state chapters.

serve disproportionately fewer high school students they could receive less funding for this reason.

**Free lunch eligibility** – Table 6a shows the proportion of children eligible for free and reduced price lunches in charter schools and district schools in the 16 states and the District of Columbia. (In states where we used district proxies to extrapolate state figures, as discussed in the methodology portion of this report, the data relate only to students in those districts.) Estimating free lunch eligibility in charter schools is difficult, because many schools decline to participate in the program due to the administrative burden of doing so, even though they enroll large numbers of low-income

children. As a result, we followed the lead of the Economic Policy Institute’s 2005 analysis of charter school test scores<sup>1</sup> and excluded from our free-lunch calculations any school—charter or district—that reported zero eligible children in 2002-03.

In most states, charter schools serve a comparable or higher percentage of students eligible for free and reduced price lunches than district schools. In only four states—Colorado, Florida, South Carolina, and Wisconsin—do charter schools serve a substantially lower percentage of eligible students. From a national perspective, then, differences in family income levels cannot possibly account for the lower levels of funding

received by charter schools. If anything, the higher rates of eligibility in many charter schools heighten the equity questions raised in this study.

Even in Colorado, Florida, South Carolina, and Wisconsin, though differences in student demographics may account for some of the observed gap in funding, they cannot account for much of it. Take South Carolina, a state in which district schools appear to be serving a much more disadvantaged population (36.2 percent eligible vs. 10.7 percent). Given a gap of \$3,473 per student, a 250-student charter school would receive about \$863,000 less than a school district for the same number of pupils. Could that gap be explained by the fact that the charter school had fewer free lunch eligible students? The difference between 10.7 percent and 36.2 percent eligible is about 64 students. Even if each one of those students generated an extra \$2,000 in funding, they would only yield an added \$128,000—far below the observed gap of \$863,000. In Colorado and Florida, where the demographic differences are less pronounced, they account for an even smaller portion of the observed gap.

**Special education** - Unfortunately, no national database exists to compare state-by-state special education enrollments in district and charter schools, and we could not obtain reliable figures from most states in our study. So we cannot fully analyze the effect of special education population differences on school funding. SRI International's 2004 national evaluation of the federal Public Charter Schools Program<sup>ii</sup> tells us that, in 1999-2000, the percentage of children with disabilities in charter schools was about 9 percent, compared with 12 percent for district-operated schools. This would be expected to yield some differences in funding, but nothing approaching the discrepancies observed here. For a 250-student charter school, the difference between 9 and 12 percent is about 8 students. Even if each generated an additional \$6,000, the added revenue would only be \$48,000 – barely 10 percent of the estimated \$450,000 shortfall experienced by the nation's average charter school.

**Table 6a:** — Percentage of Students Eligible for Subsidized Lunch, District vs. Charter Schools, by State, 2002-03

State	Percentage of students eligible for free & reduced price lunch	
	District	Charter
Arizona	30.7%	49.3%
California*	73.1%	67.7%
Colorado	29.5%	18.7%
District of Columbia	64.4%	79.9%
Florida	45.9%	36.7%
Georgia*	50.8%	51.8%
Illinois	42.3%	46.6%
Michigan	32.3%	54.1%
Minnesota	27.1%	55.8%
Missouri	74.4%	71.5%
New Mexico	59.0%	59.8%
New York	27.2%	75.1%
North Carolina	42.4%	46.5%
Ohio*	80.8%	77.6%
South Carolina*	36.2%	10.7%
Texas	46.6%	61.8%
Wisconsin*	76.0%	66.4%

Source: National Center for Education Statistics, Common Core of Data, 2002-03. Schools reporting zero students eligible for free and reduced price lunch were excluded because it is impossible to distinguish between schools that have no eligible students and those that choose not to participate in the lunch-funding program.

\*In California, Georgia, Ohio, South Carolina, and Wisconsin, statewide charter revenue data were not available, so we extrapolated from large district data. In those states, demographic comparisons shown here are for the districts used for the extrapolation, not the state as a whole. In Missouri, charter schools may only be opened in Kansas City and St. Louis, and so demographic figures derive from those two districts only.

**Table 6b:** Students Served by Grade Levels, District vs. Charter Schools, by State, 2002-03

State	Percentage of Primary (K-5) Students		Percentage of Middle School (6-8) Students		Percentage of High School (9-12) Students		Percentage of Students in Other Grade Configurations (e.g., K-12, K-8)	
	District	Charter	District	Charter	District	Charter	District	Charter
<b>AZ</b>	53.8%	46.4%	16.5%	2.1%	28.1%	26.3%	1.6%	25.2%
<b>CA*</b>	68.6%	66.7%	12.0%	13.0%	15.6%	11.1%	3.8%	9.3%
<b>CO</b>	48.8%	46.9%	21.0%	5.8%	28.7%	6.9%	1.5%	40.4%
<b>DC</b>	59.7%	48.3%	15.5%	13.3%	17.4%	17.7%	7.4%	20.7%
<b>FL</b>	47.0%	56.7%	21.1%	16.1%	26.7%	12.8%	5.1%	14.4%
<b>GA*</b>	65.5%	83.3%	17.2%	0.0%	13.8%	16.7%	3.4%	0.0%
<b>IL</b>	54.0%	47.3%	16.7%	2.9%	27.9%	13.2%	1.4%	36.6%
<b>MI</b>	44.7%	64.1%	21.5%	1.2%	28.7%	6.8%	5.1%	27.8%
<b>MN</b>	45.0%	45.6%	19.7%	7.8%	33.3%	25.1%	2.0%	21.5%
<b>MO</b>	57.6%	50.8%	18.5%	6.1%	19.7%	7.2%	4.2%	35.9%
<b>NC</b>	48.0%	58.7%	23.5%	10.7%	27.5%	6.5%	1.0%	24.1%
<b>NM</b>	47.0%	34.4%	22.2%	5.3%	28.5%	44.3%	2.3%	16.0%
<b>NY</b>	47.4%	87.2%	20.4%	4.1%	27.7%	3.9%	4.5%	4.7%
<b>OH*</b>	53.0%	60.8%	14.4%	2.6%	20.2%	6.4%	12.4%	30.2%
<b>SC*</b>	48.5%	10.5%	23.8%	0.0%	27.5%	89.5%	0.2%	0.0%
<b>TX</b>	48.5%	30.1%	22.9%	2.1%	25.7%	25.3%	3.0%	42.5%
<b>WI*</b>	62.4%	58.1%	13.2%	16.1%	18.3%	16.1%	6.1%	9.7%

Source: National Center for Education Statistics, Common Core of Data, 2002-03.

\*In California, Georgia, Ohio, South Carolina, and Wisconsin, statewide charter revenue data were not available, so we extrapolated from large district data. In those states, demographic comparisons shown here are for the districts used for the extrapolation, not the state as a whole. In Missouri, charter schools may only be opened in Kansas City and St. Louis, and so demographic figures derive from those two districts only.

**Grade levels** - Data on grade levels served by charter and district schools are displayed in Table 6b. These data, however, are difficult to interpret because so many charter schools serve non-traditional grade structures—as evidenced by the high proportion of “other” grade configurations reported by many states. So it is impossible to

draw definitive conclusions from these data. However, as with free lunch eligibility and special education, from the data we do have we can reasonably conclude that differences in grade configurations could not possibly account for the gaps we observe in funding levels.



**Table 7:** City Disparities between Charter and District Funding, 2002-03

Gap	District	District PPR	Charter PPR	Variance	% Variance	Percentage of charter enrollment to total enrollment	Percentage of charter revenue to total revenue
<b>Approaching Parity</b>	Albuquerque, NM	\$7,745	\$8,511	\$766	9.9%	3.07%	3.37%
<b>Moderate</b>	St. Paul, MN	\$11,876	\$10,800	(\$1,076)	-9.1%	8.84%	8.10%
	Denver, CO	\$9,954	\$8,755	(\$1,199)	-12.0%	3.52%	3.11%
	NY City, NY	\$12,505	\$10,881	(\$1,624)	-13.0%	0.43%	0.37%
	Dallas, TX	\$8,300	\$7,125	(\$1,174)	-14.2%	6.15%	5.33%
<b>Large</b>	Detroit, MI	\$9,899	\$8,395	(\$1,504)	-15.2%	10.70%	9.22%
	Minneapolis, MN	\$13,701	\$11,575	(\$2,127)	-15.5%	5.54%	4.72%
	Houston, TX	\$7,724	\$6,382	(\$1,341)	-17.4%	6.55%	5.47%
	Broward Co., FL	\$7,669	\$6,273	(\$1,396)	-18.2%	4.30%	3.54%
	Miami-Dade, FL	\$7,971	\$6,465	(\$1,506)	-18.9%	2.04%	1.66%
	Fulton County, GA	\$11,748	\$9,325	(\$2,423)	-20.6%	1.23%	0.98%
	Washington, D.C.	\$16,117	\$12,565	(\$3,552)	-22.0%	14.09%	11.34%
	Buffalo, NY	\$13,197	\$10,211	(\$2,986)	-22.6%	4.18%	3.26%
	Chicago, IL	\$8,907	\$6,847	(\$2,060)	-23.1%	2.29%	1.79%
<b>Severe</b>	Maricopa Co., AZ	\$8,743	\$6,389	(\$2,354)	-26.9%	7.74%	5.78%
	CO Springs, CO	\$8,401	\$6,100	(\$2,301)	-27.4%	5.98%	4.42%
	St. Louis, MO	\$12,531	\$9,035	(\$3,495)	-27.9%	6.62%	4.87%
	Cleveland, OH	\$10,732	\$7,704	(\$3,028)	-28.2%	5.50%	4.01%
	Los Angeles, CA	\$7,960	\$5,653	(\$2,307)	-29.0%	4.15%	2.98%
	Milwaukee, WI	\$11,267	\$7,944	(\$3,323)	-29.5%	11.42%	8.33%
	Wake Co., NC	\$9,237	\$6,510	(\$2,727)	-29.5%	3.25%	2.31%
	Kansas City, MO	\$12,795	\$8,990	(\$3,806)	-29.7%	19.68%	14.69%
	Albany, NY	\$15,226	\$10,235	(\$4,991)	-32.8%	8.29%	5.73%
	Dayton, OH	\$11,498	\$7,614	(\$3,884)	-33.8%	21.68%	15.49%
	Atlanta, GA	\$12,766	\$7,949	(\$4,818)	-37.7%	2.35%	1.48%
	Greenville, SC	\$8,477	\$5,126	(\$3,351)	-39.5%	0.57%	0.35%
	San Diego, CA	\$8,333	\$4,964	(\$3,369)	-40.4%	6.31%	3.86%
<b>District Average (weighted by charter enrollment)</b>		<b>\$9,604</b>	<b>\$7,348</b>	<b>(\$2,256)</b>	<b>-23.5%</b>		



## Finding 2: Funding Gaps are Wider in Big Urban Districts

In the urban districts we studied, most of them major cities, district-charter revenue discrepancies were even more substantial than for the states themselves. Among cities in which charter schools were underfunded, the gap ranged from 40.4 percent in San Diego to 9.1 percent in St. Paul. In dollar terms, the discrepancy ranged from \$4,991 per pupil in Albany to \$1,076 in St. Paul. Of the 27 cities, only in Albuquerque did charter funding exceed district funding per pupil, due largely to grant funding. Weighted by charter enrollment, the average discrepancy across these 27 districts was \$2,256 per pupil, or 23.5 percent.

Table 7 ranks the 27 districts according to the percentage variance between charter and district funding. Thirteen districts received a rating of “Severe,” nine “Large,” four “Moderate,” and one “Approaching Parity.”

In 16 of the 27 districts, we were able to make meaningful comparisons between the district-level funding shortfall and the overall state shortfall. In 12 of these districts, the charter funding shortfall, in percentage terms, was even greater than the shortfall for the state as a whole.

In addition to showing the gap in dollars and percentage terms, Table 7 compares the “Percentage of charter enrollment to total enrollment” and the “Percentage of charter revenue to total revenue.” If fair funding prevailed in a city, one would expect charter schools to receive a share of total revenue similar to their share of total pupil enrollment. Albuquerque is the only city in this study where that is the case. In each of the other cities, charters received a smaller percentage of total public education revenues than their student enrollment warranted.

## Finding 3: The Chief Culprit is Lack of Access to Local and Capital Funding

Why do so many states have such large gaps between charter and district school funding? Since each state

school finance system works differently, the answer varies from state to state, and each of our state chapters delves deeply into this issue. We did find some common problems, though, which we group here under three headings and explain in detail below:

- The importance of local and facilities funds
- The importance of local education agency (LEA) status
- State statutes vs. state practice

Public schools receive operating funding from three main sources: federal, state, and local. They also can receive facilities funding, which is primarily provided locally but may also come from state or, less frequently, federal sources.

We examined the degree to which each state provides charter schools with access to these four funding streams: federal, state, local, and facilities. Within each stream, we rated each state according to a series of questions. First, did its charter *statute* appear to provide charter schools with access to the stream? Second, did the state allow charter schools full access to the stream *in practice*? On those two dimensions, we assigned ratings of “Yes,” “Partial,” or “No” access. Third, did charter schools *actually receive* a share of the stream proportionate to their enrollment? On this question, we answered either “Yes” or “No.”

Table 8 collects these findings for all 16 states and the District of Columbia, with the rows grouped by federal, state, local, and facilities funding. Black boxes are good—they indicate full access to funding for charter schools. White boxes are bad—they indicate no access or an unfair share for charter schools. Grey boxes indicate partial access.

No state is perfect in all areas. Thus the table’s bottom line—an overall assessment of fairness—reads “No” across all 17 states.

**Table 8:** Charter Schools' Access to Federal, State, Local, and Facilities Funding, by State, 2002-03

Findings	States																
	AZ	CA	CO	DC	FL	GA	IL	MI	MN	MO	NC	NM	NY	OH	SC	TX	WI
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*																
	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
	Y	P	Y	Y	P	P	P	Y	Y	P	P	Y	P	P	P	Y	N/A
	N	N/A	N	N	N	N/A	N	Y	Y	N	N	Y	Y	N/A	N/A	Y	N/A
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)																
	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Y	P	Y	Y	Y	P	P	Y	Y	Y	P	Y	P	Y	P	P	P
	Y	N/A	Y	N	Y	N/A	N	Y	Y	Y	Y	Y	N	N/A	N/A	Y	N/A
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)																
	N	Y	Y	N/A	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	N	N
	N	P	P	N/A	P	P	P	P	P	P	P	N	P	N	P	N	N/A
	N	N/A	N	N/A	N	N/A	N	N	N	N	N	N	N	N/A	N/A	N	N/A
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)																
	Y	Y	Y	Y	Y	Y	N	N	Y	N	N	N	N	N	N	N	N
	N	N	P	P	P	P	N	N	P	N	N	N	N	N	N	N	N
	N	N/A	N	N	N	N/A	N	N	N	N	N	N	N	N/A	N/A	N	N
Funding is fair and equitable																	
NoNoNoNoNoNoNoNoNoNoNoNoNoNoNoNoNo																	

\* For this finding, No could indicate that the statute is silent or that it denies access.

## The importance of local and facilities funds

The degree to which the table becomes lighter in color—i.e., worse from the charter schools’ perspective—as one moves down the rows is striking. This indicates that it is common for states to treat charter schools fairly with regard to federal and state funding, less common with regard to local funds, and very uncommon when it comes to facilities funding. All of the states for which we could make a determination offered at least partial access to federal funds in practice, and seven offered full access. For state funds, all states offered at least partial access in practice, and nine provided full access. However, no state offered full access to local funding in practice, though 11 provided partial access. Even worse, no state offered full access to facilities funding, and only five offered partial access.

**Table 9:** Proportion of Non-Federal Funds for Public Education Derived from Local Sources, by State, 2002-03

State	Local Share of Funding
New Mexico	15.2%
Minnesota	21.5%
North Carolina	29.5%
Michigan	31.4%
Arizona	45.4%
New York	51.0%
Florida	51.2%
Colorado	53.9%
Texas	54.6%
Missouri	61.1%
Illinois	63.9%

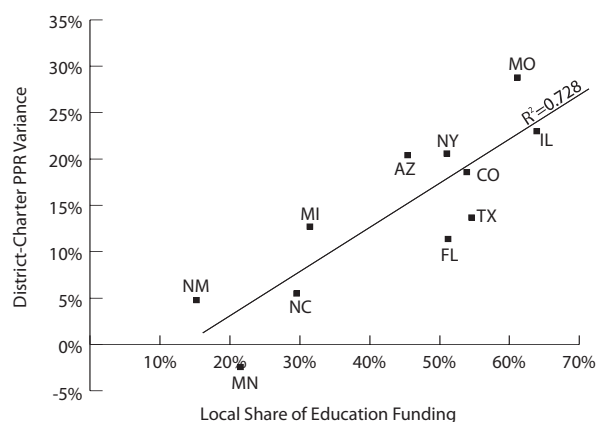
Source: National Center for Education Statistics. Table excludes states for which we were not able to obtain statewide data on charter school revenues

In Table 8, there is some overlap between the “local” and “facilities” categories, because in many states facilities financing for schools is largely the province of local government. This is why we conclude that, of all the factors considered, *lack of access to local funding is the*

*primary driver of funding disparities between district and charter schools.*

In their overall school funding systems, states make widely differing policy decisions regarding the extent to which they rely on local versus state tax revenue. The percentage of non-federal education funding represented by local taxes is indicated in Table 9, ranging from 15.2 percent in New Mexico to 63.9 percent in Illinois (In D.C., there is no meaningful distinction between state and local, so we omitted D.C. from this chart. We also omitted the five states for which we were obliged to extrapolate state data from district funding information.) Since charter schools often lack access to local funds, the more reliant a state is on local funding for education, the larger a revenue gap its charter schools are apt to encounter

**Chart 1:** Relationship between Local Funding and the Charter Funding Shortfall



Each state is represented by a point, with the state’s charter funding shortfall (as a percentage) on the vertical axis and the portion of school funding that comes from local sources on the horizontal axis.

Chart 1 shows the relationship between a state’s reliance on local dollars and its charter funding gap; it’s clear that the gap widens as local reliance grows. Strikingly, the three states with the lowest local share of school financing are also the three states in our study that come closest to achieving parity between district and charter funding (also see tables 6 and 9).

The line running through the points shows the overall tendency of the gap to grow as the local share grows. One way statisticians gauge how closely related two variables are is by measuring the “R-squared” of a line like the one shown in Chart 1. If all the points fell exactly on the line, the R-squared would be 1. If they were scattered randomly, it would be zero. In this case, the R-squared is 0.73, a strong correlation.

Several states in our study deny charter schools access to local funds but seek to make up the difference by providing them with extra state funding. As Table 9a shows, with one exception, charter schools in every state received a higher percentage of their revenue from state sources than did district-operated schools. In some cases, the percentages were strikingly higher. (The one exception—Illinois—is an anomaly. There charter schools receive most of their funding from school districts, so almost all of it is counted as “local” even if the district originally received the money from the state before passing it on to the charter school.)

Ohio is a good example of this phenomenon. Like many states, Ohio defines a “foundation” level of funding for public schools. For school districts, this amount is actually funded by both state and local tax dollars, based on each district’s ability to pay—wealthier districts receive less of the total foundation amount from the state and generate more of it themselves. Since Ohio charter schools receive no local funds, however, the state provides *all* of the foundation funds to charter schools. In essence, the state tries to make up for the absence of local funds for the charter schools.

But here’s the rub: The local portion of the foundation amount is not the only local funding coming into school districts. Districts can and do levy additional taxes to pay for facilities and operational costs that exceed the dollars received from the foundation level. Since charter schools lack access to these additional local funds, they are still funded at a disadvantage in Ohio, despite the state’s effort to “make up the difference.”

**Table 9a:** State Revenue as a Percentage of Total Revenue, District vs. Charter Schools, 2002-03

State	District Schools	Charter Schools
Georgia (estimated)	N/A	N/A
South Carolina (estimated)	44.1%	N/A
Ohio (estimated)	44.9%	N/A
Wisconsin (estimated)	53.0%	N/A
California (estimated)	58.5%	N/A
Illinois	30.0%	6.4%
New York	46.0%	50.2%
North Carolina	60.3%	63.2%
Colorado	36.1%	71.5%
Florida	45.3%	75.9%
Texas	37.9%	79.0%
New Mexico	67.4%	79.1%
Arizona	44.3%	80.2%
Minnesota	72.7%	80.6%
Washington, D.C.	67.1%	81.2%
Missouri	34.4%	82.4%
Michigan	63.7%	89.4%
<b>State Average</b>	<b>50.4%</b>	<b>69.9%</b>

As the data in this report make clear, policymakers in most states fail to make up the difference, even though sometimes they appear to have tried. They do not actually ensure that charter schools receive a fair share of public revenue. Property taxes are the core of public revenue received from local funding; most states use property taxes as the primary source of local funding for public education. (Michigan, one of the notable exceptions, changed its property tax-based education funding system in 1994 to a series of sales and use taxes.) Thus, in order to achieve fair funding for charter schools, policymakers must wrestle with the question, “To whom does local funding really belong, the district or the children?”

Broadly, there are two answers. One is to think of local tax dollars as belonging to local school boards, which are elected (in most places) by the citizens to oversee public education. Following this reasoning, directing local tax dollars to charter schools (at least those not authorized by local school boards) would be problematic—these charter schools do not report to local school boards, so one could argue that sending local tax dollars to them is effectively “taxation without representation.”

A better, and in our view fairer, approach is to think of local taxes as being assessed for the purpose of educating the children who reside in that local jurisdiction—no matter what school they attend. The money, in essence, “belongs” to the children. If, under a duly enacted state policy, families choose to send their children to public charter schools, it’s only fair for all of their funding to “follow” them there. Any other policy treats some public school students differently from others and is thus unfair.

Posing this debate in such philosophical terms, of course, minimizes the driving force behind these decisions, which is politics. Every state has a unique school funding history, but almost everywhere, state policymakers have been pressed by local districts to minimize the amount of funding, especially local funding, that flows to charter schools. In many states, the political compromises underlying the charter law incorporated funding decisions that yield inequitable results. The state of charter school funding today reflects the outcome of such compromises.

### The importance of local education agency (LEA) status

An important factor in school funding is the designation of “local education agency” (LEA). States generally designate traditional school districts as LEAs, which is a legal construct that makes them eligible to receive and spend revenues from a multitude of sources. States differ widely, however, in whether and how they treat charter schools as LEAs for funding purposes. Table 10 shows how states approach this issue. A black Y indi-

cates that a state’s charters are always treated as LEAs for funding purposes. A white N indicates that charters are never considered LEAs for funding purposes. A grey P means charters are sometimes considered LEAs for specific streams of funding (e.g., federal revenue) or that only certain charters are considered to be LEAs, typically those not sponsored by local school boards.

**Table 10:** LEA Status of Charter Schools, by State

State	Are Charter Schools Treated as LEAs? (Yes = black, Partial = grey, No = white)
Arizona	P
California	P
Colorado	P
District of Columbia	Y
Florida	N
Georgia	N
Illinois	N
Michigan	Y
Minnesota	Y
Missouri	N
New Mexico	N
New York	P
North Carolina	P
Ohio	Y
South Carolina	N
Texas	P
Wisconsin	P

Only the District of Columbia, Michigan, Minnesota, and Ohio consistently treat each charter school as an LEA. Lack of LEA status exacerbated funding disparities in many of the states studied. When money flows through existing LEAs, many of them retain dollars as compensation for their administrative expenses, even when charters do not want or need those services.

These overhead charges widen the funding disparities between districts and charters. In addition, when funding flows through LEAs, it often complicates the process, resulting in delays or confusion.

States have authority, particularly regarding federal Title I dollars, to restrict the funding distribution only to LEAs. Some federal and state dollars are withheld from charters even when charter students are technically eligible for the programs that generate those dollars.

### State statutes vs. state practice

As both Table 8 and the discussion above make clear, an important source of the district-charter funding gap is that so many states, in so many aspects of school funding, treat charters differently in *statute* than in *practice*. There are many reasons for this, including the nature of state funding formulas and the bureaucracies that oversee them, much of which we explore in detail in the state chapters that follow.

### Finding 4: Quality Data are Often Unavailable

We assigned ratings to each state based on the quality of school finance data available for this type of analysis. We judged data availability according to ease of access to the information needed for this study and others like it. The results are displayed in Table 11. A rating of “Yes” means either that all information was available through web sources or that it was provided upon request by state departments of education. “Partial” means some but not all of the data needed for this study were available either through web sources or through state departments of education, and “No” means the data were not available from either place.

Table 11 displays the results separately for charter and district data. For district school data, eight states received a “Yes,” and eight others received a “Partial.” For charter school data, only six states merited a “Yes,” with five receiving a “Partial” and six receiving a “No.”

All the states in the study were contacted numerous times in pursuit of the data needed for our study. Many were responsive to our requests, even going so far as to instruct the researchers on filing Freedom of Information Act (FOIA) requests to obtain the necessary data. Nonetheless, the data were extremely difficult to gather for this study, even though we used a baseline year of FY 2002-03, offering ample time for states to have compiled and reported the data.

**Table 11:** Data Quality by State

State	State provides easy access to detailed data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	State provides easy access to data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)
AZ	Y	Y
CA	P	N
CO	P	N
DC	P	Y
FL	P	N
GA	N	N
IL	P	P
MI	Y	Y
MN	Y	Y
MO	Y	Y
NC	Y	N
NM	Y	Y
NY	P	P
OH	P	P
SC	Y	N
TX	P	P
WI	Y	P



# Policy Issues and Implications

by Sheree Speakman and Bryan Hassel

The issues surrounding school finance are arcane and fill many books. Charter schools are but part of a vast and complex picture. The present analysis, however, should open a number of related charter issues for further analysis. Here we examine two of these, regarding the overall charter school policy climate and regional patterns in charter and district school funding.

## The Charter Policy Climate

The Center for Education Reform (CER) and the Thomas B. Fordham Institute are two prominent sources of analysis of the charter-school policy “climate.” CER’s annual rating of charter laws grades states against a specific rubric of policy, funding, and autonomy important to the long-term operating success of charters. The Fordham Institute completed its study of charter authorizing in 2003, grading states on the quality of their charter policy environment and their practice of charter school authorizing. CER’s and Fordham’s grades are shown in Table 12, alongside the grades from this study. (We examined only states with reasonable amounts of chartering activity. Hence states with grades below C in CER’s ratings were not included.)

We find no clear correlation between the fairness of a state’s funding system and its overall policy climate as gauged by CER and Fordham. There are many states, such as Arizona, that do well under one ranking (“A” from CER) but poorly under another (“L” for Large Gap from this study). This diversity reflects the complexity of charter policymaking and the political compromises that get struck in different states.

One clear pattern emerges, however: Few states get high marks across the board. For simplicity, consider just the CER and funding ratings. Only Minnesota received the highest grade on both rankings. Just two other states (Michigan and New Mexico) received the

**Table 12:** Comparative Ratings across Three Charter School Studies

State	Policy	Authorizing	Funding Gap
AZ	A	B	L
CA	B	D+	S
CO	B	C–	L
DC	A	B–	L
FL	B	C+	M
GA	C	–	S
IL	C	B–	L
MI	A	B–	M
MN	A	C–	AP
MO	B	C	S
NC	B	B	M
NM	B	D	AP
NY	B	B–	L
OH	B	B–	S
SC	C	–	S
TX	B	B+	M
WI	B	B	S

Sources: “Policy” grades reflect the Center for Education Reform’s 2004 rankings of the “strength” of state charter laws. “Authorizing” grades reflect the Thomas B. Fordham Institute’s 2003 evaluation of the policy environment, authorizer practices, and quality of oversight in each state. “Funding Gap” grades are the ratings given to states in the present study, ranked according to the percentage disparity between district and charter PPR. The rating categories are: Approaching Parity (AP); Moderate Gap (M); Large Gap (L); and Severe Gap (S).

highest grade in one and the second highest in the other. Three additional states got the second highest marks in both systems. The rest—11 jurisdictions—are in the bottom categories of at least one of the ratings schemes.

In short, few states can boast a robust charter climate across the board. Almost 15 years into the charter-school experiment, it is difficult to find a place where the charter ideal has been fully put into policy and practice.

## Regional Patterns

**Table 13:** Regional Differences: District School PPR vs. Charter School PPR, 2002-03

Region	District PPR	Charter PPR	Variance	% Variance
West	\$7,811	\$5,781	\$2,030	26.0%
South	\$7,922	\$6,708	\$1,214	15.3%
Midwest	\$9,079	\$6,441	\$2,639	29.1%
Great Lakes	\$9,519	\$8,153	\$1,366	14.3%
East	\$14,718	\$11,567	\$3,152	21.4%

Note: States were sorted as follows into regions: West (AZ, CA, CO, NM); South (GA, FL, NC, SC, TX); Midwest (IL, MO, OH); Great Lakes (MI, MN, WI) and East (DC, NY). Averages in this table are weighted by charter enrollments.

Anyone considering starting a charter school or expanding an existing charter model to new states must understand the amount of funding that will be available for the school. As Table 13 shows, this funding varies somewhat by region. The largest dollar gap is found in the East, though overall spending levels are also higher in those states. In percentage terms, the West and Midwest have the widest gaps, with relatively smaller gaps in the

South and Great Lakes regions. These egregious gaps discourage the creation of new charter schools, and policymakers should strive to eliminate them.

The potential problems for charter school operators become even more obvious when the states are arranged according to the amount of charter school funding (per pupil), as in Table 14. The dollars reported range from \$4,835 to \$12,565, a potentially dramatic difference to any school. Funding levels may partially predict how many new charter schools will be opened. Improving the parity between charter and district funding should spur more new school openings and create more educational options for families.

Increasingly, we see organizations—Education Management Organizations (EMOs), Charter Management Organizations (CMOs)—that seek to operate networks of charter schools across a state, a region, even the whole nation. It is reasonable to predict more of this activity, as many authorizers appear increasingly eager to grant charters to operators with a proven track record of success. Major foundations want to support that kind of replication, and entrepreneurs are keen to use the charter mechanism to create what we might term “virtual” school districts that cut across traditional geographic bounds. As these networks grow, however, they must contend with state and regional funding differences. A state with a high absolute level of charter per-pupil funding—even if it is less than the state’s district funding—is apt to be more attractive to expanding networks. Different charter models have different cost structures, to be sure, and different regions have cost-of-living differences, so this consideration is more important to some networks than it is to others. But no charter operator, large or small, can afford to ignore the funding realities of the state or states in which it seeks to run schools.

## Conclusion

This study represents the first attempt to quantify the gap in revenue between school districts and charter schools across a large number of jurisdictions using a



**Table 14:** The District-Charter Funding Gap, with States Ranked by Charter Per-Pupil Revenue, 2002-03

State	District PPR	Charter PPR	Variance	% Variance
California (est.)	\$7,058	\$4,835	(\$2,223)	-31.5%
Georgia (est.)	\$7,406	\$5,125	(\$2,281)	-30.8%
South Carolina (est.)	\$8,743	\$5,289	(\$3,453)	-39.5%
Ohio (est.)	\$8,193	\$5,629	(\$2,564)	-31.3%
Arizona	\$8,503	\$6,771	(\$1,732)	-20.4%
Illinois	\$8,801	\$6,779	(\$2,023)	-23.0%
Florida	\$7,831	\$6,936	(\$896)	-11.4%
North Carolina	\$7,465	\$7,051	(\$414)	-5.5%
Wisconsin (est.)	\$10,283	\$7,250	(\$3,034)	-29.5%
Texas	\$8,456	\$7,300	(\$1,155)	-13.7%
Michigan	\$9,199	\$8,031	(\$1,169)	-12.7%
Colorado	\$10,270	\$8,363	(\$1,908)	-18.6%
New Mexico	\$9,020	\$8,589	(\$430)	-4.8%
Missouri	\$12,640	\$9,003	(\$3,638)	-28.8%
Minnesota	\$10,056	\$10,302	\$245	2.4%
New York	\$13,291	\$10,548	(\$2,743)	-20.6%
Washington D.C.	\$16,117	\$12,565	(\$3,552)	-22.0%

In California, Georgia, Ohio, South Carolina, and Wisconsin, we were unable to obtain statewide data on both charter and district revenues. In those states, we used reliable datasets from large districts as a proxy. Using the district data on per-pupil spending in traditional and charter schools, we extrapolated these results to statewide average PPR. Full details on this procedure appear in the methodology section and the state chapters.

common method of data-gathering and analysis. But it is only the first step in acquiring the knowledge that America should demand on this topic. We need better data about both charter and district revenue in order to make future analyses sharper.

Improved data, however, are not likely to change the basic picture painted by this study, which is one of large

gaps between district and charter school funding. So a priority for future research and action is to find solutions, in policy and practice, to these inequities. By pointing out the factors, such as states' reliance on local funding, that contribute to these gaps, we hope this study lays the groundwork for additional inquiry on this, the next frontier of school finance inequity.

<sup>i</sup> "The Charter School Dust-Up: Examining the Evidence on Enrollment and Achievement," Economic Policy Institute, March 2005; available at [http://www.epinet.org/content.cfm/book\\_charter\\_school](http://www.epinet.org/content.cfm/book_charter_school).

<sup>ii</sup> "Evaluation of the Public Charter Schools Program: Final Report," SRI International, July 2004; available at [http://www.sri.com:8000/policy/cep/choice/PCSP\\_FinalReport\\_2004\\_OPA\\_approved.pdf](http://www.sri.com:8000/policy/cep/choice/PCSP_FinalReport_2004_OPA_approved.pdf).



# **Individual State Reports**



# Arizona

## Summary and Highlights

This snapshot examines the revenue sources<sup>1</sup> and funding equity of district schools and charter schools in Arizona and, in particular, Maricopa County (Phoenix and environs) during FY 2002-03 (Figure 1).

### Highlights of our findings:

- The 446 charter schools in Arizona, on average, received \$6,771 in revenue per pupil compared to \$8,503 in revenue per pupil for district schools—a difference of \$1,732 or 20.4 percent (Figure 2).
- The 147 charter schools in Maricopa County (encompassing multiple school systems) received, on average, \$6,389 in revenue per pupil compared to \$8,743 in revenue per pupil for district schools—a difference of \$2,354 or 26.9 percent (Figure 2).
- Charter schools in Arizona serve approximately 7 percent of public school students but receive only 6 percent of total public school revenues.

### The primary reasons for these funding disparities:

- Arizona charter schools do not receive revenues for facilities and debt service that are available to district schools. These two sources accounted for \$1,662 per pupil statewide and \$2,086 per pupil in Maricopa County in 2002-03.
- District schools in Arizona received approximately 50 percent of their revenue from county and local sources that are not available to charter schools

### Additional points:

- Arizona charter schools received a greater portion of their revenue from state sources, as the state funding formula aims to offset the fiscal impact of not having access to local revenue.
- Differences between the student populations of charter and district public schools in Arizona did not appear to account for differences in funding.

**Figure 1: District and Charter School Revenues and Enrollments**

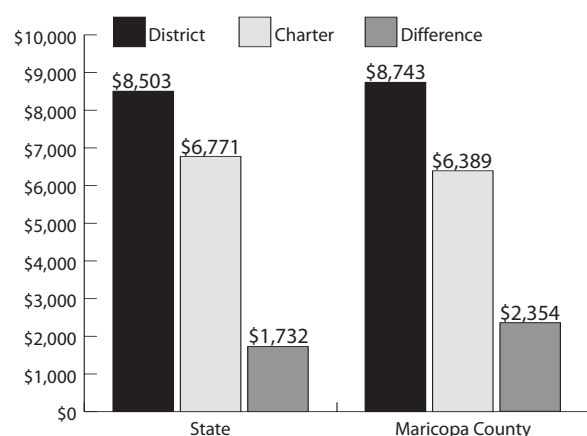
Arizona (2002-03)	STATEWIDE		MARICOPA COUNTY	
Per-Pupil Revenue				
District	\$8,503		\$8,743	
Charter	\$6,771		\$6,389 <sup>2</sup>	
Difference	(\$1,732) (20.4%)		(\$2,354) <sup>3</sup> (26.9%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter
Federal <sup>4</sup>	\$1,003	\$893	\$751	\$523
State	\$3,770	\$5,428	\$3,618	\$5,525
County	\$200	\$33	\$219	\$5
Local	\$3,530	\$417	\$4,155	\$336
Total	\$8,503	\$6,771	\$8,743	\$6,389 <sup>2</sup>
Enrollment				
District	839,865 (92.6%)		509,334 (92.3%)	
Charter	66,958 (7.4%)		42,719 (7.7%)	
Number of Charters	446 <sup>5</sup>		147 <sup>6</sup>	
Total Revenue <sup>7</sup>				
District	\$7,141,590,596 (94.0%)		\$4,453,140,613 (94.2%)	
Charter	\$453,376,925 (6.0%)		\$272,934,478 (5.8%)	
Total	\$7,594,967,521		\$4,726,075,091	
Percentage of Revenue by Source	District	Charter	District	Charter
Federal	11.8%	13.2%	8.6%	8.2%
State	44.3%	80.2%	41.4%	86.5%
County	2.3%	0.5%	2.5%	0.1%
Local	41.5%	6.2%	47.5%	5.2%
Change in district school funding if subjected to charter funding structure				
	(\$1.5 billion)		(\$1.2 billion)	

## How Arizona Funds its District Schools

Arizona public schools are funded based on a per-pupil formula that provides foundation funding and additional revenue based on school size and/or whether the pupil is enrolled in grades K-8 or 9-12. Other revenue is available for students who qualify for various state and federal programs (e.g., special education, Title I, free and reduced price lunch). In FY 2002-03, district schools

and charter schools received a base level amount of \$2,754 per pupil. District schools received an additional \$34 per pupil in teacher compensation revenue; \$226 to \$329 per pupil (depending upon enrollment and grade level) for capital outlay revenue<sup>8</sup>; and \$194 to \$272 (depending upon enrollment) in “soft capital” revenue (for capital outlays) for a total of \$3,208 to \$3,390 (depending on enrollment and grade level) in state per-pupil revenue.<sup>9</sup> State program grants beyond the foundation funding bring the average state funding for district schools to \$3,770 per pupil.”

**Figure 2: Per-Pupil Revenue for Arizona District vs. Charter Schools, FY 2002-03**



## How Arizona Funds Its Charter Schools

In addition to the base level amount of \$2,754 per pupil from the state, charter schools received additional assistance of \$1,253 for K-8 pupils and \$1,461 for 9-12 pupils for a total of \$4,007 to \$4,215 (depending upon grade level) in state per-pupil revenue. State program grants contribute the remainder of the \$5,428 charters receive per pupil from state sources. Note that charter schools receive a greater portion of their revenue from state sources to offset the fiscal impact of not having access to local revenue from property taxes and bond measures.

## Facility Funding

Arizona provides little facilities assistance to charter schools. The Arizona Department of Education is

required to publish a list of vacant buildings owned by the state and school districts that are “suitable” for use by charter schools.<sup>10</sup> While charter schools can utilize these facilities “free of charge,” the charter school is responsible for all expenses and maintenance. Few charter schools actually use district facilities. District public schools, on the other hand, rely on county governments to issue and repay bonds for school construction, maintenance, and renovation. State policies pertaining to charter school funding are presented below (Figure 3).

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X <sup>11</sup>
Charter schools are eligible for local funding		X	
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows districts to withhold funding from charter schools for providing administrative services	X <sup>12</sup>		
State “holds harmless” district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X <sup>13</sup>		
School is considered LEA if authorized by district		X	
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X <sup>14</sup>		

## Primary Revenue Sources for Arizona's Public Schools

District schools in Arizona receive a majority of their funding from a combination of state and local funds. Since charter schools in Arizona do not have access to local funds, they receive most of their funding from the state. The per-pupil funding formula in Arizona provides a Base Level Amount for maintenance and operations to district schools and charter schools equally based on average daily membership. This Base Level Amount is funded using a combination of state, county, and local funds. District schools receive additional funding to boost teacher compensation. In FY 2002-03, the Base Level Amount for districts and charters was \$2,754 and, for districts only, the Base Level Amount including Teacher Compensation was \$2,788.

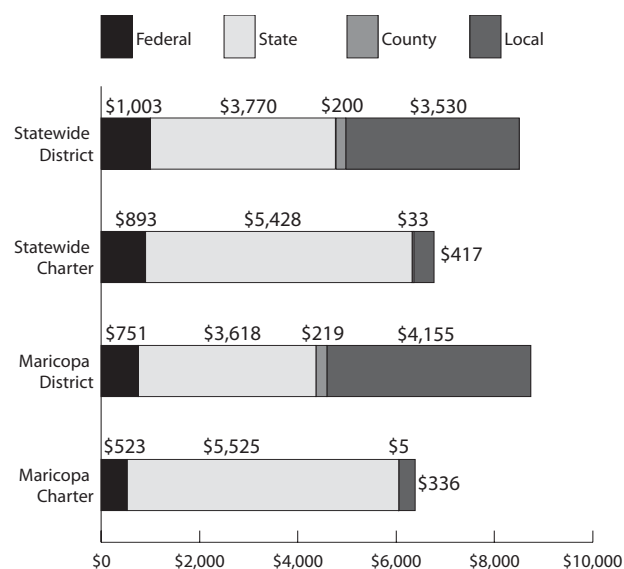
District schools in Arizona and Maricopa County received approximately 44 percent and 50 percent of their revenue, respectively, from county and local sources that are not available to charter schools. Since charter schools do not benefit from local property taxes and cannot pass local bond measures to raise money, they receive a greater portion of their revenue from state sources. While these extra state payments attempt to compensate charter schools for these funding shortfalls, they do not completely resolve the discrepancy in funding.

Charter schools in Arizona rely on private grants and contributions to boost their funding. In FY 2002-03, approximately 6 percent and 5 percent of total charter school revenue throughout the state and in Maricopa County, respectively, came from such fund-raising. By contrast, private contributions to district schools were negligible. However, private funding was not sufficient to make up the shortfall in public funds experienced by charter schools in Arizona.

District schools received revenues for school facilities and debt service that were not available to charter schools. In FY 2002-03, approximately 20 percent of total district school revenue throughout the state came from these sources, accounting for \$1,662 per-pupil revenue. Facility and debt service funding are the principal reasons for the disparity in funding between district schools and charter schools. While Arizona allows charter schools to rent

vacant state buildings at no cost and provides additional state revenue to compensate for loss of local revenue, this does not completely resolve the funding differences between district and charter schools (Figure 4).

**Figure 4: Per-Pupil Revenue by Source for Arizona District vs. Charter Schools, FY 2002-03**



**Figure 5: School Characteristics<sup>15</sup>**

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	30.7%	49.3%
Percentage of schools eligible for Title I	51.0%	57.5%
Percentage of students by school type:		
Primary (K-5)	53.8%	46.4%
Middle (6-8)	16.5%	2.1%
High (9-12)	28.1%	26.3%
Other (K-12, K-8, etc.)	1.6%	25.2%

Differences between the student populations of charter and district schools in Arizona did not appear to contribute to the difference in funding. A larger percentage (49.3 percent vs. 30.7 percent) of charter school students was eligible for free or reduced price lunch, and a similar percentage (57.5 percent vs. 51.0 percent) of charter schools was Title I eligible (Figure 5).

District schools served larger percentages (28.1 percent vs. 26.3 percent) of high school students (grades 9-12) than charter schools. However, it is likely that some of the charter students classified as “Other” were grade 9-12 students. The per-pupil funding formula compensates schools that serve pupils in grades 9-12 at a higher rate than in grades K-8. In any case, these factors are not weighted significantly in the state's funding formula; charter and district schools received about \$200 and \$50 in additional state funding per grade 9-12 pupil, respectively (Figure 5).

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

Figure 6: State Scorecard

FINDINGS		Arizona
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	N
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P <sup>16</sup>
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.



## Endnotes

- <sup>1</sup> Data provided by the Arizona Department of Education (ADE) Division of Business and Financial Services via the ADE web site were analyzed for district schools and charter schools across the State of Arizona and within Maricopa County (Phoenix Metropolitan Area) for 2002-03 (FY 2003). Revenue data for 2002-03 is available through the ADE at <http://www.ade.state.az.us/schoolfinance/Reports/Default.asp#APORTop>.
- <sup>2</sup> In Maricopa County, five charter schools (Avondale Learning - \$22,125, East Valley Academy - \$19,606, Intelli-School - \$15,632, Pinnacle Education - \$27,446, and Salt River Community Schools - \$13,350) had per-pupil revenues of more than \$12,054, or two standard deviations above the state average per-pupil revenue amount of \$6,389 for charter schools. If these outliers were excluded, the state average per-pupil revenue would be \$6,248 for charter schools, a reduction of \$523 that yields a funding gap of \$2,255. At the start of this report, the statewide gap was reported at \$1,732 because none of the charters were removed from the analysis.
- <sup>3</sup> When the outliers identified above are excluded, charter schools in Maricopa County received, on average, \$2,495 or 28.5 percent less revenue per pupil than district schools. In other words, the “gap” shown in Figure 1 widens by \$141.
- <sup>4</sup> Federal revenue for charter schools includes one-time start-up grants, which are short-term revenue streams that significantly increase federal revenues per pupil over a three-year period.
- <sup>5</sup> In 2002-03, 457 charters were in operation statewide, but reliable data were available for 446.
- <sup>6</sup> In 2002-03, 158 charters were in operation in Maricopa County, but reliable data were available for 147 charters.
- <sup>7</sup> Proceeds from “Other” financing sources (e.g., property sales, bonds and loans, and transfers) were excluded from revenue totals. Payments to charter schools were removed from district revenue totals.
- <sup>8</sup> CORL (Capital Outlay Revenue Limit) portion of the per-pupil funding formula.
- <sup>9</sup> SCA (Soft Capital Allocation) portion of the per-pupil funding formula.
- <sup>10</sup> According to charter sources contacted, this list does not exist and, as far as anyone knows, this option has never been applied.
- <sup>11</sup> All state-approved charters function as local education agencies (LEAs) and receive their funding directly from the state, whereas district-sponsored charter schools receive their funding through their district.
- <sup>12</sup> As part of the contract between the local school board and the charter school, the board may withhold a negotiated portion of the funding for oversight of and providing services to the charter.
- <sup>13</sup> All state-approved charters function as local education agencies (LEAs) and receive their funding directly from the state, whereas district-sponsored charter schools receive their funding through their district.
- <sup>14</sup> Arizona charter schools are open to all students in the state. While admission requirements are not permitted, charter schools can provide preferences for enrollment to the siblings of current students and, if sponsored by the local school board, to district residents.
- <sup>15</sup> Source for school characteristic data: NCES.
- <sup>16</sup> All state-approved charters function as local education agencies (LEAs) and receive their funding directly from the state, whereas district-sponsored charter schools receive their funding through their district.

# California

## Summary and Highlights

This snapshot examines the revenue sources<sup>1</sup> and funding equity for district schools and charter schools in California and, in particular, Los Angeles and San Diego, during FY 2002-03 (Figure 1).

### Highlights of our findings:

- The 49 charter schools in Los Angeles received 29.0 percent less funding than district schools: \$5,653 vs. \$7,960 per pupil, a difference of \$2,307 (Figure 2).
- 20 charter schools in San Diego charter schools received 40.4 percent less funding than district schools: \$4,964 vs. \$8,333 per pupil, a difference of \$3,369 (Figure 2).

**Figure 1:** District and Charter School Revenues and Enrollments

California (2002-03)	STATEWIDE		LOS ANGELES		SAN DIEGO	
Per-Pupil Revenue						
District	\$7,058		\$7,960		\$8,333	
Charter	est. \$4,835 <sup>3</sup>		\$5,653		\$4,964	
Difference	est. (\$2,223) <sup>4</sup> est. (31.5%)		(\$2,307) (29.0%)		(\$3,369) (40.4%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal <sup>5</sup>	\$543	N/A	\$812	\$323	\$920	\$360
State	\$4,128	N/A	\$5,527	\$3,698	\$3,825	\$2,006
Local	\$2,387	N/A	\$1,620	\$1,631	\$3,588	\$2,598
Total	\$7,058	est. \$4,835	\$7,960	\$5,653	\$8,333	\$4,964
Enrollment						
District	6,087,707 (97.5%)		715,883 (95.9%)		131,865 (93.7%)	
Charter	156,696 (2.5%)		30,969 (4.1%)		8,888 (6.3%)	
Number of Charters	408		49		20	
Total Revenue						
District	\$42,969,133,360 est. (98.3%)		\$5,698,381,000 (97.0%)		\$1,098,827,733 (96.1%)	
Charter	est. \$757,619,832 est. (1.7%)		\$175,053,000 (3.0%)		\$44,117,947 (3.9%)	
Total	est. \$43,726,753,192		\$5,873,434,000		\$1,142,945,680	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	7.7%	N/A	10.2%	5.7%	11.0%	7.3%
State	58.5%	N/A	69.4%	65.4%	45.9%	40.4%
Local	33.8%	N/A	20.4%	28.9%	43.1%	52.3%
Change in district school funding if subjected to charter funding structure						
	est. (\$13.5 billion)		(\$1.7 billion)		(\$444.3 million)	

Note: Italicized figures marked with "est." (estimated) are extrapolated statewide based on district data.

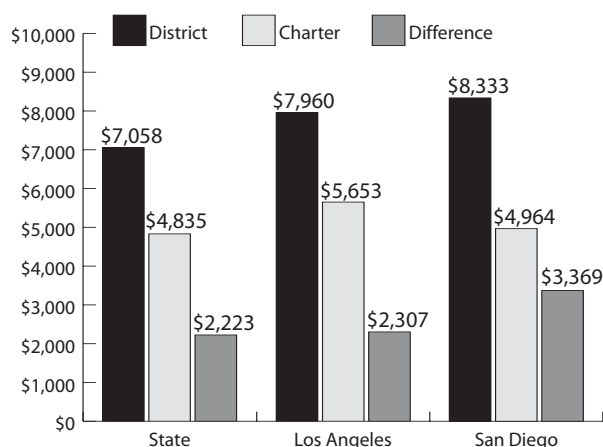
- Due to data quality and collection issues in California for 2002-03, an accurate statewide total for charter school revenue could not be determined. Based on the Los Angeles and San Diego data, the authors extrapolated that the 408 charter schools in California received 31.5 percent less revenue than district schools statewide, resulting in a gap of \$2,223 compared with district schools statewide.<sup>2</sup>

### The primary reasons for these funding disparities:

- California charters had a lower participation rate in eight relatively large federal and state categorical programs. Charters did not receive these funds as part of their Categorical Block Grant and were required to apply for them separately.
- Charter schools do not typically benefit from bonds or other local revenues. However, charters receive funding in lieu of local property taxes as part of the state funding formula.

**Figure 2:** Per-Pupil Revenue for California District vs. Charter Schools, FY 2002-03

(Note: statewide charter figures are extrapolated from district figures)



## How California Funds Its District Schools

Funding for California district schools comes from federal programs, state income and sales taxes, local property taxes, the California State Lottery, and other local sources. Each year, the legislature determines the amount of state revenues and local property taxes that are budgeted for public education.

California public schools are funded based on a per-pupil formula that provides a base amount weighted by grade level. This general purpose aid accounts for approximately two-thirds of the total money for education in California. In 2002-03, the K-12 Base Revenue Limit per student was \$4,739. The Base Revenue Limit is then adjusted based on a variety of factors to determine the total revenue limit, which is funded through a combination of state and local funds. In 2002-03, that limit ranged from \$4,345 to more than \$8,200 per student, according to an analysis by the *Fresno Bee*.<sup>6</sup> Additional categorical program revenue is available for students who qualify for various state and federal programs (e.g., Special Education, Title I, Free & Reduced Lunch, Economic Impact Aid).<sup>7</sup>

## How California Funds Its Charter Schools

California charter legislation mandates that charter schools receive 100 percent of state and district operations funding, based on enrollment, in the form of a General Purpose Entitlement and a Categorical Block Grant. In 1999, the legislature streamlined the process by which charter schools receive their state funding. Previously, each had to negotiate with its authorizer for its share of funding on a program-by-program basis. Current state policies pertaining to charter school funding are presented below (Figure 3).

Today, charter schools receive state funds through four funding streams.

### ■ Revenue Limit Funding

Charter schools receive revenue limit funding equal to the average revenue limit of all district schools in the state. In 2002-03, the Base Revenue Limit for charters was \$4,512 per pupil for K-3, \$4,578 for 4-6, \$4,705 for 7-8, and \$5,463 for 9-12. The base revenue limit is calculated annually and is often referred to as a general purpose entitlement that charter schools may spend at their discretion.

### ■ Categorical Block Grant

In lieu of applying separately for certain categorical programs, charter schools receive categorical block grant funding. Similar to the revenue limit calculation, the categorical block grant rate provides per-pupil funding equal to the average amount of funding that district schools receive in total for certain categorical programs. In 2002-03, the Categorical Block Grant for charter schools was \$198 per pupil for grades K-3, \$204 for 4-6, \$149 for 7-8, and \$189 for 9-12. Charter schools may expend categorical block grant funding at their discretion and are not bound by the specific programmatic requirements that district schools must follow for each categorical program included within the block grant.

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X <sup>8</sup>
Charter schools are eligible for local funding			X <sup>9</sup>
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)			X <sup>10</sup>
Charter schools receive differential funding	X		
State allows districts to withhold funding from charter schools for providing administrative services			X <sup>11</sup>
State “holds harmless” district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district			X <sup>12</sup>
Cap on number of charter schools	X <sup>13</sup>		
Cap on number of charter schools authorized per year	X <sup>14</sup>		
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X <sup>15</sup>		

### ■ Economic Impact Aid

Charter schools receive a single rate equivalent to the statewide average per-pupil funding provided to district schools for Economic Impact Aid (EIA). In 2002-03, eligible students received \$109. Unlike other sources of revenue, EIA funds must be spent on services that benefit economically disadvantaged or English language learner students.

### ■ Other Categorical Programs

Charter schools also may apply separately for categorical programs not included in the categorical block grant. Many of the state’s largest categorical programs, such as Class Size Reduction (CSR), are not included in the block grant. But charter schools may apply for those funds and for other categorical money from the state or the federal government. Like district schools, charter schools that apply for these categorical programs are required to abide by all associated programmatic requirements. Some charter schools receive substantially less funding than other schools serving comparable populations, in part because charters don’t always apply for these programs funds due to complex application and reporting requirements.

Charter schools typically do not benefit from bonds or other local revenues. However, they receive funding in lieu of property taxes as part of the state funding formula. Many charter schools rely on independent fundraising, grants, and corporate sponsors to try to make up the difference.

### Facility Funding

California passed legislation in 2000 that required districts to provide facilities to charter schools operating within their jurisdictions by 2003-04. Additional state funds were also mandated for charter school facilities projects and \$400 million out of the state facilities bond was specifically earmarked for charter schools. Proposition 39 and Senate Bill 740 require a district to make facilities available to any charter schools in the district that serve a minimum of 80 district students. These facilities must be reasonably equivalent to those used by district public schools and must be sufficient to accommodate all their classroom-based students. This requirement must be met even if unused facilities are not available and the district would incur costs to provide the facilities. While districts are not required to spend general discretionary revenues to provide charter schools with facilities, the district is allowed to charge

the associated charter schools a facility fee if other revenue sources, including state and local bonds, are used.

As of 2002-03, most charter schools had yet to receive facilities from districts under these new laws. Charter schools do not have access to similar revenue sources for facilities as district schools, which pay for facilities by issuing bonds. They also lack access to district capital resources for school improvements or building of new facilities.

## Primary Revenue Sources for California's Public Schools

District schools and charter schools receive the majority of their revenue from state education dollars and local property taxes. In each of the districts studied, however, charter schools received less revenue from state and/or local sources than district schools. To compensate for this, charter schools in California rely on fundraising efforts, private grants, and contributions to boost their funding. According to RAND Education, charter schools in California received approximately \$433 in private funding per pupil vs. \$83 for district schools.<sup>16</sup> In FY 2003, approximately 3 percent of total charter school revenue in Los Angeles Unified came from this source. By contrast, private contributions to district schools were negligible. However, private funding was nowhere near sufficient to make up the shortfall in government funds experienced by charter schools in California.

When total revenue dollars are compared to enrollments for district schools and charter schools, both at the state and district levels, it is apparent that charters are underfunded. In every instance, charters received a percentage of total funding that was less than their percentage of total enrollment. Los Angeles charter schools serve 4.1 percent of the city's student population but receive only 3.0 percent of the revenue. San Diego charters serve 6.3 percent of the city's student population but receive only 3.9 percent of the revenue.

District schools received more general fund revenue per pupil from federal, state, and local sources than

charter schools in California. This disparity is largely due to the fact that charter schools are required to apply separately for certain state and federal categorical funding (Figure 4).<sup>17</sup> Such programs include Title I, K-3 Class Size Reduction, and Supplemental Instruction. While charters can apply separately for more than 30 such programs, many do not because of complex application and reporting requirements. In 2002-03, the funding associated with the categorical block grant represented a mere 16 percent of the total categorical funding available. According to a study by RAND Education, categorical block grant funding rates for charter schools have declined over time due to the removal of programs from the block grant, the defunding of programs initially included in the block grant, and funding reductions experienced by many programs remaining in the block grant.<sup>18</sup>

District schools in Los Angeles Unified and San Diego Unified received more general fund revenue from federal sources than charter schools. District schools received revenue from a variety of programs (e.g., ESEA/IASA, Special Education, Medical) that were not reflected in the revenue amounts that charter schools received (Figure 4).

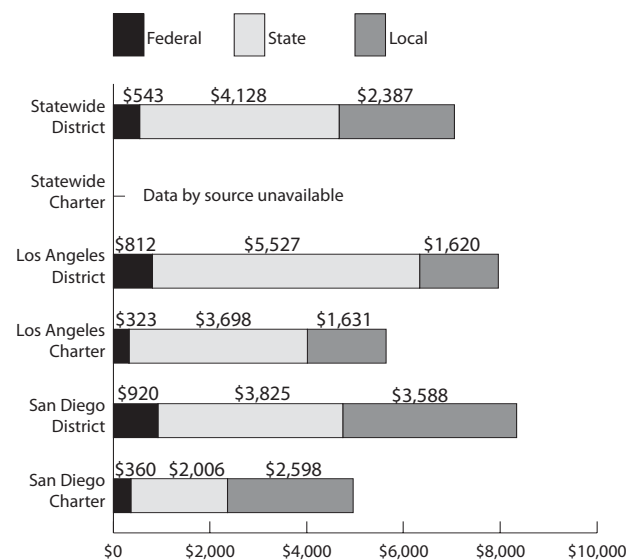
District schools in Los Angeles and San Diego also received more general fund revenue from state sources than charter schools. Charter schools received state revenue through a General Purpose Entitlement, a Categorical Block grant, and special programs based on the number of students eligible for these programs. District public schools received revenue from additional programs and block grants that were not included in the revenue amounts that charter schools received (Figure 4).

In 2002-03, facilities funding was another factor that increased the disparity between charter and district schools. While this is being addressed as the result of Proposition 39 and Senate Bill 740, which required districts to begin providing charter schools with facilities in 2003-04, a majority of start-up charter schools lease commercial facilities or privately own their facilities. Conversely, public school districts obtain facilities rev-



enue by calling bond elections, something charter schools are rarely able to do on their own.

**Figure 4: Per-Pupil Revenue by Source for California District vs. Charter Schools, FY 2002-03**



While differences between the student populations of charter and district schools in California did not appear to account fully for funding discrepancies, more district than charter students were in grades 9-12 (15.6 percent vs. 11.1 percent) (Figure 5). Grade 9-12 schools received approximately \$861 in additional funding per pupil.

**Figure 5: School Characteristics<sup>19</sup>**

	L.A. & S.D. District	L.A. & S.D. Charter
Percentage of students eligible for free or reduced price lunch	73.1%	67.7%
Percentage of schools eligible for Title I	83.1%	81.5%
Percentage of students by school type:		
Primary (K-5)	68.6%	66.7%
Middle (6-8)	12.0%	13.0%
High (9-12)	15.6%	11.1%
Other (K-12, K-8, etc.)	3.8%	9.3%

District schools also served a population that was slightly more at risk (83.1 percent vs. 81.5 percent of

schools eligible for Title I) and disadvantaged (73.1 percent vs. 67.7 percent of students eligible for free or reduced price lunches) than that of charter schools (Figure 5). According to EdSource, charter schools are less likely to serve students who are English language learners or come from low-income families. (Many charter schools report that they do not participate in the subsidized meal program because of the paperwork requirements involved, so some believe the latter group of students is undercounted in charter schools. However, the CalWORKS data, which report students whose families receive public support and do not depend on subsidized meal participation, present approximately the same percentage difference.)<sup>20</sup>

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

**Figure 6:** State Scorecard

FINDINGS		California
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	N
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> Data provided by the California Department of Education (CDE) Financial Accountability and Information Services were analyzed for district schools and charter schools across the State of California for 2002-03 (FY 2003). Additionally, this analysis focused on the districts of Los Angeles Unified, and San Diego Unified using data available in each of the districts' Consolidated Annual Financial Reports (CAFRs) for 2002-03. Revenue data for 2002-03 is available through the CDE at <http://www.cde.ca.gov/ds/fd/fd/> and Ed-Data at <http://www.ed-data.k12.ca.us>.

<sup>2</sup> See the endnote to Figure 1 for an explanation of this extrapolation.

<sup>3</sup> The California Department of Education was unable to provide accurate statewide revenue data for charter schools in 2002-03 since financial reporting was optional and many districts reported charter revenues as part of the general fund revenues received by the district. Initially, we used the unaudited J-Series data files for 2002-03 available from the California Department of Education, which provided the state totals for Charter Schools General Purpose Entitlements - State Aid (State); Charter Schools Categorical Block Grant (State); and Charter Schools Funding In-Lieu of Property Taxes (Local). However, due to the commingling of charter revenues with district revenues by many districts in 2002-03, the resulting per-pupil revenue statewide was less than the base revenue limit per ADA for 2002-03. (The actual amount reported by the state, using the unaudited J-Series data files for 2002-03 available from the California Department of Education, was \$3,061, which was less than the \$4,739 K-12 Base Revenue Limit per ADA for 2002-03.) Since both Los Angeles and San Diego maintained detailed records as part of a separate charter revenue fund, we extrapolated the state information based on the charters in these cities. We calculated the average per pupil revenue in those two districts, weighted by the districts' charter school enrollment, and multiplied it by the total number of charter pupils in the state. The authors acknowledge that district data may not be representative of statewide patterns due to differences between districts. This extrapolation, however, is the best projection possible given the data available. In Figure 1, extrapolated data is marked with "est." (estimated).

- <sup>4</sup> Actual amount reported by the state, using the unaudited J-Series data files for 2002-03 available from the California Department of Education, was \$3,998 or 56.6 percent.
- <sup>5</sup> Federal revenue includes one-time start-up grants, which are short-term revenue streams that significantly increase federal revenues per pupil over a three-year period.
- <sup>6</sup> Deb Kollars, "Obstacle course - Basic school funding rife with inequities," *Sacramento Bee*, November 30, 2003, [http://www.sacbee.com/content/news/projects/paying\\_for\\_schools/story/7876200p-8815079c.html](http://www.sacbee.com/content/news/projects/paying_for_schools/story/7876200p-8815079c.html).
- <sup>7</sup> "Understanding School Finance: California's Complex K-12 System," EdSource, February 2000
- <sup>8</sup> Charter schools can elect to receive their funding directly from the state or through their authorizing district.
- <sup>9</sup> Charter schools receive local funding as part of the state funding formula in lieu of local property tax revenues. Other types of local funds are not available to charters unless they are negotiated with the authorizer as part of the charter.
- <sup>10</sup> District public schools and charter schools receive differential funding based on the type of district (elementary, high school, or unified).
- <sup>11</sup> The chartering authority may charge for the actual costs of supervision, not to exceed 1 percent of a charter school's revenues if the charter school is providing its own facilities or 3 percent if the charter school obtains "substantially" rent-free facilities from the chartering authority.
- <sup>12</sup> Charter schools can choose to function as a local education agency or be part of a local school district.
- <sup>13</sup> California allowed the State Department of Education, county offices of education, and local public school districts to charter initially up to 750 charter schools, a number that now is increasing by up to 100 schools per year.
- <sup>14</sup> California allows the State Department of Education, county offices of education, and local public school districts to charter fewer than 100 schools per year.
- <sup>15</sup> California charter schools are open to all students in the state. While selection criteria are not permitted to be used to screen students out of the admissions lottery, charter schools can provide preference for enrollment to the siblings of current students, district residents, and at-risk students.
- <sup>16</sup> "Charter School Operations and Performance," RAND Education, 2003.
- <sup>17</sup> "Assessing California's Charter Schools," Legislative Analyst's Office, January 2004.
- <sup>18</sup> "Charter School Operations and Performance," RAND Education, 2003.
- <sup>19</sup> Source for school characteristic data: NCES. Data on free lunch eligibility, Title I eligibility, and grade levels served relate only to charter and traditional schools in the focus districts, since their data are the basis for the extrapolations performed for this state.
- <sup>20</sup> "California Charter School Student Characteristics in 2002-03," EdSource, June 2004, [http://www.edsource.org/sch\\_chart\\_diversity.cfm](http://www.edsource.org/sch_chart_diversity.cfm).



# Colorado

## Summary and Highlights

This snapshot analyzes the revenue sources<sup>1</sup> and funding levels of district schools and charter schools in Colorado and, in particular, Colorado Springs and Denver, during FY 2002-03 (Figure 1).

**Figure 1:** District and Charter School Revenues and Enrollments

Colorado (2002-03)	STATEWIDE		COLORADO SPRINGS		DENVER	
Per-Pupil Revenue						
District <sup>2</sup>	\$10,270		\$8,401		\$9,954	
Charter <sup>3</sup>	\$8,363		\$6,100		\$8,755	
Difference <sup>4</sup>	(\$1,908) (18.6%)		(\$2,301) (27.4%)		(\$1,199) (12.0%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal <sup>5</sup>	\$555	\$273	\$539	N/A <sup>6</sup>	\$1,014	\$1,482
State <sup>7</sup>	\$3,708	\$5,982	\$3,503	\$5,541	\$3,170	\$6,289
Local	\$4,539	\$1,016	\$4,336	\$559	\$5,431	\$985
Other	\$1,468	\$1,093	\$24	\$0	\$339	\$0
Total	\$10,270	\$8,363	\$8,401	\$6,100	\$9,954	\$8,755
Enrollment						
District	686,175 (96.2%)		29,007 (94.0%)		65,462 (96.5%)	
Charter	27,018 (3.8%)		1,846 (6.0%)		2,391 (3.5%)	
Number of Charters	91		5		10	
Total Revenue <sup>8</sup>						
District	\$7,047,219,656 (96.9%)		\$243,686,693 (95.6%)		\$651,593,494 (96.9%)	
Charter	\$225,945,244 (3.1%)		\$11,260,449 (4.4%)		\$20,933,743 (3.1%)	
Total	\$7,273,164,899		\$254,947,142		\$672,527,237	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	5.4%	3.3%	6.4%	0.0%	10.2%	16.9%
State	36.1%	71.5%	41.7%	90.8%	31.8%	71.8%
Local	44.2%	12.1%	51.6%	9.2%	54.6%	11.2%
Other	14.3%	13.1%	0.3%	0.0%	3.4%	0.0%
Change in district school funding if subjected to charter funding structure						
	(\$1.3 billion)		(\$66.7 million)		(\$78.5 million)	

## Highlights of our findings:

- Colorado's 91 charter schools received 18.6 percent less funding than district schools: \$8,363 vs. \$10,270 per pupil, a gap of \$1,908.
- The five charter schools in Colorado Springs received 27.4 percent less funding than district schools: \$6,100 vs. \$8,401 per pupil, a gap of \$2,301.

- The 10 charter schools in Denver received 12.0 percent less funding per student than district schools: \$8,755 vs. \$9,954, a gap of \$1,199.
- Colorado charters served 3.8 percent of the state's student population but received only 3.1 percent of total revenue. Colorado Springs charters served 6.0 percent of the city's student population but received just 4.4 percent of the revenue. Denver charters served 3.5 percent of the city's student population and received 3.1 percent of the revenue.

## The primary reasons for these funding disparities:

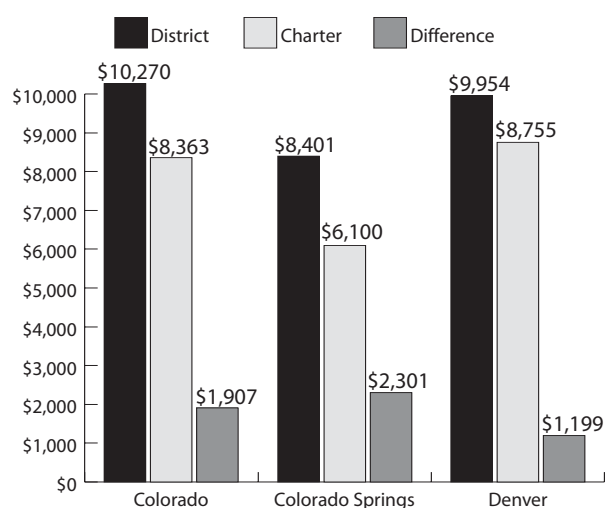
- Colorado charter schools do not have access to additional local funding available to district schools that is raised through voter-approved tax overrides.
- Charter schools, on average, received \$1,280 per pupil less than district schools in local property and specific ownership taxes (\$5,768 vs. \$7,048).

## Additional point:

- Differences in student demographics between charters and

district public schools do not appear to account for the difference in funding.

**Figure 2: Per-Pupil Revenue for Colorado District vs. Charter Schools, FY 2002-03**



## How Colorado Funds Its District Schools

Colorado public schools are funded based on a formula that provides a base per-pupil amount plus additional revenue to recognize district-specific variances in cost of living, personnel costs, size, and percentage of At Risk pupils.<sup>9</sup> In FY 2002-03, the base amount of funding was \$4,442 and guaranteed total program funding was at least \$5,435 per pupil.<sup>10</sup> For each At Risk pupil, districts received funding equal to at least 11.5 percent, but no more than 30 percent, of their total per-pupil funding.

Total program revenue is funded through a local share (e.g., property and specific ownership (vehicle) taxes) and state supplemental arrangements designed to fill any shortfalls that arise when local monies are insufficient to fully fund the total program. Annual revenue growth is limited by the district's percentage of growth in enrollment plus the rate of inflation. However, some districts have increased their revenue limit through local elections, in accordance with the Taxpayer's Bill of Rights (TABOR).

## How Colorado Funds Its Charter Schools

Colorado charter school funding is based on a minimum of 95 percent (85 percent for districts with 500 or fewer pupils) of district per-pupil funding revenue for each student enrolled in the charter school. Nonetheless, charter schools receive less than the total per-pupil program revenue that a district school receives and, in many cases, much less than the revenue that districts schools receive from local, state, and federal sources.

## Facility Funding

Unlike many states, Colorado provides several types of facilities assistance for charter schools. They may participate in proceeds from bond elections passed by their district, and districts may issue bonds on a charter school's behalf. Additionally, over \$7,000,000 of state funding has been allocated to charter schools on a per-pupil basis for capital construction. If space is available in a district facility, charter schools can utilize it at no cost other than the expenses involved in its use and maintenance. State policies pertaining to charter school funding are presented below (Figure 3).

## Primary Revenue Sources for Colorado's Public Schools

District and charter schools in Colorado receive the majority of their state and local funding through per-pupil formula funding. That process guarantees total program funding for students regardless of whether they are enrolled in district or charter schools. In 2002-03, the guaranteed total program funding was a minimum of \$5,435 per-pupil.

Charter schools in Colorado received approximately 68 percent (89 percent for charters in Denver) of their revenue based on the state's funding formula. Charter schools in Colorado (\$5,982 vs. \$3,708), Colorado Springs (\$5,541 vs. \$3,503), and Denver (\$6,289 vs. \$3,170) receive significantly more state revenue than

district schools (Figure 4). However, since there was no way to determine the local share of pass-through revenues from districts to charter schools, the entire district per-pupil revenue allocation to charters was treated as state revenue for purposes of this analysis.

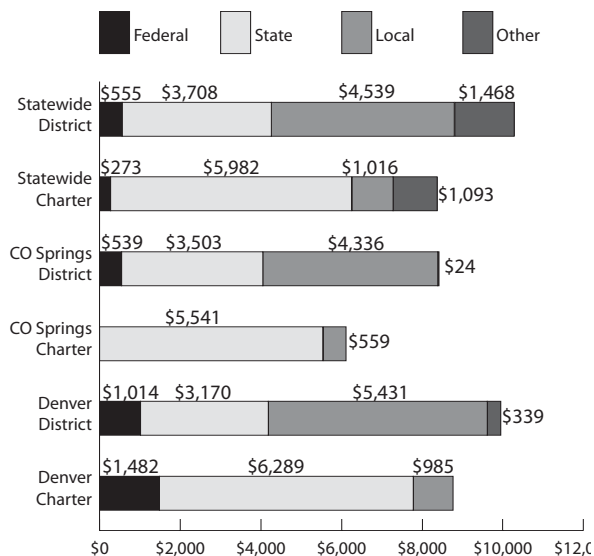
**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X <sup>11</sup>
Charter schools are eligible for local funding	X		
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)		X	
Charter schools receive differential funding		X	
State allows districts to withhold funding from charter schools for providing administrative services	X <sup>12</sup>		
State “holds harmless” district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district		X	
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X <sup>13</sup>		

When considering both the local share (property taxes and specific ownership) and the state share provisions of the funding formula, charter schools received significantly less per pupil than district schools (\$5,768 vs.

\$7,048 statewide; \$5461 vs. \$6,686 in Colorado Springs; and \$6,167 vs. \$7,390 in Denver). These sources accounted for more than two-thirds of the per-pupil revenue for both charter and district schools, so this disparity is the principal reason for the funding gap in Colorado.

**Figure 4: Per-Pupil Revenue by Source for Colorado District vs. Charter Schools, FY 2002-03**



Charter schools in Colorado rely on private grants and contributions to try to compensate for the state funding shortfall, but private funding alone will not bridge the gap.

Differences in student populations (e.g. Title I, free and reduced price lunch, and other categorical programs) of charter schools and district schools in Colorado do not appear to account for significant differences in funding. The funding formula uses the percentage of at risk and free and reduced price lunch students for the entire district in calculating the formula used for charter school funding (Figure 5).

Unlike states that use weighted factors in the state formula for different grade levels, Colorado does not provide additional funding for high school students. Consequently, even though district schools served higher percentages (28.7 percent vs. 6.9 percent) of students

in grades 9-12, this is not the reason for the disparity in funding between district and charter schools (Figure 5).

**Figure 5:** School Characteristics<sup>14</sup>

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch <sup>15</sup>	29.5%	18.7%
Percentage of schools eligible for Title I	24.7%	52.3%
Percentage of students by school type:		
Primary (K-5)	48.8%	46.9%
Middle (6-8)	21.0%	5.8%
High (9-12)	28.7%	6.9%
Other (K-12, K-8, etc.)	1.5%	40.4%

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that

**Figure 6:** State Scorecard

FINDINGS		Colorado
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	N
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> We analyzed data provided by the Colorado Department of Education (CDE), via the CDE web site, and from the Public School Finance Unit for district and charter schools across the State of Colorado and within Denver School District #1 and Colorado Springs School District #11 for 2002-03 (FY 2003). Revenue data for 2002-03 are available through the CDE at <http://www.cde.state.co.us/cdefinance/FY02-03RevExp.htm>.

<sup>2</sup> Statewide, six districts (Hanover - \$35,535, Hinsdale - \$22,138, Aguilar - \$41,028, Park - \$25,800, Silverton - \$20,047, and Telluride - \$35,197) had per-pupil revenues of more than \$19,559, or two standard deviations, above the state average per-pupil revenue of \$10,270. If these outliers were excluded, the state average per-pupil revenue for district schools would be \$10,221 (just \$49 lower).

<sup>3</sup> Statewide, three districts had charter schools (Brighton - \$16,325, Strasburg - \$18,305, and Steamboat Springs - \$16,605) with per-pupil revenues of more than \$14,669, or two standard deviations, above the state average per-pupil revenue (\$8,363) for charter schools. If these outliers were excluded, the state average per-pupil revenue would be \$8,065 for charter schools, which would widen the charter-district funding gap from \$1,907 to \$2,205.

<sup>4</sup> Statewide, charter schools received, on average, \$2,156 or 21.1 percent less revenue per pupil than district schools, when both the district and charter outliers identified above are excluded.

<sup>5</sup> Federal revenue includes one-time start-up grants that are short-term revenue streams that significantly increase federal revenues per pupil over a three-year period.

<sup>6</sup> Colorado Springs did not report any revenue from federal sources for its charters in 2002-03. It is likely that any federal funds that charters received were commingled in the amounts reported for the district.

<sup>7</sup> All per-pupil revenue allocated to charter schools by their sponsoring districts was considered state revenue since there was no way to accurately determine the local versus the state share.

<sup>8</sup> Proceeds from “other” financing sources (e.g., property sales, bonds and loans, and transfers) were excluded from revenue totals. Payments to charter schools were removed from district revenue totals.

<sup>9</sup> The total funding for a given district is the sum of its At-Risk Funding and its Per-Pupil Funding level, times the Funded Pupil Count. The actual formula is as follows:

$$\text{District Total Program} = (\text{Per-Pupil Funding} \times \text{Funded Pupil Count}) + \text{At-Risk Funding}$$

The Per-Pupil Funding level is the statewide funding base, adjusted by the district's personnel costs factor, the cost of living factor, and its size factor. The actual formula is as follows:

$$\text{Per-Pupil Funding} = [(\text{Base} \times \text{Personnel Costs Factor} \times \text{Cost of Living Factor}) + (\text{Base} \times \text{Nonpersonnel Costs Factor})] \times \text{Size Factor}$$

At-Risk Funding is determined by the following formula:

$$\text{At-Risk Funding} = \text{number of At-Risk Pupils} \times \text{At-Risk Factor} \times \text{Per-Pupil Funding}$$

For more information see:

[http://www.ncsl.org/programs/educ/ed\\_finance/index.cfm#test](http://www.ncsl.org/programs/educ/ed_finance/index.cfm#test)

<sup>10</sup> In addition to the per-pupil formula funding which is used to determine the total program funding, the total program is used to determine the district's local share through local property and specific ownership (vehicle registration) taxes. If these sources are not sufficient to fully fund the total program the state provides the additional funding necessary. Charter schools in Colorado are funded based on their district's per-pupil formula funding amount. For districts with more than 500 pupils, charter schools receive a minimum of 95 percent (85 percent for districts with 500 or fewer pupils) of their district's per-pupil formula funding amount.

<sup>11</sup> All state-approved charters receive their funding from the State Charter School Institute, whereas charter schools that are part of a local public school district receive their funding through their district.

<sup>12</sup> As part of the contract between the local school board and the charter school, the former may withhold an amount equal to less than 5 percent (15 percent for districts with 500 or fewer students) of the per-pupil revenue for specified administrative costs based on actual district spending as reported to the state.

<sup>13</sup> Colorado charter schools are available to all students in the state. While admission requirements are not permitted, charter schools can provide preference for enrollment to district residents and to low achieving students.

<sup>14</sup> Source for school characteristic data: NCES.

<sup>15</sup> Since some schools choose not to participate in the free and reduced price lunch program even though they enroll significant numbers of low-income children, this comparison excludes district and charter schools that reported zero free and reduced price lunch students.



# District of Columbia

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district and charter schools in Washington, D.C., during FY 2002-03.<sup>1</sup>

### Highlights of our findings:

- D.C.'s 35 charter schools received 22 percent less funding than D.C. district schools: \$12,565 versus \$16,117 per pupil, a difference of \$3,552.<sup>2</sup>
- The revenue figures for charter schools include a facilities allowance. D.C. is one of the few states/municipalities in this study to provide such funds to charter schools.<sup>3</sup>
- While D.C. charters educated 14.1 percent of the district's pupils, they received only 11.3 percent of the total revenue available for education in FY 2002-03.

### The primary reasons for these funding disparities:

- While the District of Columbia provides facilities funding to charter schools, the formula determining the level of funding is based on a five-year rolling average of district per pupil facilities expenditures. The result, described in more detail below, is that facilities funding accounts for \$2,139 of the \$3,552 per-pupil funding shortfall.
- An apparent cause for the funding variance is that the district provides services to more students (such as special needs students) who qualify for additional funding than do the district's charter schools. The city's funding formula works identically for charters and district schools.

## How the District of Columbia Funds Its District and Charter Schools

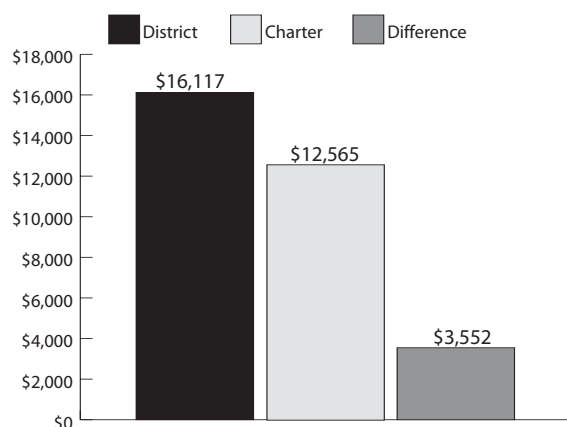
The District of Columbia guarantees a base amount of funding per student, called the Uniform Per Student Funding Formula, that is used to fund both district and charter schools. The formula includes a foundation level, which was established at \$5,000 per pupil in 1998-1999 and rises each year (by the lower of four per-

cent or the local Consumer Price Index). It is designed to provide all services to a student in grades 4 and 5 who does not receive any supplemental programs or services. The Foundation level for FY 2003, the year of this study, was \$6,419; the level for FY 2005 was \$6,904.

**Figure 1: District and Charter School Revenues and Enrollments**

District of Columbia (2002-03)	STATEWIDE	
Per-Pupil Revenue		
District	\$16,117	
Charter	\$12,565	
Difference	(\$3,552) (22.0%)	
Per-Pupil Revenue by Source	District	Charter
Federal	\$1,770	\$1,448
State	\$14,197	\$10,203
Local	N/A	N/A
Other	\$150	\$729
Indeterminate	\$0	\$185
Total	\$16,117	\$12,565
Enrollment		
District	65,789 (85.9%)	
Charter	10,792 (14.1%)	
Number of Charters	35 <sup>4</sup>	
Total Revenue		
District	\$1,060,298,000 (88.7%)	
Charter	\$135,602,066 (11.3%)	
Total	\$1,195,900,066	
Percentage of Revenue by Source	District	Charter
Federal	11.0%	11.5%
State	88.1%	81.2%
Local	N/A	N/A
Other	0.9%	5.8%
Indeterminate	0.0%	1.5%
Change in district school funding if subjected to charter funding structure		
	(\$233.7 million)	

**Figure 2: Per-Pupil Revenue for D.C. District vs. Charter Schools, FY 2002-03**



Both district and charter schools receive additional revenue for pupils enrolled in lower and higher grade levels, as well as for students with special needs. The formula applies equally to both charter and district schools.

The weighted enrollment factors for students in grades other than fourth and fifth and for students with special needs are as follows:

#### Per-Pupil Weights

Preschool	1.17
Pre-K	1.17
Kindergarten	1.03
Grades 1-3	1.03
Ungraded Elementary	1.03
Grades 6-8	1.03
Ungraded Middle/High	1.03
Grades 9-12	1.17
Ungraded Senior High	1.17
Alternative	1.30
Special Ed Schools	1.17

The number of pupils in each category, determined during the fall enrollment count, is multiplied by the Weighted Pupil Unit factor above. The total Weighted Pupil Unit is then multiplied by the Foundation Level to determine the total local contribution to each district and charter school.

## Primary Revenue Sources for District of Columbia Schools

The District of Columbia Public Schools (DCPS) does not have taxing authority, which makes it a fiscally dependent school district. Therefore, the district cannot raise funds for education apart from the city government's taxing decisions. Additionally, since the District of Columbia is not part of a state jurisdiction, the revenue it raises for education has been classified as "state" in this study for comparability purposes.

D.C. charter schools received slightly less revenue from the federal government than did district schools (\$1,448 vs. \$1,770 per pupil). Charter schools also received less in state revenue than DCPS schools (\$10,203 vs. \$14,197 per pupil).

It appears that D.C. charter schools help to close funding gaps through fundraising, which is seen in Figure 1 and labeled as "Other." "Other" also includes interest received and revenue from services provided (such as after school programs). This "Other" revenue represented \$729 per pupil for charter schools versus \$150 for district schools.

D.C. charters provided services to 14.1 percent of the district's public school students, yet they received only 11.3 percent of the total revenue available for educational services. Correspondingly, DCPS provided services to 85.9 percent of the district's students and received 88.7 percent of total revenue for education in the district.

Two conclusions can be reached about charter school funding in the nation's capital. First, though the District of Columbia is one of the few states/municipalities in this study to offer facilities funding to charter schools, it does not equal the amount provided to DCPS schools. In FY 2003, the District of Columbia provided DCPS with \$222,111,000 in capital revenue, or \$3,376 per pupil. D.C. charters received just \$1,237 per pupil in general operating revenues for facilities, a gap of \$2,139 per pupil.

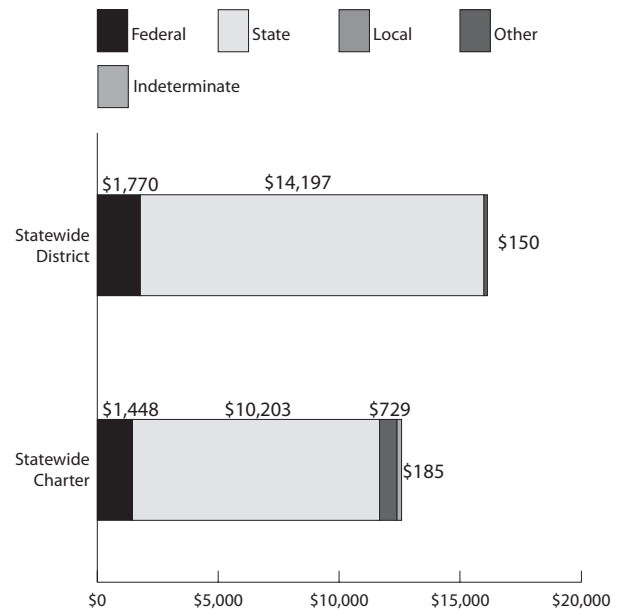


**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state	X		
Charter schools are eligible for local funding	X		
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows districts to withhold funding from charter schools for providing administrative services	X <sup>5</sup>		
State “holds harmless” district funding for charter enrollment	X <sup>6</sup>		
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district	X		
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year	X <sup>7</sup>		
Cap on number of students attending charter schools	X <sup>8</sup>		
Charter schools have an open enrollment policy	X		

Second, capital funding does not account for the full disparity between DCPS and charter school state revenues. Given that the funding formula works the same way for both entities, the remaining variance is caused by the type of students served. As described above, the DCPS funding formula provides greater funding for students with special needs or in grades other than four and five. As shown in Figure 5, the district has higher pupil counts for elementary students, as well as middle school students, which would contribute to the funding variance. The district and charters have nearly identical numbers of pupils in high schools. (The area where it would be

difficult to assess the impact of the funding formula would be on pupils in the “Other” category, which could represent schools with a combination of students across multiple grades.) We were not able to obtain comparative data on special education enrollments, so we cannot quantify its impact on the district-charter funding gap. It appears charters are able to secure more federal funding than district schools because more of their students are eligible for free or reduced price lunches and more of their schools are eligible for Title I (Figure 5).

**Figure 4: Per-Pupil Revenue by Source for D.C. District vs. Charter Schools, FY 2002-03****Figure 5: School Characteristics<sup>9</sup>**

	D.C. District	D.C. Charter
Percentage of students eligible for free or reduced price lunch	64.4%	79.9%
Percentage of schools eligible for Title I	77.5%	100%
Percentage of students by school type:		
Primary (K-5)	59.7%	48.3%
Middle (6-8)	15.5%	13.3%
High (9-12)	17.4%	17.7%
Other (K-12, K-8, etc.)	7.4%	20.7%

Figure 6: State Scorecard

FINDINGS		District of Columbia
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N/A
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	N/A
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Y
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> The District of Columbia observes an October 1 through September 30 fiscal year. Therefore, the revenue analysis, while for a 12-month period, does not match the same time frame as other states in this study.

<sup>2</sup> Financial data gathered for this study originates from three sources. Financial data for DCPS were obtained from the Office of the Chief Financial Officer web site at <http://www.cfo.dc.gov/cfo/cwp/view,a,1322,q,590082,cfoNav,1332101.asp>. Data related to charters were gathered during office visits to the district’s two chartering authorities—the D.C. Board of Education and the D.C. Public Charter School Board. Enrollment numbers for the district and the charters were confirmed by the D.C. State Education Office.

<sup>3</sup> DCPS capital included in this analysis represents current year capital obligations for district schools. However, the facilities allowance for charter schools is based on a five-year rolling average of DCPS per-pupil expenditures for facilities.

<sup>4</sup> There were 36 charter schools in operation in D.C. in 2002-03, 35 of which are included in this study. We excluded the revenue and pupil counts, prior to any analysis, of the Carlos Rosario International Public Charter School. Carlos Rosario exists solely as an adult education school and does not educate any school-age children. Additionally, one charter school, Booker T. Washington, served 87 adults in 2002-2003. However, we could not isolate the revenue related to the services provided to those adults, so this school's full pupil count and all revenue for that charter remain in the analysis.

Except for the adult education charter school above, all charter schools and the entire school district were included in the analysis, even charters with per-pupil revenues greater than two standard deviations above or below the average. If a standard deviation analysis is applied to District of Columbia charters, any charter with per-pupil revenue of more than \$27,860 would be excluded from the charter school revenue analysis because its revenue was

more than two standard deviations above the charter average for D.C. Two District of Columbia charters have per pupil revenue above that limit:

School	Enrollment	Per-Pupil Revenue
Maya Angelou	85	\$41,044
JOS-ARZ Academy	43	\$42,266

If these two charters were excluded from the analysis, the total charter enrollment would be 10,664 with per-pupil revenue of \$11,709, thus widening the funding gap by \$856, to \$4,408.

<sup>5</sup> Statute allows authorizers to withhold up to one-half of one percent for administrative costs.

<sup>6</sup> DCPS funding for current year is based on previous year enrollments, while funding for charter schools is based on current year enrollment.

<sup>7</sup> Either authorizing agent can approve no more than 10 charters per year.

<sup>8</sup> This determination is made as part of the authorizing process on a charter by charter basis.

<sup>9</sup> Source for school characteristic data: NCES.

# Florida

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district and charter schools in Florida and, in particular, Miami-Dade and Broward County Public Schools, during FY 2002-03 (Figure 1).

**Figure 1:** District and Charter School Revenues and Enrollments<sup>2</sup>

Florida (2002-03)	STATEWIDE		MIAMI-DADE		BROWARD	
Per-Pupil Revenue						
District	\$7,831		\$7,971		\$7,669	
Charter	\$6,936		\$6,465		\$6,273	
Difference <sup>3</sup>	(\$896) (11.4%)		(\$1,506) (18.9%)		(\$1,396) (18.2%)	
Per-pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	\$808	\$463	\$943	\$318	\$702	\$224
State	\$3,547	\$5,261	\$3,787	\$5,195	\$3,502	\$4,764
Local	\$3,490	\$583	\$3,255	\$307	\$3,496	\$596
Indeterminate <sup>4</sup>	-\$13	\$629	-\$13	\$645	-\$31	\$689
Total	\$7,831	\$6,936	\$7,971	\$6,465	\$7,669	\$6,273
Enrollment						
District	2,448,324 (98.0%)		359,175 (98.0%)		251,344 (95.7%)	
Charter	49,733 (2.0%)		7,464 (2.0%)		11,287 (4.3%)	
Number of Charters	226 <sup>5</sup>		30 <sup>6</sup>		18 <sup>7</sup>	
Total Revenue						
District	\$19,174,027,001 (98.2%)		\$2,863,160,058 (98.3%)		\$1,927,560,133 (96.5%)	
Charter	\$344,937,845 (1.8%)		\$48,255,772 (1.7%)		\$70,799,366 (3.5%)	
Total	\$19,518,964,846		\$2,911,415,830		\$1,998,359,499	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	10.3%	6.7%	11.8%	4.9%	9.1%	3.6%
State	45.3%	75.9%	47.5%	80.4%	45.5%	76.0%
Local	44.6%	8.4%	40.8%	4.8%	45.4%	9.5%
Indeterminate	0.0%	9.0%	0.0%	10.0%	0.0%	11.0%
Change in district school funding if subjected to charter funding structure						
	(\$2.2 billion)		(\$541 million)		(\$358 million)	

## Highlights of our findings:

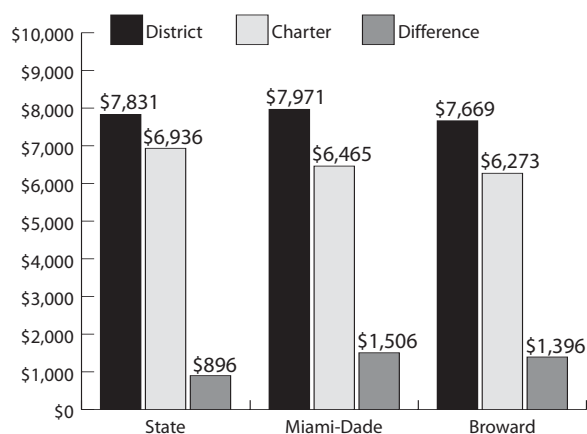
- Charter schools across Florida received 11.4 percent less funding than district schools: \$7,831 vs. \$6,936 per pupil, a gap of \$896.
- Miami-Dade charters received 18.9 percent less funding than district schools: \$7,971 vs. \$6,465 per pupil, a difference of \$1,506.
- Broward charter schools trailed district schools by 18.2 percent: \$7,669 vs. \$6,273 per pupil, a gap of \$1,396.

## The primary reasons for these funding disparities:

- Local districts reduce charter school reimbursements from local funds, including capital and debt service funds, even though state law provides that charters shall be funded “the same as” other public schools.
- Districts do not disburse local revenues evenly to both traditional and charter schools. Comparing the combined local and state per-pupil revenue for charters and districts, districts have a \$1,193 advantage. There are two reasons for this disparity. District schools likely receive higher rates of state formula reimbursements because district schools serve slightly higher percentages of at-risk, special needs, and upper grade-level students. (All three categories carry greater weight in Florida’s funding formula.) Second, Florida’s funding formula provides districts with a significant number of alternative statutory and local fund options that charters are not allowed to access.

- Florida does not recognize charters as local education agencies (LEAs) for purposes of funding, and therefore charters are often unable to access state and federal program funds directly. Instead, Florida charters must rely upon district distributions of categorical funds tied to specific students served in charter schools.<sup>1</sup>

**Figure 2: Per-Pupil Revenue for Florida District and Charter Schools, FY 2002-03**



## How Florida Funds Its District Schools

Florida uses a weighted per-pupil funding system that accounts for the number of students served in particular education programs. Florida's Education Funding Program (FEFP) calculates state aid by multiplying the unweighted full-time equivalent (FTE) student count by program cost factors (including weights for grade level, student learning needs, local economic business costs and the like) to generate a weighted FTE. The weighted FTE count is multiplied by both the legislatively approved base allocation and the District Cost Differential. This calculation determines base per-pupil funding.

Funding is added to a district's base funding for exceptional students, declining enrollment, sparsity supplements, tax equalization, safe schools, and other factors, to determine the gross state and local FEFP dollars. This amount, minus dollars equal to the local tax effort that each district is required to contribute, is defined as the "Gross State FEFP" amount. Further "adjustment"

dollars specific to program factors and capital funds are added to produce the total state aid package, or "Net State FEFP Allocation." In addition to the requirement that districts provide local effort that is classed as "local" revenue, districts can retain other local funds beyond their local effort contribution by raising local property taxes, authorizing discretionary tax levies such as the "2.0 mils" money allowed for capital outlay and maintenance, approving additional levies up to 10 mils for capital and operational expenses, and/or sales surtax revenues.<sup>8</sup> Charter schools rarely have access to any of these additional, statutorily-defined funding sources, which benefit district schools.

## How Florida Funds Its Charter Schools

Florida charter school students are funded under the FEFP calculation described above. All funds pass through the local district. With the exception of a legislatively permitted 5 percent administration fee withheld by an authorizing district, charter and district schools should receive equal funding, with variations that account for student differences only. In a 2004 letter regarding the equitable distribution of public school funds, Charlie Crist, Florida's Attorney General, wrote:

*You have asked whether the language of section 1002.33, Florida Statutes, requires that charter schools be funded "the same as" other schools in the public school system. As one of the sponsors of the companion Senate bill creating the original charter school legislation in 1996, this is a subject of particular concern to me.[1] In my opinion, for the reasons discussed below, the answer is yes.<sup>12</sup>*

The statutory language defining the funding formula for charter schools follows:

*The basis for the agreement for funding students enrolled in a charter school shall be the sum of the school district's operating funds from the Florida Education Finance Program as provided in s. 1011.62 and the General Appropriations Act, including gross state and local funds, discretionary lottery funds, and funds from the school district's current operating discretionary millage levy; divided by total funded weighted full-time equivalent students*

in the school district; multiplied by the weighted full-time equivalent students for the charter school.<sup>13</sup>

In practice, charters have not received the equal access to local revenues that the law stipulates. Requests for full revenue data from both Miami-Dade and Broward either went largely unanswered or the districts provided lump-sum revenue reports for both charter and district schools that included just general operating revenues. (The Broward Budget Office, for example, provided us with a general fund comparison for FY 2002-03 that shows the revenue per unweighted district FTE at \$5,233 and the charter school unweighted FTE at \$5,214, the \$19 difference attributable to the district's administrative fee.<sup>14</sup>) Subsequent requests for full accounts of total district revenues and pass-through amounts to charter schools were ignored. Anecdotal evidence suggests that districts encumber funds or withhold local sources from total funds available before providing charter schools with their "fair share."

## Facility Funding

Florida provides Education Capital Outlay and Debt Service Trust Funds to charter schools that have been in continuous operation for at least two years and do not use district-provided facilities. Funds may be used for the purchase of real property; construction, renovation, repair, and maintenance of school facilities; purchase, lease, or lease-purchase of permanent or movable school facilities; and purchase of vehicles to transport students to and from a charter school.<sup>15</sup> Charter schools receive per-pupil Capital Outlay monies on an annual basis for facility costs at a varied rate depending on whether the school is an elementary, middle, or high school. The state also provides an exemption from ad valorem taxes for facilities used to house charter schools.

In addition, any surplus district facilities must be made available for a charter school's use on the same basis as facilities are made available to other public schools in the district. For an existing public school converting to charter status, district school boards cannot charge

organizing charter boards a rental or leasing fee for the existing facility or for the property.<sup>16</sup>

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X	
Charter schools are eligible for local funding	X <sup>9</sup>		
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows districts to withhold funding from charter schools for providing administrative services	X		
State "holds harmless" district funding for charter enrollment			X <sup>10</sup>
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district		X	
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy			X <sup>11</sup>

## Primary Revenue Sources for Florida's Public Schools

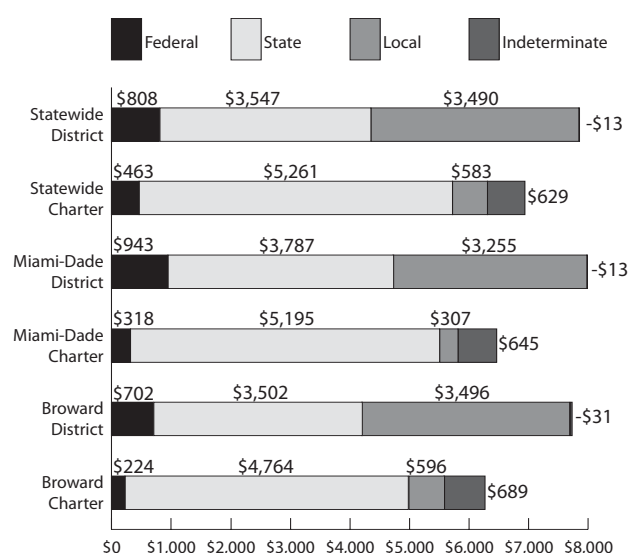
The state's FEFP system is primarily funded by the legislature through the sales tax. Florida Lottery proceeds also fund several district programs, such as School Recognition, and Class Size Reduction. Capital Outlay programs are funded through proceeds from licensing



motor vehicles and Pari-Mutuel Wagering funds, the latter of which are disbursed equally to county commissions. Minor state revenue sources come from mobile home license sales and state forest funds. Local school support revenues are almost entirely generated from property taxes.

State and local revenue sources contributed nearly equally to the funding of district schools (45.3 and 44.6 percent of the total, respectively). Charter schools, on the other hand, show a misleading percentage of both state (75.9 percent) and local (8.4 percent) revenues due to unclear audit classifications of state and local pass-through funds. For charters, the state revenues are likely overstated and local dollars may be understated.

**Figure 4: Per-Pupil Revenue by Source for Florida District vs. Charter Schools, FY 2002-03**



Federal dollars account for a larger percentage of district revenues (10.3 percent) than of charter revenues (6.7 percent) in Florida. Here again, because of reporting inconsistencies, it was often difficult to separate federal revenue streams from “government funding.” We assume that some of the “indeterminate” funds account for both local and federal dollars not specifically identified in charter audits. Lastly, Florida’s reporting procedures do not include an “other” category. We therefore cannot present comparative findings on char-

ter or district school reliance on outside funding sources. Both Miami-Dade and Broward follow the same trends, with the funding disparity between charter and district schools increasing in both districts more than the statewide gap.

The gap between charter and district school funding per pupil can be largely attributed to the following: 1) districts deny charters access to local dollars the district raises beyond the “local effort,” including capital funds; 2) differences exist among the students being served; and 3) charter schools are not recognized as LEAs for funding purposes. These factors are discussed below.

## Local Sources

**1) Access to Local Revenues** – One can look at the combined local and state revenue totals for charter and district schools to understand the cause of the funding gap. In Miami-Dade and Broward, this gap was \$1,540 and \$1,638, respectively. (In the unlikely case that all “indeterminate” revenues presented in Figure 1 are local dollars, districts’ state and local share would still exceed charters by \$895 in Miami-Dade and \$949 in Broward.) Given that the FEFP funds both charter and district students on an equal basis, it is clear that this gap is due to charters’ unequal access to other locally generated revenues allowed for districts and to districts’ ability to withhold funds for administrative charges.

**2) Access to Local Capital** – A significant portion of the local resource gap is attributable to unequal access to capital dollars. Both charters and district schools receive state capital funds through the Public Education Capital Outlay Program (PECO). PECO provided an average of \$422 per student in charter school state funds. Florida Department of Education (FLDOE) revenue reports show that state capital sources contributed \$165 per district student whereas local capital project funds contributed \$852 on average per student. This leaves a gap of \$261 in state capital funds in favor of charter schools, but an \$852 advantage in local capital funds for the exclusive use of dis-

district schools. Netting these sources against each other, district schools had a \$595 funding advantage from exclusive access to local capital sources.

### ■ Local and State Sources

**Access to Debt Service Funds** – Because charter schools cannot levy taxes, they do not receive debt service funds. Instead, they must make debt payments for capital projects and building improvements largely out of operating funds and the additional state PECO funds. Statewide, district schools received \$156 per pupil for debt service from combined local and state revenue sources. Miami-Dade reported higher debt service funds per student at \$277, while Broward schools received \$161 per pupil, near the state average.

If we isolate local debt service revenue, district schools statewide received \$119 per student. Local debt service, in combination with local capital revenues, totals \$971 per student, or 81.4 percent of the local gap between statewide district and charter school funding identified above (\$1,193).

### ■ State Sources

**Funding Formula** – Florida funds students using a weighted system that provides some students more funding based on their needs and other factors. The funding formula therefore can produce funding differences attributable to: 1) the types of students served; 2) the grade levels served; and 3) the cost of educating students in particular geographies (District Cost Differential). Information in Figure 5 from the FY 2003 NCES Common Core of Data indicates that the two school types serve similar students, with slightly more district students eligible for free and reduced price lunches; slightly more district schools eligible for Title I; and slightly more district students in the upper grade levels. Given these moderate differences, we can reasonably conclude that the funding formula for student factors leads to slightly higher district revenues from both state sources.

### ■ State & Federal Sources<sup>19</sup>

**1) Students Served** – A portion of the variance in federal funding between district and charter schools (statewide, \$345 per student) may be linked to differences in the percentage of special needs students served by each type of school. Florida charter schools operate a higher proportion of smaller schools targeted at special needs students, but in the aggregate, district schools served a higher percentage of special needs students (19.7 percent vs. 16.1 percent).<sup>20</sup> Miami-Dade district schools enrolled approximately 18 percent special needs students whereas 4 percent of the students enrolled in Miami-Dade charter schools were special needs students.

We were unable to trace total exceptional student education (ESE) revenues in charter school audits, but the higher percentage of special needs students served by district schools likely increases their state revenues relative to charter schools.

**2) Ineligibility for Grants and Programs** – Florida charter schools are not recognized as independent school districts or LEAs. Therefore, charters are not eligible to apply for many federal grants and programs unless the school district applies for them and specifically includes the charter school(s) in the proposal. This is likely a contributing factor to the federal revenue gap.

**Figure 5: School Characteristics<sup>17</sup>**

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	45.9%	36.7%
Percentage of schools eligible for Title I	41.2%	34.1%
Percentage of students by school type:		
Primary (K-5)	47.0%	56.7%
Middle (6-8)	21.1%	16.1%
High (9-12)	26.7%	12.8%
Other <sup>18</sup> (K-12, K-8, etc.)	5.1%	14.4%



**Figure 6:** State Scorecard

FINDINGS		Florida
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	N
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	N
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> A comparison of special needs students served at district and charter schools shows district schools serving a higher rate of special needs students. However, because of reporting inconsistencies in charter school audits, it was problematic to identify all federal funds separately from “government” or “other” funding sources.

<sup>2</sup> Sources: Charter and district school revenue and enrollment data came from various sources. The FL DOE

does not track or collect revenue and expenditure information for Florida charter schools—that responsibility is left to local school boards. But districts are not required to monitor charter school revenues or expenditures in a separate chart of accounts. Charter school information is thus embedded in locally reported numbers. We obtained partial revenue information (specifically, general fund data) from Miami-Dade and Broward. However, these districts were unable to provide separate revenue reports or figures for charters and district schools. Therefore, the charter school revenue information discussed in this report is solely derived from FY 2003 independent financial audits for all charter schools across the state. Audits were supplied by the Auditor General's office.

We requested revenue information for district schools from the Finance and Budget Departments within both focus districts as well as from the FL DOE. District and state accounts of 2003 revenues varied greatly. The figures presented herein draw from the FY 2002-03 "Florida Department of Education Finance Data Base: Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project" for Miami-Dade, Broward and statewide totals. These figures correlate to the FL DOE reported Full-time Equivalency (FTE) counts.

The FTE calculation is an adjusted enrollment count that tabulates the segments of the day that students are being served. The FTE count is often higher than the enrollment count. The state documents and publishes its revenue and corresponding FTE counts on the Internet. These are the final counts used to divide total district and statewide revenues to determine average district school per-pupil revenues. However, the state does not track or tabulate charter school FTE counts, and there is no central clearinghouse to obtain this information. The student counts used for charter schools in this report, therefore, are FY 2002-03 enrollment numbers published by the Florida Charter School Resource Center as well as district-reported charter enrollment counts for Broward and Miami-Dade. These numbers will inevitably be artificially low when compared with state FTE totals. Thus, the actual funding gap is higher by an indeterminate amount.

<sup>3</sup> Using Florida charter school audits, we determined that nine charter schools with a combined enrollment of 502 students had average per-pupil revenues (PPR) that fell above 2 standard deviations from the average funding level (i.e. above \$23,390 per student). These charter schools are: Advanced Technical Center, First Coast Technical High and First Coast Skills, STAR Charter,

Renaissance Learning Center, Potentials, Seagull Academy for Independent Living, Sandor Wiener School of Opportunity, National Deaf Academy, and Tampa Bay Academy. Likewise, FY 2002-03 Census data showed two traditional districts, Jefferson and Hamilton County School Districts, with a combined enrollment of 3,548, to have PPRs greater than two standard deviations from the average funding level (above \$10,419). Removing both outlier charter schools and districts decreases the statewide charter school PPR to \$6,543 and the district average PPR to \$7,818 and widens the charter funding gap to \$1,274 per pupil, or 16.3 percent. For Miami-Dade comparisons, the funding gap increases to 19.5 percent, a difference of \$1,554 per student. None of the nine outlier schools is located in Broward.

<sup>4</sup> Due to nonstandard reporting formats in Florida charter school financial audits, we were unable to separate a portion of charter revenues into local, state, and federal categories. These revenues were put into an "indeterminate" category and treated as pass-through revenues. They were then deducted from district revenue totals, so the indeterminate amount for districts is shown as a negative amount per pupil. It is very likely that some indeterminate revenues were from private sources and should not be removed from district totals, so these deductions may underestimate total district revenues.

<sup>5</sup> Fourteen charter schools were excluded from this analysis because there were no financial audits available to identify revenues or enrollment data for FY 2002-03.

<sup>6</sup> Two of the excluded charter schools with no audits or enrollments are located in Miami-Dade.

<sup>7</sup> One of the excluded charter schools with no audits or enrollments is located in Broward County.

<sup>8</sup> Florida Department of Education, "2004-05 Funding for Florida School Districts."

<sup>9</sup> Florida charters should be eligible for full local funds, according to state statute, but do not receive full local funds.

<sup>10</sup> Districts can be held harmless for FTE students who are not included in the FTE projection due to approval of charter school applications after the FTE projection deadline.

<sup>11</sup> Charter schools are open to all students under an interdistrict agreement.

<sup>12</sup> Charlie Crist, Number: AGO 2004-67, Date: December 17, 2004, Subject: Charter schools, funding. Dec. 17, 2004.

<sup>13</sup> Section 1002.33(17)(b), Florida Statutes.

<sup>14</sup> “General Fund Amendment for June 2002-03 Revised for Comparison to Charter Schools,” Broward County Public Schools, January 14, 2005.

<sup>15</sup> Charter Schools Development Corporation, [www.csdcc.org/bulletin/archive/stateLeg/missouri.html](http://www.csdcc.org/bulletin/archive/stateLeg/missouri.html).

<sup>16</sup> Education Commission of the States, <http://mb2.ecs.org/reports/Report.aspx?id=88>.

<sup>17</sup> Source for school characteristic data: NCES.

<sup>18</sup> Other types of schools include multiple grade levels, such as K-8 or K-12, and nontraditional schools.

<sup>19</sup> We were unable to isolate federal funds in independent charter school audit reports, a complicating factor in our analysis of federal sources.

<sup>20</sup> The percentage of special needs students served was calculated using the Florida Charter School Resource Center’s “Profiles of Florida Charter Schools 2002-03 - Exceptional Student Education Enrollment” (<http://www.charterschools.usf.edu/eseprofiles>) and deriving an average from the total. Averages for six Florida County school districts were not available.

# Georgia

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in

Georgia and, in particular, Atlanta City and Fulton County during FY 2002-03 (Figure 1).

### Highlights of our findings:

- Atlanta charter schools trailed their district counterparts in funding by 37.7 percent: \$12,766 vs. \$7,949 per pupil, a difference of \$4,818 per student.

**Figure 1:** District and Charter School Revenues and Enrollments<sup>2</sup>

Georgia (2002-03)	STATEWIDE		ATLANTA		FULTON <sup>3</sup>	
Per-Pupil Revenue						
District	est. \$7,406 <sup>4</sup>		\$12,766		\$11,748	
Charter	est. \$5,125		\$7,949		\$9,325	
Difference <sup>3</sup>	<b>est. (\$2,281)</b> <b>est. (30.8%)</b>		<b>(\$4,818)</b> <b>(37.7%)</b>		<b>(\$2,423)</b> <b>(20.6%)</b>	
Per-Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	NA	NA	\$1,055	\$401	\$431	\$1,059
State	NA	NA	\$3,286	\$3,764	\$2,966	\$1,672
Local	NA	NA	\$7,989	\$3,323	\$7,446	\$6,594
Other	NA	NA	\$436	\$460	\$905	\$0
Total	est. \$7,406	est. \$5,125	\$12,766	\$7,949	\$11,748	\$9,325
Enrollment						
District	1,441,807 (98.0%)		52,795 (97.7%)		69,499 (98.8%)	
Charter	29,526 (2.0%)		1,270 (2.3%)		863 (1.2%)	
Number of Charters <sup>5</sup>	45		4		5	
Total Revenue						
District	est. \$10,678,202,874 est. (98.6%)		\$674,000,000 (98.5%)		\$816,484,117 (99%)	
Charter	est. \$151,321,887 est. (1.4%)		\$10,094,794 (1.5%)		\$8,047,611 (1%)	
<b>Total</b>	<b>\$10,829,524,760</b>		<b>\$684,094,794</b>		<b>\$824,531,728</b>	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	NA	NA	8.3%	5%	3.7%	11.4%
State	NA	NA	25.7%	47.4%	25.3%	17.9%
Local	NA	NA	62.6%	41.8%	63.4%	70.7%
Other	NA	NA	3.4%	5.8%	7.7%	0%
Change in district school funding if subjected to charter funding structure						
	<b>est. (\$3.3 billion)</b>		<b>(\$254.4 million)</b>		<b>(\$168.4 million)</b>	

Note: Italicized figures marked with "est." (estimate) are extrapolated statewide based on district data.

- Fulton County charter funding lagged behind district funding by 20.6 percent: \$11,748 vs. \$9,325 per pupil, a difference of \$2,423.
- Since the state does not report charter and district revenue data separately, the statewide data presented here represent an extrapolation based on the Atlanta and Fulton school districts. We extrapolate that charter schools in Georgia received approximately 30.8 percent less revenue per pupil than district schools, resulting in a gap of \$2,281.<sup>1</sup>

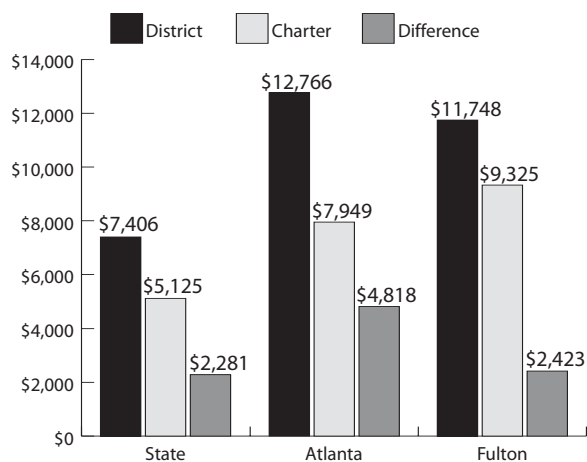
### The primary reasons for these funding disparities:

- State statutes limit charters' access to local funds by enabling districts to allocate these monies at their discretion. The law requires that districts treat charters "no less favorably than other local schools," but allows them to withhold funds before charter school allocations are determined.
- Georgia's Quality Basic Education (QBE) Foundation Program funds school systems based on the number of students in certain programs.

QBE was designed to meet the needs of traditional schools in system-wide programs, so innovative charter school structures and programs (and some traditional schools) often fall outside QBE's program criteria and receive fewer or no funds. For example, a charter school's daily schedule, curriculum, or staff composition might not "fit the mold."

- Georgia does not recognize charter schools as local education agencies (LEAs), so they are 1) dependent upon their sponsoring districts' program structure for QBE funds; 2) dependent upon their sponsoring district for a "fair share" of local funds; 3) unable to apply for many state and federal programs without help from their sponsoring districts; and 4) ineligible for "special factor" adjustments, such as those for traditional districts below a minimum size.
- Georgia district schools serve a slightly higher percentage of Title I, low-income, and special needs students than do charter schools. These factors likely contribute to the gaps in both state and federal funding.

**Figure 2: Per-Pupil Revenue for Georgia District and Charter Schools, FY 2002-03**



## How Georgia Funds Its District Schools<sup>6</sup>

Georgia funds its public schools through the Quality Basic Education (QBE) Act, a foundation program

based on weighted student equivalents set for multiple programs or cost factors. The state's funding formula is a combination of state funds from QBE, categorical grants, and equalization grants for property-poorer districts as well as local revenues from the local five mills share (each district's mandatory "fair share") and local supplements, such as the special purpose tax.

Each district's entitlement is calculated by multiplying the weighted student FTE count by the guaranteed base amount per student. The guaranteed base amount is the same for all students and districts. The state sets a base amount per pupil that accounts for direct instruction (staff and textbooks), indirect costs (maintenance, central office, and support staff), staff development, and media costs. Local districts are required to raise their "local fair share" of five mills or its equivalent and the state equalizes up to 3.25 mills that are levied above the required 5 mills. Local districts can use their "local fair share" revenues for any program funded under QBE, but not for programs operated at the discretion of the local district. A series of program weights is then applied to each student's funding base. Funding under QBE programs depends on whether the district or the school meets specific program requirements.

## How Georgia Funds Its Charter Schools

In theory, Georgia charters are included in each district's QBE allotments using the formula described above, thus guaranteeing charter schools 100 percent of federal and state fund pass-throughs. In practice, however, QBE causes funding levels to vary greatly, even among similar schools. Because charter schools are not recognized as independent districts, a school's funding may be restricted if the district in which it operates does not participate in a particular categorical program, or is ineligible for certain program factors (even though the charter students may themselves qualify for such funding).

The Georgia Charter Schools Act states, "The local board and the state board shall treat a start-up charter

school no less favorably than other local schools within the applicable local system with respect to the provision of funds for instruction and school administration and, where feasible, transportation, food services, and building programs.” Unfortunately, this clause has allowed districts to fund charter school expenses on a selective basis. Most districts withhold a portion of per-pupil dollars to pay for central administration, school nutrition, transportation, and other expenses, whether or not a charter school requires (or wants) these services.

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X	
Charter schools are eligible for local funding			X <sup>7</sup>
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows districts to withhold funding from charter schools for providing administrative services		X	
State “holds harmless” district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district		X	
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X		

## Facility Funding

Local districts may elect to include charters in their five-year capital plans, which are funded by a combination of state capital outlays and local taxes or bonds. Most districts raise capital funds through the Special Purpose Local Option Sales Tax (SPLOST), a one percent sales tax collected over a five-year period. At present, however, Georgia has had only one charter included in a district’s capital funds campaign.<sup>8</sup>

Charter schools may access, on equal footing with other district schools, property that is designated as surplus by a local board of education. If the local board owns the charter school facility, it must renovate and maintain it to the same extent as it does for other public schools. In practice, however, this policy generally has been used only for conversion schools.

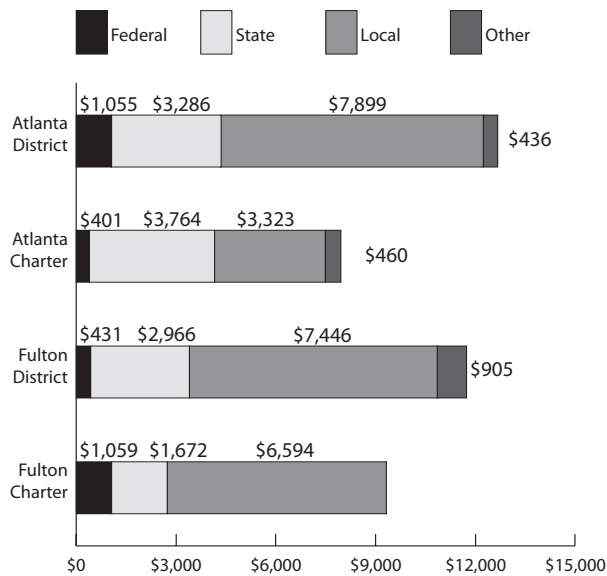
The Georgia State Board of Education created a fund for local charter schools and state-chartered special schools to establish a per-pupil, need-based facilities aid program. The program was not funded in 2003, however, and received only modest funding (\$500,000) for FY 2005-06. These monies can be used to purchase property; construct facilities; purchase or lease facilities; purchase vehicles to transport students; and renovate, repair, and maintain school facilities.

## Primary Revenue Sources for Georgia’s Public Schools

Georgia’s public schools are primarily funded through the state’s QBE system, which was designed to establish a minimum base funding amount to which all districts would contribute their “fair share.” Both traditional and charter schools rely on local sources (local property taxes, special local sales taxes, and non-tax revenues), state lottery funds, federal, and “other” dollars to supplement QBE allotments. Traditional schools receive state and local debt service and capital funds whereas charter schools do not.



**Figure 4:** Per-Pupil Revenue by Source for Georgia District and Charter Schools, FY 2002-03



The stark difference between Atlanta and Fulton charter school funding and fund sources seen in Figure 4 is largely unexplainable, given the data we received from district officials. The state figure received from Fulton County School District is an “estimate,” since the charter and district revenues were reported as one number. Fulton provided aggregate accounts for charter receipts from local sources totaling \$6,594 per student. Compared to Atlanta charters, Fulton charters seem to be an anomaly and might be explained by the district’s inclusion of some state generated QBE dollars as local revenues under its flow-through accounting. We made numerous efforts to verify the source of these revenues. Fulton County finance officers could verify that the totals above were correct but could not confirm the source of revenues. At this time, the numbers in Figure 4 appear to result from a classification reporting error as opposed to an accounting error.

The gap between charter and district school funding per pupil is largely attributable to the following: 1) charter schools’ limited access to local funds; 2) charter schools’ lack of access to capital dollars; 3) the state’s funding formula; and 4) charter schools’ limited access to federal and state grant sources because they lack LEA status.

## ■ Local Sources

**1) Limited Access to Local Funds** – The Atlanta City district received \$4,666 more per pupil in local dollars than did Atlanta charter schools (\$7,989 vs. \$3,323). (The Fulton County gap is smaller, due to the reporting anomalies discussed above.) The Georgia Charter Schools Association states that it is a common district practice to withhold revenues from charters to pay for district administration, school nutrition services, and transportation (services that charter schools may or may not need). This practice likely increases the gap in local revenues received by charter schools.

**2) No Access to Capital Funds** – Georgia charter schools cannot access state or local capital revenues without districts including charters in their capital campaigns. As stated above, this had only occurred for one school. Charter schools, therefore, cover facilities costs out of operating budgets.

Statewide figures on district capital revenues were unavailable. Rough estimates show capital revenues from SPLOST and some state capital funds for Atlanta City to be \$1,812 per student; all but \$2 per pupil of these revenues were locally generated from SPLOST and interest. Fulton County district schools received fewer capital dollars—just \$34 per student. Using capital funding data alone, the gap between charter and district schools is as much as \$1,812 per pupil.

## ■ State Sources

**1) Georgia’s Funding Formula** – The state’s school funding formula was established to fund district systems rather than schools or students. Consequently, students might meet certain criteria that would warrant additional funding beyond the base funding, but schools are unable to access the funds because the school itself does not qualify for the program. Reasons for this can include district constraints, non-eligibility, non-participation, or non-conformity to QBE requirements. Because funds do not follow the child, charter

schools have been blocked from receiving funds to educate needs-identified students.

**2) Students Served** – Georgia’s funding system applies a greater weight to elementary grades and to selected categories of higher needs students.<sup>9</sup> As Figure 5 shows, in 2003 Atlanta and Fulton County charters served a higher proportion of elementary students (83.3 percent vs. 65.5 percent) than did district schools, so this does not appear to explain the charter funding shortfall. According to the NCES Common Core of Data, charter and district schools served near equal percentages of free and reduced price lunch students (51.8 percent vs. 50.8 percent respectively). However, a much higher percentage of Atlanta and Fulton district schools are Title I eligible than are charters (64.5 percent vs. 12.5%), which may explain why district schools received more federal funds. In addition, 8 percent of Georgia’s students comprised a special needs population, compared to just 4.6 percent for Atlanta’s three charter schools.<sup>10</sup>

**Figure 5: School Characteristics<sup>11</sup>**

	Atlanta and Fulton Districts	Atlanta and Fulton Charters
Percentage of students eligible for free or reduced price lunch	50.8%	51.8%
Percentage of schools eligible for Title I	64.5%	12.5%
Percentage of students by school type:		
Primary (K-5)	65.5%	83.3%
Middle (6-8)	17.2%	0%
High (9-12)	13.8%	16.7%
Other <sup>12</sup> (K-12, K-8, etc.)	3.4%	0%

## ■ State/Federal Sources

**Restricted Access to State and Federal Grant and Program Sources** – Georgia charters are restricted from applying for many state and federal grants because they do not qualify as independent districts

(LEAs). As stated above, this has considerably reduced the federal dollars charters can generate.

According to Fulton district officials, federal start-up grant funds, which are short-lived revenue sources, accounted almost entirely for the abnormally large federal funds figure for Fulton charters.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.



**Figure 6: State Scorecard**

FINDINGS		Georgia
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	N
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	N
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	N
	State funds student (black) or the LEA (grey)	L
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## Endnotes

<sup>1</sup> See note four for an explanation of this extrapolation.

<sup>2</sup> Revenue and enrollment information were provided by the districts and the Georgia Department of Education (GA DOE). Atlanta City data were taken from FY 2003 independent charter school audit reports supplied by the district, and district school information was provided by the district in the form of the “2003 APS CAFR.” Fulton County district and charter school revenue data is from the 2003 Year-End District Financial Report and submitted by the School Business Services department. Both districts’ revenue information includes all revenues with the exception of any bond revenues. Revenue dollars for capital were itemized by the Office of Finance at the GA DOE. Revenue reports obtained from the GA DOE and the two focus districts differed, sometimes greatly, depending on which revenue streams were included. Revenue information is available on the GA DOE web site for all districts in the state but does not separately account for district and charter school revenues. Atlanta and Fulton reports were the only sources that could identify (or estimate) charter school revenues, and therefore district sources were used to calculate district school per-pupil revenues.

<sup>3</sup> Fulton charter school revenue data were reported by the district as an “estimate.” The research team made numerous attempts to obtain charter school financial audits or clarification from district officials concerning the levels of categorical funding. Officials could not locate audits and further clarification was not provided.

<sup>4</sup> Since the authors were unable to obtain statewide figures for charter or district revenue, all statewide charter figures in this snapshot are extrapolated from the data collected on charter schools in the focus school districts, Fulton County and Atlanta. We calculated the average percentage gap between district and charter per pupil revenue in those two districts, weighted by the districts’ charter school enrollment (30.8 percent). Since we did have access to total statewide K-12 revenue (the sum of charter and district revenue), we could then extrapolate the statewide charter and district share of that revenue based on the extrapolated gap from Fulton and Atlanta. The authors recognize that district data may not be representative of statewide patterns due to differences between districts. This extrapolation, however, is a reasonable projection given the data available. In Figure 1, extrapolated data is marked with “est.” (estimated).

<sup>5</sup> State accounts of the number of operating charter schools varied across GA Department of Education agencies and also varied from district counts of operational charter schools.

<sup>6</sup> Catherine Sielke, “Understanding Education Funding for Georgia’s Public Schools,” *The Governor’s Education Finance Task Force*, November 2004; available at [www.ie2.org/Portals/5/Govs%20task%20force%20training%20condensed.pdf](http://www.ie2.org/Portals/5/Govs%20task%20force%20training%20condensed.pdf).

<sup>7</sup> Charter schools are eligible for local funding under state statute but are not guaranteed equal funding.

<sup>8</sup> This is according to information from the GA Charter Schools Association.

<sup>9</sup> For example: Grades 1 – 3 = 1.2424; Grades 6 – 8 = 1.0122; Special Education Category I = 2.3561.

<sup>10</sup> “2003-2004 Annual Report Cards on K–12 Education,” Georgia Department of Education; available at <http://reportcard.gaosa.org/yr2004/k12/>; 2002-2003 data were not available and special needs enrollment data were not available for two Atlanta charter schools operating in 2003.

<sup>11</sup> Source for school characteristic data: NCES. Data on free lunch eligibility, Title I eligibility, and grade levels served relate only to charter and traditional schools in the focus districts, since their data are the basis for the extrapolations performed for this state.

<sup>12</sup> Other types of schools include multiple grade levels, such as K-8 or K-12, and nontraditional schools.

# Illinois

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Illinois and, in particular, Chicago, during FY 2002-03 (Figure 1).

### Highlights of our findings:

- Illinois charter schools received 23 percent less funding than district schools: \$6,779 vs. \$8,801 per pupil, a gap of \$2,023.
- Chicago's charter schools also received approximately 23 percent less funding than the Chicago Public School district: \$6,847 vs. \$8,907 per pupil, a gap of \$2,060.

### The primary reasons for these funding disparities:

- Illinois' funding formula for charter schools allows for a high degree of local discretion. Funding is negotiated between a charter school and its sponsoring district. The amount is specified in each school's "charter," but must remain between 75 percent and 125 percent of per-capita student tuition spending of the district in which the charter school is located.<sup>1</sup> ("Per-capita tuition spending" is derived from each school district's annual financial report and is supposed to represent the cost of education for a general education student, averaged across all grade levels.<sup>2</sup>)
- One of the biggest challenges facing some Illinois charter schools is identifying and paying for facilities, costs not covered by school districts in the state's charter legislation. (Conversion charter schools are provided facilities by their districts at no charge.) Facilities financing costs in Illinois are commonly paid out of the charter's operating funds.
- The state increases the district/charter funding gap by providing extra aid to compensate sponsoring districts for the impact of losing enrollment to local charter schools: the reimbursement rate is 90 percent of charter costs the first year, 65 percent the second year, and 35 percent the third year.

**Figure 1: District and Charter School Revenues and Enrollments\***

Illinois (2002-03)	STATEWIDE		CHICAGO	
Per-Pupil Revenue				
District	\$8,801		\$8,907	
Charter	\$6,779		\$6,847 <sup>s</sup>	
Difference	(\$2,023) (23.0%)		(\$2,060) (23.1%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter
Federal	\$699	\$395	\$1,438	\$418
State	\$2,639	\$432	\$3,364	\$417
Local	\$5,463	\$0	\$4,105	\$0
Other*	\$0	\$1,027	\$0	\$1,093
Indeterminate	\$0	\$4,925	\$0	\$4,920
Total	\$8,801	\$6,779	\$8,907	\$6,847
Enrollment				
District	2,033,673 (99.5%)		416,295 (97.7%)	
Charter	10,888 (0.5%)		9,747 (2.3%)	
Number of Charters <sup>6</sup>	21		14	
Total Revenue				
District	\$17,898,835,734 (99.6%)		\$3,708,132,314 (98.2%)	
Charter	\$73,806,460 (0.4%)		\$66,740,653 (1.8%)	
Total	\$17,972,642,194		\$3,774,872,967	
Percentage of Revenue by Source	District	Charter	District	Charter
Federal	7.9%	5.8%	16.1%	6.1%
State	30.0%	6.4%	37.8%	6.1%
Local	62.1%	0.0%	46.1%	0.0%
Other	0.0%	15.1%	0.0%	16.0%
Indeterminate	0.0%	72.7%	0.0%	71.9%
Change in district school funding if subjected to charter funding structure				
	(\$4.1 billion)		(\$857 million)	

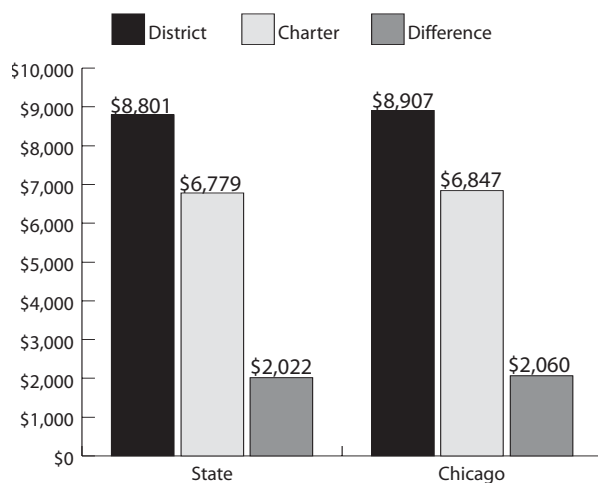
\*Other=non-governmental funds, such as private grants, fundraising monies; Indeterminate=locally-sourced funds and pass-throughs

- Since allocations to charter schools are determined by school districts rather than by a student or school-based formula, student and grade level factors do not

account for the funding gap. In any case, district and charter schools in Illinois serve similar percentages of students eligible for the free and reduced price lunch program (42.3 percent vs. 46.6 percent).<sup>3</sup>

- To help narrow the funding gap, charter schools in Chicago and statewide turn to funding from private contributions, grants, and loans. More than 15 percent of their funding came from sources other than federal, state, and local monies. These funds are often targeted toward start-up and facility needs.
- Because most charter funding is passed through to the schools by the district, it is difficult to discern the original source of many of the resources supporting charter schools. The funds that are passed through to charter schools by districts come from a combination of federal, state, and locally sourced dollars. In Figure 1, these funds are labeled “Indeterminate” in source.

**Figure 2: Per-Pupil Revenue for Illinois Public vs. Charter Schools, FY 2002-03**



## How Illinois Funds Its District Schools

The majority of state revenues that support Illinois public schools are allotted through a foundation formula, the General State Aid (GSA) formula.<sup>17</sup> GSA is distributed to districts based on average daily pupil attendance and the equalized assessed value<sup>18</sup> of all taxable property within the district.

The state aid formula uses three different methods of allocation, depending on the property wealth of the district.<sup>19</sup> Most districts receive state funding under the foundation formula. Districts qualifying for this formula have available local resources (per pupil) of less than 93 percent of the foundation level. (Seventy-nine percent of the state’s 893 districts qualified in FY 2002-03.)

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X	
Charter schools are eligible for local funding	X <sup>7</sup>		
Cap on funding a charter school can receive	X <sup>8</sup>		
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)			X <sup>9</sup>
Charter schools receive differential funding		X <sup>10</sup>	
State allows districts to withhold funding from charter schools for providing administrative services		X <sup>11</sup>	
State “holds harmless” district funding for charter enrollment	X <sup>12</sup>		
School is considered LEA if authorized by non-district organization			X <sup>13</sup>
School is considered LEA if authorized by district		X	
State has fiscal lawsuit filed against it			X <sup>14</sup>
Cap on number of charter schools	X <sup>15</sup>		
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy			X <sup>16</sup>

The second formula is the “alternate” formula. Districts qualifying for this formula have available local resources (per pupil) at between 93 percent and 175 percent of the foundation level. Districts that have more than 175 percent of the foundation level qualify for the “flat grant” formula.

There are supplemental adjustments for poverty levels, property tax appeals, court rulings, and hold harmless provisions.<sup>20</sup>

In addition to general funding, categorical grants are provided for many specific programs, including the mandated categories of free and reduced price lunch, special education, transportation, and orphanage tuition.

The major source of local revenue for public schools is the property tax. Statewide, more than one-half of property taxes are devoted to public schools.

The state provides extra aid to compensate sponsoring districts for the impact of losing enrollment to charter schools. The reimbursement rate is 90 percent of the cost of any charters in their first year of operation, 65 percent of second year costs, and 35 percent of third year costs. It seems likely that the gap between charter and district schools may narrow slightly over the years, as charter schools remain open and district schools receive less and less revenue for students lost to charters.

Capital funding at the local level comes primarily through the sale of bonds approved by local referenda.

At the state level, facility funding is primarily based on each district’s property wealth, with wealthy districts receiving less state aid. A School Infrastructure Fund provides construction grants and funds debt service obligations. To access construction grants, school districts submit applications and facility plans to the State Board of Education, which then awards monies based on need and the type of project. The amount of a construction grant is equal to the recognized project cost multiplied by the district’s grant index. Debt service grants are awarded by the State Board of Education to assist school districts that passed construction bond referenda between 1996 and 1999. The grants are equal to

10 percent of the principal amount of bonds issued times the grant index for the district and may be used to retire the principal related to approved school construction bonds, restructure school district debt, or abate property taxes by an amount equal to the debt service grant.<sup>21</sup>

## How Illinois Funds Its Charter Schools

In Illinois, districts negotiate funding levels with each charter school. The funding amount is specified in the individual charter, but legislation requires that it be not less than 75 percent nor more than 125 percent of per-capita student tuition of the district where the charter school is located. This tuition represents the cost of education for a regular general education student in that district, averaged across all grade levels existing in the sponsoring district. For a school that is authorized directly by the state and enrolls students from more than one district, the school will receive 75 to 125 percent of the per-capita tuition rate from each of the districts from which it draws students.

Charter schools are also entitled to their proportionate shares of federal and state categorical funding available for eligible students enrolled from the sponsoring district. The State Board of Education makes start-up grants available to charter schools to pay the costs of acquiring educational materials and supplies, textbooks, furniture, and other equipment needed in their first year of operation (not to exceed \$250 per student).

Unlike some states, charter funding in Illinois does not follow the student out of the home district. If a student attends a charter school located outside the home district, with the approval of the receiving district, the student’s family must pay tuition.

State legislation requires that pass-throughs for special education funding be negotiated between the charter school and the sponsoring school district, like general education funding. In Chicago, the district commonly funds special education services, provides personnel and delivers resources to charter schools as needed. Frequently, there is a contract between the charter

school and the home school district to provide such services and the per capita tuition rate is reduced to cover the cost (e.g., 90 percent rather than 100 percent per capita tuition).<sup>22</sup>

## Facility Funding

Charter schools in Illinois do not receive capital funds for facilities, unless they are conversion schools, which are provided facilities by the district at no charge. Without state or local capital support, facilities costs in Illinois are commonly paid out of the charter school's per-pupil operating funds. The Illinois Network of Charter Schools reports that charter schools spend up to 25 percent of their operating costs for facilities. Some charter schools rely on fundraising to meet their building needs.

No-interest or low-interest loan programs are available to charter schools; the state legislature approved a Charter School Revolving Loan Fund that makes interest-free loans to charters (not to exceed \$250 per student enrolled in the charter school).<sup>23</sup> The Illinois Finance Authority, a self-financed state authority, provides revenue bond and lease financing for charter school capital projects.<sup>24</sup>

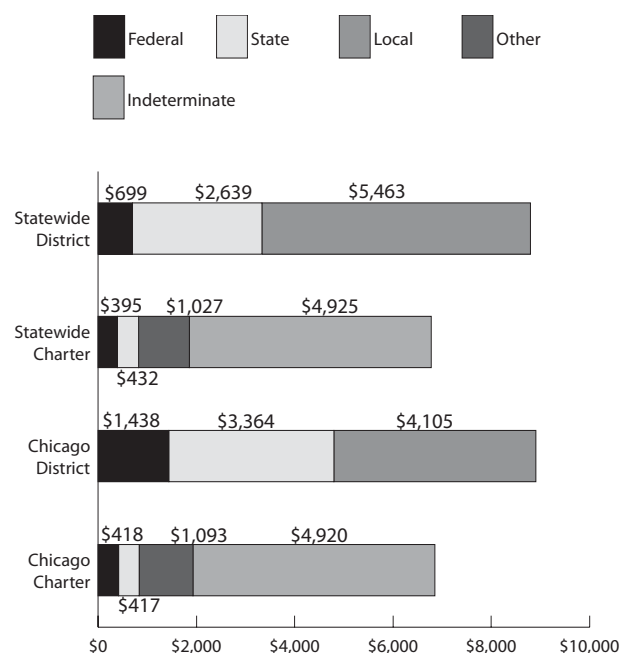
The Illinois Facilities Fund (IFF), a nonprofit community developer, assists Illinois nonprofits, including charter school start-ups, through loans, facilities planning, and facilities development. In 1997, the IFF received a \$2 million seed grant from Chicago Public Schools (CPS) to create the Charter School Loan Fund. CPS also contracted with the IFF to assist schools in opening, finance, and management services. The IFF has made approximately 25 below-market rate loans to charter schools in Chicago to date, totaling \$5.5 million.<sup>25</sup> It provides financing for both facilities (acquisition, renovation, and leasehold improvements) and the purchase of furniture and equipment.<sup>26</sup> As of May 2005, CPS currently provides district facilities for six charter schools.<sup>27</sup> In 2003, CPS guaranteed \$4.5 million of a \$5.5 million financing for Perspectives Charter School (pledging to assume ownership of the facilities should the school default).

## Primary Revenue Sources for Illinois' Public Schools

Statewide, Illinois funded an average of 30 percent of the total revenues for district schools. Chicago Public Schools relied more heavily on state support than the average district, receiving nearly 40 percent of its total revenues from the state in 2002-03.

Charter schools in Illinois are funded through their sponsoring districts. Because most monies pass through the districts to charters, it is difficult to account for the original source of the funds coming from the district to the charter school. (The monies are a combination of federal, state, and locally sourced dollars.)

**Figure 4:** Per-Pupil Revenue by Source for Illinois District vs. Charter Schools, FY 2002-03



Charter schools in Chicago and statewide rely heavily on funding from private contributions and grants. More than 15 percent of funding for charters came from sources other than federal, state, and local monies. These funds are often targeted toward start-up and facility needs.



In 2002-3, Illinois charter and district schools served similar percentages of students eligible for the free or reduced price lunch program (46.6 percent in charters vs. 42.3 in districts). More district schools in Illinois were Title 1 eligible—54.8 percent compared to 43.5 percent of charters. The slight differences in characteristics between charter and district school students do not account for much, if any, of funding differences. Rather, the major factors driving the gap between charter school and district revenues are charter schools' lack of access to significant facility funding and Illinois' funding formula for charter schools, which allows for a high degree of local discretion. In addition, as noted above, the state provides temporary financial support to sponsoring districts to help compensate for the impact of losing enrollment to local charter schools. After the third year, the reimbursements are unavailable, so it seems possible that the portion of the gap due to this funding stream will narrow slightly over the years ahead.

**Figure 5: School Characteristics**<sup>28</sup>

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	42.3%	46.6%
Percentage of schools eligible for Title I	54.8%	43.5%
Percentage of students by school type:		
Primary (K-5)	54.0%	47.3%
Middle (6-8)	16.7%	2.9%
High (9-12)	27.9%	13.2%
Other (K-12, K-8, etc.)	1.4%	36.6%

## Recent Changes and Challenges

Charter schools are set to expand in Chicago. In June 2004, the mayor announced a plan to increase school choice and education opportunities to the city by opening 100 new schools by 2010. The “Renaissance 2010” program will be a combination of district-run, con-

tract, and charter schools, all awarded through a request-for-proposal process. In addition to increasing the number of charters in the city, the initiative will address some of the facility issues that have challenged the schools. The program offers under-utilized buildings; assists with construction funding for new facilities; and provides shared services for custodial, maintenance, and similar recurring expenses. Approximately 10 new charter schools will open under the program in fall 2005.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.



**Figure 6: State Scorecard**

FINDINGS		Illinois
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	P
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	N
	State funds student (black) or the LEA (grey)	L
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## Endnotes

<sup>1</sup> The fees for all services provided by the school district are negotiated between the district and the school. According to the Illinois Network of Charter Schools, charter schools, on average, receive 82 percent of the funds allocated to their district counterparts for the operation of public schools (source: [http://www.incschools.org/whatis\\_faq.htm](http://www.incschools.org/whatis_faq.htm)).

<sup>2</sup> Specifically, per capita tuition is the amount the local school district charges as tuition to nonresident students. This amount represents expenditures from local taxes and common school fund monies and is generated by deducting revenues for various state categorical programs, local user fees, and federal receipts from operating expenses. The divisor is the average daily attendance during the regular school term (Section 18-3 of The School Code of Illinois).

<sup>3</sup> Since some schools choose not to participate in the free and reduced price lunch program even though they enroll significant numbers of low-income children, this comparison excludes district and charter schools that reported zero free and reduced price lunch students.

<sup>4</sup> Sources:

Chicago and State of Illinois: Annual Financial Report, <http://www.isbe.net/sfms/afr/afr.htm> -- electronic copy used was provided by the Illinois State Board of Education (ISBE)

Charter schools: audits from independent auditors, collected from the Accountability Division at ISBE. The state and annual finance report figures categorize resources into local, state, and federal. The charter school “other” revenues from the audits include student fees, fundraising revenue, investment income, child care fees, contributions, contributed goods and services, and private grants. The “indeterminate” revenues from the audits include local funds and intergovernmental pass-throughs.

<sup>5</sup> Two charter schools in Chicago had per-pupil revenues (PPR) that fell more than two standard deviations away from the overall PPR for charter schools. If one excluded these units from the analysis because they are outliers, the difference between charter and district funding in Chicago would rise to 28 percent, a gap of \$2,476 PPR.

<sup>6</sup> There were 22 charters in operation in Illinois in 2002-03, but we excluded one from the analysis due to incomplete data.

<sup>7</sup> Legislation includes charter school enrollment as part of total enrollment in the school district (in which the student resides). The charter school and the local school board are to agree on funding and any services to be provided by the district to the charter school.

- <sup>8</sup> No more than 125 percent of per-capita student tuition of the district in which the charter school is located. (According to state charter school legislation (105 ILCS 5/27A4b), funding should be not less than 75 percent or more than 125 percent of the school district's per capita student tuition multiplied by the number of students residing in the district who are enrolled in the charter school.)
- <sup>9</sup> The calculation to determine a district's available local resources, which is required to determine the state foundation formula amount (which most districts qualify for), takes into account elementary and high school differences (with weights of 2.3 for elementary and 1.05 for high school).
- <sup>10</sup> Beginning in FY 2005, there will be differential funding for charter elementary and high schools (in addition to the existing differentials available for district elementary and high schools).
- <sup>11</sup> Any services for which a charter school contracts with a school district shall be provided by the district at cost.
- <sup>12</sup> The State Board makes transition impact aid available to school districts that approve new charter schools or have funds withheld to fund new charter schools that are chartered by the State Board. The amount of the aid is to equal 90 percent of the per capita funding paid to the charter school during the first year of its initial term, 65 percent of the per capita funding paid to the charter school during the second year of its initial term, and 35 percent of the per capita funding paid to the charter school during the third year of its initial term.
- <sup>13</sup> Only in the case of an appeal. (A charter can be created through an LEA or on appeal to the State Board of Education.)
- <sup>14</sup> A charter school finance suit is pending. The Illinois Network of Charter Schools filed an amicus curiae brief in the State Supreme Court in February 2005 in support of Comprehensive Community Solutions, Inc., a charter school applicant in Rockford that wants to open a high school combining academic instruction with on-the-job training for students who are "at risk" of dropping out of high school. The Rockford school district has twice rejected CCS' application, stating the charter school would be a financial drain on the school district. [Source: Internet research, including a *Chicago Tribune* article about education lawsuits (available at: <http://www.chicagotribune.com/news/printedition/chi-0405180301may18,1,2064936.story?coll=chi-printnews-hed>)]
- <sup>15</sup> State legislation allows for a total of 60 schools to be in operation: 30 in Chicago, 15 in the Chicago suburbs, 15 in the rest of the state.
- <sup>16</sup> Enrollment in a charter school is open to any student who resides within the geographic boundaries of the area served by the local school board, provided that (for cities with populations over 500,000) the board may designate attendance boundaries for as many as one-third of the charter schools in the city if the board determines that such boundaries are needed to relieve overcrowding or to better serve low-income and at-risk students.
- <sup>17</sup> Much of the summary information about public school funding comes from the Illinois Association of School Boards' *Understanding School Finance* report. August 2004.
- <sup>18</sup> "Equalized assessed value" means the assessed value multiplied by the state equalization factor; this gives the value of the property upon which the tax rate is calculated. Due to tax collection procedures, the EAV is for the year prior to the beginning of the fiscal year.
- <sup>19</sup> The higher a district's wealth, the lower the percentage of cost the state will pay.
- <sup>20</sup> For more details about how the three formulas work, visit [http://www.isbe.state.il.us/funding/pdf/gsa\\_overview.pdf](http://www.isbe.state.il.us/funding/pdf/gsa_overview.pdf).
- <sup>21</sup> According to the Illinois summary provided in the National Conference of State Legislatures' Education Finance Database ([http://www.ncsl.org/programs/educ/ed\\_finance/index.cfm#test](http://www.ncsl.org/programs/educ/ed_finance/index.cfm#test)), the grant index is calculated based on a school district's wealth compared to the wealth of the school district at the 90th percentile of wealth for all school districts of the same type. Districts with wealth at or above the 99th percentile for their type are assigned a grant index of 0. The remaining school districts, depending on their wealth, receive a grant index ranging from 0.35 (for wealthy districts) to 0.75 (for poor districts).
- <sup>22</sup> Illinois Charter School Annual Report, Springfield, Illinois: Illinois State Board of Education, 2004. Available online at <http://isbe.net/charter/pdf/annualrpt04.pdf>.
- <sup>23</sup> Loans are to be repaid by the end of the initial term of the charter school.
- <sup>24</sup> For more information about the Authority, see <http://www.il-fa.com>.
- <sup>25</sup> Barbara Page, *The Charter School Facility Finance Landscape*, The Educational Facilities Financing Center of Local Initiatives Support Corporation, 2005; available at

[http://www.lisc.org/resources/assets/asset\\_upload\\_file355\\_8088.pdf](http://www.lisc.org/resources/assets/asset_upload_file355_8088.pdf).

<sup>26</sup> For more information about the Illinois Facilities Fund, see <http://www.iff.org/content.cfm?contentid=46>.

<sup>27</sup> Barbara Page, *The Charter School Facility Finance Landscape*.

<sup>28</sup> Source for school characteristic data: NCES.

# Michigan

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Michigan and, in particular, Detroit, during FY 2002-03 (Figure 1).

### Highlights of our findings:

- On average, Michigan's 182 charter schools received 12.7 percent less funding per pupil than district schools: \$8,031 vs. \$9,199 per pupil, a difference of \$1,169.
- Detroit saw a wider funding gap as its 41 charter schools received 15.2 percent less funding than district schools: \$8,395 vs. \$9,899, a difference of \$1,504 per pupil.

### The primary reasons for these funding disparities:

- Charters receive less local funding.
- Michigan charter schools do not have access to funds for facilities construction and renovation that districts receive.

### Additional point:

- Differences between the student populations served by charter and traditional district schools in Michigan do not appear to account for much of the funding disparity, if any. While districts serve higher proportions of middle and high school students, the state's funding formula does not provide extra funds for higher grade levels.

## How Michigan Funds Its District Schools

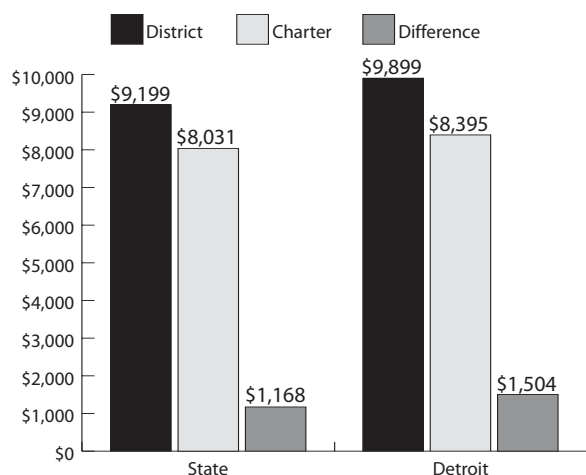
Proposal A, a constitutional amendment approved by voters in 1994, radically restructured the state's education funding system. Today, the majority of school funding originates from the state, because Proposal A uncoupled local property tax collection from the funding of local education agencies (LEAs). Now, the state's 6 percent sales tax serves as the primary vehicle for education

funding. Sixty percent of revenue generated from 4 percent of the sales tax helps to fund education in Michigan, while 100 percent of the revenue generated from the remaining 2 percent of the tax is spent on education.

**Figure 1: District and Charter School Revenues and Enrollments**

Michigan (2002-03)	STATEWIDE		DETROIT	
Per-Pupil Revenue				
District	\$9,199		\$9,899	
Charter	\$8,031 <sup>1</sup>		\$8,395	
Difference	(\$1,169) (12.7%)		(\$1,504) (15.2%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter
Federal	\$416	\$602	\$1,237	\$726
State	\$5,863	\$7,179	\$7,278	\$7,480
Local	\$1,404	\$132	\$493	\$112
Other	\$408	\$118	\$425	\$78
Indeterminate	\$1,108	\$0	\$466	\$0
Total	\$9,199	\$8,031	\$9,899	\$8,395
Enrollment				
District	1,683,588 (96.1%)		163,702 (89.3%)	
Charter	67,851 (3.9%)		19,614 (10.7%)	
Number of Charters	182		41	
Total Revenue <sup>7</sup>				
District	\$15,487,567,567 (96.6%)		\$1,620,529,613 (90.8%)	
Charter	\$544,884,978 (3.4%)		\$164,656,466 (9.2%)	
Total	\$16,032,452,545		\$1,785,186,079	
Percentage of Revenue by Source	District	Charter	District	Charter
Federal	4.5%	7.5%	12.5%	8.6%
State	63.7%	89.4%	73.5%	89.1%
Local	15.3%	1.6%	5.0%	1.3%
Other	4.4%	1.5%	4.3%	0.9%
Indeterminate	12.0%	0.0%	4.7%	0.0%
Change in district school funding if subjected to charter funding structure				
	(\$1.9 billion)		(\$246.2 million)	

**Figure 2: Per-Pupil Revenue for Michigan District vs. Charter Schools, FY 2002-03**



In addition to the sales tax, all revenue generated from a 2 percent increase in the state use tax is earmarked for education, as well as all revenues resulting from the statewide 6 mill property tax.

Additional revenue sources and taxes targeted for education include:

- Real Estate Transfer Tax
- Income tax (14.4 percent of collections after refunds at a 4.4 percent tax rate)
- Cigarette tax
- Other tobacco products
- Lottery
- Industrial & Commercial Facilities Tax
- Commercial Forest
- Liquor Excise Tax.

Revenues from all of these sources are used to fund the Foundation Grant for LEAs based on pupil enrollments. The current Foundation Grant statewide is \$6,700 and each LEA receives this amount or more for each pupil enrolled in its schools.

The state also provides additional revenue for special needs populations. LEAs receive additional revenue of

11.5 percent of the Foundation Grant for each special needs student.

## How Michigan Funds Its Charter Schools

Michigan charter schools receive the lesser of two funding formula options: either the Foundation Grant amount of the local school district, or the foundation allowance of \$6,700 plus an additional \$300 (an effective foundation allowance of \$7,000).

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X <sup>2</sup>	
Charter schools are eligible for local funding		X	
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)		X	
Charter schools receive differential funding		X <sup>3</sup>	
State allows districts to withhold funding from charter schools for providing administrative services		X <sup>4</sup>	
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district	X		
Cap on number of charter schools	X <sup>5</sup>		
Cap on number of charter schools authorized per year	X <sup>6</sup>		
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X		

## Facility Funding

Charter schools in Michigan have no access to state or local capital project funds.

## Primary Revenue Sources for Michigan's Public Schools

The restructuring of the state's funding formula in 1994 included increases in state sales and property taxes in exchange for a decrease in local property taxes, which previously had yielded the majority of funding for district and charter schools. The change in the formula meant revenues began to "follow the pupil," which has helped to address funding disparities in the state.

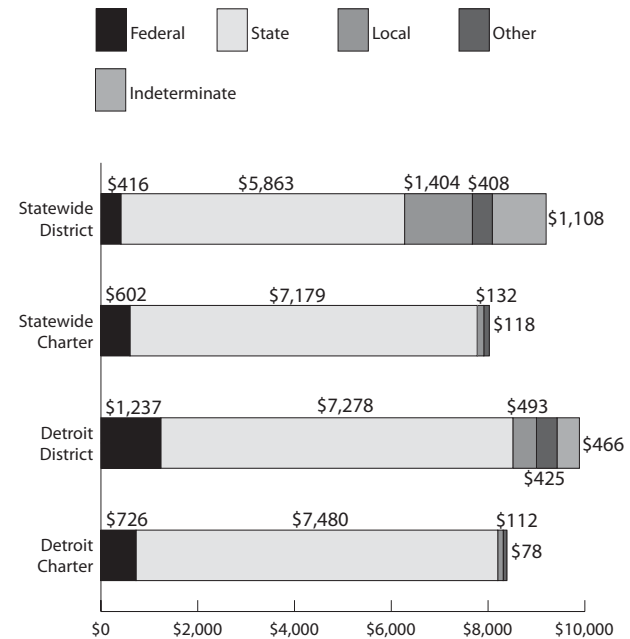
Under this revised funding formula, charters receive more in state revenue than districts, because districts rely on local revenue for a portion of their annual funding. Statewide, charters received \$7,179 per pupil in state revenue, while districts received \$5,863. In Detroit, charters also received more in state revenue than the district, but by a much smaller margin. Detroit's charters received \$7,480 in state revenue, while the district received \$7,278 per pupil.

In contrast, charter schools statewide received \$132 per pupil in local funds, while districts received \$1,404. In Detroit, charters received \$112 per pupil in local funds, while the district received \$493 in local funds.

Charters statewide also receive a greater percentage of their revenue from federal sources than school districts, 7.5 percent versus 4.5 percent. However, Detroit Public Schools receive more federal revenue than the charters located within its boundaries—12.5 percent versus 8.6 percent, respectively.

Additionally, districts statewide and in Detroit receive other revenue streams not available to charters; these cannot readily be classified as local, state, or federal. These indeterminate<sup>7</sup> funds increase a district's funding advantage over charters. Statewide, districts receive an additional \$1,108 in indeterminate revenue, while charters receive nothing. In Detroit, the district received \$466 per pupil in indeterminate revenue, while Detroit charters received no money at all from that source.

**Figure 4:** Per-Pupil Revenue by Source for Michigan District vs. Charter Schools, FY 2002-03



When aggregate dollars for all education services are compared to the enrollments for districts and charters, both statewide and in Detroit, it becomes apparent that Michigan charters are underfunded relative to district schools that are comparable for grade levels and students served. Charter schools compensate for some of this shortfall with private fundraising, but grants and donations fail to bridge the funding gap. As a consequence, charter schools must operate with less day-to-day per-pupil funding than do their traditional school counterparts.

Statewide, charters enrolled 3.9 percent of the student population but received only 3.4 percent of the total revenue expended on education. School districts, with 96.1 percent of the total student population, received 96.6 percent of the total revenues. The revenue shortfall for charters in Detroit is more severe. With 10.7 percent of the student population, Detroit charters received only 9.2 percent of the total revenues available. The district, however, with 89.3 percent of the student enrollment, received 90.8 percent of total available revenues.



Figure 5 compares charter and district school characteristics. Statewide in 2002-03, Michigan charters served a greater percentage of students eligible for free or reduced lunch, and a greater percentage of charter schools were eligible for Title I. These factors may explain charter schools' advantage (statewide) in federal funding. They also rule out the possibility that these factors explain districts' overall funding advantage. Nor can that advantage be explained by the variance in grades served, as the funding formula does not provide additional funds for higher grade levels.

**Figure 5: School Characteristics<sup>a</sup>**

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	32.3%	54.1%
Percentage of schools eligible for Title I	16.4%	34.0%
Percentage of students by school type:		
Primary (K-5)	44.7%	64.1%
Middle (6-8)	21.5%	1.2%
High (9-12)	28.7%	6.8%
Other (K-12, K-8, etc.)	5.1%	27.8%

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged "Data Availability" on the ease of access to the information needed for this study and others like it. A rating of "Yes" means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of "Partial" means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of "No" means the data were not available either through web sources or through state departments of education.

**Figure 6: State Scorecard**

FINDINGS		Michigan
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Y
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.



Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> All districts and charters were included in this analysis even if their per-pupil revenues were greater than two standard deviations from the average per-pupil revenue. If charters more than two standard deviations from the average had been excluded, any charter with total revenue of more than \$15,349 (or less than -\$713, if that were possible) would have been removed from this analysis. The following charters met these criteria:

School	Enrollment	Per Pupil Revenue
Bahweting Anishnabe	215	\$17,717
Benjamin Carson (Detroit)	125	\$25,214
Blanche Kelso Bruce (Detroit)	282	\$17,022
Nah Tah Wahsh	157	\$16,638
Outlook	9	\$43,109
St. Clair County Learning	20	\$15,368

Excluding these schools would have resulted in a total state charter enrollment of 67,043, a total revenue of \$529,816,362 and per-pupil revenue of \$7,903. Under this scenario, the funding gap widens from 12.7 percent to 14.1 percent.

<sup>2</sup> Charters receive their state funding through their authorizer. Federal revenues flow directly to the charter.

<sup>3</sup> As of 2005, discussions are underway that would allow for a slightly higher base allowance for district and charter high schools. No decisions have been reached on this issue.

<sup>4</sup> State law allows authorizers to withhold 3 percent as an oversight and certification fee.

<sup>5</sup> State universities may authorize 150 charter schools, and no single university may authorize more than 50 percent of the total number of charter schools that all state universities are allowed to authorize.

<sup>6</sup> The state universities may authorize 15 charter high schools in the Detroit School District. There are no caps for non-university authorizers

<sup>7</sup> The Michigan Department of Education produces two important sources of information detailing revenues and expenditures for public schools and charters in the state, Bulletins 1011 and 1014. Unfortunately, these two documents report results using different formats. The 1014 provides revenue information for the General Fund by Local, State, Federal, and Total revenue categories only. These figures are shown on a per-pupil basis for each school district and charter in the state. However, since the 1014 reports only General Fund revenues, the report excludes other revenue sources, including capital revenue.

The 1011 report provides information from all revenue sources in total dollar amounts including capital and debt for districts and charters. However, the 1011 report does not distinguish between districts and charters: Instead, it groups the figures based on total student populations. Neither the 1014 nor the 1011 report includes revenues related to the Intermediate Service Units in the state.

To determine accurately the revenues provided to Michigan’s districts, and separately, its charters, we used both state reports. The dollar variance between the figures presented in the two reports was recorded as “indeterminate” district revenue given that it was not possible to ascertain the source of the revenue on a per pupil basis for both districts and charters. For purposes of this analysis, the indeterminate revenue was classified as district revenue.

We were unable to confirm whether or not charters have access to a portion of this revenue (such that it would not all be classified as district revenue). To determine whether this uncertainty affected our results, we estimated the maximum amount of this indeterminate revenue charters could possibly have received. Using Bulletin 1011, which provides information by school size, we learned that the majority of charters (133 of 182) fell into the (N) classification, for districts or charters with fewer than 500 students. The Bulletin 1011 includes revenue for the General Fund, Debt Retirement, Capital Projects, School Service, and Trust Fund. Charter school revenue related to the General Fund by charter was available through the 1014 report; thus, the General Fund revenue in the 1011

1011 Category	School Size	School Service PPR	1011 Category Charter Pupils	Total Potential Charter School Service	Trust Fund PPR	1011 Category Charter Pupils	Total Potential Charter Trust Fund
J	2000-2499	\$83	2,108	\$174,964	\$9	2,108	\$19,394
L	1000-1499	\$356	5,986	\$2,131,016	\$8	5,986	\$48,008
M	500-999	\$313	26,448	\$8,278,224	\$13	26,448	\$356,519
N	Below 500	\$260	33,309	\$8,660,340	\$6	33,309	\$201,853
			Total	\$19,244,544		Total	\$625,773

report was excluded. Additionally, research gathered for this study indicated that charter schools did not have access to Debt Retirement or Capital Project funds, so those revenue streams were excluded, as well. Of the remaining two funds, School Service and Trust Fund, we could not confirm whether or not charters with fewer than 500 pupils each (the majority of the state's charter schools) would have had access to those funds.

However, to quantify the maximum amount charters possibly could receive from these two funds, where eligible, we calculated the total number of charter pupils in each size category, J, L, M and N used in the 1011

report. We multiplied the per-pupil revenue reported in the 1011 for each category for each fund by the number of charter pupils within that category. Of the \$1.8 billion in indeterminate revenue assigned to the state's school districts, no more than \$19.8 million could have been assigned to charter schools. (See table above for calculations. Total of \$19.8 million equals \$19.244 million plus \$625,773.) This analysis assumes that charter schools had access to School Service and Trust Fund revenues which were equivalent to 1.1 percent of the total indeterminate revenue.

<sup>8</sup> Source for school characteristic data: NCES.

# Minnesota

## Summary and Highlights

This snapshot analyzes the revenue sources<sup>1</sup> and funding levels for district schools and charter schools in Minnesota and, in particular, Minneapolis and Saint Paul, during FY 2002-03 (Figure 1).

### Highlights of our findings:

- The 74 charter schools in Minnesota received, on average, 2.4 percent more funding than district schools: \$10,302 vs. \$10,056 per pupil, a difference of \$245.
- The 15 charter schools in Minneapolis received, on average, 15.5 percent less funding than district schools: \$11,575 vs. \$13,701 per pupil, a difference of \$2,127.

**Figure 1:** District and Charter School Revenues and Enrollments

Minnesota (2002-03)	STATEWIDE		MINNEAPOLIS		SAINT PAUL	
Per-Pupil Revenue						
District	\$10,056		\$13,701		\$11,876	
Charter <sup>2</sup>	\$10,302		\$11,575		\$10,800	
Difference <sup>3</sup>	\$245 2.4%		(\$2,127) (15.5%)		(\$1,076) (9.1%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal <sup>4</sup>	\$530	\$1,083	\$1,237	\$1,727	\$1,150	\$931
State	\$7,309	\$8,303	\$9,851	\$8,619	\$9,094	\$8,894
Local	\$1,985	\$857	\$2,547	\$1,183	\$1,550	\$942
Other	\$232	\$58	\$66	\$45	\$83	\$33
Total	\$10,056	\$10,302	\$13,701	\$11,575	\$11,876	\$10,800
Enrollment						
District <sup>5</sup>	828,628 (98.5%)		47,258 (94.5%)		45,423 (91.2%)	
Charter	12,215 (1.5%)		2,770 (5.5%)		4,405 (8.8%)	
Number of Charters	74 <sup>6</sup>		15		20	
Total Revenue <sup>7</sup>						
District	\$8,332,824,019 (98.5%)		\$647,496,290 (95.3%)		\$539,448,231 (91.9%)	
Charter	\$125,830,646 (1.5%)		\$32,060,238 (4.7%)		\$47,576,614 (8.1%)	
Total	\$8,458,654,665		\$679,556,528		\$587,024,845	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	5.3%	10.5%	9.0%	14.9%	9.7%	8.6%
State	72.7%	80.6%	71.9%	74.5%	76.6%	82.4%
Local	19.7%	8.3%	18.6%	10.2%	13.0%	8.7%
Other	2.3%	0.6%	0.5%	0.4%	0.7%	0.3%
Change in district school funding if subjected to charter funding structure						
	\$204 million		(\$100 million)		(\$48.9 million)	

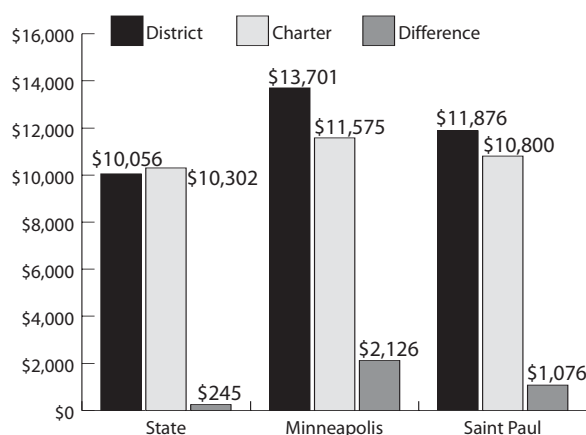
- The 20 charter schools in Saint Paul received, on average, 9.1 percent less funding than district schools: \$10,800 vs. \$11,876 per pupil, a difference of \$1,076.
- Minneapolis charters served 5.5 percent of the city's student population but received only 4.7 percent of the revenue. Saint Paul charters served 8.8 percent of the city's student population but received just 8.1 percent of the revenue.

### The primary reasons for these funding disparities:

- Federal charter school grants were available in FY 2002-03 to fund the start-up of new charter schools. This is the principal reason why charter schools in FY 2002-03 received more revenue per pupil than did district schools in Minnesota.
- Charter schools in Minnesota served a much greater portion of at-risk and/or disadvantaged students than district schools in 2002-03. Consequently, some additional revenue charter schools receive is likely due to state and federal grant programs.

- Minnesota district schools receive excess levy referendum revenues for operations from local property taxes that are not available to charter schools. In 2002-03, approximately 14 percent (\$1,890) and 8 percent (\$1,010) of total district revenues came from these sources in Minneapolis and Saint Paul, respectively, and this is the principal reason for shortfall in those two cities.

**Figure 2: Per-Pupil Revenue for Minnesota District vs. Charter Schools, FY 2002-03**



## How Minnesota Funds Its District Schools

Minnesota public schools are funded using a formula that provides a base amount derived from an Adjusted Marginal Cost Pupil Unit (AMCPU). In FY 2002-03, district and charter schools received an AMCPU amount of \$4,601 per pupil. District and charter schools also received additional revenue based on multiples of the AMCPU amount for students who met certain criteria for basic skills, sparsity (small/rural schools), transportation, training, operating capital, equity, referendums, and the like. The revenue program for general education in Minnesota has seven components: basic revenue, basic skills revenue, sparsity revenue, transportation, training and experience revenue, operating capital revenue, and operating referendum revenue.<sup>8</sup> District schools can also take advantage of local revenues from property taxes or bond measures.

## How Minnesota Funds Its Charter Schools

Charter schools receive 100 percent of operations funding based on the average state per-pupil (AMCPU) revenue. Charter schools do not, however, have access to additional local revenue from property taxes or bond measures.

As part of the funding formula, charter schools receive state funding based on the statewide average property tax amount to compensate for the lack of access to local revenues. However this calculation does not factor in voter-approved local excess levy referendums that enable district public schools to raise additional revenue through property taxes that are not shared with charters. The state provides limited equalization money to charters to offset this, but this provision does not completely resolve the disparity in certain districts like Minneapolis and Saint Paul.

## Facility Funding

Minnesota provides facilities assistance to charter schools using state grants for facility improvement and lease aid in the amount of 90 percent of lease costs, up to \$1,200 per pupil.<sup>9</sup>

## Primary Revenue Sources for Minnesota's Public Schools

District and charter schools receive the majority of their revenue from state education dollars and local property taxes, which account for approximately 90 percent of school revenues. In Minnesota, 100 percent of the state operations funding follows students regardless of where they enroll—district or charter school. Since the district portion of locally funded operations that is raised through property taxes does not follow students who attend charter schools, the state also provides charters additional funding equal to the statewide average property tax amount. However, this is insufficient to close the disparity in Minneapolis and Saint Paul.

**Figure 3: State Charter School Policies**

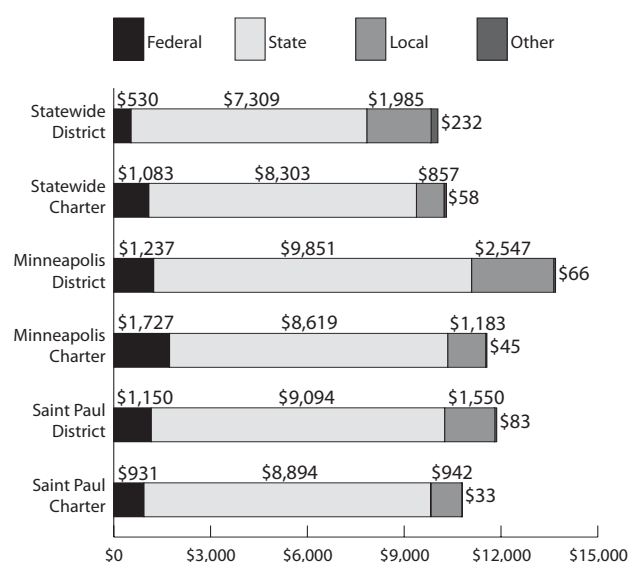
State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state	X		
Charter schools are eligible for local funding			X <sup>10</sup>
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows districts to withhold funding from charter schools for providing administrative services		X	
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district	X		
Cap on number of charter schools		X <sup>11</sup>	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X <sup>12</sup>		

Charter schools in Minnesota turn to private grants and local contributions to try to reduce the difference. In FY 2002-03, approximately 8 percent of total charter school revenue came from these sources. By contrast, revenues raised by district schools through private contributions were negligible. However, private funding was not sufficient to make up the shortfall in public funds experienced by many charter schools in Minnesota.

Charter schools in Minnesota received more revenue from federal and state sources than district public

schools. This is largely due to the fact that charter schools served a greater portion of at risk and/or disadvantaged students than district schools. Additionally, federal charter school grants were available in FY 2002-03 to fund the start-up of new charter schools. This is the principal reason why charter schools in FY 2002-03 received more revenue per pupil than did district schools in Minnesota (Figure 4).

District schools in Minneapolis and Saint Paul received \$1,890 and \$1,010, respectively, in local property tax revenue that was not available to charters. This is the principal reason for the funding disparity between district schools and charter schools in those two cities (Figure 4).

**Figure 4: Per-Pupil Revenue by Source for Minnesota District vs. Charter Schools, FY 2002-03**

Differences between the student populations of charter and district schools appear to explain some of the differences in funding (Figure 5). Sixty-seven percent of charter schools versus 38.1 percent of district schools in Minnesota were Title I eligible.

Similarly, 55.8 percent of charter students versus 27.1 percent of district students were eligible for free or reduced price lunches. These two indicators are used to determine federal and state funding for at-risk and disadvantaged students.<sup>13</sup>

Figure 5: School Characteristics<sup>15</sup>

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch <sup>15</sup>	27.1%	55.8%
Percentage of schools eligible for Title I	38.1%	67.0%
Percentage of students by school type:		
Primary (K-5)	45.0%	45.6%
Middle (6-8)	19.7%	7.8%
High (9-12)	33.3%	25.1%
Other (K-12, K-8, etc.)	2.0%	21.5%

Higher percentages of students in grades 9-12 were served by district schools than charter schools (33.3 percent vs. 25.1 percent). The per-pupil funding formula compensates schools that serve pupils in grades 9-12 at a higher rate than pupils in grades K-8 (Figure 5).<sup>16</sup>

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that

Figure 6: State Scorecard

FINDINGS		Minnesota
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Y
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.



charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

- <sup>1</sup> Data provided by the Minnesota Department of Education (MDE) Program Finance Division via the MDE web site. Data were analyzed for district schools and charter schools across the State and specifically for Minneapolis School District #1 and Saint Paul School District #625 for 2002-03 (FY 2003). Revenue data for 2002-03 are available through the MDE at <http://education.state.mn.us/MFRSystem/index.do>.
- <sup>2</sup> Statewide, four charter schools (Four Directions - \$18,567, New Visions - \$22,186, Metro Deaf Schools - \$28,544, and Eci'Nomp Woonspe' - \$17,418) had per-pupil revenues of more than \$16,951, or more than two standard deviations above the state average per-pupil revenue amount of \$10,302 for charter schools. If these outliers were excluded, the average per-pupil revenue for charter schools would be \$9,893 statewide, \$10,369 for Minneapolis, and \$10,528 for Saint Paul.
- <sup>3</sup> When the outliers identified above are excluded, charter schools statewide received \$163 (1.6 percent) less revenue per pupil than district public schools, reversing the overall finding that charters get more per pupil than district schools in Minnesota. In Minneapolis, again excluding the outliers, charter schools received \$3,333 (24.3 percent) less revenue per pupil than district schools, and in Saint Paul, charter schools received \$1,348 (11.4 percent) less than district schools.
- <sup>4</sup> Federal revenue includes start-up grants which are short-term revenue streams that significantly increase federal revenues per pupil over a three-year period.
- <sup>5</sup> Enrollment figures for district schools include students attending post-secondary options, alternative

schools/learning centers, and inter-district open enrollment.

- <sup>6</sup> Seventy-seven schools were in operation statewide in 2002-03, but we eliminated three from the analysis due to incomplete enrollment and/or revenue data. None of these three schools was located in Minneapolis or St. Paul.
- <sup>7</sup> Revenues designated by the state as “Other Financing Sources” (e.g., property sales, bonds and loans, and transfers) were excluded from revenue totals. Payments to charter schools were removed from district revenue totals.
- <sup>8</sup> For more information about each of the funding programs visit [http://www.ncsl.org/programs/educ/ed\\_finance/index.cfm#test](http://www.ncsl.org/programs/educ/ed_finance/index.cfm#test).
- <sup>9</sup> Previous to FY 2002-03, facilities aid provided \$1,500 per student or up to 90% of lease costs.
- <sup>10</sup> Charter schools receive funding equal to the statewide average property tax amount and a minimal amount of additional equalization funding to offset the fiscal impact of district excess levy referenda. However, these additional revenues do not address the disparity in local funding between charter schools and district schools in areas like the Twin Cities.
- <sup>11</sup> Minnesota allows the State Department of Education, public and private universities and community colleges, non-profit organizations with assets of at least \$2 million, and local public school districts to sponsor an unlimited number of schools with an initial charter term of up to three years.
- <sup>12</sup> Minnesota charter schools are available to all students in the state. While admissions prerequisites are not permitted, charter schools can provide preference for enrollment to the siblings of current students and residents.
- <sup>13</sup> Figures from the Common Core of Data, 2003. Available online at <http://nces.ed.gov>.
- <sup>14</sup> Source for school characteristic data: NCES.
- <sup>15</sup> Since some schools choose not to participate in the free and reduced price lunch program even though they enroll significant numbers of low-income children, this comparison excludes district and charter schools that reported zero free and reduced price lunch students.
- <sup>16</sup> The funding formula weights students in grades 9-12 at 1.3 times the AMCPU amount.



# Missouri

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Missouri and, in particular, Kansas City and St. Louis,<sup>1</sup> during FY 2002-03. These are currently the only dis-

tricts with charter schools, so together they comprise the statewide totals (Figure 1).<sup>2</sup>

### Highlights of our findings:

- Missouri charter schools received 28.8 percent less funding than district schools: \$9,003 vs. \$12,640 per pupil, a difference of \$3,638.
- Kansas City charters received 29.7 percent less funding than district schools: \$8,990 vs. \$12,795 per pupil, a difference of \$3,806.

**Figure 1:** District and Charter School Revenues and Enrollments

Missouri (2002-03)	STATEWIDE (KC and St. Louis)		KANSAS CITY		ST. LOUIS	
Per-Pupil Revenue						
District	\$12,640		\$12,795		\$12,531	
Charter <sup>4</sup>	\$9,003		\$8,990		\$9,035	
Difference	(\$3,638) (28.8%)		(\$3,806) (29.7%)		(\$3,495) (27.9%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	\$1,669	\$712	\$1,622	\$658	\$1,702	\$846
State	\$4,353	\$7,420	\$3,647	\$7,388	\$4,854	\$7,497
Local	\$6,594	\$855	\$7,523	\$921	\$5,936	\$693
Other	\$24	\$16	\$4	\$23	\$38	\$0
Total	\$12,640	\$9,003	\$12,795	\$8,990	\$12,531	\$9,035
Enrollment						
District	64,587 (87.5%)		26,779 (80.3%)		37,808 (93.4%)	
Charter	9,243 (12.5%)		6,561 (19.7%)		2,682 (6.6%)	
Number of Charters	25		18		7	
Total Revenue						
District	\$816,408,957 (90.8%)		\$342,643,601 (85.3%)		\$473,765,356 (95.1%)	
Charter	\$83,210,859 (9.2%)		\$58,980,215 (14.7%)		\$24,230,644 (4.9%)	
Total	\$899,619,816		\$401,623,816		\$497,996,000	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	13.2%	7.9%	12.7%	7.3%	13.6%	9.4%
State	34.4%	82.4%	28.5%	82.2%	38.7%	83.0%
Local	52.2%	9.5%	58.8%	10.2%	47.4%	7.7%
Other	0.2%	0.2%	0.0%	0.3%	0.3%	0.0%
Change in district school funding if subjected to charter funding structure						
	(\$234.9 million)		(\$101.9 million)		(\$132.1 million)	

- St. Louis charters trailed district schools by 27.9 percent: \$9,035 vs. \$12,531 per pupil, a difference of \$3,495.

- Combined state and local revenues totaled \$10,947 for district schools statewide compared to \$8,275 for charter schools, a gap of \$2,672 per student.

- Missouri district schools received \$957 more in federal per-pupil revenues than did charters (\$1,669 vs. \$712).

- Capital revenues in Kansas City and St. Louis district schools accounted for 8.7 percent of their total revenues.<sup>3</sup> With the exception of two schools that raised capital dollars from private sources, charters received no capital funds.

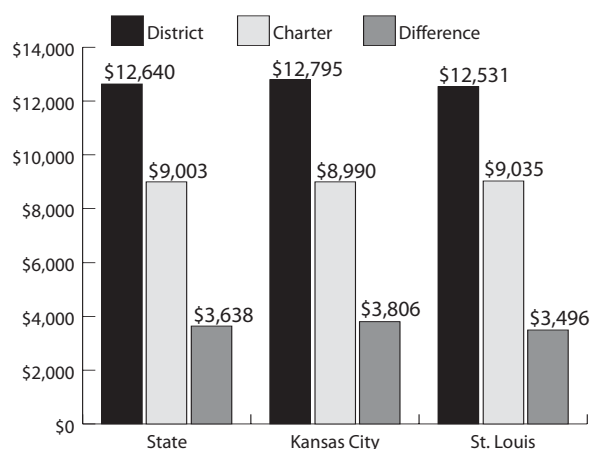
### The primary reasons for these funding disparities:

- State law denies charter schools access to most local funds (except for local contributions to state entitlement amounts). Charter schools receive the full “Line 1” state entitlement

amount in order to compensate for their lack of a tax base (local dollars). The “Line 1” entitlement, however, is much less than the combined local and state revenues that district schools receive.

- Charter schools have no access to capital or debt service funds.
- Missouri does not recognize charters as local education agencies (LEAs), so they are often unable to access state and federal program funds.
- Data comparing special needs students served by district and charter schools were not available. However, based on a comparison of Individuals with Disabilities Education Act (IDEA) revenues, Missouri district schools appear to serve a higher proportion of special needs students. The Missouri funding formula does not vary by grade level, and district and charter schools serve similar percentages of low-income and Title I students, so these factors do not explain the funding gap.

**Figure 2: Per-Pupil Revenue for Missouri District vs. Charter Schools, FY 2002-03**  
(Statewide comprised of Kansas City and St. Louis)



## How Missouri Funds Its District Schools

Missouri school districts are funded based on the higher of the prior two years' Eligible Pupil (EP) counts or the current year's EP. The EP is the sum of the average

daily attendance in the regular school term plus the doubled average daily attendance of the summer school term. The basic state-aid formula, or “District Entitlement,” is the “amount of combined state and local revenue guaranteed based on the district’s tax levy in the General (Incidental) and Special Revenue (Teachers) Funds.” A provision in the code also permits districts to designate a percentage of the tax rate in the combined Debt Service and Capital Projects Funds to be included in the operating tax levy, if certain requirements are met.

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X	
Charter schools are eligible for local funding			X <sup>5</sup>
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)		X	
Charter schools receive differential funding		X	
State allows districts to withhold funding from charter schools for providing administrative services		X	
State “holds harmless” district funding for charter enrollment			X <sup>6</sup>
School is considered LEA if authorized by non-district organization		X	
School is considered LEA if authorized by district		X	
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy			X <sup>7</sup>

District entitlement is calculated by multiplying the EP times the Line 1 tax levy (2.75) times the guaranteed tax base, times a proration factor that accounts for adjustments based on the dollars available compared to the dollars needed. This calculation produces Line 1 of the state funding formula. A series of deductions for local revenues is then made to determine how much state aid the district should receive to reach its entitlement. Districts retain all locally generated revenues beyond the amount needed to meet their entitlement obligations.

In addition to base funding, the state distributes free and reduced price lunch revenues, using a district-specific pricing scale, and calculates transportation funds using Average Daily Transported student counts. Taken together, these calculations account for the entire state aid package.

## How Missouri Funds Its Charter Schools

Charter schools receive state and local funds from district payments based on current year EP reports submitted to the district every five weeks. Charter revenues are determined on current year EP counts alone. In FY 2002-03, they received 100 percent of their district's Line 1 formula calculation less the amount related to the district's leasehold revenue bond payments.<sup>8</sup> Charters also receive free and reduced price lunch and transportation funds at the local district rate. Districts must also forward all EP funds for qualifying charter students under specific state and federal entitlement programs. Current state policies pertaining to charter school funding are presented in Figure 3.

## Facility Funding

In FY 2002-03, Missouri district schools received capital funds from local, state, and federal sources. Charter schools are not eligible for, and therefore did not receive, facility funds from any government sources. The law permits districts to take on bond indebtedness on behalf of charter schools, but this requires the approval of local voters and is not likely to occur in practice. The law also states that a maximum of 5 per-

cent of the school buildings currently used for instructional purposes in a district may be converted to charter schools. (The 5 percent limit does not apply to vacant buildings or buildings not used for instructional purposes.)

## Primary Revenue Sources for Missouri's Public Schools

Most funding for Missouri charter schools comes from state sources (82.4 percent). Charter school "state" revenues include local tax contributions to the Line 1 formula amount, but the state does not report local and state contributions separately in charter school accounts. Line 1 amounts are the only real local tax base revenues that charter schools receive. The Missouri Department of Elementary and Secondary Education (MODESE) reporting procedures define "local" charter school revenues as revenues raised through student activities, food service programs, earnings on investments, community services, or "other" privately raised revenues; none of the charter school revenues classified as local are district pass-through funds. "Local" revenues accounted for 9.5 percent of total charter school funds.

Missouri school districts, on the other hand, received more than half of their revenues from local sources (52.2 percent), which include the revenue categories described under charter school "local" funds above, in addition to district and county tax-base revenues. Approximately 34 percent of district revenues came from state sources. Districts received another 13.2 percent of funds from federal sources whereas charters received just 7.9 percent of their revenues from federal sources.

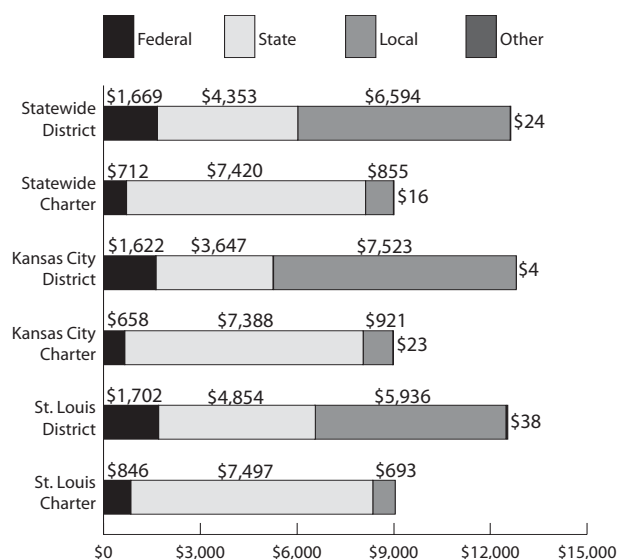
Charter schools do not receive debt service or capital project funds from state or local sources. District schools, on the other hand, received capital revenues from local, state and federal sources.

### ■ Local Sources

**Access Denied to Local Dollars:** Missouri's funding formula guarantees charters 100 percent of the Line 1

state entitlement since they cannot levy taxes.<sup>9</sup> A district's level of state funding, by contrast, is adjusted downward to account for local tax revenue. This approach is intended to create equity: charter schools get the full state entitlement and districts keep their full local revenues. However, only a portion of locally generated revenues is considered in the entitlement formula, leaving charters with far-from-equal access to local funds. Charters, for example, do not get a slice of county revenues, local "other" revenues, or capital funds. Only district schools have access to these revenue sources.

**Figure 4:** Per-Pupil Revenue by Source for Missouri District vs. Charter Schools, FY 2002-03



The gap between charter and district school funding per pupil is largely attributed to the following:

- 1) charter schools' lack of access to capital funds;
- 2) charter schools' lack of access to local "other" dollars;
- 3) charter schools' restricted access to federal and state grant sources due to LEA ineligibility; and
- 4) a higher rate of special needs services provided by district-run schools.

The estimated total local revenues (in the two cities) that are exempt from consideration in the state's entitlement formula, and thus effectively available to district but not charter schools, are \$44,591,101,<sup>10</sup> or

\$690 per district student. Combined with local capital funding of \$754 per student, districts receive \$1,444 in per-pupil local funding that charters cannot access.

### ■ Local and State Sources

1) On average, district schools in St. Louis and Kansas City received \$1,105 per student in total capital funds. Kansas City had capital funding of \$1,569 per student while St. Louis received \$777. Kansas City received the majority of its capital funds, 97.8 percent, from local "other" sources. St. Louis, on the other hand, received 74.1 percent of its capital funding from state and federal sources. Missouri charter schools received nothing from these three sources because state law precludes them from accessing local excess dollars and because charters, lacking LEA status, are ineligible for state and federal capital sources.

2) As noted above, charters' only access to capital came from fundraising and donations. State law allows districts to take on bond indebtedness for charter school capital needs. This, however, requires a super-majority vote of district residents. If approved, the district would be responsible for levying an additional property tax on all of the taxable property within the district to retire the debt. Missouri experts agreed there is little chance of this ever occurring.<sup>11</sup>

### ■ State Sources

1) **"Hold Harmless" Provision:** Local school districts have a "hold harmless" provision that permits Estimated Pupil (EP) calculations for funding to be based on prior year(s), using the last two years of student EP or the current year's EP, whichever is greater. This, in effect, allows districts to receive a higher level of funding than their current student count would yield. Charters, on the other hand, are always funded at the current year EP.

2) **Formulaic Factors:** Some funding sources such as transportation are based on other measures besides EP.

Transportation funds are allocated based on average daily transport counts. Charter schools that do not provide transportation do not receive any transportation funding. Several similar line items may contribute to a funding gap but were not specifically identifiable within the data available.

## ■ Federal Sources

**1) Special Needs Funding:** Statistics comparing the proportion of special needs students at charter schools and district schools were unavailable. However, based on revenue indicators, district schools appeared to receive a higher level of federal special needs funds than did charters. Special needs student funding estimates for charter and district school statewide averages show district schools receiving approximately \$300 per pupil whereas charter schools generated approximately \$89 per student.<sup>12</sup>

**Figure 5: School Characteristics<sup>13</sup>**

	KC & St. Louis District	KC & St. Louis Charter
Percentage of students eligible for free or reduced price lunch	74.4%	71.5%
Percentage of schools eligible for Title I	81.0%	72.0%
Percentage of students by school type:		
Primary (K-5)	57.6%	50.8%
Middle (6-8)	18.5%	6.1%
High (9-12)	19.7%	7.2%
Other <sup>14</sup> (K-12, K-8, etc.)	4.2%	35.9%

**2) At-Risk Populations:** Information from the 2003 NCES Common Core of Data demonstrates that Missouri charter and district schools serve a similar proportion of at-risk students. In 2002-03 there was a 2.9 percent difference between charter and district schools (71.5 percent vs. 74.4 percent) in the number of eligible free and reduced price lunch students. Additionally, districts had a slightly higher percentage of Title I eligible schools (81 percent vs. 72 percent)

than charters, but the difference is too small to have much impact on the federal funding gap.

**3) Restricted Access to State and Federal Grant and Program Sources:** Though difficult to quantify precisely, it's clear that charter schools' limited access to many state and federal grant or other funding opportunities, because they lack LEA status, is a factor in the funding disparities.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged "Data Availability" on the ease of access to the information needed for this study and others like it. A rating of "Yes" means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of "Partial" means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of "No" means the data were not available either through web sources or through state departments of education.

Separately, we judged "Funding Formula" based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. "Yes" means that charters in the state are always considered LEAs for all forms of funding. "Partial" means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. "No" means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.



Figure 6: State Scorecard

FINDINGS		Missouri
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	N
	State funds student (black) or the LEA (grey)	L
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## Endnotes

<sup>1</sup> Revenue data and enrollment (EP counts) for school districts and charter schools came from the Missouri Department of Elementary and Secondary Education's (MO DESE) "Annual Secretary of the Board Report (ASBR) Part II Revenue Summary." Missouri financial data were highly accessible through web-based reports and through discussions with individuals at the state department. Revenue statements provided line-item detail, which was helpful in isolating revenue streams and conducting analysis.

<sup>2</sup> Missouri statute permits charter schools to operate only in school districts containing most or all of a city with a population greater than 350,000, which confines them to Kansas City and St. Louis.

<sup>3</sup> This figure does not include bond sales.

<sup>4</sup> When two standard deviations are applied to statewide average charter school per-pupil revenues (PPR), the Genesis School with an EP of 156 students and an average PPR of \$18,558, is removed from the charter school population. This increases the funding gap between charters and districts to 29.8 percent, a difference of \$3,760 in PPR. In Kansas City, where this school is located, the average charter PPR is reduced to \$8,792. We cannot calculate the standard deviation for Missouri district schools because the state does not report school-level financial data for district schools.

<sup>5</sup> Charter schools are only eligible for local funds that figure into the state entitlement formula. Districts keep the remaining local funds.

<sup>6</sup> Districts are permitted to base EP figures on the higher of the prior two years' Eligible Pupil (EP) counts or the current year's EP. Charter schools must use current year EP.

<sup>7</sup> Within geographic boundaries, charter schools must use open enrollment procedures.

<sup>8</sup> According to a July 27, 2005 article in the *Kansas City Star*, "District defends withholding millions of dollars from charter institutions: Judge rejects most of KC schools' case", the district practice of withholding funds from charter schools to repay court-ordered revenue bond payments will likely cease. In FY 2002-03, Kansas City withheld \$814 per charter school student and St. Louis withheld \$137 per charter school student in pass-through funds.

<sup>9</sup> Missouri State Statutes:  
<http://www.moga.state.mo.us/statutes/C100-199/1600000415.HTM>.

<sup>10</sup> Exempt line items from local funding are codes: 5115, 5118 – 5199, 5221, 5232, and 5237.

<sup>11</sup> Interviews with MO DESE School Finance and Charter Division staff.

<sup>12</sup> Special Needs funding estimates are approximate. Line-item federal and state funding levels in charter financial reports were less easily identified than in the district

“Annual Secretary of the Board Report” (ASBR). Charter estimates are likely underreported here, though any such difference would not have a significant impact on the overall finding.

<sup>13</sup> Source for school characteristic data: NCES.

<sup>14</sup> Other types of schools include multiple grade levels, such as K-8 or K-12, and non-traditional schools.



# New Mexico

## Summary and Highlights

This snapshot examines the revenue sources<sup>1</sup> and funding levels of district schools and charter schools in New Mexico and, in particular, Albuquerque during FY 2002-03 (Figure 1).

### Highlights of our findings:

- The 27 charter schools in New Mexico received, on average, 4.8 percent less funding than district schools: \$8,589 vs. \$9,020 per pupil, a difference of \$430.
- The 13 charter schools in Albuquerque received, on average, 9.9 percent more funding than district schools: \$8,511 vs. \$7,745 per pupil, a difference of \$766.

### The primary reasons for these funding disparities:

- Charter schools in Albuquerque received much greater funding from specific federal, state, and local grants than did district public schools (\$1,469 vs. \$532 per pupil). However, a large portion of this was due to federal and state stimulus grants for new charters and should not be expected to recur.<sup>2</sup>
- District public schools in New Mexico received approximately 19 percent of their revenue from local sources that are not available to charter schools. Since charter schools do not benefit from local property taxes and cannot sponsor local bond referenda to raise money, charter schools received additional state revenue to compensate.
- Charter schools in New Mexico do not receive revenues for capital outlay or debt service. In FY 2002-03, these two sources accounted for \$1,868 per pupil statewide and \$1,298 per pupil in Albuquerque.
- District schools in New Mexico received additional revenues from state and federal programs for serving a greater percentage of at-risk and disadvantaged students than charter schools (Figure 5).

**Figure 1: District and Charter School Revenues and Enrollments**

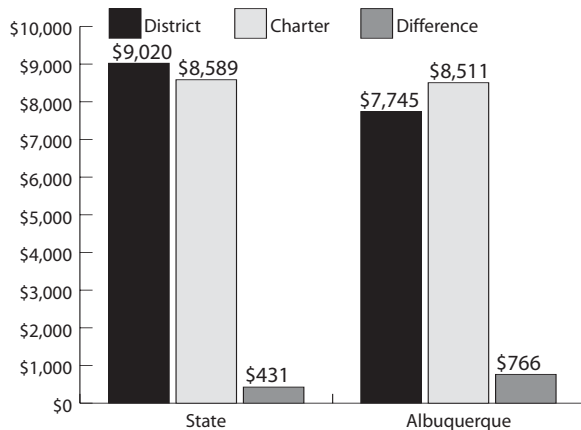
New Mexico (2002-03)	STATEWIDE		ALBUQUERQUE	
Per-Pupil Revenue				
District <sup>3</sup>	\$9,020		\$7,745	
Charter <sup>4</sup>	\$8,589		\$8,511	
Difference <sup>5</sup>	(\$430) (4.8%)		\$766 9.9%	
Per-Pupil Revenue by Source	District	Charter	District	Charter
Federal <sup>6</sup>	\$1,228	\$1,443	\$668	\$1,149
State	\$6,084	\$6,797	\$5,581	\$7,067
Local	\$1,708	\$349	\$1,496	\$295
Total	\$9,020	\$8,589	\$7,745	\$8,511
Enrollment				
District	308,733 (98.6%)		83,461 (96.9%)	
Charter	4,304 (1.4%)		2,646 (3.1%)	
Number of Charters	27		13	
Total Revenue				
District	\$2,784,692,333 (98.7%)		\$646,404,663 (96.6%)	
Charter	\$36,968,705 (1.3%)		\$22,520,626 (3.4%)	
Total	\$2,821,661,038		\$668,925,289	
Percentage of Revenue by Source	District	Charter	District	Charter
Federal	13.6%	16.8%	8.6%	13.5%
State	67.5%	79.1%	72.1%	83.0%
Local	18.9%	4.1%	19.3%	3.5%
Change in district school funding if subjected to charter funding structure				
	(\$133.1 million)		\$63.9 million	

## How New Mexico Funds Its District Schools

New Mexico public schools are funded based on a formula that provides a base unit value per program unit. In FY 2002-03, the base unit value was \$2,976 per pupil. The total number of program units a district school receives is based on the number of students that are eligible for the program (e.g., bilingual, special edu-

cation) multiplied by the weighting for a particular program area. Additional revenue is available for students who are eligible for various state and federal programs (e.g., special education, Title I, free and reduced price lunch).

**Figure 2: Per-Pupil Revenue for New Mexico District vs. Charter Schools, FY 2002-03**



## How New Mexico Funds Its Charter Schools

Charter schools are required to receive funding equal to at least 98 percent of the school-generated program cost (i.e., actual costs that schools incur for providing programs). Additional funding is available from the state to assist with the start-up of new charter schools. One-year state stimulus funds are awarded on a competitive basis and are to be used for costs associated with start-up operations.<sup>7</sup>

## Facility Funding

New Mexico provides little facilities assistance to charter schools. District facilities that are vacant can be used by charter schools as long as there is no cost to the district. While charter schools can utilize these facilities “free of charge,” the charter school is responsible for all operating and maintenance expenses. District schools, on the other hand, rely on county governments to issue and repay bonds for school construction, maintenance,

and renovation.<sup>8</sup> State policies pertaining to charter school funding are presented below (Figure 3).

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X	
Charter schools are eligible for local funding		X	
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows districts to withhold funding from charter schools for providing administrative services	X <sup>9</sup>		
State “holds harmless” district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization		N/A	
School is considered LEA if authorized by district		X <sup>10</sup>	
Cap on number of charter schools		X <sup>11</sup>	
Cap on number of charter schools authorized per year	X		
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X <sup>12</sup>		

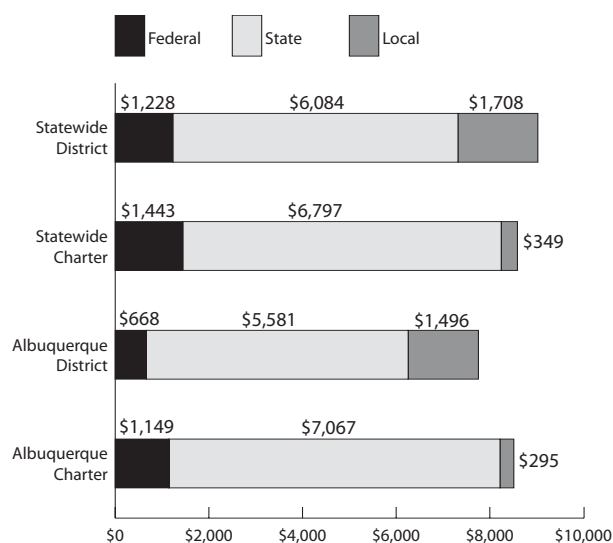
## Primary Revenue Sources for New Mexico’s Public Schools

New Mexico’s Public School Finance Act was designed to provide equitable funding for all students regardless of district location or economic conditions. Operational funding is provided to all schools from the state under an equalization guarantee.

District schools in New Mexico received approximately 19 percent of their revenue from local sources that are not available to charter schools. Since charter schools do not benefit from local property taxes and cannot sponsor local bond referenda to raise money, charter schools received additional state revenue to compensate.

Charter schools in New Mexico rely on private grants and contributions to compensate for their lack of capital funding. It is difficult for charter schools to support their academic programs simply on operational dollars provided by the state, so donations and grants are often used to cover costs associated with purchasing land and facilities. In FY 2002-03, approximately 2.8 percent of charter revenue throughout the state and 0.5 percent of charter revenue in Albuquerque came from philanthropy.<sup>13</sup> By contrast, private contributions to district schools were negligible.

**Figure 4:** Per-Pupil Revenue by Source for New Mexico District vs. Charter Schools, FY 2002-03



Charter schools in New Mexico received a greater amount of federal revenue, in part from grants that are available to fund the creation of charter schools during their first three years. It is important to note that such federal stimulus grants are non-recurring sources of revenue,

so charters may experience a significant drop in revenue after the third year (Figure 4).

Charter schools in Albuquerque received a much greater amount of revenue from federal, state, and local grants than did district schools (\$1,469 vs. \$532 per pupil). This is the principal reason why charter schools received more revenue than district schools in Albuquerque (Figure 4).

Charter schools in New Mexico are part of the district local education agency (LEA), so they cannot apply separately for certain federal programs.

District schools in New Mexico appear to have served a greater percentage of at-risk and disadvantaged students than charter schools in 2002-03; more than half of district schools were eligible for Title I versus just one-sixth of charter schools (Figure 5).

Charter schools served a higher percentage of grades 9-12 students than district schools (44.3 percent vs. 28.5 percent). New Mexico's funding formula is weighted by grade level, and high schools received approximately 7 percent more grade level funding program units than other grades. In FY 2002-03 this totaled approximately \$200 per pupil in additional funding for high schools (Figure 5).

**Figure 5:** School Characteristics<sup>14</sup>

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	59.0%	59.8%
Percentage of schools eligible for Title I	57.6%	15.1%
Percentage of students by school type:		
Primary (K-5)	47.0%	34.4%
Middle (6-8)	22.2%	5.3%
High (9-12)	28.5%	44.3%
Other (K-12, K-8, etc.)	2.3%	16.0%

Figure 6: State Scorecard

FINDINGS		New Mexico
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	N
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	N
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> Data provided by the New Mexico Public Education Department (PED) School Budget and Finance Analysis Unit via the PED web site were analyzed for district schools and charter schools across the State of New Mexico and within Albuquerque for 2002-03 (FY 2003). Revenue data for 2002-03 is available through the PED at <http://www.ped.state.nm.us/div/fin/school.budget/index.html>.

<sup>2</sup> State and federal grants are non-recurring, competitive sources of revenue for charter schools. These grants last for one year for state stimulus grants and three years for federal stimulus grants. The use of these monies is also strictly managed and may only be used for one-time expenses, like purchase of student furniture, supplies, professional development, and curriculum alignment.

<sup>3</sup> Statewide, eight districts (Corona - \$23,235, Des Moines - \$17,646, Dulce - \$24,435, Jemez Valley - \$24,692, Magdalena - \$17,679, Mosquero - \$24,460, Vaughn - \$25,327, and Wagon Mound - \$25,843) had per-pupil revenues of more than \$17,593, or more than two standard deviations above the state average per-pupil amount for district schools. If these outliers were excluded the state average per-pupil revenue would be \$8,927, reducing the gap.

<sup>4</sup> Statewide, four charter schools (Clayton Dist. – Amistad - \$20,308, Gallup Dist. – Mid. College - \$19,946, Jemez Valley Dist. – San Diego RS - \$20,249, and Las Vegas City Dist. – Bridge ACA - \$18,327) had per-pupil revenues of more than \$18,067, or more than two standard deviations above the state average per-pupil amount for charter schools. If these outliers were excluded the average charter per-pupil revenue would be \$7,799, widening the gap. In Albuquerque, one charter school (Albuq. Dist. – Learning Center - \$17,714) had per-pupil revenues of more than \$15,209, or more than two standard deviations above the average per-pupil amount for Albuquerque charter schools. If this outlier is excluded the average per-pupil revenue would be \$7,971 for Albuquerque charter schools, reducing the charter school advantage.

<sup>5</sup> When all the outliers identified above are excluded, charters statewide received \$1,128 (or 12.6 percent) less revenue per pupil than did district schools, and Albuquerque charter schools received \$226 (or 2.8 percent) more revenue per pupil than district schools.

<sup>6</sup> Federal grants are non-recurring, competitive sources of revenue for charter schools that last for three years. The use of these monies is also strictly managed and may only be used for one-time expenses, like purchase of student furniture, supplies, professional development, and curriculum alignment.

<sup>7</sup> State and federal grants are non-recurring, competitive sources of revenue for charter schools. These grants last for one year for state stimulus grants and three years for federal stimulus grants. The use of these monies is also strictly managed and may only be used for one-time expenses, like purchase of student furniture, supplies, professional development, and curriculum alignment.

<sup>8</sup> While the 1999 Charter School Act allows charter schools to use available district facilities, often these facilities are left unused because they do not meet the state's strict "E" code occupancy. In order to occupy a vacated building, charter schools must cover the costs associated with bringing the building up to "E" code by using operational dollars, since federal and state stimulus funds cannot be utilized for rents, leases, or facilities improvements. According to the New Mexico Coalition for Charter Schools, only two charter schools are currently using district facilities at no charge.

<sup>9</sup> As part of the contract between the local school board and the charter school, the former may withhold a negotiated portion of the funding for oversight of and for providing services to the latter. This amount may not exceed 98 percent of the average district per-pupil operating revenue.

<sup>10</sup> All charter schools are considered part of their chartering district and receive their funding directly from their district; they do not have individual LEA status.

<sup>11</sup> New Mexico has a cap of 75 new and 25 conversion schools total in a five-year period, with no more than 15 start-up schools and 5 conversion schools per year. If there are less than 15 start-up schools and/or 5 conversion schools, the number of schools remaining in that year can be transferred to succeeding years.

<sup>12</sup> New Mexico charter schools are open to all students in the district. While selective admissions processes are not permitted, charter schools can provide preference for enrollment to returning students.

<sup>13</sup> New Mexico classifies charters' fundraising revenues in the local category.

<sup>14</sup> Source for school characteristic data: NCES.

# New York

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in

New York and, in particular, Albany, Buffalo, and New York City, during FY 2002-03 (Figure 1).

### Highlights of our findings:

- New York's 38 charter schools received 20.6 percent less funding than district schools: \$10,548 vs.

\$13,291 per pupil.<sup>1</sup> However, the charter revenue data exclude certain in-kind services received by law from their respective districts, such as non-instructional special education referral and testing, textbooks, library materials, and transportation.

- Albany, the state capital, recorded the greatest disparity between district and charter funding. Charter schools there received 32.8 percent less funding than district schools: \$10,235 vs. \$15,226 per pupil, a difference of \$4,991.

- New York City experienced the narrowest disparity of the three cities studied. Its charter schools received 13.0 percent less funding than district schools: \$10,881 vs. \$12,505 per pupil, a difference of \$1,624 per pupil.

### The primary reason for these funding disparities:

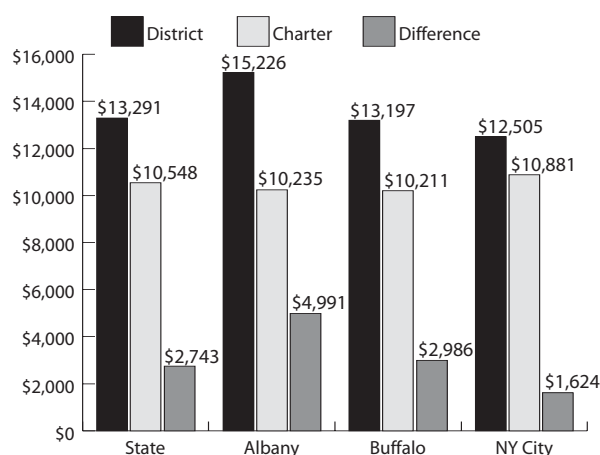
- Charters receive considerably less local funding than districts because they do not receive facilities funding for the construction and renovation of school buildings. Districts statewide received 45.0 percent of their revenue from local sources, while charters received 31.3 percent of revenue from local sources.

**Figure 1:** District and Charter School Revenues and Enrollments<sup>2</sup>

New York (2002-03)	STATEWIDE		ALBANY		BUFFALO		NY CITY	
Per-Pupil Revenue								
District	\$13,291		\$15,226		\$13,197		\$12,505	
Charter	\$10,548 <sup>3</sup>		\$10,235		\$10,211		\$10,881	
Difference	(\$2,743) (20.6%)		(\$4,991) (32.8%)		(\$2,986) (22.6%)		(\$1,624) (13.0%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	\$764	\$813	\$1,268	\$382	\$1,565	\$525	\$1,125	\$690
State	\$6,109	\$5,295	\$5,880	\$4,889	\$9,532	\$6,733	\$5,704	\$4,463
Local	\$5,986	\$3,298	\$8,132	\$4,651	\$2,141	\$1,767	\$5,352	\$4,031
Other	\$465	\$1,115	\$685	\$306	\$333	\$435	\$359	\$1,960
Indeterm. <sup>4</sup>	-\$32	\$27	-\$738	\$7	-\$374	\$751	-\$35	-\$263
Total	\$13,291	\$10,548	\$15,226	\$10,235	\$13,197	\$10,211	\$12,505	\$10,881
Enrollment								
District	2,812,277 (99.6%)		9,368 (91.7%)		41,589 (95.8%)		1,030,008 (99.6%)	
Charter	10,578 (0.4%)		847 (8.3%)		1,813 (4.2%)		4,442 (0.4%)	
Number of Charters	38		3		5		18	
Total Revenue								
District	\$37.4 billion (99.7%)		\$142.6 million (94.3%)		\$548.9 million (96.7%)		\$12.9 billion (99.6%)	
Charter	\$111.6 million (0.3%)		\$8.7 million (5.7%)		\$18.5 million (3.3%)		\$48.3 million (0.4%)	
Total	\$37.5 billion		\$151.3 million		\$567.4 million		\$12.9 billion	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	5.8%	7.7%	8.3%	3.7%	11.9%	5.1%	9.0%	6.3%
State	46.0%	50.2%	38.6%	47.8%	72.2%	65.9%	45.6%	41.0%
Local	45.0%	31.3%	53.4%	45.4%	16.2%	17.3%	42.8%	37.0%
Other	3.5%	10.6%	4.5%	3.0%	2.5%	4.3%	2.9%	18.0%
Indeterm.	(0.2%)	0.3%	(4.9%)	0.1%	(2.8%)	7.4%	(0.3%)	(2.4%)
Change in district school funding if subjected to charter funding structure								
	(\$7.7 billion)		(\$46.8 million)		(\$124.2 million)		(\$1.7 billion)	



**Figure 2: Per-Pupil Revenue for New York District vs. Charter Schools, FY 2002-03**



## How New York Funds Its District Schools

New York's school funding process attempts to reduce funding disparities created through property and income wealth factors that benefit some districts more than others. Funding for education programs is driven almost exclusively by a locality's ability to generate property tax revenue. Urban areas with higher assessed property values could assess a lower millage to generate the same level of revenues as poorer areas.

The state enacted the School Tax Relief Program in an attempt to equalize this disparity by providing tax relief to residents of high tax communities. State funding for public education is generated in inverse proportion to a district's wealth as measured by real property and adjusted gross income. The state calculates a "sharing ratio" to determine what share of the per-pupil ceiling amount will be paid locally versus by the state. As a result, low wealth districts receive a relatively high amount of state aid while high wealth districts receive a lower level of state revenue. While this program provides no new revenue to school districts, it shifts the burden of providing education funding from the local taxpayer to the state.

In addition to property taxes, state sales tax revenues also support education. Communities can attach their own sales tax (up to 4 percent) to the state sales tax of 4.25

percent. Eight counties earmark a portion of this sales tax revenue for education; these receipts provide support to approximately 160 of the state's school districts.

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X	
Charter schools are eligible for local funding			X
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding		X	
State allows districts to withhold funding from charter schools for providing administrative services		X	
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization			X
School is considered LEA if authorized by district			X
Cap on number of charter schools	X <sup>5</sup>		
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X		

The state's five largest communities have restrictions placed on revenues targeted for education purposes, restrictions not found in other New York districts. They are each subject to constitutional tax limits that affect their abilities to generate funds through property taxes. The most prominent example of this restriction occurs in Buffalo, where only 16.2 percent of the district's total

FY 2003 budget consisted of local revenue, while the state portion far exceeded state contributions elsewhere (72.2 percent vs. the state average of 46.0 percent). However, other districts alternate other ways to raise revenue. For example, New York City uses a modified local income tax for residents, assesses a tax on commercial rents, and also assesses business and financial taxes.

Small school districts also impose certain taxes that larger districts may not implement. Smaller cities, for example, may impose a tax on utilities not to exceed 3 percent. These communities also have revenue generated by tax exemptions for Industrial Development Agencies.

In addition to the base funding described above, the state provides categorical funding for each of the following: Tuition Adjustment Aid; Growth Aid; Full Day Kindergarten Conversion Aid; Educationally Related Support Services Aid; Limited English Proficiency; and Reorganization Incentive Operating funds.

The funding landscape described here portrays funding in FY 2002-03. Recent lawsuits may result in changes to the way in which state funds are collected and distributed in future years.

## How New York Funds Its Charter Schools

New York charters are considered local education agencies (LEAs) only for the purpose of federal funding related to the Elementary and Secondary Education Act (ESEA). Therefore, funding for federal programs flows directly from the state to the charter school. The LEA status of charters for federal non-ESEA programs is determined on a case by case basis.

Districts are required to provide charter schools with the equivalent of the district's approved operating expense per pupil. Additional sums must be transferred to the charter for students with disabilities, if the student receives special education services from the charter school. Distribution of the Public Excess Cost Aid is based on the length of day the student spends receiving special education services.

Although the state's charter law prescribes equal access to the district's approved operating expense aid and Public Excess Cost Aid, there are some categories of state education funding that charter schools cannot access. In some cases, this is simply because New York state laws were not updated to count charter schools as eligible for these funding streams.

The "other" category for both district and charter schools in Figure 1 is comprised of funds from a variety of sources, including interest, fees received, and private fundraising. For charters, the majority of the "other" category represents fundraising.

## Facility Funding

Charter schools do not receive the funding that districts receive for the construction and renovation of school buildings. This is the primary reason for the gap between charter and district per-pupil revenues.

New York's funding formula requires a specific local contribution from each district, per pupil, and that contribution should not vary between charter and district schools (within any one district). Facilities funds, however, are not included in the funding formula and are provided separately to school districts only, not to charter schools, so the gaps in local funding are largely attributable to these facilities dollars.

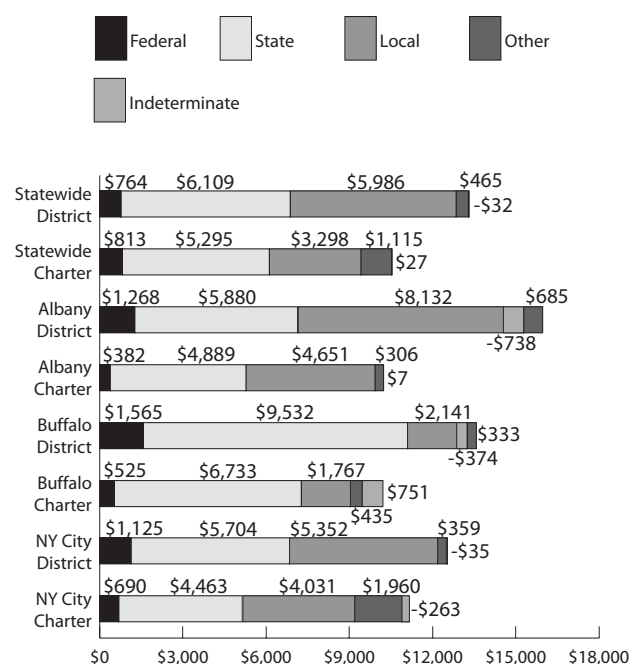
## Primary Revenue Sources for New York's Public Schools

Charter schools received a majority of their funding from state sources and relied disproportionately on state funds, in comparison to district schools, which received more revenue from local sources through sales and property taxes than did charters.

Charters statewide received 50.2 percent of their total revenue from state sources, while districts received 46.0 percent. Albany's charters recorded 47.8 percent in state funding versus 38.6 percent for the district. For Buffalo and New York City, however, the districts received an advantage in state revenue. Buffalo charters received 65.9 percent in state funding, while the dis-

trict received 72.2 percent in state funding. New York City charters received 41.0 percent in state revenue compared to 45.6 for the district. These numbers should not be interpreted to mean that the state funding formula favors charter schools. As noted above, the formula is designed to provide state revenue in inverse proportion to district wealth. In FY 2003, 45.4 percent of pupils attending charter schools originated from districts in which the state provided more than 50 percent of funding formula aid.

**Figure 4: Per-Pupil Revenue by Source for New York District vs. Charter Schools, FY 2002-03**



More local revenue reached school districts than charter schools. Statewide, charters received 31.3 percent of total revenue from local sources, while districts statewide received 45.0 percent of their revenue from local sources. Albany charters recorded 45.4 percent of their revenue as originating from local sources, while the district recorded 53.4 percent. In Buffalo, charters received 17.3 percent of their revenue from local sources, while the district received 16.2 percent. New York City charters operated their schools with 37.0 percent of their income from local sources, compared to 42.8 percent of local revenue reaching the school district.

Charter schools statewide appear to rely on “Other” revenue sources (10.6 percent of their funding) to a greater degree than do school districts (3.5 percent). However, New York City skews this average, with a total of 18 percent of revenue originating from “Other” sources (compared to 3 percent in Albany and 4.3 percent in Buffalo).

New York’s charter schools receive slightly less in funding (0.3 percent) than the student population served (0.4 percent). Buffalo’s charters served 4.2 percent of the total student population yet received only 3.3 percent of the total revenue available for educational services in the city. Albany’s charter schools served 8.3 percent of the total student population of the city but took in only 5.7 percent of the total revenue.

**Figure 5: School Characteristics<sup>6</sup>**

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	27.2%	75.1 %
Percentage of schools eligible for Title I	55.5%	44.4%
Percentage of students by school type:		
Primary (K-5)	47.4%	87.2%
Middle (6-8)	20.4%	4.1%
High (9-12)	27.7%	3.9%
Other (K-12, K-8, etc.)	4.5%	4.7%

Differences in student populations do impact funding but do not explain a significant portion of the funding gap between charter and district schools. The state formula provides an additional 25 percent per pupil for students in secondary grades, which are more common in district schools than in charters, but this explains just a small portion of the gap. The state also makes a small amount of “special needs” funding available, outside the parameters of the funding formula, which would benefit most those schools with the neediest student populations. As Figure 5 indicates, charters and districts each serve fairly needy populations, and these “special needs” funds are too small to have a material impact on the gap.

**Figure 6: State Scorecard**

FINDINGS		New York
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	P
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> Revenue information for this study was provided by two state sources: the state ST3 data collection and the “Charter School Annual Report of Fiscal Performance for the School Year Ended June 30, 2003.” Neither data set is available online but can be requested from the New York State Education Department.

<sup>2</sup> Several sources were used to compile the revenue analyzed for New York’s districts and charters. The New York State

Education Department provided data from the state's annual financial data collection known as the ST3 report. The report provides data based on local, state, federal, and other sources of revenue. The ST3 report adds charter revenue data into the revenue reported for each district. In order to separate charters from district funds, the dollar "pass-throughs" for charters were removed from the state and district figures reported in this analysis. Given that it is not possible to determine the origin of these funds, these changes to the district totals were allocated to the "indeterminate" revenue category.

Financial data for the state's charters originates from two sources. Charter schools must submit to the state department a "Charter School Annual Report of Fiscal Performance" after the close of the fiscal year. The report requires charters to account for revenues by state, federal, and other categories. Additionally, charters must also include revenue received from school districts for basic operating, and any pass-through revenue from the state or federal government for the instruction of students with disabilities.

These school-submitted annual reports serve as the foundation for production of the department's "Annual Report to the Governor and Legislature on the Status of Charter Schools in New York State 2002-03." That report does not analyze charter revenue by local, state, federal, and other categories, but it does include a total revenue number. The revenue presented in this published report was considered to be the definitive revenue number for each charter, not the self-reported charter totals. Therefore, any variance between the self-reported charter revenue numbers and the number published by the state was considered a positive or negative indeterminate revenue adjustment in our calculations. A negative indeterminate number means the charter reported more revenue on the Fiscal Performance report submitted to the Department than the Department acknowledged in the Annual Report to the Governor. Therefore, the negative indeterminate amount is used to match our figures to the official revenue number provided in the Annual Report to the Governor.

Due to the state's funding formula, charter schools receive the majority of their funding from the district in which they are located, with most of it in a category called "Basic Operating Revenues." This category represents a mixture of state and local revenue based on the state funding formula and represented the majority of dollars received by any of the charters. Therefore, calculating "Basic Operating Revenues" as local revenue skewed our analysis. To more accurately depict local and state revenues, we used the following methodology for New York's charters:

- We developed a database in which we identified each student attending a charter school based on the student's originating district. This information was obtained from the Governor's report mentioned above.
- Once students were identified by district, we used the database provided by the New York State Education Department that listed local, state, federal, and other revenue by school district. We extracted the local and state revenue line items for any district that had a student attending a charter school and assigned those revenue dollars to each student in the database.
- The local and state revenues were totaled by district, then the local revenue was divided by the total to determine the percentage of local revenue received by a district. The same calculation was conducted to determine the percentage of state revenue received by a district.
- We totaled the number of pupils at each charter and determined the percentage of pupils per originating district at each charter.
- The total of local and state revenues was multiplied by the percentage of local revenues and the percentage of students from each originating district to determine the total local revenue for each charter. The same process was then applied to determine state revenues for each charter.

In instances where a charter school identified district-provided revenue that originated at the state or the federal level, then those funds were considered state or federal. Two types of district funding were separated into state and federal categories: State Aid-Pupils with Disabilities and Federal Aid-Pupils with Disabilities. These two categories represent a portion of the charters' total state and federal revenue. Remaining revenue from the public school district was counted as local revenue.

<sup>3</sup> Revenue and enrollments were included for all charter schools whether or not they were more than two standard deviations (\$6,582) above or below the average of total revenue per pupil (\$10,484). Otherwise, the following charter schools would have been dropped from these calculations:

School	Enrollment	Per-Pupil Revenue
Child Development Ctr, Hamptons	59	\$20,093
Harlem Day Charter	120	\$22,686
KIPP Academy Charter	240	\$17,985

If these charters had been excluded from the analysis, total enrollment for all charters statewide would have been

10,159, while total revenue would have been \$103,356,367, and, total per-pupil revenue would have been \$10,174, widening the gap.

<sup>4</sup> See Note 1 for an explanation of the negative numbers in this row.

<sup>5</sup> The State University of New York may authorize 50 charter schools, and the state's Board of Regents may authorize 50. There is no limit on the number of existing district schools that may convert to charter status.

<sup>6</sup> Source for school characteristic data: NCES.



# North Carolina

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in North Carolina and, in particular, Wake County (where Raleigh, the state capital, is located) during FY 2002-03 (Figure 1).

### Highlights of our findings:

- North Carolina charter schools received 5.5 percent less funding than district schools: \$7,051 vs. \$7,465 per pupil, a gap of \$414.
- Wake County charters received 29.5 percent less funding than district schools: \$6,510 vs. \$9,237 per pupil, a gap of \$2,727.

### The primary reasons for these funding disparities:

- Charter schools lack access to local capital dollars, a critical source of funds for North Carolina districts. In 2002-03, county governments spent an average of \$753 per student on capital expenses (capital outlay and debt service).<sup>1</sup>
- The disparity in Wake County is much greater because of significant local funding dollars provided for capital projects. Wake County is one of the fastest growing districts in the nation, so local and state investment in district facilities is at an all-time high. Charter schools do not benefit from that revenue stream.
- Charter schools in Wake County also receive less average funding from the state due primarily to the county's less experienced, and so, lower paid teacher population.<sup>2</sup> Thus charter schools in Wake County were underfunded when compared to the state charter average.

### Additional point:

- Disparities in funding are not the result of differences in student population. Similar percentages of students in charter and district schools are eligible for

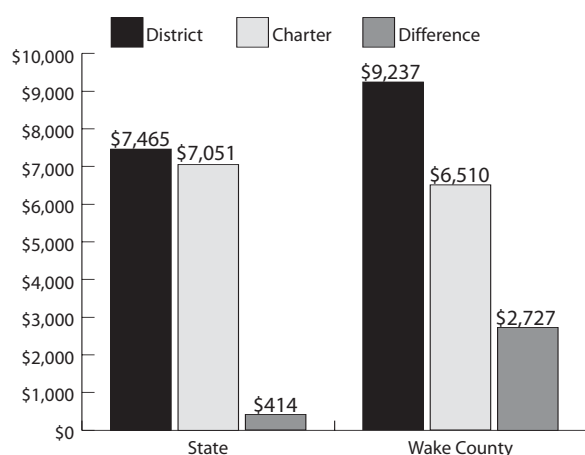
free and reduced price lunches (46.5 percent vs. 42.4 percent).<sup>3</sup> More than 61 percent of charters statewide are eligible for Title 1 funding, compared to 49.3 percent of district schools.

**Figure 1: District and Charter School Revenues and Enrollments<sup>4</sup>**

North Carolina (2002-03)	STATEWIDE		WAKE COUNTY	
Per-Pupil Revenue				
District	\$7,465		\$9,237	
Charter	\$7,051		\$6,510	
Difference	(\$414) (5.5%)		(\$2,727) (29.5%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter
Federal <sup>4</sup>	\$682	\$510	\$336	\$225
State	\$4,498	\$4,459	\$4,262	\$4,173
Local	\$2,285	\$2,082	\$4,364	\$1,771
Other*	\$0	\$0	\$276	\$341
Total	\$7,465	\$7,051	\$9,237	\$6,510
Enrollment				
District	1,289,594 (98.5%)		103,921 (96.8%)	
Charter	19,701 (1.5%)		3,487 (3.2%)	
Number of Charters	91		13	
Total Revenue				
District	\$9,626,372,973 (98.6%)		\$959,924,480 (97.7%)	
Charter	\$138,902,033 (1.4%)		\$22,699,293 (2.3%)	
Total	\$9,765,275,006		\$982,623,773	
Percentage of Revenue by Source	District	Charter	District	Charter
Federal	9.1%	7.2%	3.6%	3.5%
State	60.3%	63.2%	46.1%	64.1%
Local	30.6%	29.5%	47.2%	27.2%
Other	0.0%	0.0%	3.0%	5.2%
Change in district school funding if subjected to charter funding structure				
	(\$533,891,916		(\$283,392,567)	

\*Other = nongovernmental funding, such as private grants, fundraising monies, etc.

**Figure 2: Per-Pupil Revenue for North Carolina District vs. Charter Schools, FY 2002-03**



## How North Carolina Funds Its District Schools

North Carolina law mandates that the state provide funding for the yearly instructional services of public schools and that local governments fund their school facility requirements. North Carolina allocates state funding to districts using three basic allotments: categorical, dollar, and position.<sup>5</sup>

Categorical allotments are designed to address specific pupil populations or disparities (e.g., limited English proficiency, students with special needs, and academically gifted). Dollar allotments allow districts to hire employees or purchase services for a specific purpose (e.g., teacher assistants, textbooks, and staff development). Position allotments, the bulk of state funding, are established for classroom teachers and instructional support personnel. No other adjustments or weights are included in the funding formula, aside from the student-to-teacher ratios that differ across grade levels and are built into the position allotment formulas.

North Carolina is one of just a few states that fund districts based on a teacher allocation system. The position allotments serve as a foundation formula because the number of teaching positions required is statutorily mandated. Teaching positions are based on legislated student-to-teacher ratios for each grade level.<sup>6</sup> Position

allotments provide a district with funding for a specific position regardless of whether the teacher/instructional staff is low or high on the state salary schedule (so that districts with more experienced teachers, and thus higher salaries and benefits, receive more state dollars).

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state	X <sup>7</sup>		
Charter schools are eligible for local funding	X <sup>8</sup>		
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	X <sup>9</sup>		
Charter schools receive differential funding		X <sup>10</sup>	
State allows districts to withhold funding from charter schools for providing administrative services		X	
State "holds harmless" district funding for charter enrollment		X <sup>11</sup>	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district		X	
Cap on number of charter schools	X <sup>12</sup>		
Cap on number of charter schools authorized per year	X		
Cap on number of students attending charter schools		X <sup>13</sup>	
Charter schools have an open enrollment policy	X		

County governments supplement state funds with annual appropriations of operating and capital dollars. Counties also pay debt service on bonds issued for school district construction. Though these debt service payments do not flow to school districts, they are considered "revenue" in this study because they pay for an essential

school district function—providing facilities. If not for these payments, districts would have to reallocate portions of their other revenue sources to debt service.

## How North Carolina Funds Its Charter Schools

As with districts, state education dollars are the primary funding source for charter schools in North Carolina. Unlike districts, which receive state funding through position allotments, dollar allotments, and categorical allotments, charter schools are funded on the basis of per-pupil allotments (not through positions or particular funding codes). Selected categorical allotments are included in charter school funding, but not as many types as are provided to district schools.

State funds are provided to a charter school based on the number of students reported on school enrollment forms.<sup>14</sup> For each student enrolled, the State Board of Education allocates to a charter school the same average per-pupil allotment that is given to the local district in which the charter resides. In 2002-03, the state expended an average of approximately \$4,459 per student.<sup>15</sup> This per-pupil expenditure, however, ranged from a low of \$4,090 in one district to a high of \$8,832 in another. In addition to state funding based on dollars per ADM (Average Daily Membership), a charter school may receive funding for children with disabilities, students with Limited English Proficiency, and improving student accountability.<sup>16</sup>

Certain federal categorical dollars such as Title I, Reading First, and the child nutrition (school lunch) program follow the child.<sup>17</sup> Federal planning funds are available for all schools during their initial planning year.

Local county governments must pay a per-pupil share of their current funding appropriation for each child who transfers from a district school to a charter school.<sup>18</sup>

Local capital funding, which provides a substantial amount of funding to district schools, is not available to charter schools. Charter schools must pay for facili-

ty leases, renovation, and/or purchase out of their operating funds.

Charter schools receive an amount equal to the state funded dollars per ADM for the local education agency (LEA) in which the school is located or (for new charters) in which the student was previously enrolled.<sup>19</sup> In FY 2002-03, some districts, though not Wake County Public Schools, received funding to compensate for the impact of charters upon their student enrollments and funding. Districts with fewer than 3,000 students, which argued that they were suffering an enrollment decrease of 4 percent or more due to charters, were eligible for compensatory state reimbursement of up to 4 percent.

## Facility Funding

County governments issue and repay bonds for district school construction and renovation, but they are prohibited by law from doing so for charter schools. In 2002-03, county governments spent an average of \$753 per district student on capital expenses (capital outlay and debt service). For a school with an average of 590 students, this would equal \$444,270.<sup>20</sup> The average district school in North Carolina would thus receive \$17,319 more for capital improvement for each 23-student classroom than does the average charter school.

Wake County provided approximately \$1,351 per student for approved capital projects in its district schools. For a school with an average of 590 students, this represents \$820,690.

State statutes do provide for limited charter school facility assistance. At the request of a charter school, a district is required to lease any available building or land to a charter school located within its boundaries. A district is exempt, however, if it can demonstrate that the lease is not economically or practically feasible or that it does not have adequate classroom space to meet its own enrollment needs. (A local school board may also choose to provide a school facility to a charter school free of charge, but the charter school is respon-

sible for that facility's maintenance and insurance.) Few districts have leased buildings to charter operators.

The North Carolina Educational Facilities Finance Authority may issue bonds on behalf of charter schools. To date, however, no such bonds have been issued; charter schools generally do not meet the credit standards set by the Authority. A non-profit organization, Self-Help, provides loans of up to \$5 million for charter school development.<sup>21</sup> Such efforts, however, have only been able to meet a fraction of the capital needs of charter schools.

Without substantial local and state funding for facilities, many North Carolina charters have had to exist in inadequate settings, with too little space and/or lacking the elements needed to implement their academic programs fully. Many charters devote a large share of their operating budgets to facilities costs.<sup>22</sup> According to one analysis, the average charter school spent 15 percent of its revenue on facility operation and maintenance.<sup>23</sup>

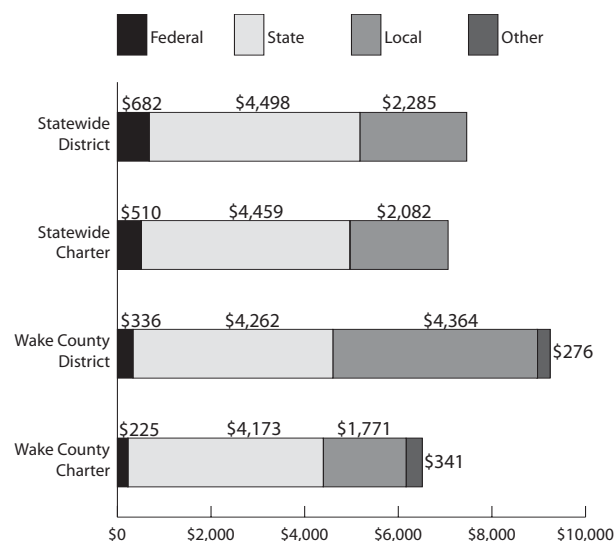
## Primary Revenue Sources for North Carolina's Public Schools

State education dollars are the primary funding sources for charter and district schools in North Carolina (63.2 percent for charters vs. 60.3 percent for district schools). Statewide and in Wake County, the revenue patterns are similar for charter and district schools. An analysis of data provided by the North Carolina Department of Public Instruction and the State Treasurer shows that, in FY 2002-03, the average per-pupil revenue for district schools was \$7,465 versus \$7,051 for charter schools, a 5.5 percent difference.<sup>24</sup>

The disparity in Wake County district schools is much greater because of significant local funding dollars provided for capital projects. According to FY 2003 audits (summary figures provided by the NC Department of Public Instruction), to which we added the county's debt service payments made on the district's behalf, the Wake County Public School District received \$9,237

per pupil, compared to an average \$6,510 per pupil received in the charter schools, a gap of \$2,727 per pupil. In Wake County, one of the nation's fastest growing districts, local and state investment in facilities is at an all-time high, pushing up the total revenues received annually by many district schools.

**Figure 4: Per-Pupil Revenue by Source for North Carolina District vs. Charter Schools, FY 2002-03**



At the same time, while the Wake County Public School District received higher-than-average total per-pupil revenue, charter schools located in that county were underfunded when compared to the state charter average. Besides missing out on capital funding, charter schools in Wake County receive less average funding from the state due primarily to the less experienced teacher population working in the county's schools, as described above. In like manner, Wake County district schools receive less state funding than many other districts due to their own heavy usage of beginner teachers.

North Carolina salaries and benefits for teaching professionals follow a state salary schedule. However, many local school systems supplement the state scale with additional salary and benefits, as well as with special incentives for new hires. Furthermore, district teachers on the state salary schedule in North

Carolina also receive compensation for continuing service: after 10 years of service, teachers qualify for longevity pay.

**Figure 5:** School Characteristics<sup>25</sup>

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	42.4%	46.5%
Percentage of schools eligible for Title I	49.3%	61.3%
Percentage of students by school type:		
Primary (K-5)	48.0%	58.7%
Middle (6-8)	23.5%	10.7%
High (9-12)	27.5%	6.5%
Other (K-12, K-8, etc.)	1.0%	24.1%

Differences between the student populations of charter and district schools in North Carolina did not appear to influence the statewide or local funding discrepancies much. A slightly higher percentage of charter students was eligible for the free and reduced price lunch program (46.5 for charter schools percent vs. 42.4 percent for district schools). A greater percentage of charter schools were eligible for Title 1 funding (61.3 percent vs. 49.3 percent).

District schools served more middle and high school students than did charter schools. The funding formula does not directly fund higher grade levels at a higher rate, but the impact of the teacher population (discussed above) on school funding could result in differences based on grade levels.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and

**Figure 6:** State

Scorecard

FINDINGS		North Carolina
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	N
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	N
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.



others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> In North Carolina, the county board of commissioners, not the local school board, signs off on the budget and raises the money to support it.

<sup>2</sup> Much of North Carolina’s state funding is based on position allotments, which means a district receives salaries and benefits for specific instructional positions. A district like Wake County Public Schools, with a less experienced teacher population, will typically receive lower state funding. The State Board of Education allocates to each charter school the same average per-pupil allotment that is given to the local district in which the charter resides regardless of the charter school’s teaching population.

<sup>3</sup> National Center for Education Statistics (NCES) data, FY 2002-03. Since some schools choose not to participate in the free and reduced price lunch program even though they enroll significant numbers of low-income children,

this comparison excludes district and charter schools that reported zero free and reduced price lunch students.

<sup>4</sup> Statewide figures came from federal, state, and local revenues listed in the *North Carolina Statistical Profile 2004*. Raleigh: North Carolina Department of Public Instruction, tables 27 and 41, available at <http://www.ncpublicschools.org/fbs/stats/statprofile04.pdf>. Proceeds on Bonds and Notes are excluded from local revenue totals. Payments to charter schools are removed from district figures. Debt service payments made by county governments on behalf of school districts are counted as local revenue; data on these payments are provided by the Local Government Commission’s *Report on County Spending on Public School Capital Outlay*. Wake County district and charter school revenues came from audit totals provided electronically February 3, 2005, to researchers by the Financial & Business Services Division staff at the North Carolina Department of Public Instruction. Debt service payment totals (a revenue line item available exclusively to district schools) were found online at the North Carolina Department of State Treasurer web page. (Lines 178B and 178D from *Annual Financial Information Report Detail*, available at [http://www.treasurer.state.nc.us/lgc/units/D\\_91.htm#AFIR](http://www.treasurer.state.nc.us/lgc/units/D_91.htm#AFIR).)

<sup>5</sup> *Overview of Public School Funding in North Carolina, Finance 101 Presentation*, NC Department of Public Instruction, Raleigh, NC, September 7, 2004; online presentation available at <http://www.ncpublicschools.org/fbs/present.htm>.

<sup>6</sup> One teaching position is allocated for 18 pupils (K-1); 20 pupils (grades 2); 22.23 (grade 3); 22 pupils (grades 4-6); 21 pupils (grades 7-8); 24.5 (grade 9); 26.64 (grades 10-12). State Allotment Policy Manual, 2002-03. Available online at: <http://www.ncpublicschools.org/fbs/allot/allot02-03.pdf>.

<sup>7</sup> State authorized schools have funds flowing from state to charter school. Locally authorized charter schools have funds flowing from school district to charter school.

<sup>8</sup> The school district in which the child resides transfers to the charter school an amount equal to the average per-pupil local current expense appropriation to the school district for the fiscal year. There is no separate capital outlay funding provided to charter schools in North Carolina.

<sup>9</sup> Differential funding is provided to charter and district schools for at-risk and exceptional children. District schools receive funding for teaching positions based on a specific number of students (ranging from 1 teacher for 18 students in kindergarten to 1 teacher for 26.6 students in grades 10-12). See <http://www.ncpublicschools.org/fbs/allot/allot02-03.pdf>.



- <sup>10</sup> Charter schools receive from the state an amount equal to the average per-pupil allocation for ADM (Average Daily Membership) from the school district allotment in which the charter school is located. Additional funds are allocated to charter schools for each child who has special needs (or is limited English proficient). When calculating the non-weighted formula that sets a 12.5 percent population cap for special education funding, charter school students are counted as part of their local LEA.
- <sup>11</sup> Districts with fewer than 3,000 students with an enrollment decrease larger than 4 percent are eligible for state reimbursement of up to 4 percent.
- <sup>12</sup> Statewide 100 charter schools may operate, with a maximum of five charters issued in an individual school district each year. As of June 1, 2005, proposed legislation to raise the cap is pending (Senate Bill 490).
- <sup>13</sup> State law requires that a minimum of 65 students attend each school.
- <sup>14</sup> Charter Schools are allotted state funds based on a projection of Average Daily Membership (ADM) until the first month Principals Monthly Report (PMR) is processed. Once the first month ADM is processed, an allotment adjustment is made and the first month ADM becomes the basis for the allotment. The first month ADM remains the basis for the allotment unless the Charter School writes and requests additional funding due to significant growth (10 percent or more) in months two through four.
- <sup>15</sup> *North Carolina Statistical Profile*, 2004: Table 25, Per-Pupil Expenditures. Raleigh, NC: NC Department of Public Instruction. Available online at <http://www.ncpublicschools.org/fbs/statprofile.htm>.
- <sup>16</sup> The state's allotment policy manual details all the requirements a charter school must meet to access additional funds for these students. See <http://www.ncpublicschools.org/fbs/allot/allot02-03.pdf>.
- <sup>17</sup> *2005 Charter School Application Resource Manual*. Raleigh, NC: NC Department of Public Instruction. Available online at [http://www.ncpublicschools.org/charter\\_schools/downloads/2005resourceguide.pdf](http://www.ncpublicschools.org/charter_schools/downloads/2005resourceguide.pdf).
- <sup>18</sup> Local dollars to a charter school are calculated on the previous year's numbers by dividing the total amount of "Current Expenses" allocated by the county commissioners by the total Average Daily Membership.
- <sup>19</sup> The initial allotment is the allocation of state and federal funds to LEAs occurring after adjournment of the General Assembly.
- <sup>20</sup> Figure of average number of students enrolled in a North Carolina district or charter school from the Common Core of Data, 2004. Available online at <http://nces.ed.gov/ccd>.
- <sup>21</sup> For more details about Self-Help's lending programs, access <http://www.self-help.org>.
- <sup>22</sup> Bryan C. Hassel and Michelle Godard McNiff, "Charter Schools in North Carolina," *The Charter School Landscape*, Pittsburgh, PA: University of Pittsburgh Press, 2002, pg 223.
- <sup>23</sup> *Ibid.*
- <sup>24</sup> NCDPI staff accessed the Wake County charter school audits on our behalf to provide these figures; they would not share the audit documents themselves, nor would they perform the same analysis statewide. To compare apples to apples, they also gave us figures for the Wake district schools. The statewide figures for charters and districts are from publicly-available data.
- <sup>25</sup> Source for school characteristic data: NCES

# Ohio

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Ohio, and, in particular, Cleveland and Dayton, during FY 2002-03 (Figure 1).

### Highlights of our findings:

- Cleveland charter schools received 28.2 percent less funding than district schools: \$7,704 vs. \$10,732 per pupil, a gap of \$3,028.
- Dayton charter schools received 33.8 percent less funding than district schools: \$7,614 vs. \$11,498 per pupil, a gap of \$3,884.
- The state Department of Education does not collect detailed revenue information on charter schools in Ohio. Therefore, the statewide data presented here represent an extrapolation using Cleveland and Dayton per-pupil revenue patterns. The calculation shows that charter schools in Ohio received approximately 31.3 percent less revenue than district public schools statewide, resulting in a gap of \$2,564.<sup>1</sup>

### The primary reasons for these funding disparities:

- Charter schools in Ohio lack access to significant local resources, including receipts from property, local sales tax, and other local tax revenues.
- Charter schools lack access to school construction funding through both the Ohio School Facilities Commission and locally-approved bonds.

**Figure 1: District and Charter School Revenues and Enrollments<sup>2</sup>**

Ohio (2002-03)	STATEWIDE		CLEVELAND		DAYTON	
Per-Pupil Revenue <sup>3</sup>						
District	\$8,193		\$10,732		\$11,498	
Charter <sup>4</sup>	est. \$5,629 <sup>5</sup>		\$7,704		\$7,614	
Difference	<b>est. (\$2,564)</b> <b>est. (31.3%)</b>		<b>(\$3,028)</b> <b>(28.2%)</b>		<b>(\$3,884)</b> <b>(33.8%)</b>	
Per-Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	\$546	N/A	\$0	\$77	\$0	\$349
State	\$3,682	N/A	\$0	\$6,030	\$0	\$5,539
Local	\$3,965	N/A	\$2,983	\$0	\$4,659	\$0
Other*	\$0	N/A	\$268	\$431	\$716	\$1,016
Indeterminate*	\$0	N/A	\$7,481	\$1,166	\$6,123	\$710
Total	\$8,193	est. \$5, 629	\$10,732	\$7,704	\$11,498	\$7,614
Enrollment						
District	1,724,929 (98.1%)		71,613 (94.5%)		18,163 (78.3%)	
Charter	33,704 (1.9%)		4,170 (5.5%)		5,027 (21.7%)	
Number of Charters <sup>6</sup>	136		16		17	
Total Revenue						
District	\$14,132,528,223 est. (98.7%)		\$768,528,241 (96.0%)		\$208,834,732 (84.5%)	
Charter	est. \$189,708,513 est. (1.3%)		\$32,126,252 (4.0%)		\$38,274,992 (15.5%)	
<b>Total</b>	<b>est. \$14,322,236,736</b>		<b>\$800,654,493</b>		<b>\$247,109,724</b>	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	6.7%	N/A	0.0%	1.0%	0.0%	4.6%
State	44.9%	N/A	0.0%	78.3%	0.0%	72.8%
Local	48.4%	N/A	27.8%	0.0%	40.5%	0.0%
Other	0.0%	N/A	2.5%	5.6%	6.2%	13.3%
Indeterminate	0.0%	N/A	69.7%	15.1%	53.3%	9.3%
Change in district school funding if subjected to charter funding structure						
	<b>est. (\$4.4 billion)</b>		<b>(\$216.8 million)</b>		<b>(\$70.5 million)</b>	

\*Other funding = nongovernmental funding; indeterminate funding = intergovernmental funding.

Note: Italicized figures marked with "est." (estimated) are extrapolated statewide based on district data.

### Additional points:

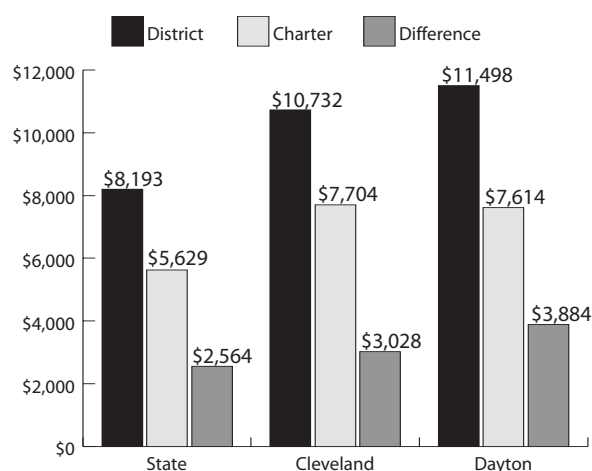
- While Cleveland and Dayton district schools serve a more expensive student population (more children classified as needing special education and from low income families; fewer kindergarten children) than do charter schools, differences in student population are not a primary cause of the funding disparity in Ohio. The two districts serve only a slightly higher percentage of children eligible for free and reduced price lunches (80.8 percent vs. 77.6 percent).<sup>7</sup>
- Accessing usable and reliable information in Ohio proved difficult. The Ohio Department of Education's web site provides data on district and charter funding based on reports submitted by district and school business officials. These data, however, appear to contain numerous inaccuracies. As an example, had we used the revenue data provided by districts for our statewide analysis, we would have reported that districts received over \$141,000 per pupil.<sup>8</sup> In order to create an accurate financial comparison for schools in Cleveland and Dayton, we turned instead to the State Auditor's Office and used independent audits for each charter school and the two districts. Many of these audits, particularly at the district level, lump state and federal government funding together, so it is difficult to differentiate between those funding sources. Locally-provided funding, however, is largely accounted for in the audits and appears to make up a significant portion of funding for districts—a resource that is inaccessible to charters for operations and facilities.

## How Ohio Funds Its District Schools

The basic funding program in Ohio is called the “School Foundation Funding Program.” It consists of two parts:

1. A foundation amount supported by an amalgam of state and local funds.
2. A supplement to the foundation program that adds a series of state categorical grants to schools. (In certain cases, the state funding is not enough to support programs, and local participation is required.)

**Figure 2: Per-Pupil Revenue for Ohio District vs. Charter Schools, FY 2002-03**



Each district's foundation amount is calculated as a base level adjusted for the state-determined “cost-of-doing-business” in the district.<sup>9</sup> The local share of this amount is calculated after determining how much the district can afford to contribute, which depends upon its tax base. What remains is the state share. A state share percentage is calculated and used to determine the level of state funds for vocational and special education funding.<sup>10</sup>

This program pays for a district's general operating expenses, including salaries, benefits, maintenance, and utilities. In addition to the foundation program, schools also receive funding for specific programs. The actual amount of state funds available to a school is based on a number of variables, including the cost-of-doing-business community factor, six special education factors, and a Disadvantaged Pupil Impact Aid (DPIA) adjustment factor.

Local districts have the authority to add to the statewide sales tax rate of 5 percent for the purpose of providing additional county and local public services, including education. Typically the increase is between 0.75 percent and 2 percent within a given district.<sup>11</sup>

State aid is also provided to districts by the Ohio School Facilities Commission (OSFC) for renovation or new construction of school facilities.<sup>12</sup> This funding

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X <sup>13</sup>
Charter schools are eligible for local funding		X	
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)	X <sup>14</sup>		
Charter schools receive differential funding	X <sup>15</sup>		
State allows districts to withhold funding from charter schools for providing administrative services	X <sup>16</sup>		
State “holds harmless” district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district	X		
Cap on number of charter schools	X <sup>17</sup>		
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X <sup>18</sup>		

billion in state funding alone). Dayton’s program was estimated to total \$488 million (\$297 million in state funding).<sup>20</sup>

## How Ohio Funds Its Charter Schools

Charter schools in Ohio receive federal funding in the same fashion as other public schools. State and local funding, however, work much differently. As with districts, the state calculates a foundation amount for each charter school and various categorical supplements. But since charter schools have no tax base, they have no “local share” to contribute to this amount. As a result, the state funds charter schools’ foundation amounts fully, subtracting these amounts from the allocations that would have been made to the districts in which charter students reside. Districts are, in essence, forfeiting the per-student local portion of their “basic state aid” for each student attending a charter school.

Charter schools do not have access to two other sources that school districts use to supplement state foundation funding. First, as noted above, districts typically levy additional taxes to provide funds that go above and beyond the foundation level. These funds may pay for additional operating costs as well as for facilities. These funds do not “follow the child” to charter schools; they remain with the district even though the student is no longer enrolled there. Second, charter schools do not have access to the state facilities funding that districts enjoy. Like districts, charter schools may seek private contributions to try and make up for these shortfalls, but as the overall revenue numbers make clear, private funds do not come close to closing the gap.

The wealth of the district does not have a significant impact on the charter school per-pupil allocation. The charter school base formula amount is the same regardless of the district’s wealth. There is, however, a slight adjustment (parity aid) for charter schools in urban districts but the primary factor that determines the amount of aid above the base formula is the income level of the student’s family.<sup>21</sup> Since most of the children in urban districts are from lower income families,

exists outside the basic and categorical aid programs and the Commission gives priority to the poorest districts and/or schools with facilities that are in bad condition.<sup>19</sup> District schools in Cleveland and Dayton also have access to the Big 8 Program fund, which provides matching funds for major repairs and renovation in the state’s major cities, and the Accelerated Urban Initiative fund, which provides accelerated access to state funding for facilities. For calendar year 2003, the OFSC reported that the largest of the facilities projects was in Cleveland using over \$1.5 billion in funds (\$1.0

the end result is a higher allocation for charter school students enrolled in “poorer” districts. A lower income student residing in a wealthy district would receive nearly the same state allocation as if he or she were from a poorer district (except for parity aid).

The federal Public Charter School Program fund is the most important source of funding for start-up and implementation of new charter schools in Ohio. Start-up grants totaling \$150,000 per year per school during a three-year period are provided (up to a total of \$450,000). In Ohio, the state also provides start-up and planning grants of up to \$50,000 per school.

House Bill 364 was signed into law on January 7, 2003, by Governor Bob Taft and established a “Community School Revolving Loan Fund.”<sup>22</sup> The fund, made up of federal monies and funds made available by the General Assembly, is designed to support charter school expenses associated with any element of the school's contract. A start-up charter school may receive multiple loans from the fund; however, no school can receive more than a cumulative \$250,000 loan amount during the period covered in its charter contract.<sup>23</sup>

## Facility Funding

As discussed previously, school districts in Ohio have access to three funding sources that are unavailable to charter schools: receipts from local tax revenues, state school construction funding through the Ohio School Facilities Commission, and locally approved bonds. Districts typically rely on these monies for construction and renovation of facilities.

Charter schools typically pay for facilities out of their operating funds. According to a report from the Ohio Legislative Office for Education Oversight, charter schools typically spend 6.4 percent of their annual operating budget for lease or mortgage costs.<sup>24</sup>

The OSFC administers the Community School Classroom Loan Guarantee Program. This program does not provide facility funds directly to charter schools. Instead, the Program offers state credit

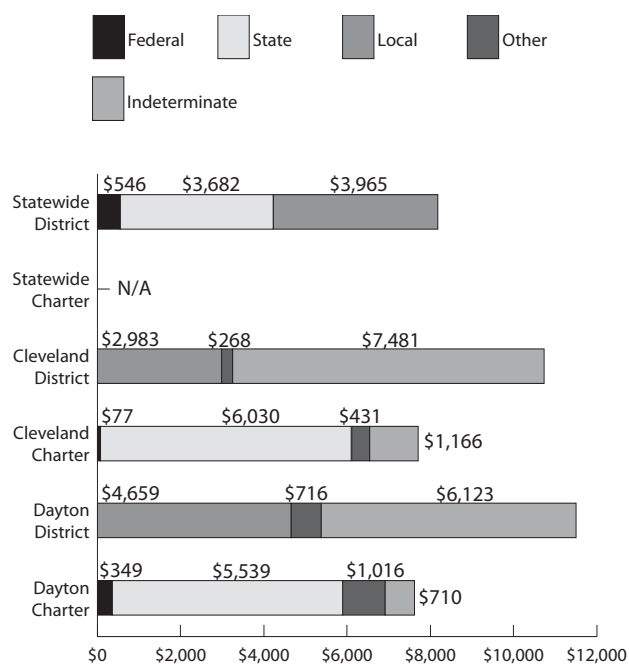
enhancement for facility improvement loans, which improves a school's creditworthiness.<sup>25</sup> As of January 2005, the OSFC has entered into guarantee agreements with 14 charter schools for a total guarantee commitment of \$7,608,354.

Charter schools may use a school district facility by contracting with the district. If a board of education decides to dispose of property suitable for classroom space, it must first offer the property for sale to start-up charter schools.

## Primary Revenue Sources for Ohio's Public Schools

The audits for the Dayton district and most of the charter schools in this analysis lumped many resources into the “intergovernmental” category rather than specifying sources as state, federal, or local.<sup>26</sup> Consequently, full comparisons between district and charter school revenue sources are limited, with the exception of local tax resources.

**Figure 4: Per-Pupil Revenue by Source for Ohio District vs. Charter Schools, FY 2002-03**



In Cleveland, local tax funds accounted for at least 27.8 percent of total district funding. In Dayton, at least



40.5 percent of all available resources were from local funds.<sup>27</sup> Statewide, local revenue sources represented an average of 48.4 percent of the total resources available to district schools. Unlike districts, charter schools may not add to the statewide sales tax to support their education programs. (Ohio districts, on average, add 0.75 to 2.0 percent.)

While charter schools may receive assistance through the OSFC in the form of loan guarantees, they do not receive direct state aid for facilities. District schools receive funding through the OSFC for renovation or new construction of school facilities. District schools in Cleveland and Dayton also have access to two funding programs discussed earlier which are aimed at supporting facilities in urban areas (the Big 8 Program fund and the Accelerated Urban Initiative fund).

The two districts serve a more expensive student population (a greater percentage of children classified as needing special education, a smaller percentage of kindergarten children,<sup>28</sup> and a greater percentage of students from low-income families). A slightly greater percentage of students enrolled in the free and reduced price lunch program are served in district schools (80.8 percent vs. 77.6 percent).

**Figure 5: School Characteristics<sup>29</sup>**

	<b>Cleveland &amp; Dayton District</b>	<b>Cleveland &amp; Dayton Charter</b>
<b>Percentage of students eligible for free or reduced price lunch</b>	80.8%	77.6%
<b>Percentage of schools eligible for Title I</b>	96.5%	97.1%
<b>Percentage of students by school type:</b>		
Primary (K-5)	53.0%	60.8%
Middle (6-8)	14.4%	2.6%
High (9-12)	20.2%	6.4%
Other (K-12, K-8, etc.)	12.4%	30.2%

These slight differences in student population characteristics do not greatly affect the financial gap between charters and districts. It is the lack of access to local

resources and direct state aid for facilities funding that creates the large gap between resources available to charter and district schools.

## Recent Changes and Challenges

In FY 2003-04, new funding for charter schools began through the Parity Aid program (HB 95). This included an additional \$20 million for charter schools between July 2003 and June 2005.

On July 1, 2005, HB 66 was enacted, making numerous changes to charter schooling and school funding in Ohio.<sup>30</sup> While much of the bill's emphasis was on setting caps on individual school sponsors, a charter school lottery, and new accountability measures, there were also some "tweaks" to the charter school funding system. The bill phases out the "cost-of-doing-business factor" in calculating base-cost funding for school districts and charter schools. Under FY 2004-05 funding methods, and those in use in FY 2002-03, charter schools received various state payments, including base-cost funding, special education and vocational education weights, handicapped preschool and gifted units, parity aid, and Disadvantaged Pupil Impact Aid (DPIA). In most cases, these payments are deducted from the state aid accounts of the school districts in which the charter school's students are entitled to attend school and paid to the charter school by the Department of Education.

Traditional ("brick and mortar") charter schools remain eligible for these payments under the bill. The bill, however, prohibits Internet- or computer-based charter schools ("e-schools") from receiving 1) vocational education weighted funding, 2) parity aid, and 3) poverty-based assistance, including funding for all-day kindergarten. Beginning in FY 2006-07, the bill limits an e-school (for three fiscal years) to 80 percent of the calculated per pupil base-cost amount unless certain conditions are satisfied. Additionally, the bill establishes procedures for paying state funds to a charter school for a student enrolled in the school and living in a residential "home." The bill directs the Department of Education to make recommendations to the General Assembly by December 31, 2005, regarding the payment of parity aid to charter schools.



**Figure 6:** State Scorecard

FINDINGS		Ohio
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	N
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	P
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Y
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> See note five, below, for an explanation of this extrapolation.

<sup>2</sup> The Ohio Department of Education makes available summary district and charter school revenue data based on annual self-reported data from district school business officials. While these data would seem to provide the best “apples to apples” comparisons between districts and schools, there were large and vexing errors in the district and school-level dataset. Since the ODE-provided data

seemed unreliable, we chose independent audits of each charter school in the two districts and district-wide audits for Cleveland and Dayton. Charter school enrollment and revenues in Cleveland are based on 16 schools for which FY 2002-03 audits were available online as of March 2005 via the Office of the State Auditor. Charter school enrollment and revenues in Dayton are based on 17 schools for which FY 2002-03 audits were available. (One of the 18 audits was incomplete, and so the school was not included in the revenue total or enrollment count.)

<sup>3</sup> The revenue amounts and sources for both the two districts and the charter schools in Cleveland and Dayton are posted in the FY 2003 Auditor of State Financial Audit (available at <http://www.auditor.state.oh.us/audits/>). The district revenue totals exclude transfer payments to charter schools—\$31,713,105 in Cleveland and \$27,201,752 in Dayton, according to the final versions of the SF3 payments. SF3 payment details are available at [http://www.ode.state.oh.us/school\\_finance/data/2003/foundation/SF3-report-FY2003.asp](http://www.ode.state.oh.us/school_finance/data/2003/foundation/SF3-report-FY2003.asp). Statewide federal, state, and local revenue data from all district reports are available from the Ohio Department of Education. The total revenue figure included in Figure 1 excludes a community school transfer of \$203,733,492 (amount listed on final version of FY03 SF-3 is available at <http://odevax.ode.state.oh.us/htbin/WWW-SF3-HEADERF2003.COM?act=F2003+Final+Vers.+5&irn=045187+Ada+Ex+Vill+SD+%28Hardin%29&county=01+Adams&DISTRICT=TOTAL&sf3=y&comm=y>).

<sup>4</sup> One charter school in Dayton, ISUS Trade and Technology Prep Community School, had an unusually large per-pupil revenue (PPR) figure that fell more than two standard deviations away from the overall PPR for the charter schools in the district. If this school were excluded from the analysis, because it is an outlier, the difference between charter and district funding in Dayton would rise to 37.8 percent, a gap of \$4,341 PPR. One charter school in Cleveland, Summit Academy CS for Alternative Learners, also had an unusually large PPR that fell more than two standard deviations away from the overall PPR for the charter schools in its district. If this outlier school were excluded from the analysis, the difference between charter and district funding in Cleveland would rise to 29.5 percent, a gap of \$3,162 PPR.

<sup>5</sup> Because we were unable to obtain statewide figures for charter revenue, all statewide charter figures in this snapshot are extrapolated from the data collected on charter schools in the focus school districts, Cleveland and Dayton. We calculated the average per-pupil revenue in those two districts, weighted by the districts' charter school enrollment, and multiplied it by the total number of charter pupils in the state. The authors recognize that

district data may not be representative of statewide patterns due to differences between district funding and property wealth. This extrapolation, however, is a reasonable projection given the data available to the authors. In Figure 1, extrapolated data are marked with “est.” (estimated).

<sup>6</sup> A comprehensive list of all charter schools operating in Ohio in FY 2002-03 was not readily available. The number of operating charter schools in Dayton and Cleveland was based on the number of audits that were available from the State Auditor for FY 2002-03. The number of charter schools statewide was listed in the Legislative Office of Education Oversight report, *Community Schools in Ohio: Final Report on Student Performance, Parent Satisfaction, and Accountability*, December 2003. Available at [http://www.loeo.state.oh.us/reports/PreEleSecPDF/CS\\_Final\\_Web.pdf](http://www.loeo.state.oh.us/reports/PreEleSecPDF/CS_Final_Web.pdf).

<sup>7</sup> National Center for Education Statistics (NCES) data, FY 2002-03. Since some schools choose not to participate in the free and reduced price lunch program even though they enroll significant numbers of low-income children, this comparison excludes district and charter schools that reported zero free and reduced price lunch students.

<sup>8</sup> An example of the egregious errors posted, as of June 13, 2005, on the ODE Power Reports website ([http://ilrc.ode.state.oh.us/Power\\_Users.asp](http://ilrc.ode.state.oh.us/Power_Users.asp)) is the Greene Local School District, a small district with few schools, which posted revenues of \$89,733,369 *per pupil*.

<sup>9</sup> In 2002-03, the average base aid amount was approximately \$4,949 per pupil.

<sup>10</sup> The discussion of the foundation program is largely taken from the summary for Ohio in the National Conference on State Legislatures Education Finance Database. Available online at [http://www.ncsl.org/programs/educ/ed\\_finance/index.cfm](http://www.ncsl.org/programs/educ/ed_finance/index.cfm).

<sup>11</sup> *Ibid.*

<sup>12</sup> For more information about the Ohio School Facilities Commission (OSFC), search by district and program at <http://www.osfc.state.oh.us>.

<sup>13</sup> Charter school funding flows through a process in which 1) the charter schools' students are counted in the enrollments of their resident school districts, 2) the districts' state payments are calculated with the charter school students counted in their enrollments, which for most districts (but not all) results in their being credited with the state funding that the charter school students would have generated for them, and 3) the state deducts the charter schools' funds from the school districts' state payments and pays them to the charter schools.

- <sup>14</sup> The actual amount of state funds available to a school is based on a number of variables, including a cost-of-doing-business factor for a community, six special education factors, and a Disadvantaged Pupil Impact Aid (DPIA) adjustment factor. Schools receive one-half the funding for kindergarten students.
- <sup>15</sup> *Ibid.*
- <sup>16</sup> The state allows sponsors to charge up to 3 percent administrative fee (of per-pupil funding) to provide sponsorship. Sponsors may also sell additional services to schools.
- <sup>17</sup> Through July 1, 2005, there was a cap of 225 schools for non-district sponsored schools. That cap was replaced when HB 66 was enacted on July 1, 2005, placing a cap of 30 new charter schools sponsored by non-school district entities during the 2005-06 and 2006-07 school years. There are now two cap provisions for new start-up community schools (schools that hope to open from July 2005 through June 30, 2007). For more information about the impact of HB 66, see <http://www.charter-schoolleadershipcouncil.org/pdf/ohiostatus.pdf>.
- <sup>18</sup> There are three open enrollment policies in Ohio. Two are concerned with intradistrict transfers which allow students in low-performing schools to attend different schools within the school district. The third is an interdistrict (voluntary) policy which requires districts to determine whether they will admit nonresident students. “E-schools” are a good example of schools operating under the state’s open enrollment policies.
- <sup>19</sup> Education Finance Database, National Conference on State Legislatures. Available at [http://www.ncsl.org/programs/educ/ed\\_finance/index.cfm#test](http://www.ncsl.org/programs/educ/ed_finance/index.cfm#test).
- <sup>20</sup> OFCS, Accelerated Urban Initiative, <http://www.osfc.state.oh.us/Programs/AcceleratedUrban/AcceleratedUrban.htm> and <http://www.osfc.state.oh.us/Publications/2003%20OSFC%20Annual%20Report.pdf>.
- <sup>21</sup> Districts qualify for parity aid when they fall below the 80th percentile of all districts according to wealth. School districts may spend this money in any area of need.
- <sup>22</sup> Ohio HB 364, available at [http://www.legislature.state.oh.us/bills.cfm?ID=124\\_HB\\_364](http://www.legislature.state.oh.us/bills.cfm?ID=124_HB_364).
- <sup>23</sup> Review of Existing HB Analysis, Ohio Legislative Service Commission, available at <http://lsc.state.oh.us/analyses/anh124.nsf/All%20House%20Bills%20and%20Resolutions/D57D941A524775E385256B830058AADF>.
- <sup>24</sup> *Community Schools in Ohio: Implementation Issues and Impact on Ohio’s Education System*, a report from the Legislative Office of Education Oversight. Available at [http://www.loeo.state.oh.us/reports/PreEleSecPDF/1CS4\\_web.pdf](http://www.loeo.state.oh.us/reports/PreEleSecPDF/1CS4_web.pdf).
- <sup>25</sup> The program was created by the Ohio General Assembly in House Bill 94, in Section 3318.50 and 3318.52 of the Ohio Revised Code.
- <sup>26</sup> The Cleveland district audit did a much better job at separating out local, state, and federal funds. For this analysis, federal and state funds are included in Cleveland’s intergovernmental revenue figures.
- <sup>27</sup> If payments to charter schools had not been excluded from the districts’ total revenues, the percentage of local revenues would have been less (26.7 percent in Cleveland and 35.9 percent in Dayton).
- <sup>28</sup> Kindergarten students are funded at one-half of the regular student population.
- <sup>29</sup> Source for Cleveland and Dayton school characteristic data: NCES.
- <sup>30</sup> Text of the legislation is available at [http://www.legislature.state.oh.us/BillText126/126\\_HB\\_66\\_EN1\\_N.html](http://www.legislature.state.oh.us/BillText126/126_HB_66_EN1_N.html).

# South Carolina

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in South Carolina and, in particular, Greenville, during FY 2002-03 (Figure 1).

### Highlights of our findings:

- Charter schools in Greenville received 39.5 percent less funding than district schools: \$5,126 vs. \$8,477 per pupil, a gap of \$3,351.
- The audits provided for Greenville's charter schools aggregated nearly all resources into an "intergovernmental" line item rather than specifying state, federal, or local sources. (Intergovernmental funding was listed as "indeterminate" in Figure 1.) In addition, 8.9 percent of revenues in the Greenville district's audit were tagged as intergovernmental. Consequently, a full comparison of funding sources within Greenville is not possible.
- Accessing statewide revenue information in South Carolina was particularly difficult.<sup>1</sup> Statewide charter school revenue data were unavailable, and requests to charter schools for individual audits were ignored.<sup>2</sup> Therefore, the statewide data presented here represent an extrapolation of Greenville's per pupil revenue patterns. We extrapolate that charter schools in South Carolina received approximately 39.5 percent less revenue than district public schools statewide, resulting in a gap of \$3,453.<sup>3</sup>

### The primary reasons for these funding disparities:

- Charters in South Carolina do not have access to capital financing or debt service funding.
- In Greenville, a greater percentage of district students than charter students participate in the federal free and reduced price lunch plan (36.2 percent vs. 10.7 percent). There were no charter schools in Greenville identified as Title 1 schools, though 16.5

**Figure 1: District and Charter School Revenues and Enrollments<sup>a</sup>**

South Carolina (2002-03)	STATEWIDE		GREENVILLE	
Per-Pupil Revenue				
District	\$8,743		\$8,477	
Charter	est. \$5,289 <sup>5</sup>		\$5,126	
Difference	<b>est. (\$3,453)</b> <b>est. (39.5%)</b>		<b>(\$3,351)</b> <b>(39.5%)</b>	
Per-Pupil Revenue by Source	District	Charter	District	Charter
Federal	\$804	N/A	\$586	\$45
State	\$3,860	N/A	\$3,493	\$0
Local	\$3,461	N/A	\$3,640	\$269
Other*	\$580	N/A	\$0	\$0
Indeterminate**	\$37	N/A	\$758	\$4,812
Total	\$8,743	est. \$5,289	\$8,477	\$5,126
Enrollment				
District	688,264 (99.9%)		61,991 (99.7%)	
Charter	1,370 (0.1%)		357 (0.3%)	
Number of Charters <sup>6</sup>	14		2	
Total Revenue				
District	\$6,017,245,506 est. (99.8%)		\$525,523,847 (99.6%)	
Charter	est. \$7,246,339 est. (0.2%)		\$1,830,000 (0.4%)	
Total	est. \$6,024,491,845		\$527,353,847	
Percentage of Revenue by Source	District	Charter	District	Charter**
Federal	9.2%	N/A	6.9%	0.9%
State	44.1%	N/A	41.2%	0.0%
Local	39.6%	N/A	42.9%	5.2%
Other	6.6%	N/A	0.0%	0.0%
Indeterminate	0.4%	N/A	8.9%	93.9%
Change in district school funding if subjected to charter funding structure				
	est. (\$2.4 billion)		(\$207.7 million)	

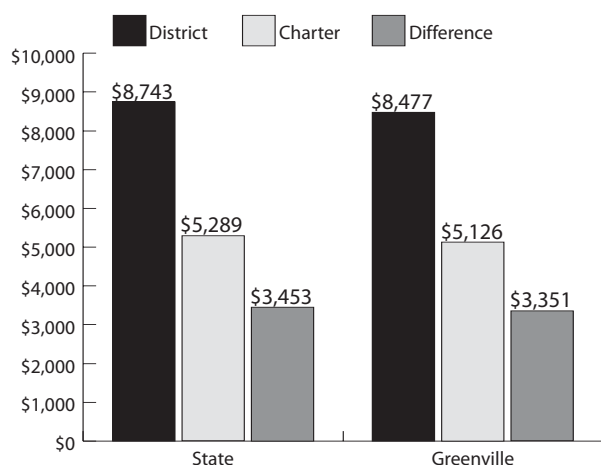
\*Other funding = nongovernmental funding; indeterminate funding = intergovernmental funding, including federal, local, and state.

\*\* Most Greenville charter monies (93.9%) are lumped into intergovernmental funding.

Note: Italicized figures marked with " est." (estimated) are extrapolated statewide based on district data.

percent of district schools were. In addition, district schools served a greater percentage of kindergarten and primary students, who are funded at a higher level. These discrepancies in population, however, could not account for more than a few hundred dollars of the overall gap.

**Figure 2:** Per-Pupil Revenue for South Carolina District vs. Charter Schools, FY 2002-03



## How South Carolina Funds Its District Schools

There are over 90 revenue categories used in South Carolina from which school districts receive state funds. These categories are grouped into five primary areas:

1. Education Finance Act (EFA): revenue provided by the Education Finance Act of 1977 to ensure an equal education opportunity for every child in the state's public school system.
2. Restricted State Grants: state funds appropriated to finance specific education programs in local school districts.
3. Unrestricted State Grants: revenue allocated to school districts for general educational purposes.
4. Education Improvement Act: revenue derived from a 1 percent state sales tax increase implemented in 1984.

5. Education Lottery Act: state revenue received from the South Carolina State Lottery Account to provide funding for education programs.

**Figure 3:** State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X <sup>7</sup>	
Charter schools are eligible for local funding	X		
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows districts to withhold funding from charter schools for providing administrative services	X <sup>8</sup>		
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization		X <sup>9</sup>	
School is considered LEA if authorized by district		X	
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X <sup>10</sup>		

The EFA allocation is the foundation for school funding in South Carolina. It is designed to equalize per-pupil funding for students as well as to set a uniform ratio of state to district-level funding.<sup>11</sup> Every year, the General Assembly determines a base student cost (BSC) that serves as the funding level for the foundation (or minimum) education program. State aid for



each district is then determined, in part, by multiplying the BSC by the weights for 15 classifications of students enrolled in the district.<sup>12</sup> State funds are then allocated to school districts via an equalization formula based on the state's assessment of each local district's taxpaying ability. The result is each district's EFA allocation, which comprises, on average, nearly half of its total state funding.<sup>13</sup>

South Carolina has three primary programs to provide facility aid to local school districts.<sup>14</sup> The School Building Aid program provides funds to districts based on K-12 Average Daily Membership (ADM). Districts may use the funds to finance construction, renovation, or repair of facilities or to pay down district debt incurred for capital projects. In order to qualify for School Building Aid funding, districts must maintain the existing level of local fiscal effort per pupil for non-capital programs. Revenue for the program comes from unexpended funds or an operating surplus in the Education Improvement Act Fund.

The Children's Education Endowment (CEE) splits capital revenue four ways: 35 percent based on ADM; 35 percent based on the state's EFA formula (ADM times the district property tax base factor); 15 percent based on local effort (per-pupil district expenditures for capital projects and debt service divided by property tax base); and 15 percent based on facilities needs (2.5 percent of construction costs for all buildings 11 to 50 years of age; 100 percent of replacement costs for all buildings over 50 years old; and current overcrowding). CEE funding comes from tax revenue generated by a low-level radioactive waste facility.

Six years ago, the South Carolina legislature passed the State School Facilities Bond Act, which provided \$750 million for new construction and renovation projects. If a district has fully funded all construction and renovation, it can then use the funds for debt service. All funding is distributed according to the same formula that is used to distribute the CEE.

## How South Carolina Funds Its Charter Schools

Charter schools in South Carolina are entitled to receive local, state, and federal funds—from the sponsoring district—based on enrollment and student demographics. A charter school's revenue is set by multiplying the school district's weighted per-pupil expenditures by the charter's weighted student count (excluding expenditures from bonded indebtedness or debt payment).<sup>15</sup> Funding for facilities and transportation is not provided.

The district serves as the intermediary between the Department of Education and the charter school. In addition to disbursing funds, the district collects reports from the charter school and then reports to the department.

District services (e.g., custodial, maintenance, staff development) may be negotiated between the charter school and the district. In addition, charter schools receive categorical funding for eligible students, such as gifted and talented, and for school improvement programs. The charter school's share of funding is negotiated between the school district and the charter school.

South Carolina itself does not fund charter school planning grants. The South Carolina Department of Education, instead, uses U.S. Department of Education grants to give charter schools start-up dollars for the following initiatives:

1. Three-year planning-implementation grants of up to \$420,000 are designed to provide financial assistance for the planning, program design, and initial implementation of the state's charter schools.
2. Dissemination grants of up to \$100,000 over two years provide financial assistance to charter schools that have been in successful operation for at least three consecutive years. These funds are intended to assist other schools in adapting a successful charter school program or to disseminate information about the charter school.

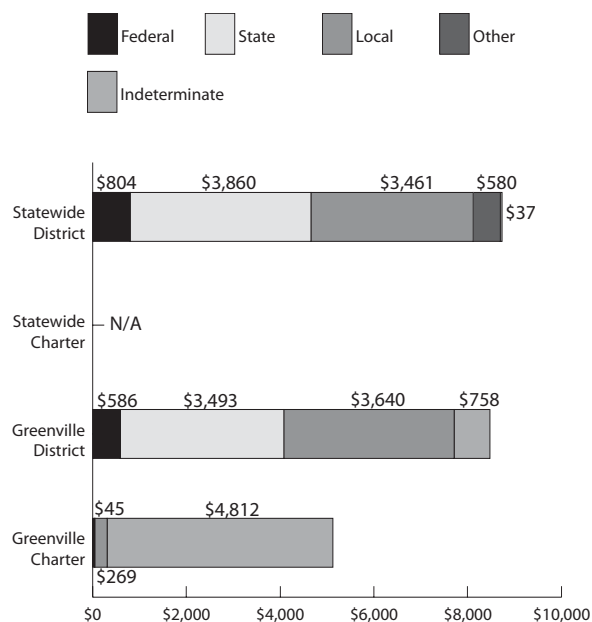


A charter school may not receive more than one grant of each type.<sup>16</sup>

## Facility Funding

Charters in South Carolina do not have access to capital financing or debt service funding, and districts are not required to sell or lease facilities to charter schools. Base funding includes the money for capital outlay and maintenance normally included in general operating funds. The Department of Education is required to make available, upon request, a list of vacancies and unused buildings or sections of buildings that are owned by school districts that may be suitable for a charter school. Charter schools may acquire buildings or other property by various means including gift, purchase, and lease and installment purchase agreement.

**Figure 4:** Per-Pupil Revenue by Source for South Carolina District vs. Charter Schools, FY 2002-03



If a district declares a building surplus and chooses to sell or lease it, a charter school's board of directors or a charter committee operating or applying within the school district must be given the first right of refusal to purchase or lease the building under the same or better terms and conditions than it would be offered to the public.

It appears that charter schools' lack of access to facility funding is the driver behind the large funding gap in South Carolina.

## Primary Revenue Sources for South Carolina's Public Schools

Detailed statewide charter school revenue data were unavailable, and requests to charter schools for individual audits were ignored. As a result, we present a total estimate for charter schools statewide based on Greenville calculations.

According to information from the state Department of Education, nearly 40 percent of all district school revenue came from local sources. In Greenville, this share was only slightly higher, at nearly 43 percent. Greenville district schools had slightly less access to federal funds, with approximately 7 percent of their funding coming from the federal government (compared to an average of 9 percent for the state overall).

The audits for charter schools in Greenville did not detail state sources of funding and provided little detail about local and federal revenues received. The majority of revenues received by the schools in this analysis were tagged as "intergovernmental" without any additional detail.

In Greenville, a greater percentage of district than charter students participate in free and reduced price lunch (36.2 percent vs. 10.7 percent); and according to NCES, neither Greenville charter school is eligible for Title 1 funding. Kindergarten, the primary grades (grades 1-3), and high school grades are funded 24 to 30 percent higher than other grades. District schools in Greenville serve a much greater percentage of students in the kindergarten and primary grades (48.5 percent vs. 10.5 percent). However, student and school characteristics alone cannot possibly account for more than a small fraction of the nearly 40 percent funding discrepancy between district and charter schools.

**Figure 5: School Characteristics**<sup>17</sup>

	Greenville District	Greenville Charter
Percentage of students eligible for free or reduced price lunch	36.2%	10.7%
Percentage of schools eligible for Title I	16.5%	0.0%
Percentage of students by school type:		
Primary (K-5)	48.5%	10.5%
Middle (6-8)	23.8%	0.0%
High (9-12)	27.5%	89.5%
Other (K-12, K-8, etc.)	0.2%	0.0%

Accessing adequate funding and securing and financing facilities are a great challenge for some charter schools in South Carolina. In one survey, 62 percent of charter school principals statewide reported that not having adequate finances for ongoing operations was a barrier, and they were forced to seek and rely on grant or private funding to supplement inadequate public funds.<sup>18</sup>

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered

**Figure 6: State Scorecard**

FINDINGS		South Carolina
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	P
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	N
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	N
	State funds student (black) or the LEA (grey)	L
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> The Greenville Public School District is an exception, as it publishes summary information on its web site. Audits of charter schools in Greenville were readily available, though not particularly detailed as to funding sources. The lack of available information about primary revenue sources for charter schools statewide in South Carolina was surprising and disappointing.

<sup>2</sup> In early March 2005, in an effort to seek more data, the authors sent letters with self-addressed stamped return envelopes to all charter schools operating in 2002-03, requesting copies of audits for this study. (Greenville charters were not included in this mailing because the audits for those schools had already been made available to us.) None of the charter schools responded.

<sup>3</sup> See note five, below, for an explanation of this extrapolation.

<sup>4</sup> Staff at the Office of Finance at the state Department of Education (SDE) provided us with Greenville charter school audit information, as well as detailed state and district revenue information. As part of our analysis, we excluded \$47 million in proceeds from general obligation bonds from Greenville’s total revenues and \$717,367,592 statewide. Unfortunately, officials at the SDE were unable to find similar charter school information for the state as a whole or for other districts. By South Carolina law [Section 59-40-50(B)(3) of the South Carolina Code of Laws], the sponsoring districts are required to provide these details annually to the SDE, but most have not, and the Department has taken no action.

<sup>5</sup> Since we were unable to obtain statewide figures for charter revenue, all statewide charter figures in this snapshot are extrapolated from the data collected on

charter schools in Greenville. We took the per-pupil revenue from that district and multiplied it by the total number of charter pupils in the state. The authors recognize that district data may not be representative of statewide patterns. This extrapolation, however, is reasonable given the data available. In Figure 1, extrapolated data is marked with “est.” (estimated).

<sup>6</sup> This analysis only includes two of the three charters operating in Greenville: Greenville Technical Charter school (profile at <http://www.myschools.com/tracks/parents/charts98.htm#Greenville%20Technical%20CharterFunding>) and the Charles Aiken Academy (profile at <http://www.myschools.com/tracks/parents/charts98.htm#Charles%20Aiken%20Academy>). The Meyer Center for Special Children, which had total revenues of \$1,274,920 in 2002-03, serves largely a disabled population of preschool children.

<sup>7</sup> The sponsor, the local school district, distributes state, county, and school district funds to a charter school. See the SC charter school law: [http://www.myschools.com/offices/ssys/alternative\\_education/charter\\_schools/lawnew.htm](http://www.myschools.com/offices/ssys/alternative_education/charter_schools/lawnew.htm).

<sup>8</sup> Fees and services are to be negotiated between the sponsoring district and the charter school. According to David Church of the South Carolina Association of Public Charter Schools, on April 29 the Greenville district informed all operating and proposed charter schools that “the charter school will pay the district a fee sufficient to cover the cost to the district of each district employee that the district assigns to serve a charter.” For more information, see <http://www.sccharterschools.org>.

<sup>9</sup> Currently, a charter school is a nonprofit organization, but also is part of the LEA that is the sponsoring school district.

<sup>10</sup> A child who resides in a school district other than the one where a charter school is located may attend a charter school outside his district of residence; however, the receiving charter school shall have authority to grant or deny permission for that student. If accepted, that student is eligible for state and federal funding.

<sup>11</sup> Education Finance Database, South Carolina. National Conference of State Legislatures. Available at [http://www.ncsl.org/programs/educ/ed\\_finance/index.cfm](http://www.ncsl.org/programs/educ/ed_finance/index.cfm).

<sup>12</sup> The formula for state aid is as follows: State Aid = (district weighted pupil unit x base student cost) - (statewide weighted pupil unit x base student cost x School District Index of Taxpaying Ability x 0.3).

- <sup>13</sup> Susan Aud, *An Analysis of South Carolina Per-pupil State Funding*, Milton and Rose D. Friedman Foundation, 2004, pg 5.
- <sup>14</sup> Richard Gurley, *School Capital Funding: Supplementary State Profiles*, Nashville, Tennessee: Office of Education Accountability, Comptroller of the Treasury, 2002.
- <sup>15</sup> Legislation states: "The previous year's audited total general fund expenditures, including capital outlay and maintenance, but not including expenditures from bonded indebtedness or debt repayment, must be divided by the previous year's weighted students, then increased by the Education Finance Act inflation factor for the years following the audited expenditures, then multiplied by the weighted students enrolled in the charter school (which will be subject to adjustment for student attendance and state budget allocations based on the same criteria as the local school district)." See South Carolina charter school law: [http://www.myschools.com/offices/ssys/alternative\\_education/charter\\_schools/lawnew.htm](http://www.myschools.com/offices/ssys/alternative_education/charter_schools/lawnew.htm).
- <sup>16</sup> *2002-2003 Revised "Draft" Funding Manual*, Columbia, South Carolina: South Carolina Department of Education; available at <http://www.myschools.com/offices/finance/FMDraft2c.doc>.
- <sup>17</sup> Source for School Characteristic Data: NCES; the data used in Figure 5 are for Greenville only.
- <sup>18</sup> Weaver Rogers, South Carolina Charter Schools: Five-Year Evaluation Report, Columbia, South Carolina: South Carolina Department of Education, 2002.

# Texas

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools<sup>1</sup> in Texas and, in particular, Dallas and Houston, during FY 2002-03 (Figure 1).<sup>2</sup>

**Figure 1:** District and Charter School Revenues and Enrollments<sup>6</sup>

Texas (2002-03)	STATEWIDE <sup>7</sup>		DALLAS ISD		HOUSTON ISD	
Per-Pupil Revenue						
Traditional District <sup>8</sup>	\$8,456		\$8,300		\$7,724	
Charter District <sup>9</sup>	\$7,300		\$7,125		\$6,382	
Difference <sup>10</sup>	(\$1,155) (13.7%)		(\$1,174) (14.2%)		(\$1,341) (17.4%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	\$746	\$1,275	\$1,038	\$1,230	\$665	\$1,217
State	\$3,200	\$5,764	\$1,561	\$5,615	\$1,689	\$4,853
Local	\$4,118	\$0	\$5,398	\$0	\$4,939	\$0
Other <sup>11</sup>	\$391	\$261	\$302	\$281	\$431	\$313
Total	\$8,456	\$7,300	\$8,300	\$7,125	\$7,724	\$6,382
Enrollment						
District	4,184,174 (98.8%)		162,989 (93.8%)		211,762 (93.5%)	
Charter <sup>12</sup>	51,687 (1.2%)		10,689 (6.2%)		14,837 (6.5%)	
Number of Charters <sup>13</sup>	182		20		40	
Total Revenue						
District	\$35,379,328,034 (98.9%)		\$1,352,733,022 (94.7%)		\$1,635,562,078 (94.5%)	
Charter	\$377,332,580 (1.1%)		\$76,160,234 (5.3%)		\$94,692,376 (5.5%)	
Total	\$35,756,660,614		\$1,428,893,256		\$1,730,254,454	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	8.8%	17.5%	12.5%	17.3%	8.6%	19.1%
State	37.9%	79.0%	18.8%	78.8%	21.9%	76.0%
Local	48.7%	0.0%	65.0%	0.0%	64.0%	0.0%
Other	4.6%	3.6%	3.6%	3.9%	5.6%	4.9%
Change in district school funding if subjected to charter funding structure						
	(\$4.8 billion)		(\$191.3 million)		(\$284.0 million)	

“District sponsored” charters<sup>3</sup> were excluded from this analysis because their data were inseparable from traditional schools within the same district. Only state-sponsored, “open enrollment” charter districts were included. These are known as “charter districts” in Texas, and they are referred to as such here.

### Highlights of our findings:

- On average, charter districts across Texas received 13.7 percent less funding than traditional districts: \$7,300 vs. \$8,456 per student, a gap of \$1,155.
- Houston charter districts received 17.4 percent less funding than Houston Independent School District (HISD) schools: \$6,382 vs. \$7,724 per student, a gap of \$1,341.
- Dallas charter district funding lagged behind Dallas Independent School District (DISD) funding by 14.2 percent: \$7,125 vs. \$8,300 per student, a gap of \$1,174.
- Traditional districts statewide outpaced charter districts on combined state and local funding totals by 21.2 percent, or \$1,554 per-pupil.
- Charter schools surpassed district schools in per-pupil federal revenues by 70.9 percent (\$1,275 vs. \$746 per pupil).

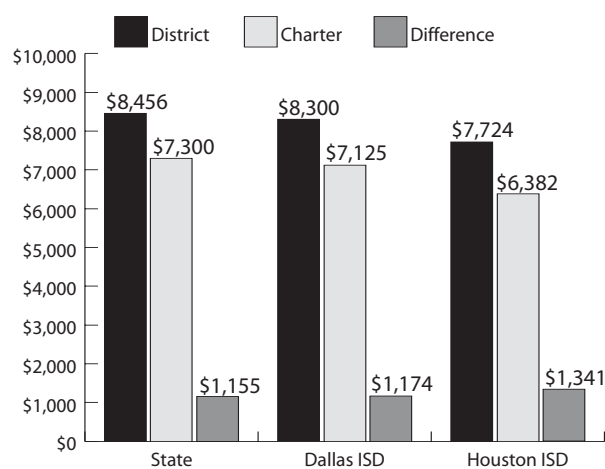
### The primary reasons for these funding disparities:

- Texas charter districts do not have access to local funds, including debt service and capital funds. Instead, open enrollment charters are funded solely through state, federal, and “other” fund sources.

The state funding formula, therefore, provides charter districts with more state revenues than traditional districts receive but does not overcome charter districts' lack of a local tax base.

- Texas recognizes charter districts as local education agencies (LEAs) for some funding purposes but not for others. Charters have full LEA status when applying for federal funds but are denied certain state funds, such as the Small District Adjustment.
- The larger sums (per pupil) of federal funds received by charter districts compared to traditional districts in FY 2002-03 result from the following: 1) Some traditional and charter districts received a one-time federal "Repair and Renovation" grant over fiscal years 2001-02 and 2002-03;<sup>4</sup> 2) Incomplete estimates<sup>5</sup> show that charter districts received a minimum of \$7,959,913 in federal start-up funds during FY 2002-03, which accounts for 8.3 percent of total federal charter district revenues. In all, one-third of charter district federal revenues came from short-term revenue streams; 3) Less significant is the fact that charter districts serve higher percentages of Title I and low income students than their traditional counterparts.

**Figure 2: Per-Pupil Revenues for Texas District vs. Charter Schools, FY 2002-03**



## How Texas Funds Its district Schools

The Foundation School Program (FSP) funds traditional districts through local property tax revenues and

state revenues. The local share of FSP is based on property values located within a school district. FSP state entitlements rest primarily on property wealth and current fiscal year factors such as: 1) student attendance; 2) the number of students in special populations and their attendance; and 3) each district's local tax effort.

The FSP is two-tiered. Tier I consists of a basic grant or allotment per student set by the legislature plus categorical aid for special populations. Adjustments to the Tier I formula include: 1) a *small district adjustment* for schools with an Average Daily Attendance (ADA) of less than 1,601 students; 2) a *mid-sized district adjustment* for districts with an ADA of 1,601 to 5,000 students; 3) a *sparsity adjustment* for districts with an ADA of less than 130 students; and 4) a *cost of education index (CEI) adjustment* that accounts for varying economic conditions.

Tier II is based on a "guaranteed yield" that ensures traditional districts a supplemental level of revenue per student that is based on Weighted ADA (WADA). As in Tier I, Tier II revenue is a combination of state and local efforts. A traditional district is entitled to the difference between the guaranteed yield revenue per WADA established by the legislature and the revenue per WADA that its enrichment rate actually yields. The enrichment rate allows school districts to supplement basic program funding through an enriched tax rate. A traditional district whose enrichment rate generates more than the guaranteed yield level is not eligible for the state aid provided in Tier II.

## How Texas Funds Its Charter Schools

Charter districts are funded using the FSP formula. Funding is determined by multiplying the school's WADA times the greater of the following: 1) the amount of state aid that a student's residential district would generate for the Tier I and Tier II tax rate, or 2) the resident district's average tax levy per ADA, if the student's resident district does not receive foundation aid (because it exceeded the wealth threshold). Since charter districts do not have a tax base of their own, they are ineligible for excess funding beyond the Tier II



threshold. In addition, charter districts are not directly eligible for the supplemental adjustments described under the traditional district school formula above.

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X <sup>14</sup>
Charter schools are eligible for local funding			X <sup>15</sup>
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)		X	
Charter schools receive differential funding		X	
State allows districts to withhold funding from charter schools for providing administrative services	X		
State “holds harmless” district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X <sup>16</sup>		
School is considered LEA if authorized by district		X	
Cap on number of charter schools	X		
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy			X <sup>17</sup>

The funding formula for charter districts changed with Texas House Bill 6 in 2001. As of the 2003-2004 school year, a 10-year transition began that by FY 2013 will fund open enrollment charters based on the state average funding elements used to calculate state aid. Under this new funding scheme, some charter districts will lose a portion of their annual funding resulting

from the averaging formula. These losses in total are estimated to range from \$300 to more than \$450,000 annually per charter district.<sup>18</sup> Some charter districts might experience revenue gains.

## Facility Funding

At present, Texas does not provide facilities funding to charter districts. Traditional districts, however, regularly benefit from the state’s Capital Outlay programs, including the Instructional Facilities Allotment and the Existing Debt Allotment under Chapter 46 and the Bond Guarantee program through the Permanent School Fund (PSF). Charter school bonds are not backed by the PSF and therefore are charged a higher interest rate and assigned a speculative grade rating. According to one analysis,<sup>19</sup> districts reduce debt payments by 2 to 3 percentage points in the Bond Guarantee program through the PSF.<sup>20</sup>

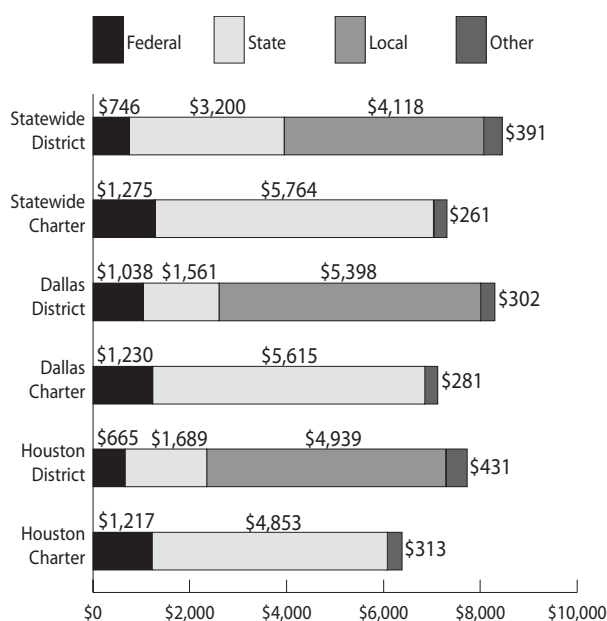
New changes may occur in 2005’s special session of the legislature. For example, H.B. No. 2 provides high performing charter districts with up to \$1,000 per enrolled student for capital expenses, based on prior year enrollment. To qualify, charter districts must have received exemplary student performance ratings under Subchapter D, Chapter 39, or performed at a comparable level as determined by the commissioner, for two consecutive school years. These schools also must meet generally accepted accounting standards. Once a charter district meets eligibility requirements and receives an instructional facilities allotment, it will remain eligible unless its performance standard drops to “unacceptable.” At that point the charter district must regain eligibility standing.<sup>21</sup>

## Primary Revenue Sources for Texas Public Schools

On average, Texas traditional districts generated nearly half of their revenues from local property taxes, investment income, and miscellaneous sources. In FY 2003, the state contributed another 37.9 percent in FSP funds. Charter districts, however, rely solely on the

state for the vast majority of revenues and have no access to local funds. Charter districts appear to have made good use of their status as LEAs for federal funding purposes, generating 17.5 percent of total revenues from federal sources alone. However, FY 2002-03 was an anomalous year for charter districts due to a large influx of one-time federal “Repair and Renovation” grant funds.

**Figure 4:** Per-Pupil Revenue by Source for Texas District vs. Charter Schools, FY 2002-03



The majority of the gap between charter and traditional district funding per pupil in Texas can be attributed to the following: 1) charter districts’ inability to access local funds; 2) state aid formula adjustments that are denied to charters; and 3) charter districts’ inability to access facilities funding.

#### ■ Local Sources

Traditional districts in Texas generated an average of 48.7 percent of their revenues from local sources. The local portion was higher in Houston (64 percent) and Dallas (65 percent) due to the high property tax base of these two districts. Traditional districts that generate funds beyond the state-determined foundation amount per student are only guaranteed a constitutionally set

base-funding amount per student (around \$300 in FY 2003). Charter districts, on the other hand, received no funding from local sources.

Texas charter districts receive offsetting funds from state sources but the amounts do not equal the local funding shortfall. Charter districts relied on the state for 79.0 percent (\$5,764 per pupil) of their revenues whereas state funds comprised just 37.9 percent (\$3,200) of the revenues of traditional districts, which also received \$4,118 from local sources. Traditional districts therefore averaged \$7,318 per pupil in combined state and local revenues, whereas charters received \$5,764 (from the state alone).<sup>22</sup>

#### ■ State Sources

Charter districts are not recognized as independent entities for certain district level formula adjustments, such as the Mid-size or Small District Adjustment (SDA). The SDA offers up to \$1,600 in additional revenue per student for districts serving fewer than 1,601 students; the mid-size adjustment is applied to districts serving 1,601 to 5,000 students. However, the SDA adjustment is only applied to charter districts located within a traditional district that receives the adjustment itself. The majority of charter districts operate within large urban traditional districts and are therefore ineligible to receive the small or mid-size district adjustment. Since the bulk of Texas charter districts serve 500 students or less, they are denied millions of dollars in revenue. Traditional districts and their residing charters may also receive adjustments through the Cost of Education Index (CEI). Many charter districts receive some funding for CEI adjustments based on the traditional district’s weighted formula.

We also analyzed several other potential contributing factors to the funding gap.

#### ■ Facility Funding

Like many states, Texas blocks charter schools from accessing any capital dollars that district schools generate

from state or local sources to cover maintenance and facilities operations. The recently released *2003 Annual Survey of Local Government Finances - School Systems* lists total Texas Capital Outlay expenditures as \$4,764,154,000. Total capital revenue was unavailable from the Texas Education Agency (TEA). Nevertheless, as an estimate, this total equates to \$1,139 per student, none of which is available to Texas charter districts. In addition, Chapter 46 of the Texas Education Code prohibits charter districts from participating in the Instructional Facilities Allotment (IFA) or the Existing Debt Allotment (EDA). Charter districts must cover facilities financing out of general operating dollars, increasing the funding gap. Many charters work diligently to raise funds from private sources to cover capital needs, a practice rarely used by traditional districts.

This situation may change if high performing Texas charter districts are provided with capital funds under an instructional facilities allotment should the House and Senate reach a compromise. (See the web site information posted at <http://www.capitol.state.tx.us/> for the latest information.)

### ■ Students Served

According to the FY 2003 NCES Common Core of Data, there were proportionally more Title I eligible Texas charter districts than traditional district schools (75.3 percent vs. 60.3 percent) and charter districts served a larger percentage of free and reduced price lunch eligible students (61.8 percent vs. 46.6 percent). Data comparing the numbers of special needs students served were unavailable for 2003, but the TEA 2002 School Profile information indicates that charter districts served a lower proportion of special needs students (9 percent vs. 12 percent).<sup>23</sup> The Texas funding formula is not weighted for grade levels served, so grade level differences cannot be a factor in the funding discrepancy. Overall, the types of students served at open enrollment charter schools versus district schools did not appear to influence the funding gaps we identified.

**Figure 5: School Characteristics<sup>24</sup>**

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	46.6%	61.8%
Percentage of schools eligible for Title I	60.3%	75.3%
Percentage of students by school type:		
Primary (K-5)	48.5%	30.1%
Middle (6-8)	22.9%	2.1%
High (9-12)	25.7%	25.3%
Other <sup>25</sup> (K-12, K-8, etc.)	3.0%	42.5%

### ■ Federal Sources

Charter districts relied more heavily on federal dollars than did traditional districts (\$1,275 vs. \$746 per pupil). As noted above, at least 33.8 percent of total federal revenues received by charters in 2003 came from short-lived start-up funds and the one-time “Repair and Renovation” grant that some charter and traditional districts received during FY 2002-03. These grant funds amounted to \$325 per student in charter districts. In contrast, traditional districts received just \$10 per student. If FY 2002-03 charter district Repair and Renovation grant funds (\$16,781,509) are removed from federal revenue totals, then the statewide charter district PPR is reduced to \$6,976 and the district PPR to \$8,445, widening the funding gap to \$1,469 per pupil.

### ■ Other Sources

Traditional districts received \$130 per pupil more in “other revenues” than did charter districts. Further detail was unavailable.

### Possible Changes

Changes to the state’s funding formula are expected under a new bill during the 2005 special sessions. Session outcomes may be monitored at [www.capitol.state.tx.us/](http://www.capitol.state.tx.us/).

State law makers have yet to agree on final details, but major tenets of a new finance bill would reduce the tax levy from \$1.50 per \$100 of property value to as low as \$1.00. The bill would also reduce the amount of tax money that property-wealthy districts must allocate to low property-wealth districts. The new bill would increase sales taxes to compensate for the loss of property tax contributions to the FSP system.<sup>26</sup>

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

**Figure 6: State Scorecard**

FINDINGS		Texas
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	Y
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	Y
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	Y
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	N
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	P
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	P
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

## Endnotes

<sup>1</sup> Charter districts can include one or more charter schools under the same umbrella charter. In FY 2002-03 there were 184 charter districts in operation.

<sup>2</sup> We looked at charter districts located within the Dallas and Houston Independent School Districts (ISDs).

<sup>3</sup> Due to the nature of Texas accounting procedures, district-sponsored “campus” charter schools are considered district schools and thus their data are included in ISD membership and revenue totals. As a result, our analysis of charter school funding only covers state-sponsored charter districts. Exact numbers for district-sponsored charters and enrollments were not available because the TEA does not require separate reporting for these schools.

<sup>4</sup> Financial audits indicate that charters received \$16,781,510 in FY 2002-03, which represents 25.5 percent of all federal revenues to charter districts and skewed the average amount of federal funds that charters received. On the other hand, traditional district total awards for FY 2002-03 Repair and Renovation grant funds (\$42,957,781) accounted for only 1.4 percent of their total federal dollars. Repair and Renovation grant funds were distributed during both FY 2002 and FY 2003. This analysis considers only those funds received during FY 2003. The TEA listed 42 charter districts as receiving Repair and Renovation grant funds in FY 2002-03. We were able to track grant revenues for 37 charter districts through financial audits, but five charter districts did not post an audit or we were unable to separate grant awards from total pass-through federal funds. Traditional district award amounts could not be isolated for FY 2002-03 and thus the entire amount was deducted from federal totals to make comparisons.

<sup>5</sup> Fourteen additional charter districts may have received start-up funds in FY 2002-03 but valid numbers could not be determined from audited figures or audits were not made available. These 14 schools were listed by the TEA as having received start-up funds during this fiscal year.

<sup>6</sup> Texas district and charter school membership and revenue information came from the Public Education Information Management System’s (PEIMS) “2002-2003 Financial Actual Data” state and district profiles. The PEIMS system accounts for charter school information as stand-alone districts. Since TEA’s “Financial Actual Data” are self-reported, the “Summary of Finance Reports,” which presents state aid apportionments only, was used as a cross-reference to identify charter schools with invalid reporting. FY 2002-03 financial audits were used to correct misreported or unreported revenues. Late in the study, we were given access to a secure web site where audits are posted.

Detailed revenue reports showing line item sources within local, state, federal, and other categories are not available through the PEIMS reporting system. The figures used to generate this analysis are based on state-collected data, as described above, which account for all revenues received by a district or charter school with the exception of debt proceeds, shared service arrangement funds, and revenues equal to expenditures under wealth equalization.

<sup>7</sup> Statewide traditional district revenues include local tax debt services revenues of \$1.774 billion. These revenues are included under “receipts” rather than “revenues” in the “2002-03 Financial Actual Reports.”

<sup>8</sup> Dallas and Houston ISD revenue totals do not include local or state capital debt service or capital project revenues because they could not be separated from “receipt” totals, which include loan proceeds. The funding gap between Dallas and Houston charter and traditional district per-pupil revenues is therefore understated but we cannot calculate the dollar value of the shortfall.

<sup>9</sup> The Texas Education Agency’s (TEA) Information Agency supplied separate totals for charter and traditional district “memberships” and revenues along with a detailed report of all charter district revenues and memberships from “2002-2003 Financial Actual Reports.” These reports were cross-referenced with the TEA’s “Summary of Finances” reports in addition to financial audits for FY 2002-03. Charter district revenues were calculated using the following process:

1) Charter districts reporting “0” enrollment and/or “0” revenues were identified. Seven charter districts did not report revenues or enrollment; two charter districts did not report revenues; and one district was removed because it was not operational in 2002-03. “Membership” counts were not available in the Financial Actual Report system since these schools failed to report. Therefore, “enrollment” counts were used in place of membership. Enrollment will vary from membership by a few students at most. Enrollments were taken from the Snapshot 2003 Summary Tables at [www.tea.state.tx.us/cgi/sas/broker](http://www.tea.state.tx.us/cgi/sas/broker). Revenues were added to the dataset using each charter district’s FY 2003 Financial audits.

2) Finance Division staff at the TEA identified the possibility of reporting errors due to several charter districts with extremely high or low per-pupil revenues, so we identified 14 charter districts with invalid 2002-03 Financial Actual Reports. Two of these, which reported revenues of \$30 and \$115 per pupil, were removed from the charter population because they had no financial audit with which to correct the revenues. Twelve charter districts’ reports were corrected using financial audits. Candidates for invalid reporting were identified by the



following criteria: a) per-pupil revenues were unusually high or low; or b) a particular fund category, such as federal dollars, was unusually high or low. There are likely additional charter district Financial Actual Reports that differ from audited statements, but we believe we caught and corrected the large majority. Corrections were made for the following charter districts: Texas Serenity Academy, Honor Academy, American Academy of Excellence, Gulf Shores, Houston Alternative Preparatory, Crossroads, Guardian Angel, Winfree Academy, Children First-Houston, STAR Charter, Academy of Dallas, and Bright Ideas.

3) In total, we adjusted the revenue and enrollment totals for 21 charter districts (12 with invalid reporting, 7 with no report of revenues or enrollment and 2 with no membership counts).

<sup>10</sup> Six charter districts and 20 traditional districts had per-pupil revenues higher than two standard deviations from the average PPR. If these districts are removed, the statewide average charter district PPR drops to \$7,233 and the traditional district PPR is reduced to \$8,449. The funding gap between charter and traditional districts widens to \$1,233 (14.6 percent).

<sup>11</sup> Texas defines “other” revenues as revenues realized as a result of services to other districts.

<sup>12</sup> Statewide charter school membership does not include 1,322 students for two schools with invalid reporting, Metro Charter Academy and Universal Academy. These two schools’ memberships and enrollments are not included in this analysis. On the other hand, a total of 871 students were added to membership totals for charter districts that had previously been unreported. The 871 added enrollments represent the following charter districts: Evolution Academy, Golden Rule Charter School, Juan B. Galaviz Charter School, Ripley House Charter School, Harmony Science Academy-Austin, Austin Can Academy, Outreach Word Academy, and Children of the Sun Academy. The combination of enrollment/membership additions and subtractions yields a 451 net reduction in membership.

<sup>13</sup> In 2002-03 there were 184 charter districts in operation, but reliable data were available for 182.

<sup>14</sup> Charter districts are directly funded by the state but campus level charters are funded via district pass-through.

<sup>15</sup> Campus charters receive a portion of local funds but charter districts receive no local funds.

<sup>16</sup> Charter districts are considered LEAs for some funding purposes, but not all.

<sup>17</sup> Charter districts must set geographic boundaries but have an open enrollment policy within those boundaries.

<sup>18</sup> “ACE Report on School Finance and Charter Schools,” HAAS Policy Consulting, Nov 2004, p.8.

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*, p11.

<sup>21</sup> Representative Kent Grusendorf, Texas HB 2, Special Session, July 2005, [www.capitol.state.tx.us/cgi-bin/tlo/textframe.cmd?LEG=79&SESS=1&CHAMBER=H&BILLTYPE=B&BILLSUFFIX=00002&VERSION=3&TYPE=B](http://www.capitol.state.tx.us/cgi-bin/tlo/textframe.cmd?LEG=79&SESS=1&CHAMBER=H&BILLTYPE=B&BILLSUFFIX=00002&VERSION=3&TYPE=B).

<sup>22</sup> As stated above, the local amounts reported by the state do not include some debt service, equity transfers and/or capital sources that would increase this gap.

<sup>23</sup> “Snapshot 2002,” TEA, <http://www.tea.state.tx.us/perfreport/snapshot/2002/state.html>.

<sup>24</sup> Source for school characteristic data: NCES.

<sup>25</sup> Other types of schools include multiple grade levels, such as K-8 or K-12, and non-traditional schools.

<sup>26</sup> Jason Embry, “House and Senate say they’re close, but deal is far from done,” *Austin-American Statesman*, July 12, 2005 [www.statesman.com/news/content/shared/tx/legislature/stories/07/12finance.html](http://www.statesman.com/news/content/shared/tx/legislature/stories/07/12finance.html).



# Wisconsin

## Summary and Highlights

This snapshot analyzes the revenue and funding levels of district schools and charter schools in Milwaukee during FY 2002-03 (Figure 1).

### Highlights of our findings:

- Milwaukee's 30 charter schools received 29.5 percent less funding than district schools: \$7,944 vs. \$11,267 per pupil, a difference of \$3,323.<sup>1</sup>
- Milwaukee's charter schools provided services to 11.4 percent of the city's student population. However, the charters received 8.3 percent (not including "Other" revenue) of the total available education revenue.
- The state of Wisconsin does not collect financial information on any charter school that has been authorized by a school district, which represents 94 percent of the charters in the state. Therefore, the statewide charter data here represent an extrapolation based on Milwaukee per-pupil revenue patterns. We extrapolate that charter schools in Wisconsin received approximately 29.5 percent less revenue than district public schools statewide, resulting in a gap of \$3,034.<sup>2</sup>

### The primary reason for these funding disparities:

- Wisconsin charter schools do not have access to facilities funds, unlike the state's school districts, and must pay for facilities out of their operating funds.

## How Wisconsin Funds Its District Schools

Wisconsin relies on a three-tiered funding formula that assigns a guaranteed tax base to every pupil from which a per-pupil allotment is then calculated.

The Primary Aid Level assures each district state aid up to \$1,000 per pupil, which covers shared costs (defined as operating expenses, capital outlay, and debt service as

**Figure 1: District and Charter School Revenues and Enrollments**

Wisconsin (2002-03)	STATEWIDE		MILWAUKEE	
Per-Pupil Revenue				
District	\$10,283		\$11,267	
Charter	est. \$7,250 <sup>3</sup>		\$7,944 <sup>4</sup>	
Difference	est. \$3,034 est. (29.5%)		(\$3,323) (29.5%)	
Per-Pupil Revenue by Source	District	Charter	District	Charter
Federal	\$ 591	N/A	\$ 1,526	\$ 550
State	\$ 5,448	N/A	\$ 7,688	\$ 6,064
Local	\$ 3,692	N/A	\$ 1,357	\$ 1,330
Other	\$ 551	N/A	\$ 696	N/A
Indeterminate	\$0	N/A	\$0	\$0
Total	\$ 10,283	est. \$7,250	\$ 11,267	\$ 7,944
Enrollment				
District	861,523 (97.8%)		89,170 (88.6%)	
Charter	19,869 (2.2%)		11,497 (11.4%)	
Number of Charters	168		30	
Total Revenue <sup>7</sup>				
District	\$8,859,254,992 est. (98.4%)		\$1,004,666,813 (91.7%)	
Charter	est. \$144,044,093 est. (1.6%)		\$91,335,065 (8.3%)	
Total	est. \$9,003,299,085		\$1,096,001,878	
Percentage of Revenue by Source	District	Charter	District	Charter
Federal	5.8%	N/A	13.5%	6.9%
State	53.0%	N/A	68.2%	76.3%
Local	35.9%	N/A	12.0%	16.7%
Other	5.4%	N/A	6.2%	N/A
Indeterminate	0.0%	N/A	0.0%	0.0%
Change in district school funding if subjected to charter funding structure				
	est. (\$2.612 billion)		(\$296.3 million)	

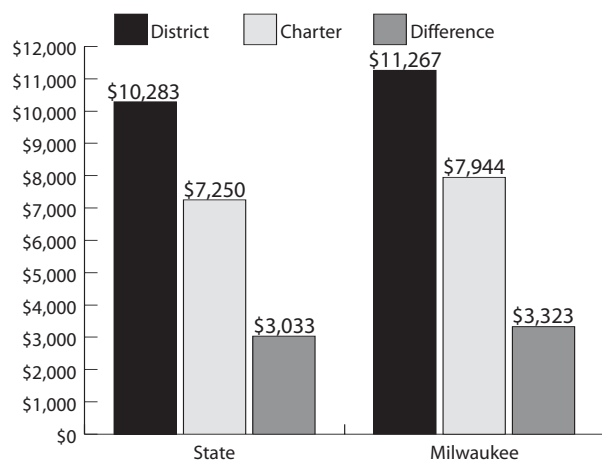
Note: Italicized figures marked with "est." (estimated) are extrapolated statewide based on district data.

determined from the previous year). The \$1,000 per pupil is based on a local property tax evaluation of \$1.93 million per student, which is considered the State Guarantee. The Primary Aid Level is determined

based on the variance between the state guaranteed tax valuation (\$1.93 million) and the actual local property valuation. The actual local property tax valuation helps to determine one of the components of Wisconsin's total annual contribution to a school district. As an example, a district's local property tax valuation of \$289,613 would represent 15.01 percent of the \$1.93 million, meaning that local revenue would comprise \$150.10 of the Primary Aid Level, with the remainder originating from state funds. This formula applies to the Secondary and Tertiary Aid Levels, as well.

**Figure 2:** Per-Pupil Revenue for Wisconsin District vs. Charter Schools, FY 2002-03

(Note: statewide charter figures extrapolated from district figures)



The Secondary Aid Level provides funding for costs above the \$1,000 provided in the Primary Aid Level up to a second ceiling, which is adjusted annually for inflation. In the 2002-03 school year, the Secondary Aid Level could be as much as \$7,230 minus the distribution from the Primary Aid Level. (State statutes do not assign a specific amount to the Secondary Aid Level so that it can be adjusted in order to distribute all available state aid.) In 2002-03, Secondary Aid Level equaled an additional \$955,663 in property valuation per pupil.

The Tertiary Aid Level cost ceiling of \$1,503 is again distributed between local and state revenue based on the total guarantee for the level and the local property

tax valuation. The estimate for tertiary aid for 2002-03 was \$353,152 in property valuation per pupil.

Provisions also are made for what is known as Negative Aid, or cases in which a district's property tax value per pupil exceeds the state guarantee (in the Secondary and Tertiary levels only). These districts use more of their local property tax revenue to fund educational services.

Last, the state applies a deduction to total state revenue available for school districts equal to the amount of revenue provided to the independent charter schools in the Milwaukee area. In FY 2002-03, these dollars totaled \$24.19 million. Districts, however, can increase the property tax levy as an offset to the state aid deduction.

## How Wisconsin Funds Its Charter Schools

Funding for Wisconsin charter schools can vary based on the contracts signed with individual authorizers. Every contract must specify the amount of revenue to be provided by the authorizer to the charter. (The pupils are counted as part of the district's enrollment for eligible funding using the criteria described above.) The contracts also must specify if the charter can receive any of the district's categorical school aid or grants.

Charters that are independent of school districts—specifically those authorized by the City of Milwaukee, the University of Wisconsin-Milwaukee, and the University of Wisconsin-Parkside—have a different funding formula. The Department of Public Instruction pays the operators a sum equal to the per-pupil revenue provided in the previous school year plus an additional amount determined by state law. This figure is then multiplied by the number of pupils attending the charter school. For FY 2002-03 the Department of Public Instruction funded total expenditures for these independent charters of \$24.19 million, or \$6,951 per pupil.

**Figure 3:** State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X <sup>5</sup>
Charter schools are eligible for local funding		X <sup>6</sup>	
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g., more funding for 9-12 vs. K-8 schools)		X	
Charter schools receive differential funding		X <sup>7</sup>	
State allows districts to withhold funding from charter schools for providing administrative services		X <sup>8</sup>	
State “holds harmless” district funding for charter enrollment			X <sup>9</sup>
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district		X	
Cap on number of charter schools			X <sup>10</sup>
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools			X <sup>11</sup>
Charter schools have an open enrollment policy	X		

## Facility Funding

Wisconsin charter schools do not have access to facility funding in statute or in practice.

## Primary Revenue Sources for Wisconsin’s Public Schools

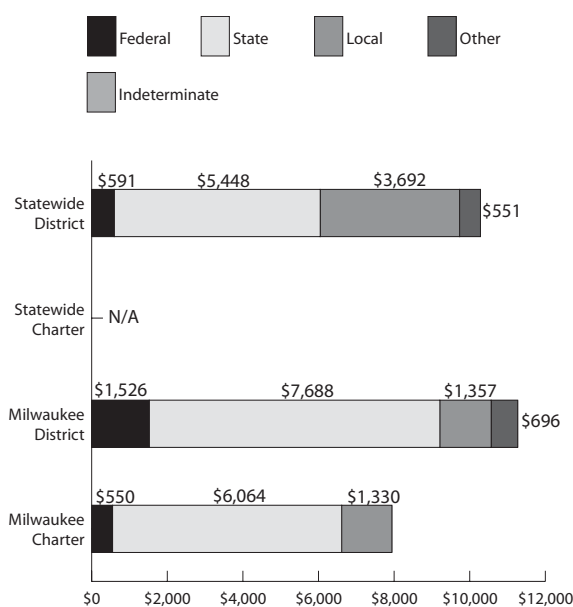
Most Wisconsin charter schools receive their authorization from school districts (158 of the 168 charters in the state), and, for data collection and revenue distribution purposes, are not local education agencies (LEAs).

Therefore, the state has no records of revenues provided to district-authorized charters. Cindy Zautcke, with the Institute for the Transformation of Learning at Marquette University, stated:

*“In our state, we can’t conclusively determine whether or not the charters are getting their fair share of the resources, although the available information doesn’t look good for charter schools. If the money isn’t going to the neediest children in the charter schools, where is it going? We just don’t know.”*

The Department of Public Instruction collects selected information through an annual reporting process that captures state and federal payments distributed to the state’s 10 independent charters—those authorized by the City of Milwaukee, the University of Wisconsin-Milwaukee, and the University of Wisconsin-Parkside.

The Wisconsin Department of Public Instruction “Aids Register Listing for Public Agencies” includes every payment from every fiscal account made to education agencies in the state, including the independent charters. Any revenue identified for the Milwaukee independent charter schools in the 1,420-page report has been included in this analysis.<sup>12</sup>

**Figure 4:** Per-Pupil Revenue by Source for Wisconsin District vs. Charter Schools, FY 2002-03

In addition to data gathered from the state Aids Register, Milwaukee Public Schools (MPS) maintains records on the revenue the district passes to the charters for which it is accountable. We counted these dollars as charter revenue in this study and provided an offsetting reduction to the district's revenues to account for these pass-throughs.

The only data not included in this analysis for Milwaukee's charters are for "Other" revenue sources,<sup>13</sup> which is defined as fundraising, interest received, activity fund revenues, and additional revenue sources that cannot be categorized as local, state, or federal. MPS does not maintain these data in its database and they could not be collected directly from the charters.<sup>14</sup>

The majority of funding for school districts in Wisconsin originates from state sources (53.0 percent) with 35.9 percent from local sources. In Milwaukee, MPS received 68.2 percent of its funding from state sources and 12.0 percent of its funding from local sources. The funding pattern for charters in Milwaukee shows a similar pattern to the district; 76.3 percent of the funding originates from state sources and 16.7 percent from local sources.

Figure 1 shows that charters represented 11.4 percent of Milwaukee's total student population in 2002-03, but they received only 8.3 percent of the total revenue expended on education in Milwaukee. The school district accounts for 88.7 percent of the public school population yet received 91.7 percent of the revenue.

MPS received 90.8 percent of all state revenue expended in Milwaukee for 88.7 percent of the Milwaukee student population, while Milwaukee charters received 9.2 percent of state revenue to serve 11.3 percent of the total Milwaukee public school population.

Student populations and grade levels served (Figure 5) do not vary significantly between charter and district schools in Milwaukee and thus are unlikely to contribute to the funding gap.

**Figure 5: School Characteristics<sup>15</sup>**

	Statewide District	Statewide Charter
Percentage of students eligible for free or reduced price lunch	76.0%	66.4%
Percentage of schools eligible for Title I	74.6%	66.5%
Percentage of students by school type:		
Primary (K-5)	62.4%	58.1%
Middle (6-8)	13.2%	16.1%
High (9-12)	18.3%	16.1%
Other (K-12, K-8, etc.)	6.1%	9.7%

## State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged "Data Availability" on the ease of access to the information needed for this study and others like it. A rating of "Yes" means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of "Partial" means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of "No" means the data were not available either through web sources or through state departments of education.

Separately, we judged "Funding Formula" based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. "Yes" means that charters in the state are always considered LEAs for all forms of funding. "Partial" means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. "No" means charters in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

**Figure 6:** State Scorecard

FINDINGS		Wisconsin
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)*	N
	Charters have full access to federal funds in practice (Yes = black, Partial = grey, No = white)	N/A
	Percentage of federal revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Charters have full access to state funds in practice (Yes = black, Partial = grey, No = white)	P
	Percentage of state revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Charters have access to local funds in practice (Full = black, Partial = grey, No = white)	N/A
	Percentage of local revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N/A
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Charters have full access to facilities funds in practice (Yes = black, Partial = grey, No = white)	N
	Percentage of facilities revenue equals percentage of total enrollment for charter schools (Yes = black, No = white)	N
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local, and other revenues for charter schools (Yes = black, Partial = grey, No = white)	P
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

\* For this finding, No could indicate that the statute is silent or that it denies access.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

## Endnotes

<sup>1</sup> Milwaukee charter school revenue numbers were provided by the district (MPS) and reflect only revenues provided by MPS to the charters that have contracted with MPS. Data for remaining Milwaukee charters originate from state reports. The numbers from MPS and from the state do not include any additional revenue generated by the charters independent of the district. Also not included are state reimbursements to charters, such as for Special Education.

<sup>2</sup> See the note three, below, for an explanation of this extrapolation.

<sup>3</sup> The state of Wisconsin does not maintain any data on charter school revenues or expenditures for charters authorized by school districts, which represent 94 percent of the charters in the state. In contrast, Milwaukee Public Schools maintains detailed records of the funds they pass through to charters, which enabled us to extrapolate state information based on the data collected on charters in that city. We took the per-pupil data and multiplied it by the total number of charter pupils in the state. The authors recognize that district data may not be representative of statewide patterns. This extrapolation, however, is a reasonable projection given the data available. In Figure 1, extrapolated data are marked with “est.” (estimated).

<sup>4</sup> Milwaukee Public Schools maintains detailed records related to its charter schools, and some data exist at the state level for independent charters—those authorized by the City of Milwaukee, the University of Wisconsin-Milwaukee, or the University of Wisconsin-Parkside. State-level data originate from the WI Department of Public Instruction Aids Register Listing of Public Agencies FY 2003, which can be found at <http://www.dpi.state.wi.us/dfm/sfms/doc/aids03sv.doc>.

<sup>5</sup> Charters that have been authorized by a school district receive their funding through the district. Charters that have been authorized by the City of Milwaukee, the University of Wisconsin-Milwaukee, the University of Wisconsin-Parkside receive their funding direct from the state.

<sup>6</sup> Access to local funding would be negotiated in the contract with the school district. The independent charters do not have access to local funding.

<sup>7</sup> There is no provision in the state charter statute. However, differential funding can be negotiated for those charters authorized by a school district.

<sup>8</sup> State law is silent on this issue but it is a negotiated point in the contract between the charter school and the school district.

<sup>9</sup> The Racine school district is the only district in the state with a hold harmless provision for the one charter school within its boundaries.

<sup>10</sup> The University of Wisconsin-Parkside is allowed to authorize only one charter school.

<sup>11</sup> A cap of 400 pupils exists for the one charter operated by the University of Wisconsin-Parkside.

<sup>12</sup> The report also indicates payments to school districts as “ESEA V-B Charter Schools Federal Aid” in the amount of \$9,989,835. No other revenue sources for district-authorized charter schools beyond revenue provided to the Milwaukee charters can be identified. Therefore, this amount was not included in the analysis for statewide charter revenue; even though these dollars are related to federal revenue, that still does not account for other federal revenue that charters may receive through their authorizing school districts.

<sup>13</sup> Revenue and enrollments were included for all charter schools, including those that were more than two standard deviations (\$2,990) above or below the average

of total revenue per pupil (\$7,748) for all charters in Milwaukee. If the analysis had excluded charters more than two standard deviations above or below the average, any charter with total revenue of more than \$10,738 or less than \$4,758 would have been excluded from the charter school revenue analysis. Excluded charters would have included these Milwaukee charter schools:

School	Enrollment	Per Pupil Revenue
Downtown Montessori	80	\$4,632
Learning Enterprise Vocational	50	\$10,781
School for Early Development & Achievement	31	\$10,933

If these charters had been excluded, total Milwaukee charter enrollment would have been \$11,336 with total revenue of \$89,912,436 and \$7,932 per pupil.

<sup>14</sup> Calls were placed to each of the independent charters in Milwaukee requesting data on “other” sources of revenue. No calls were returned.

<sup>15</sup> Source for school characteristic data: NCES. Data on free lunch eligibility, Title I eligibility, and grade levels served relate only to charter and traditional schools in Milwaukee, since their data are the basis for the extrapolations performed for this state.



# Appendix A: Methodology

## State Selection

The team selected 16 states and the District of Columbia for analysis, based on one of two criteria: the length of time that charter laws had been on the books in a state; or the concentration of charter schools within a state. Within these jurisdictions, we also selected between one and three cities or counties for in-depth analysis. When a city had more than one school district located within its boundaries, we selected one or two of the largest school districts for our analysis. The states and cities are easily referenced throughout the text and tables. The primary criterion used to include a city or county in the analysis was the number of charter schools within it.

In our initial selection process, we included Indiana because of the rapidly growing number of charter schools in the state. Upon full examination of the data for 2002-03, however, we elected to defer the analysis because of a number of significant anomalies that made it impossible to obtain useful information about charter and district financing in that year. The year of our study, 2002-03, was the first year of the Indiana charter schools program. In that inaugural year, there was no established mechanism for funding charter schools. All of the schools ended up having to borrow money from a state fund to cover their operations. They did not receive the normal funding streams that would ultimately be used to finance charter schools. After this initial year, Indiana thoroughly revamped its charter financing system. As a result, the 2002-03 data had little relevance to how charter schools are now funded in Indiana. In addition, all Indiana charter schools that year were start-ups. Their reported revenues from 2002-03 included not just their operating revenues for the year, but also funds raised in a previous year but reported in 2002-03. The revenue data therefore overstated charter schools' annual revenue. We had no way, however, of determining the degree of overstatement.

Furthermore, since that time Indiana has revised its funding procedure. Now, with the exceptions of capital and transportation funding, for which charter schools are not eligible, charters receive federal, state, and local funds that approximate those received by district schools. Together, these factors led us to eliminate Indiana from our study.

## Fiscal Year

We gathered publicly available revenue data for the 2002-03 *fiscal year*. Because states differ in the fiscal year used for their public schools, we attempted to select the fiscal year that most closely matched the 2002-03 school year. We refer to that year throughout this report as “FY 2002-03.” We note in the state chapters those cases in which the fiscal year did not match the school year.

## Data Gathering

### Datasets

We reviewed several national datasets to determine their applicability for this project. Among those sources, we primarily referred to the NCES Common Core of Data and the school finance data collection conducted by the U.S. Census Bureau. These are the best uniform sources of information about school finance, but they do not provide sufficient data about charter funding. Furthermore, these two sources do not always agree at the district level. Ultimately, we decided to rely on data we could collect directly from states over the findings of the Census for several reasons:

- We could not ascertain which specific revenues and ancillary funding were included in the Census numbers, but we could validate revenue streams collected from state sources directly.

- The Census does not report charter school financial data separately from district data. Charters are treated as district schools, and the Census does not report school-level data.
- The Census uses an arcane rule for determining whether financial data for a charter school should be included in district-level reporting, which excludes some charters.
- The Census data did not match the financial data published by the National Center for Education Statistics, giving us doubts about its reliability.

At the state level, we encountered a maze of web sites, reports, audits, and other information that, while extremely challenging to piece together, ultimately gave us a good picture of charter and district revenues in most of our states.

We began our research on state web sites, searching for financial data arrayed by local, state, federal, and other revenue categories. Though many states provided some form of revenue data, often the data existed only for school districts (not charters), or the data did not conform to the classifications used in other states. In those cases, we used additional data sources to develop conforming revenue figures. In instances where the state did not collect charter school revenue data, we contacted school districts and asked for their charter data.

We gathered enrollment data from state education department web sites. We also obtained funding formula guidelines for both districts and charters for FY 2002-03. The Census Bureau annual data collection, *Public Education Finances, 2003*, was useful in verifying the financial data we collected from states, and data from the National Center for Education Statistics helped us understand differences in school characteristics. Finally, we reviewed other funding studies in certain states to ensure that our analysis was accurate and our conclusions sound.

**Gathering Revenue Data** – We studied revenues, not expenditures. Our mission was to examine how charter

schools are treated in state public finance systems, so we focused on how much money schools receive rather than what they do with it. An expenditure study would be fascinating, though given what we learned about data availability, it would also be extremely difficult.

We looked for the following statistics and supporting detail:

- **Revenues:** We included all revenues, except as noted below, for both district and charter schools. Our goal was to determine the amount of revenue targeted for instruction and instruction-related programs regardless of its source. For charter schools, we included one-time revenues associated with starting the school, such as the federal Public Charter School Program and, in some cases, state and private grants. Arguably, these could be excluded since they are not part of a charter's *recurring* revenues. However, they are a notable part of the funding story for the charter sector; when considering how much money the public devotes to charter schools, these revenues cannot be ignored. Furthermore, we also included one-time grants of various kinds to districts. (It should be noted though, that charter schools likely rely more heavily on these start-up funds than do district schools, so including them probably understates the charter funding shortfalls.)
- **Enrollment:** Where more than one form of enrollment data were available, we used the figures related to the official count day rather than self-reported data. Depending on a state's particular method of reporting enrollment, the official count could be either Average Daily Attendance (ADA) or Average Daily Membership (ADM).
- **K-12 schools only:** Where identifiable, we excluded revenues and enrollments associated with adult education or preschool. This study is intended to focus on K-12 education only.
- **Bonds and loans:** We excluded bond proceeds and other revenue readily identifiable as loans to be

repaid. For example, if a district issued \$200 million in bonds for school construction in a given year, we did not count that as revenue. To do so would greatly overstate the amount of resources available for the district's ongoing costs. We did, however, attempt to count any ongoing revenue streams received by schools for debt service (paying off such bonds and loans) and other capital needs.

- **Indeterminate revenues:** We categorized revenue as “Indeterminate” when it was not possible to ascertain its origin (e.g., local, state, federal, or other).
- **Choice of schools:** All charter schools in each locality were included in this study with the exception of schools for which we could not obtain valid revenue data. We also conducted a standard deviation test to determine whether individual charters with revenue substantially above or below the state average skewed our results. We did not exclude any of these outliers from our results, but where applicable we have included this additional information in the notes. For this test, we identified any charter school that was more than two standard deviations above or below the average charter school per-pupil revenue amount in that state. We applied the same process to school districts.
- **Demographic data:** To better understand the funding gaps in each state, we collected data on students eligible for free or reduced price lunch programs; schools participating in Title I programs; and grade levels served. These data appear in Figure 5 in each state chapter. It is important to note that, since some schools choose not to participate in the free and reduced price lunch program even though they enroll significant numbers of low-income children, these

data exclude district and charter schools that reported zero free and reduced price lunch students.

## Extrapolating State Results

We were able to develop reliable district and charter information for 11 of the states and the District of Columbia. Five states—California, Georgia, Ohio, South Carolina, and Wisconsin—did not publicly report or provide (despite repeated requests) the revenue information we needed to calculate statewide funding disparities.

In those states, we obtained reliable datasets from large districts on district and charter spending in order to extrapolate the state result. Where we had data from more than one district, we used an average of the districts, weighted by their charter school enrollments, to develop the statewide extrapolation. Details of these extrapolations are available in each state's chapter, and all extrapolated figures are clearly marked.

We concede that the revenue patterns of these large urban districts may not be representative of the state as a whole. Still, these extrapolations were the best estimates we could develop based on the data available to us. We hope that in future years more states will supply the data needed to conduct a comprehensive statewide analysis.

## Tables and Charts

If no citation accompanies a table or chart, the information therein was compiled by the research team according to the process outlined above. When we relied on the data or publications of other organizations, we provide the relevant citation.

# Appendix B: Sources and Informants

## Arizona

- Arizona Department of Education, School Finance Division, Operations Department

## California

- California Charter Schools Association

## Colorado

- Colorado Department of Education, Research and Data Unit
- Colorado League of Charter Schools

## District of Columbia

- Bridget Grey (District of Columbia Public Charter School Board)
- District of Columbia Public Schools Charter School Office
- District of Columbia Department of Revenue

## Florida

- Auditor General's Office
- Florida Department of Education, Office of Funding and Financial Reporting
- Florida Consortium of Charter Schools

## Georgia

- Georgia Department of Education, Office of Finance and Business Operations and Charter Schools Office
- Georgia Charter Schools Association
- Fulton County Schools Finance and Business
- Atlanta Public Schools Financial Services and Charter Schools Office

## Illinois

- Illinois State Board of Education, Accountability Division
- Illinois State Board of Education, School Business & Support Services Division
- Illinois Network of Charter Schools

## Michigan

- Jim Goenner (Central Michigan University Charter School Office)
- Michigan Department of Education, Public School Academy Program
- Michigan Department of Education, State Aid & School Finance

## Minnesota

- Minnesota Department of Education, Department of Program Finance
- Jon Schroeder (Education/Evolving)

## Missouri

- Missouri Department of Elementary and Secondary Education, Division of School Finance and Division of School Improvement
- Missouri Charter Schools Information Center

## New Mexico

- New Mexico Public Education Department
- New Mexico Coalition for Charter Schools

## New York

- Bill Phillips (New York Charter School Association)
- New York State Education Department, New York Public School Choice Programs

- New York State Education Department, Office of Audit Services

### **North Carolina**

- North Carolina Department of Public Instruction, Financial and Business Services Division

### **Ohio**

- Mangen & Associates
- Keys to Improving Dayton Schools, Inc. (k.i.d.s.)

### **South Carolina**

- South Carolina Department of Public Instruction, Office of Finance

### **Texas**

- Texas Education Agency, Division of School Finance, Information Analysis Division, and Division of Charter Schools
- Texas Resource Center for Charter Schools

### **Wisconsin**

- Cindy Zautcke (Marquette University Institute for the Transformation of Learning)
- City of Milwaukee
- Milwaukee Public Schools, Department of Finance & Operations
- Senn Brown, U. S. Charter Schools
- Wisconsin Department of Public Instruction

# Appendix C: Research Team

## Meagan Batdorff

Ms. Batdorff has worked in education for the past 10 years. She is a former high school teacher, Teach for America alumnus, and Communications Director for the NC Charter School Resource Center. For the past five years, she has worked as an independent consultant on projects that include the Cary Funds Project for the Wake Education Partnership; the National Association for Charter School Authorizers' (NACSA's) "Building Excellence in Charter School Authorizing" project; a national authorizer study, "High-Stakes," co-authored with Bryan Hassel; various projects for Mosaica Education, Inc.; grant writing for schools and support organizations; fundraising management for the Michigan Association of Public School Academies (MAPSA) statewide Charter Schools Arts Camp; development of national charter school start-up process guides for the KIPP Foundation; and data analysis of statewide MEAP scores for MAPSA.

## Chester E. Finn, Jr.

Chester E. Finn, Jr. is president of the Thomas B. Fordham Foundation and Thomas B. Fordham Institute. He is Senior Fellow at Stanford's Hoover Institution, chairman of Hoover's Koret Task Force on K-12 Education, and Senior Editor of *Education Next*. Finn is also a Fellow of the International Academy of Education and Adjunct Fellow at the Hudson Institute, where he worked from 1995 through 1998. From 1999 until 2002, he was John M. Olin Fellow at the Manhattan Institute. In 1992-1994, he served as founding partner and senior scholar with the Edison Project. He was Professor of Education and Public Policy at Vanderbilt University from 1981 until 2002. From 1985 to 1988, he served as Assistant Secretary for Research and Improvement at the U.S. Department of Education. Earlier positions include Staff Assistant to the President of the United States; Special Assistant to

the Governor of Massachusetts; Counsel to the U.S. Ambassador to India; Research Associate at the Brookings Institution; and Legislative Director for Senator Daniel Patrick Moynihan. Author of 14 books, Finn's most recent is *Leaving No Child Behind: Options for Kids in Failing Schools*, co-edited with Frederick M. Hess. Finn serves on the boards of K12, the Ohio Charter School Association, the National Council on Teacher Quality, the Charter School Leadership Council, the American Board for Certification of Teacher Excellence, the Philanthropy Roundtable, and Keys to Improving Dayton's Schools, Inc., as well as advisory boards of the National Association of Scholars and the Center of the American Experiment. From 1988 to 1996, he was a member of the National Assessment Governing Board, including two years as its chairman.

## Bryan Hassel

Dr. Hassel directs Public Impact, an education policy organization based in Chapel Hill, and is an expert on charter schools, school choice, and school accountability. In addition to numerous articles and monographs, Dr. Hassel is co-author of the *Picky Parent Guide: Choose Your Child's School with Confidence (The Elementary Years K-6)*, published by Armchair Press (2004) and author of *The Charter School Challenge*, published by the Brookings Institution (1999).

## Larry Maloney

Mr. Maloney is president of Aspire Consulting and has investigated expenditure patterns of the nation's public schools on behalf of states and individual schools districts since 1992. In 2004, he analyzed \$15 billion in education expenditures in the states of Indiana, Nevada, and Rhode Island. Additionally, he provided the financial analysis for the U.S. Government Accountability Office study of Title 1 expenditures and



the U.S. Department of Education National Charter School Finance Study.

### **Eric Osberg**

Eric Osberg is the Vice President and Treasurer of the Thomas B. Fordham Foundation and the Thomas B. Fordham Institute, where he has worked since 2002. From 1997 to 2000, Mr. Osberg worked for Capital One Financial in Vienna, Virginia, where he helped develop the company's telecommunications line of business, America One. Mr. Osberg earned a Masters in Business Administration and a Master of Arts in Education from Stanford University. He also holds both a BS in Commerce, with a concentration in Finance, and a BA in Economics from the University of Virginia.

### **Sheree Speakman**

Ms. Speakman is president of the Progress Analytics Institute and is an authority on information-driven decision-making, performance management, and school finance in K–12 education. She works with governors, senior policy advisors, and federal officials on topics related to performance management in the classroom, data warehousing, on-line testing and assessment strategies, state and school report cards, and information-driven

decision-making in public education. Ms. Speakman is a member of the board of directors of *The Princeton Review* and a member of the Advisory Council for the APQC OSBC–E “Open Standards Benchmarking Collaboration for Education.”

### **Michelle Godard Terrell**

Ms. Terrell is an independent consultant who has worked with Public Impact since 1999. She helped to develop the application and accountability processes for charter schools authorized by the Mayor of Indianapolis, conducted studies of charter school finance in Dayton and other districts, provided an analysis of charters in Arizona, served as coordinator for the Charter Friends National Network's Accountability Initiative, and managed a two-year national project on "Building Excellence in Charter School Authorizing" for the National Association of Charter School Authorizers. She also works with the Charter School Leadership Council to provide updates to thousands of charter school stakeholders. Previously, she worked as Director of Policy Research at the Public School Forum, an education think tank in North Carolina, and in positions at the North Carolina State Department of Public Instruction and Harvard University.