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Review of *Charter Funding: Inequity Expands*

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Summary of Review

The University of Arkansas Center for Education Reform's report on charter school funding inequities proclaims large and growing inequities between school district and charter school revenues, even after accounting for differences in student needs. But the report displays complete lack of understanding of intergovernmental fiscal relationships, which results in the blatantly erroneous assignment of "revenues" between charters and district schools. A district's expenditure can be a charter's revenue, since charter funding is in most states and districts received by pass-through from district funding, and districts often retain responsibility for direct provision of services to charter school students—a reality that the report entirely ignores when applying its resource-comparison framework. In addition, the report suffers from alarmingly vague documentation regarding data sources and methodologies, and it constructs entirely inappropriate comparisons of student population characteristics. Simply put, the findings and conclusions of the study are not valid or useful.

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Review of *Charter Funding: Inequity Expands*

Bruce D. Baker, Rutgers University

I. Introduction

On April 16, the University of Arkansas Center for Education Reform released an updated edition[1] of a national report on charter school funding inequities, titled *Charter School Funding: Inequity Expands*.[2] The report includes (a) a main report characterizing national trends and patterns, (b) a technical appendix providing information on methods and data sources, and (c) a set of 31 state-level reports providing state-level summaries using a common template for analyses and presentation of findings.

Equity in the report is defined exclusively in terms of the difference between "all revenues" received by "district schools" and by "charter schools." Using this definition, the authors proclaim large and growing inequities between district funding provided through state, local, federal and other sources and charter school revenue from those same sources, even after accounting for differences in student needs. These findings then lead to two logical conclusions. First, that states must dramatically scale up their funding to charter schools, to mitigate the grossly unfair treatment. Second, the authors foreshadow a forthcoming report which will contend that since charters receive so much less funding, but perform at least as well if not better than district schools in measured outcomes, charter schools provide far greater return on investment.

As explained in this review, the study has one overarching flaw that invalidates all of its findings and conclusions. But the shortcomings of the report and its analyses also include several smaller but notable issues. First, it suffers from alarmingly vague documentation regarding data sources and methodologies, and many of the values reported cannot be verified by publicly available or adequately documented measures of district or charter school revenue. Second, the report constructs entirely inappropriate comparisons of student population characteristics—comparing, for example, charter school students to students statewide (using a poorly documented weighting scheme) rather than comparing charter school students to students actually served in nearby districts or with other schools or districts with more similar demographics. Similar issues occur with revenue comparisons.

Yet these problems pale in comparison to the one overarching flaw: the report's complete lack of understanding of intergovernmental fiscal relationships, which results in the blatantly erroneous assignment of "revenues" between charters and district schools. As

noted, the report purports to compare "all revenues" received by "district schools" and by "charter schools," asserting that comparing expenditures would be too complex. A significant problem with this logic is that one entity's expenditure is another's revenue. More specifically, a district's expenditure can be a charter's revenue. Charter funding is in most states and districts received by pass-through from district funding, and districts often retain responsibility for direct provision of services to charter school students—a reality that the report entirely ignores when applying its resource-comparison framework. In only a handful of states are the majority of charter schools ostensibly fully fiscally independent of local public districts.[3] This core problem invalidates all findings and conclusions of the study, and if left unaddressed would invalidate any subsequent "return on investment" comparisons.

These are not small problems. In this review, I apply concrete numbers to three jurisdictions and find that the report's fundamental miscalculations coupled with other inaccuracies lead to the study doubling the charter school funding deficit in Newark, New Jersey, and substantially overstating the deficit in Connecticut and New York. In many cases, the study identifies a "severe" deficit where more accurate analyses reveal there is none at all or even a surplus.

II. Major Conclusions of the Report

The central contention of the *Charter Funding* report is that charter schools are severely disadvantaged relative to traditional local public school districts in terms of the revenue they receive. Major conclusions include the following (bullet points are quoted verbatim):

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

- *We identified a funding gap of 28.4 percent, meaning that the average public charter school student in the U.S. is receiving $3,814 less in funding than the average traditional public school student. Since the average charter school enrolls 400 students, the average public charter school in the U.S. received $1,525,600 less in per-pupil funding in 2010-11 than it would have received if it had been a traditional public school. The gap is actually higher in focus areas within states where charter schools are more commonly found, such as major cities* (p. Main report, Foreword, p. 1).

Looking specifically at the report's findings for the four states that I explore in greater detail in this review (NY, CT, NJ and TX), report proclaims that charter schools in New Jersey are underfunded by 32% (41% in Newark), in Connecticut by 25%, and in New York

State by 31%. While the report identifies charter funding in Texas to be relatively equitable, receiving one of the highest grades, the report still proclaims that if Texas district schools were treated as unfairly as charters, they would have received more than a billion dollars less in funding in fy11.[4]

The report further finds that not only are charter schools receiving less in public financing through local, state and federal sources, but charter schools are also receiving less in private and "other" revenue sources:

- *Findings for FY11 debunk the myth that charter schools receive excessive funding from non-public sources, such as philanthropy, to close the gap in the funding disparity. Districts recorded more per pupil funding from other non-public sources than charter schools, $571 to $552 per pupil, respectively* (Executive summary, finding no. 3).

The report asserts that differences in revenues in most cases cannot reasonably be explained by differences in student populations served. In fact, the accompanying state-level reports typically show how charter schools in their sample, on average, serve a larger percent of children qualified for free or reduced priced lunch than state averages, though in many cases charter schools serve smaller percentages of children with disabilities.

III. Methods, Data and Documentation

The report's methodology description and data citations are sketchy at best. The technical appendix of the report provides a short overview of the methods used, along with many pages of tabular data. However, neither the technical appendix nor the individual state reports provide complete or comprehensible detail on the actual data used. Again, the goal of the report, as proclaimed in the report itself, was to compare "all revenues" from all sources, local, state, federal and other, on a per-pupil basis.

> We included *all revenues*, except as noted below, for both district and charter schools. Our goal was to determine the total amount of revenue received to run all facets of a school system, regardless of 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. Fund transfers are not considered revenue items, and are not included in the analysis (Technical appendix, p. 385; emphasis added).

Notably, there exists little clarity regarding the revenue measure, but for the declaration that it is "all revenues" and the central assumption of the report's analysis, on which all findings rest, that "all revenues" for district schools may be appropriately compared to "all revenues," measured in terms of dollar flows exclusively for charter schools.[5] As the following examples show, the reader has no idea of the comparability of the data from state to state or between charters and district hosts.

The following statement from the technical appendix explains the revenue data collection process. Basically, the authors scoured websites for reports of local, state and federal revenues. Where those could not be found, "additional data sources" were used to develop "conforming" revenue figures. Sometimes, the authors used IRS filings.

> We began our research on state web sites, searching for financial data reported 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 used independent audits of financial data and sometimes federal Form 990 (Technical appendix, p. 384).

Only in some cases do state reports provide additional insights regarding the actual data and measures used. In the majority of state reports I reviewed individually, rather than cite a specific data link and documentation for measures, the authors simply proclaimed that some state official sent them the relevant data. These citations can typically be found in footnote No. 1 of each state report. For example, footnote No. 1 of the New Jersey report states: "The New Jersey Department of Education provided the 2010-11 district and charter revenue data used for this study" (NJ report, FN 1, p. 255).

The report provides no evidence regarding whether the authors gathered financial filings of regional or national charter management organizations and whether the authors constructed a reasonable methodology for accurately tracing the flow of resources to and from state, regional and national organizations and their individual schools.

For Connecticut, we are provided a name and phone number, but no actual documentation on the measure of revenue or direct links for verification:

> The source for revenue data was the Connecticut State Department of Education. Mr. Mark Stange, Education Consultant, Bureau of Grants Management, Connecticut State Department of Education provided a summary file of expenditures by source that was used as a proxy for revenues for FY11 (and previous study periods). The Department could not provide a detailed revenue file; but the Strategic School Profile (SSP) reporting process was used to estimate revenues by source. Mr. Stange's contact information follows: phone 860-713-6462; email mark.stange@ct.gov. Enrollment data were obtained from the Connecticut State Department of Education web site (CT state brief, p. 104).

Likewise, for New York, the data are referred to broadly as "financial data" received from state officials. The authors' citations for charter school annual financial reports are also insufficiently precise.[6]

> The New York State Department of Education provided FY11 financial data for the state's districts. Charter school audits were collected from the State University of New York, the Buffalo School District and the New York City Department of Education (NY state brief, p. 278).

To be clear, the sort of documentation on the measure of revenue that was not included, but that would allow readers to know what is being compared to what, would include the types of information to which I will later refer in my re-analyses that follow. Nearly all states provide documentation on their departmental web sites explaining revenue and expenditure measures, what they include and what they do not. So too does the U.S. Census Bureau and National Center for Education Statistics, which maintains a handbook for local public school district accounting.[7]

IV. Review of the Validity of the Findings and Conclusions

Here, I provide a detailed critique describing how the report's major methodological flaws severely undermine its conclusions. I begin by analyzing the report's overly simplistic and distorted presentation of intergovernmental fiscal relationships, with implications for the report's findings. Next, I discuss the report's imprecise and inaccurate approach to comparing district and charter school student populations, which the report's authors use as a basis for minimizing or rejecting the possibility that students' needs account for some of the funding differences.

Importantly, these are well documented issues, commonly understood by scholars of public finance generally and school finance more specifically. These are issues about which the report's authors should be aware, because these issues have been extensively explored for decades and are fundamental and long-accepted components of virtually every state's finance system. In fact, I have in the past twice explained these issues with direct reference to previously flawed reports on the same topic produced by many of the same authors.[8] As such, one might reasonably conclude that these omissions and methodological errors are not merely a matter of carelessness. In short, and as set forth in this review, the analyses that these authors continue to promote are incorrect, using measures of resources that are simply wrong and using wholly inadequate methods for measuring gaps and comparing both students served and resources provided.

The Complexities of District-Charter Fiscal Relationships

As mentioned earlier, the major issue that critically undercuts all findings and conclusions of the study, and any subsequent "return on investment" comparisons, is the report's misunderstanding of intergovernmental fiscal relationships. Again, as the authors note,

they studied "all revenues" (not expenditures), because studying expenditures, while "fascinating" would be "extremely difficult" (Technical appendix, p. 385).

Any "revenue per pupil" figure includes two parts that may significantly affect the figure. What goes into the total revenue measure? And how are pupils counted? If one's goal is to compare "revenues per pupil" of one entity to another, one must be able to appropriately align the correct revenue measure with the correct pupil measure for each entity. That is, for the district, one must identify the revenues intended to provide services to the district's pupils and revenues intended to provide services to the charter school's pupils. If numbers are missed or—worse yet—wrongly attributed, the comparison becomes invalid and misleading.

Figure 1 below provides a conceptual rendering of district and charter school financing as it exists under many states' school finance systems, including New York, New Jersey and Connecticut, and for the small subset of district-operated charter schools in Texas (which are far outnumbered by open enrollment, independent charter schools). In states where charter schools receive pass-through funding from districts, where charter schools are fiscal dependents of local public school districts, district revenues include revenues for charter school students. State policies dictate the share of revenues to be passed along to charter schools for their operations, often with a holdback percent for local districts. But,

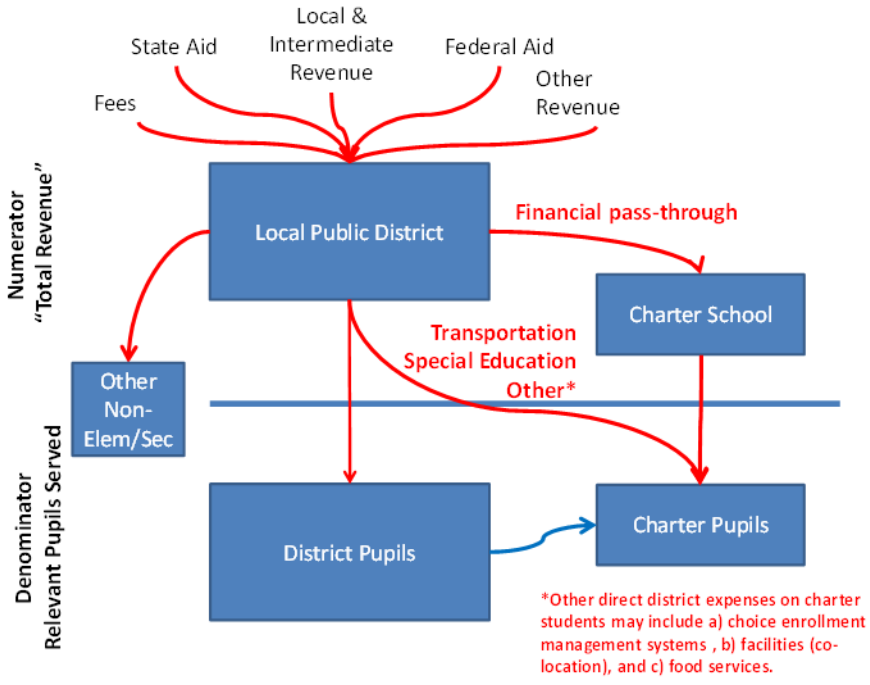

Figure 1. Matching Dollars and Pupils where Charters are Fiscally Dependent on Districts

it is important to understand that under many state policies, and in some cases as a function of local practices, local public districts may also retain responsibility for some costs associated with the charter school students.

This issue has been addressed repeatedly in previous reports. For example, I along with coauthors Ken Libby and Kathryn Wiley explain:

> For example, under many state charter laws, host districts or sending districts retain responsibility for providing transportation services, subsidizing food services, or providing funding for special education services. Revenues provided to host districts to provide these services may show up on host district financial reports, and if the service is financed directly by the host district, the expenditure will also be incurred by the host, not the charter, even though the services are received by charter students.
>
> Drawing simple direct comparisons thus can result in a compounded error: Host districts are credited with an expense on children attending charter schools, but children attending charter schools are not credited to the district enrollment. In a per-pupil spending calculation for the host districts, this may lead to inflating the numerator (district expenditures) while deflating the denominator (pupils served), thus significantly inflating the district's per-pupil spending. Concurrently, the charter expenditure is deflated.
>
> Correct budgeting would reverse those two entries, essentially subtracting the expense from the budget calculated for the district, while adding the in-kind funding to the charter school calculation. Further, in districts like New York City, the city Department of Education incurs the expense for providing facilities to several charters. That is, the City's budget, not the charter budgets, incur another expense that serves only charter students. The Ball State/Public Impact study errs egregiously on all fronts, assuming in each and every case that the revenue reported by charter schools versus traditional public schools provides the same range of services and provides those services exclusively for the students in that sector (district or charter).[9]

In the same previous report, we discuss problems with the usual comparisons of inequity with respect to facilities access, explaining that local public districts also have ongoing facilities upkeep, maintenance and capital costs aside from new construction or renovation. Further, that charter operators rely on a variety of methods for obtaining facilities space. Accordingly, assuming district schools' facilities are "free" and charters always pay market rents is misguided.[10]

As a simplified example, assume I have annual family income, or revenue, of about $100,000. Assume that there are four of us in the family so our revenue per capita is $25,000. I provide each of my two children an allowance of about $20 per week, or about $1000 per year. That's about 4% of each child's per capita, equal share of the total. So, by the *Charter Funding* report's logic, I'm substantially shorting my children their fair share. Of course, this logic sets aside that out of my supposed disproportionate share, I'm paying

for their weekly food, the roof over their heads, transportation to and from school, medical and dental care and the majority of incidentals along the way. As the study authors would have it, the equitable family policy conclusion is for me to provide each child an annual allowance of $25,000 *and* continue to pay directly for the various expenses listed above.

It would appear by the language used in describing methods and comparisons in the *Charter Funding* report that the authors believe that by comparing "All Revenues" rather than expenditures, that they have somehow avoided this problem. In reality they've compounded it by keeping all revenues in the district's revenue pot. But this pot full of revenues is associated with services provided beyond the district's own students—who are the only people included in the denominator of the *Charter Funding* report calculations. Most notably, the pot full of revenues is associated with services provided by the district to charter school students, but it is also associated with, e.g., non-elementary and secondary education services the district may provide to the community, outside organizations, or others. Again, those other recipients of services provided by the district are not included in the denominator.

If indeed this measure includes "all revenues," then district revenues would, in many states, include revenues for services provided to children in charter schools as well as children tuitioned to private schools including special education facilities. Revenues would also potentially include revenues generated from fees collected for leasing space to community groups to use district facilities, where those fees might merely cover the cost of keeping the facility open for the community group to use. That is, revenues in the numerator would include fees that were subsequently spent on someone other than the district's own students (local senior citizens, after school programs, etc.). District revenues might also include revenues intended to cover expenses on children enrolled in full-time online education programs, but participating in district athletic and other extracurricular programs.[11] Again, the revenues for these children would remain in the numerator, but the children might be subtracted from the denominator. Because of the report's poor documentation of data and methods, one can only determine the extent of mistaken analyses here by correctly evaluating revenues for each state, one at a time. To illustrate, I take a look at four states here, with information of limited quality, albeit better than that used in the *Charter Funding* report.

The "All Revenues" Claim and Multilayered Charter School Organizations

There exists a remarkable degree of misplaced confidence in the report's claim that the study accounts for "all revenues" including public and private revenues flowing to district and charter schools. As explained in the report's technical appendix:

> The analytic team examined all revenues, public and private, flowing to traditional district and public charter schools. FY11 funding includes Federal, State, Local, Other, Public-Indeterminate, and Indeterminate sources (Executive summary, p. 1).

Working with the assumption that they have examined "all revenues," the authors proudly proclaim myth-busting status regarding private contributions:

> Findings for FY11 debunk the myth that charter schools receive excessive funding from non-public sources, such as philanthropy, to close the gap in the funding disparity. Districts recorded more per pupil funding from Other non-public sources than charter schools, $571 to $552 per pupil, respectively. Instead of reducing the funding disparity, Other funding contributed to a broader disparity that occurs due to state funding policies (Executive summary, p. 9).

The report provides no evidence regarding whether the authors gathered financial filings of regional or national charter management organizations and whether the authors constructed a reasonable methodology for accurately tracing the flow of resources to and from state, regional and national organizations and their individual schools. In previous reports, my coauthors and I encountered significant difficulty on this very point, noting:

> Among the greatest difficulties in constructing an accurate portrayal of school-site spending for charter schools is identifying the extent to which expenditures of the higher-level organizations are passed through to the lower-level organizations, versus the extent to which the higher-level organizations provide direct support for services to the lower-level organizations. Further complicating such analyses is the fact that in many if not most cases, the higher-level organizations may charge the lower-level organizations for centralized services, through a management fee.[12]

Regional and national organizations might provide direct services in terms of curricular materials and supplies, professional development, and marketing materials, and they may do so at an expense greater than the management fees charged to individual schools. In addition, regional and national organizations have their own operational expenses, supported by their own revenue flow, above and beyond management fees. These expenses are analogous to "district" administrative expenses and should be allocated appropriately across schools. In addition, charter school operators are increasingly establishing loosely affiliated privately governed entities to raise funds for capital projects. If bond proceeds are to be counted among revenues for local public districts, revenues to charter-affiliated non-profits for capital investment should also be considered.

Even in a "revenue" rather than "expenditure" study, the "revenue" that supports these expenses should have been distributed to individual charter schools. There is no evidence that this was done. As such, there is no basis for the authors' bold myth-busting conclusions on this point.

Imprecise and Inaccurate Comparisons of Student Populations

A major argument of the *Charter Funding* report is that student population differences do not explain the funding shortfalls. That is, the report argues that its finding of lesser

funding for charter schools cannot be explained, in whole or in part, but the charters' enrollment of less needy students. The general approach to validating this claim is embedded in each state-level report, where the authors point out that charters serve higher than state average % free/reduced-price lunch. Accordingly, the authors concluded that it is wrong to assert charters should receive less funding because of the students they serve (Figure 11 in each state report). For example, the authors explain that in New York:

> At the statewide level, more New York district schools were Title I eligible than New York charter schools, 94.8 percent versus 66.1 percent, respectively. The differences in the number of free or reduced-price lunch eligible students indicates a higher percentage of those students attending charter schools, 77.3 percent compared to 47.5 percent attending district schools. Finally, special education counts were not publicly available for New York (NY state brief, p. 277).

The authors fail to explain whether they have some equity concern related to the apparent disconnect—that more district than charter schools are labeled as Title I schools while charter schools have higher than state average low-income shares. Both are relatively meaningless comparisons. This very superficial and limited comparison is repeated from previous reports by the same authors and has been previously critiqued. Richard Ferris and I, in a 2011 report, explain:

> [T]he Ball State/Public Impact study argues that the purportedly severe funding differential is not explained by differences in need, because on average 43.5% of the students in public schools in New York State qualify for free or reduced-price lunch, while on average 73.3% of those in charter schools in New York State do. But, as was demonstrated earlier, there are three problems: (a) the focus on state rates, rather than NYC rates; (b) the inclusion of reduced-price lunch rates rather than just free-lunch rates as a measure of poverty (when focused on comparisons within NYC); and (c) the failure to compare only schools serving the same grade-levels. When these details are addressed, a different picture emerges. At the elementary level in NYC, for example, charter school free lunch rates were 57% and non-charter public school rates were 68%.[13]

How do these omissions affect the report's findings and conclusions?

Here, I provide examples from four states, describing how some of the concerns raised above undermine the report's findings conclusions.

New Jersey

Table 1 summarizes the *Charter Funding* study findings for Newark in particular, and it compares those findings to data from other sources. The *Charter Funding* report lists Newark District total revenues per pupil for FY11 at over $28,000 and Newark Charter

revenues at just under $17,000, for a deficit of 41%. The New Jersey State Department of Education reports "Total Expenditures" for Newark Public Schools (district) that year of just under $21,000. U.S. Census Bureau fiscal survey data, when applying corrected enrollment figures in the denominator, indicate total revenue per pupil just over $23,000.

Table 1. Comparing *Charter Funding* Study Revenues with Verifiable and More Appropriate Estimates in New Jersey

	Newark District		Charter	
	Reported 2010-11		Reported	Share/ Deficit
UARK Charter Study	$28,321		$16,719	59.0%
NJDOE "Comparable" Expenditure [Budgetary Per Pupil Cost, NJDOE]	$16,915	[1]	$11,061 to $14,889	Worst case = 65.4%
NJDOE Total Expenditure	$21,706	[2]	NA	
US Census Total Revenue per Pupil	$25,167	[3]	NA	
US Census Total Revenue per Pupil Corrected	$23,063	[4]		

1. Indicator 1, PP11 from file CSG1, Col. F at: http://www.nj.gov/education/guide/2013/TGES.zip

   This figure is the figure that the New Jersey Department of Education has constructed as most comparable across districts.[14]

2 Total Spending Per Pupil is not a comparable figure across districts and charter schools for a variety of reasons.

   Total Spending per Pupil is inclusive of "transportation costs (including costs for students transported to nonpublic and charter schools); judgments against the school district; all food services expenditures (including those covered by school lunch fees); capital outlay budgeted in the general fund (facilities and equipment); special revenues supported by local, state, and federal revenues (such as preschool, IDEA, and Title I); payments by the district to other private and public school districts for the provision of regular, special, and preschool education services (charter school students and their associated costs are only included in the charter school in which they are being educated); debt service for school debt; and an estimate of the district's share of the debt service that the state is paying for school construction bonds issued for school construction grants and School Development Authority projects." Further as explicitly explained in NJDOE documentation "The number of students sent to other entities (except charter schools) is added to the district's average daily enrollment in order to calculate the per pupil expenditures. It should be noted that sent students and their associated costs are included in the per pupil cost of both the sending district, as well as the school where the student is actually being educated. Therefore, it is not appropriate to sum all districts' total expenditures, as this would overstate the aggregate cost. This variable is calculated using audited (actual) data since some of the additional categories are not available in districts' budgets. Two years of data are provided for comparison."

   http://www.nj.gov/cgi-bin/education/csg/12/csg.pl?string=dist_code3570&maxhits=650

3 U.S. Census Fiscal Survey of Local Governments F-33 fy2010-11: http://www2.census.gov/govs/school/elsec11_sttables.xls

4 U.S. Census Fiscal Survey reports total enrollment of 41,235 whereas NJDOE reports relevant enrollment (those for whom district is responsible) of 44,996

One can get closer to the $28,000 figure by dividing total revenue for that year by the district enrollment, excluding sent pupils (charter school, out of district special education, etc.). But this would be particularly wrong and the result substantially inflated because the numerator would include all revenues for both district and sent charter students, but the denominator would include only district students.

In addition to including the revenue to be passed along to charter schools (including federal pass-through aids), the district retains the responsibility for transporting charter school students. This is precisely why the state attempts to construct its own more comparable (though still problematic) "Budgetary per Pupil Cost" figure. For this figure, the state excludes transportation expense and other pass-through expenses.[15] This figure is far from perfect and it remains difficult to discern in which direction it errs most, [16] but when applying this figure, the least well-funded Newark Charter School has 65.4% of district funding. That is, the least well-funded charter is better funded than the Charter Funding study claims is the average deficit.

As with the other state reports, the New Jersey chapter of the *Charter Funding* report explains that the huge shortfall in funding is not explainable as a function of charter schools serving less needy children:

> The differences in the number of free or reduced-price lunch students also indicates a higher percentage of those students attending charter schools, 32.1 percent to 69.4 percent, respectively. However, districts in the state serve a higher percentage of special education students than do the state's charter schools, 16.2 percent versus 9.1 percent, which could explain a portion of the variance in funding (NJ state brief, page 254).

Table 2 focuses on Newark for a more precise comparison, using more recent data (2012-13). Here we see that on average, Newark Charter Schools had a "budgetary per pupil cost" of about 80.4% of the district. While still a deficit, this deficit is only half the size of the reported deficit in the *Charter Funding* report. More striking are the disparities among charter schools, an issue barely touched upon in the *Charter Funding* report. While charters spend on average 80% of what the district spends, their shares of low-income children are lower (many are much lower and only a few are higher), their rates of ELL children are much lower, and their rates of special education students much lower, with few if any having severe disabilities.

In short, while Newark Charter Schools do have somewhat lower comparable per-pupil resources than district schools, they also serve substantially less needy student populations. Note that "percent free lunch" is used here to determine whether the population served is low-income. Including reduced-price lunch, as was done in the *Charter Funding* report, obscures differences in a very low-income area; even using only free lunch results in sector averages ranging from 70.1% (charters) to 79.6% (district).

Table 2. Comparing Newark, NJ, Charter School Funding and Demographics

DISTNAME	Total Enroll [1]	Budgetary Per-Pupil Cost (2012-13) [2]	Funding Parity	% Free Lunch [3]	% ELL [4]	% Special Ed [5]	% Non-Severe Disability (SLD/SPL or OHI) [6]
100 Legacy Academy CS	180	$12,456	68%	49%	0%	8%	
Discovery CS	79	$15,417	84%	91%	0%	9%	100%
Gray CS	382	$14,517	79%	58%	4%	14%	
Greater Newark CS	212	$15,299	84%	39%	0%	5%	
Lady Liberty Academy CS	457	$15,179	83%	81%	0%	11%	100%
Maria L. Varisco-Rogers CS	526	$20,136	110%	71%	6%	6%	100%
Marion P. Thomas CS	735	$13,239	72%	79%	0%	9%	88%
Merit Prep CS of Newark	231	$11,695	64%	65%	0%	7%	
New Horizons Comm. CS	458	$12,478	68%	90%	0%	8%	100%
NEWARK CITY	34,976	$18,268	100%	80%	9%	18%	72%
Newark Educators CS	277	$14,725	81%	62%	6%	11%	100%
Newark Legacy CS	295	$14,419	79%	74%	0%	11%	100%
Newark Prep	302	$12,229	67%	73%	0%	18%	83%

Table 2 (continued). Comparing Newark, NJ, Charter School Funding and Demographics

DISTNAME	Total Enroll [1]	Budgetary Per-Pupil Cost (2012-13) [2]	Funding Parity	% Free Lunch [3]	% ELL [4]	% Special Ed [5]	% Non-Severe Disability (SLD/SPL or OHI) [6]
North Star Acad. CS	**2,685**	**$13,383**	**73%**	**68%**	**0%**	**8%**	**97%**
Paulo Freire CS	103	$12,323	67%	33%	0%	83%	100%
Pride Academy CS	264	$15,917	87%	72%	0%	15%	100%
Robert Treat Academy CS	600	$13,542	74%	60%	1%	6%	100%
TEAM Academy CS	2,231	$16,837	92%	73%	0%	12%	97%
University Heights CS	457	$13,546	74%	88%	1%	9%	100%
Visions Academy CS	425	$15,910	87%	54%	0%	16%	88%
District		$18,268		79.6%	8.9%	17.8%	
Charter		$14,680		70.1%	0.7%	10.6%	
Charter Share		80.4%		88.1%	7.8%	59.7%	

1 Total Enrollment is variable ROW_TOTAL from school level enrollment file (District Total): http://www.nj.gov/education/data/enr/enr14/enr.zip.

2 PP31 is Indicator 1 from file CSG1, Col. I at: http://www.nj.gov/education/guide/2013/TGES.zip.

3 % Free Lunch is "District Total" Free Lunch Count over Row Total (Total Enrollment) at: http://www.nj.gov/education/data/enr/enr14/enr.zip.

4 % Ell is ELL count "District Total" over Row Total (Total Enrollment) at: http://www.nj.gov/education/data/enr/enr14/enr.zip.

5 % Special Education (ages 3 to 21) at: http://www.nj.gov/education/specialed/data/ADR/2013/classification/distclassification.xls

6 Based on special education by eligibility category (age 6 to 21) data at: http://www.nj.gov/education/specialed/data/ADR/2013/EligibilitybyPlacement/PlacementByElig6-21.xls.

see also: http://schoolfinance101.files.wordpress.com/2013/07/slide6.jpg SLD = Specific Learning Disability, SPL = Speech/Language, OHI = Other Health Impairment.

Connecticut

Connecticut is among those states that also maintains complex fiscal dependency relationships between districts and charter schools. In Connecticut, districts retain responsibility for, among other things, costs associated with transporting charter students:

> The local board of education of the school district in which the charter school is located must provide transportation services for the students of the charter school who reside in such school district, unless the charter school makes other arrangements for such transportation.[17]

Districts retain responsibility for the provision of special education services:

> Local charter schools receive funding from the local or regional board of education of the school district where the local charter school is located, and are provided financial support at a level that is at least equal to the product of the per-pupil cost for the prior fiscal year, less the state aid for special education reimbursement for the current fiscal year, multiplied by the number of students attending the local charter school in the current fiscal year.[18]

> The local board of education in which the student attending a charter school resides must: hold the planning and placement team meeting for special education students; invite representatives from the charter school to participate; and pay the state charter school, on a quarterly basis, an amount equal to the difference between the reasonable cost of educating such student and the sum of the amount received by the state charter school from all sources. The charter school is ultimately responsible for implementing the student's individualized education program; however, since the local school district is responsible for paying the reasonable cost for the program, charter schools are encouraged to work closely with the local district in providing services.[19]

In a typical large Connecticut school district, special education expenditures make up around 20% of total expenditures, while transportation makes up around 3% to 4%.[20] To reiterate, it makes no sense at all to attribute to public school districts revenue that is mandatorily spent on charter students. Yet the *Charter Funding* report does so, and it makes no mention of such fiscal obligations to charter schools.

Table 3 compares the *Charter Funding* report figures with reported total spending and total spending less transportation and special education from Connecticut Department of Education sources. The *Charter Funding* report indicates that Bridgeport charters are underfunded by 19% and New Haven charters by 42%. But again, even if these "total revenue" figures are correct, they include all pass-through funds for charter students and district funds for services provided to charter students, including transportation and special education. When special education and transportation expenses are deducted from district revenues (thus excluded from both district and charter schools), Bridgeport charters systematically outspend the district, and New Haven charters spend about the same as the district.

Table 3. Comparing Connecticut Charter Funding Gaps with Appropriate Exclusions

	UARK Charter Study (2010-11) [1]			Actual Reported Total Spending per Pupil [2], 2009-10		Comparable Spending per Pupil Excl. Trans [2] & Special Ed.[3]	
	District	Charter	Disparity				
Bridgeport	$17,107	$13,889	81%				
Bridgeport School District				$13,479		$10,043	
Bridgeport Achievement First				$12,619	94%	$12,619	126%
New Beginnings Inc., Family Academy				$11,348	84%	$11,348	113%
Park City Prep Charter School				$10,725	80%	$10,725	107%
The Bridge Academy District				$10,277	76%	$10,277	102%
Hartford							
Hartford School District				$16,876		$11,939	
Achievement First Hartford Academy				$11,222	66%	$11,222	94%
Jumoke Academy District				$9,850	58%	$9,850	83%
New Haven	$23,347	$13,502	58%				
New Haven School District				$16,498		$12,561	
Amistad Academy District				$13,397	81%	$13,397	107%
Common Ground High School District				$12,445	75%	$12,445	99%
Elm City College Preparatory School				$11,996	73%	$11,996	96%

1 Figure 3, CT Report, Page 95

2 Per-Pupil Expenditures by Type: http://sdeportal.ct.gov/Cedar/WEB/ct_report/FinanceDTViewer.aspx. Total spending includes a) instructional staff and Services, b) Transportation, c) Student Support Services, d) Instructional Supplies and Equipment, e) plant operations and maintenance, f) Administration and Support Services, g) Instruction and Educational Media Services, and g) Other. Transportation includes transportation for resident students in attendance at charter schools.

3 Spending on Special Education: http://sdeportal.ct.gov/Cedar/WEB/ct_report/SpecialEducationResourcesDTViewer.aspx

Unlike the total revenue figure reported for Newark, New Jersey, the total revenue figures reported here (Table 3) are at least close to U.S. Census reported figures.[21] In Connecticut, it is also important to understand that $1,400 (Hartford) to $1,500+ per pupil in revenue received by Hartford and New Haven Schools is specifically dedicated toward operation of magnet schools, which also serve students from surrounding communities.[22] This targeted funding shows up in both total revenue and expenditure figures for these districts, and explains a substantial portion of why funding in Bridgeport differs from Hartford and New Haven. It also then influences the comparisons of charter funding gaps between these cities (in other words, Hartford and New Haven district funding appears inflated due to magnet funding).

In Connecticut, the supposed massive funding deficit faced by charter schools is erased and partially reversed when more relevant comparisons are made.

As with New Jersey, the authors dismiss the possibility that the funding gap is explained by differences in student populations. Again, this they do so by making comparisons against statewide averages instead of local contexts.

> Charter school percentages for free or reduced-price lunch eligibility, a proxy for low-income, and Title I are significantly greater than district percentages. On a percentage basis, more special education students attend district schools than charter schools (CT state brief, p. 103).

Table 4. Comparing Connecticut Charter School Demographics with Host Cities

	% Free Lunch [1] 2010-11		% ELL [2] 2010-11		% Disability [3]	
School	City	School	City	School	City	School
Achievement First Bridgeport	91%	58%	12%	8%	10%	7%
Achievement First Hartford	84%	75%	16%	5%	11%	8%
Amistad Academy	69%	61%	12%	11%	10%	5%
Common Ground High School	69%	48%	12%	4%	10%	12%
Elm City College Prep	69%	N/A[4]	12%	4%	10%	5%
Jumoke Academy	84%	52%	16%	0%	11%	4%
New Beginnings Inc.	91%	71%	12%	0%	10%	6%
Park City Prep Charter	91%	47%	12%	0%	10%	8%
The Bridge Academy	91%	61%	12%	1%	10%	12%

1 Common Core of Data (CCD) "Public Elementary/Secondary School Universe Survey" 2010-11 v.2a.

2 CT SDE Portal: http://sdeportal.ct.gov/Cedar/WEB/ct_report/EllDTViewer.aspx combined with CCD.

3 CT SDE Portal, Special Education - Students with Disabilities Grades K-12 by Disability Category and Public School Facility, http://sdeportal.ct.gov/Cedar/WEB/ct_report/SpecialEducationDTViewer.aspx combined with CCD.

4 Data for Elm City College Prep reported as "Not Applicable" in NCES Common Core.

Table 4 summarizes the relative demography of Connecticut Charter schools and the city districts in which they reside. First, shares of children qualified for free lunch are much lower than host districts. Similarly, shares of children who are ELL are lower, and shares of children with disabilities are lower. (Data on percent non-severe disability are not available at the school level for Connecticut.)

Put simply, Connecticut charter schools on average serve less needy pupils, in large part with at least equal funding. This is a stark contrast from the *Charter Funding* report findings, which decry severe shortfalls for charter schools.

New York

As with Connecticut and New Jersey, the *Charter Funding* report proclaims severe disparities for New York charter schools, including those in New York City. Debate over this topic has been extensive over recent years, but the report authors persist in reporting the same egregious errors year after year. As with Connecticut and New Jersey, all revenues *including those expended on services provided to charter school students* are considered public school expenditures.

Ken Libby, Kathryn Wiley and I explain the problems with this approach in our previous report comparing expenditures.[23] Our insights regarding comparable "subsidy" rates drew significantly from a series of reports by the New York City Independent Budget Office (IBO). As explained by IBO,[24] under New York State charter school laws, "Charters receive a per pupil allocation from their home school district (in the case of charters in New York City this is DOE) which is intended to provide most of their basic operating costs." [25] The per-pupil allocation is determined according to the Adjusted Operating Expense (AOE) of the host districts.[26]

In addition, charter schools may receive from the district, goods including textbooks and software, special education services including evaluations, health services and student transportation. The IBO explains that as a matter of local policy:

> In New York City there is a long-established process for nonpublic schools to access these services, and charter schools have access to similar support from DOE. For these items, charter schools receive the goods or services rather than dollars to pay for them. Most of these noncash allocations are managed centrally through DOE.[27]

Further, as a matter of local policy:

> DOE has also chosen to effectively cover some other expenses faced by charter schools, particularly those located in DOE buildings. Charters also qualify for reimbursement for services provided to certain students based on their educational needs.[28]

Under the state's charter law, there is no provision for direct public funding of the cost of school facilities. But, again as a matter of local policy in New York City, the city's education department provides space in DOE buildings to several charter schools (all in our sample).[29] Charters located in DOE facilities pay only a nominal rental fee and if charters share a DOE building (co-located with traditional public school), their utilities and janitorial costs are also absorbed within the DOE's budget (p. 5).

Table 5 compares the IBO findings to the *Charter Funding* report findings. The charter funding study reports total revenue per pupil for NYC public schools at over $24,000 and charter funding at $16,420, for a gap of 32%. By contrast, after sorting out district expenses on charter students, IBO found that charter schools in district facilities had a surplus subsidy around 4% and charter schools not in district facilities faced a deficit, but less than half of that identified by the *Charter Funding* report.[30] And the IBO study considered only public subsidy rate, not "all revenues" as proclaimed in the *Charter Funding* report.

Table 5. Comparing NYC IBO and University of Arkansas Findings

	IBO[1]		UARK Charter Study
	2008-2009	2009-10	2010-11
NYC BOE	$15,672	$16,011	$24,044
NYC Charters (CoLo)	$16,373	$16,660	$16,420
NYC Charters (Non-CoLo)	$13,661	$13,653	
Ratio (CoLo)	104%	104%	68%
Ratio (Non-CoLo)	87%	85%	

1 http://www.ibo.nyc.ny.us/iboreports/chartersupplement.pdf.

Further, Table 6 raises questions about the validity of the figures on district total revenues in the University of Arkansas's New York State report. Recall that the only citation provided was that the authors received some undefined figure they called "total revenue" from some state official in New York. In New York State, the Fiscal Analysis and Research Unit (FARU) of the New York State Education Department (NYSED) provides district financial profiles including aggregated revenue data per the relevant pupil count (in New York, the Duplicated Combined Adjusted Average Daily Membership).[31] Table 6 shows the total revenue per pupil as reported by NYSED FARU for 2010-11 and 2011-12. In each case, the New York City figure is just over $21,000 and Buffalo and Albany figures are slightly

lower. But the *Charter Funding* report has inflated each by about 10%, which likely adds 10% to the charter funding deficit.

Table 6. Comparing Charter Funding Report and Verifiable Revenue Estimates

	Profile 2010-11 [1]		Profile 2011-12 [2]
NYSED	**Total Revenue per Pupil [3]**		**Total Revenue per Pupil [3]**
New York City	$21,028		$21,589
Buffalo	$20,281		$21,111
Albany	$20,326		$20,085
U.S. Census Fiscal Survey [4]	Original [5]	Corrected [5]	
New York City	$22,758	$21,427	
Buffalo	$26,130	$21,072	
Albany	$26,145	$21,119	
UARK Charter Study [6]			
New York City	$24,044		
Buffalo	$23,524		
Albany	$22,259		

1 http://www.oms.nysed.gov/faru/documents/masterfileforweb1011.xls; http://www.oms.nysed.gov/faru/Profiles/profiles_cover.htm.

2 http://www.oms.nysed.gov/faru/documents/MASTERFILEFORWEB2011_12.xls.

3 Definitions at: http:/www.oms.nysed.gov/faru/Profiles/18th/revisedAppendix.html.

4 http://www2.census.gov/govs/school/elsec11t.xls.

5 Original calculation based on Census Total Revenue figure divided by census total enrollment figure. However, as we have seen in other cases of districts with large numbers of children enrolled in charters, the census enrollment figure is incorrect, appearing to exclude charter students (while the numerator, "revenues," includes revenues for those students. Census reports Albany = 8,728, Buffalo = 33,543 and NYC = 995,336. By contrast, NY State Ed Department reports Albany=10,805, Buffalo= 41,595 and NYC = 1,057158 (Duplicated Combined Average Daily Membership). Applying these enrollments generates the adjusted revenue figures which more closely match the state's own reports.

6 NY state brief, Figure 3, p. 270.

No explanation is provided to support this 10% inflation, but seeking an explanation, I looked at the U.S. Census Fiscal Survey data. These figures have a “denominator” (enrollment counts) problem that must be corrected before use (see note 5 of Table 6 for an explanation). But the Census figures (after correction) also do not help. They are close to the NYSED FARU figures but still about $2,000 less per pupil than the *Charter Funding* report.

For New York, the *Charter Funding* report authors once again proclaim that charter schools actually serve needier pupils than districts statewide. The authors use this finding as a basis for brushing off claims that the funding disparities might be explained by student needs:

> The differences in the number of free or reduced-price lunch eligible students indicates a higher percentage of those students attending charter schools, 77.3 percent compared to 47.5 percent attending district schools. Finally, special education counts were not publicly available for New York (NY state brief, p. 277).

But this does not seem to be the case. Using data for the three years prior, Table 7 demonstrates that charter schools in New York City in particular have tended to serve relatively low-need student populations when compared to district schools serving the same grade ranges in the same borough.

Table 7.[32] Comparing Students Served by NYC Charter Organizations Relative to Similar District Schools [2008-2010]

Affiliation	% Free Lunch Relative to District Schools in the Same Borough and Serving the Same Grades	% ELL Relative to District Schools in the Same Borough and Serving the Same Grades	% Special Education Relative to District Schools in the Same Borough and Serving the Same Grades
Believe	-26.48	-6.96	1.13
Uncommon Schools	-22.65	-11.31	-6.57
Icahn	-21.33	-13.22	-12.27
Explore Schools	-19.59	-13.69	0.39
Victory Education Partners	-18.31	-12.8	-9.64
Beginning with Children	-17.63	-11.86	-3.32
Lighthouse Academies	-16.04	-11.29	-8.06
Public Prep	-15.51	-18.52	-8.59
Achievement First	-14.84	-11.2	-4.56
KIPP	-12.95	-10.68	-3.19

Table 7 (continued) Comparing Students Served by NYC Charter Organizations Relative to Similar District Schools [2008-2010]

Affiliation	% Free Lunch Relative to District Schools in the Same Borough and Serving the Same Grades	% ELL Relative to District Schools in the Same Borough and Serving the Same Grades	% Special Education Relative to District Schools in the Same Borough and Serving the Same Grades
Harlem Children's Zone	-11.18	-11.98	-3.83
Success Charter Network	-10.71	-17.38	-6.05
Independent	-9.36	-10.13	-2.95
Democracy Prep	-2.34	-14.41	-4.69
Village Academies	-0.92	-13.41	-5.9
Green Dot	-0.09	-6.78	-5.13
Hyde Charter	3.73	-7.66	-3.96
National Heritage Academy	15.54	-14.69	-8.25

Note: Based on regression model of student demographic data (2008-10) from New York State Education Department School Report Cards (https://reportcards.nysed.gov/) linked to data on individual charter school characteristics including charter network membership at: http://www.nyccharterschools.org/sites/default/files/resources/resource_operating_charters_042812.xls. Schools are compared against other schools a) of the same grade range and b) in the same borough of New York City.

Texas

Because Texas (a) has a large number of open enrollment, fiscally independent charter schools; and (b) maintains generally better, more comparable data on school- and district-level expenditures, Texas provides a unique opportunity to generate more accurate and precise estimates of funding differences, including revenue differences between district and charter schools on a more level playing field. But, these funding differences are a story already told by more credible researchers knowledgeable of Texas school finance data. Taylor and colleagues (2011) found that, on average, charter schools end up with marginally less combined state, local and federal revenue (excluding private contributions) than traditional public school districts statewide.[33] Charters received federal funding comparable to the average, more state funding and less local funding -- these latter differences likely being a function of charters being located primarily in less wealthy districts, which are more reliant on state funding.

The researchers again fall back on an ambiguous data citation to state officials:

> FY11 revenue and enrollment data for both district and charter schools were provided by the Texas Education Agency's (TEA) Office of School Finance in response to various Open Records Requests. Non-tax revenues that the state classifies as Local were moved to Other for the analytical purposes of this study and for consistency across all states. Some revenues that could not be divided between Local and State, but were definitely public in nature, were moved to a category called "Public Indeterminate" (Texas state brief, p. 349).

But in Texas in particular, this is uncalled for; the researchers could have transparently used publicly available data. One can download sufficiently documented data of district or campus (school site) level fiscal data from either the Texas Education Agency[34] or the FASTEXAS system of the State Comptroller's Office.[35] If one wished to make comparisons of district finances to charter school finances, one would have to compare districts only to independent Open Enrollment Charter Schools,[36] in order to avoid many of the complexities addressed previously.

One result of the report's approach is that there are again issues of methods and data clarity. For instance, the *Charter Funding* report provides no indication of whether "district" charter schools are included in its analysis, albeit their influence would be small. As it turns out, whether by coincidence or otherwise the report's main Texas findings turn out to be consistent with results of analyses that are more careful and transparent: Texas charter schools have marginally less total revenue per pupil than district schools. As the report states, "Charter schools in Texas educate 2.5 percent of total public school enrollment and received 2.5 percent of total revenues" (Texas Report, p. 339).

Yet after coming to this reasonable and consistent conclusion, the authors still feel a need offer up the following: "In Texas, if districts statewide received the same level of per pupil funding as charter schools in FY11, they would have received over *$1 billion less* in total revenues ($1,135,539,180)" (Texas report, p. 339; emphasis in the original). That eye-catching number is, however, the result of a baffling decision to figure out, in each of the state reports, what the "magnitude of disparity" would be if the figures were "reversed" (see page 42 of the main report). Even for a state like Texas where the Report's disparity findings are not inflated, this reversal generates a larger number, reflecting the reality that district schools have much larger enrollments than charters. For instance, since school districts in Texas enroll over 4.5 million students, the report's finding of a marginally ($249) lower per-pupil charter school rate translates into the $1 billion plus figure. But speaking in terms of how much less revenue districts serving 97.5 percent of Texas children would hypothetically receive, rather than how much more charters would have received (statewide, almost $27 million cumulatively per year) is a clear attempt at blowing relatively minor differences out of proportion.

Table 8 provides a quick snapshot of Texas district and independent Open Enrollment Charter School Total Revenue per Pupil. I have compared charter schools with non-rural districts in each region, with averages weighted by enrollment. Perhaps most interestingly,

because of the state-average charter funding formula, we see differences in charter funding equity from one region to another, but we see, on average, relatively comparable charter per-pupil funding to district per-pupil funding.

Table 8. Alternative Comparisons of District and Open Enrollment Charter Total Revenues in Texas

	Total Revenue per Pupil Raw Averages [1]		Difference from Combined Average (Regression Based), Including Size [2]		Difference from Combined Average (Regression Based), Excluding Size [3]		UARK Charter Study [4]	
Region Name	District(s)	Charter	District	Charter	District	Charter	District	Charter
Austin	$10,584	$10,331	$29	-$1,714	$5	-$290		
Corpus Christi	$10,199	$9,777	$31	-$2,533	$5	-$391		
Edinburg	$10,515	$10,940	-$1	$47	-$14	$482		
El Paso	$10,059	$9,213	$39	-$2,223	$13	-$759		
Fort Worth	$9,995	$8,933	$35	-$2,448	$15	-$1,009		
Houston	$10,063	$10,296	$35	-$982	-$4	$114	$10,978	$11,627
Kilgore	$10,202	$10,388	$12	-$1,143	-$3	$323		
Richard-son (incl. Dallas)	$10,424	$9,848	$72	-$1,715	$26	-$624	$11,542	$10,278
San Antonio	$10,280	$10,091	$58	-$1,529	$9	-$244		
Waco	$10,292	$11,001	$5	-$198	-$16	$626		
Total	$10,247	$10,045	$36	-$1,313	$7	-$248		

1 Data Source: http://www.fastexas.org/results/downloads.php (District File for School year 2010-11)

2 Regression includes a) % Economic Disadvantage, b) % ELL, c) Fixed Effect for "Region" and d) inclusive of total enrollment and inclusive of total enrollment squared (and weighted by enrollment)

3 Regression excludes enrollment measures (but still weighted by enrollment)

4 Texas report, Figure 3, page 340.

If we run a regression to compare charter funding to district funding, given student population characteristics, economies of scale and region of location (comparing within region), we find that charters, which tend to be small in enrollment, do have less per-pupil revenue than small districts in those same regions (excluding rural). But, if we compare against all districts by region, we find that charter funding is quite close to district funding. That is, charters do have less revenue than similarly small districts, but they have

comparable revenue to average-size districts serving similar student populations. Assuming that it should not be the state's goal to fund charter schools to operate at inefficiently small size, the second model, excluding the role of scale, is more relevant.[37]

This finding is somewhat consistent with the *Charter Funding* report. But reaching a similar finding should not be taken as support for the report's data or methods. The analysis here is constructed more appropriately and is consistent with, albeit in simplified form, published research on Texas charter schools.[38] More perplexing is that the *Charter Funding* report, after finding relatively modest differences in revenue between district and charter schools, chose to make the bold proclamation that if multiplied out across all children, charters schools were being shorted a billion dollars. Such an exaggerated extrapolation is not warranted given the findings in Table 8.

V. Usefulness of the Report for Informing Policy

Because few if any of the report's district revenue values are verifiable, and because they are in most cases incorrectly characterized as complete and comparable, the *Charter Funding* report is of little use for informing public policy. Due to sketchy methodological explanation and poorly documented data, the reports' findings are not easily replicated. More precise and accurate, albeit far from perfect, comparisons produce vastly different findings. In three of four cases presented here, the *Charter Funding* report grossly overstates funding gaps, including reporting large funding gaps where more accurate and precise analyses find no gap at all or even a charter surplus (advantage).[39]

Perhaps the best use of the report is as an illustration of the problems with attempting to compare "all revenues" between local public district and charter schools, given the current variations in governance and finance, as well as the intersection of the two across states and even across districts within states. Constructing such a report is a monumental task under the circumstances; assuming a standard analytic template will accomplish that task is naïve. But state data systems and federal collections do need to more carefully consider the comparability of financial reporting, since financial reports will likely continue to be used by less informed audiences to guide decision making.

Analyses herein reveal additional problems with state and federal data. Specifically, there appear to be mismatches between numerator data (such as total revenues or expenditures) and denominator data (relevant enrollment counts) in state-reported district financial data and more commonly in the Census Bureau's Fiscal Survey of Local Governments. These mismatches lead in some cases to substantial differences in reported revenues per pupil.

Only when greater data comparability can be ensured, linking the appropriate revenues to relevant pupils, we can take the next step toward applying the best possible methods for refining comparisons. Some states, including Texas and Rhode Island,[40] appear further along in this regard than most others, including better integration of charter and district financial data. Data quality standards come first. Methodological standards logically

follow, including apples-to-apples comparisons of revenues or expenditures among districts and charter schools, accounting for serving student populations: (a) in similar grade levels, (b) in the same labor market within each state, (c) in schools or districts of similar scale (size in terms of total enrollment), and (d) of comparable needs. For the latter, this includes parsing low-income populations more precisely than by "free or reduced-price lunch" only, and parsing disability populations by severity.[41]

The *Charter Funding* report reviewed herein fails to meet either the most basic standards of data quality and comparability or methodological rigor. It is therefore unwise to use it to inform charter school policy.

Notes and References

1 Previous reports were released by Ball State University in collaboration with Public Impact:

Batdorff, M., Maloney, L., May, J., Doyle, D., & Hassel, B. (2010). *Charter school funding: Inequity persists*. Muncie, IN: Ball State University.

2 Batdorff, M., Maloney, L., May, J., Speakman, S., Wolf, P., & Cheng, A. (2014). *Charter Funding: Inequity Expands*. Fayetteville, AR: University of Arkansas, Department of Education Reform. Retrieved May 19, 2014, from http://www.uaedreform.org/charter-funding-inequity-expands/.

3 While in many states, charter schools are loosely characterized as independent local education agencies (see: http://ecs.force.com/mbdata/mbquestU?SID=a0i70000000XkHm&rep=CS04&Q=Q2239), far fewer states actually allocate and report finances of charter schools fully independent of local public school districts (see: http://ecs.force.com/mbdata/mbquestU?SID=a0i70000000XkHm&rep=CS21&Q=Q2221). Arizona, Idaho, Indiana, Michigan, Minnesota, Nevada, Ohio are identified by Education Commission on the States as providing primarily direct state financing. Several states include a mix of locally fiscal dependent and open enrollment charter schools (state dependent).

4 "In Texas, if districts statewide received the same level of per pupil funding as charter schools in FY11, they would have received over *$1 billion less* in total revenues ($1,135,539,180)" (TX state brief, p. 339; emphasis in the original).

5 There also exists no clarity whatsoever as to what is meant by the claim that fund transfers are not considered revenue items, and are thus not included in their analysis. Notably, most financial reporting systems will list revenues prior to and subsequent to fund transfers, where "fund transfers" refers to transfers among fund categories which may or may not be important to consider.

6 Charter Schools authorized by the State University of New York Financial Reports can be found here: http://www.newyorkcharters.org/pubsReportsAudits.html
and those authorized by NYC Board of Education can be found here: http://schools.nyc.gov/community/planning/charters/Schools/Performance+Reports.htm.

7 Allison, G.S., Honegger, S.D., and Johnson, F. (2009). *Financial Accounting for Local and State School Systems: 2009 Edition* (NCES 2009-325). Washington, DC: National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education.

8 Baker, Bruce D. & Ferris, R. (2011). *Adding up the spending: Fiscal disparities and philanthropy among New York City charter schools*. Boulder, CO: National Education Policy Center.

Baker, Bruce D., Ken Libby, and Kathryn Wiley. 2012. *Spending by the major Charter Management Organizations: Comparing charter school and local public district financial resources in New York, Ohio, and Texas*. Boulder, CO: National Education Policy Center.

As explained in the current *Charter Funding* report:

> The first systematic study of charter school funding equity, Charter School Funding: Inequity's Next Frontier, by the Fordham Institute in 2005, revealed that per-pupil funding was 21.7 percent lower in public charter schools relative to traditional public schools. A follow-up study, Charter School Funding: Inequity Persists, by Ball State University in 2010, found a funding gap of 19.2 percent remained. Many of the same researchers who conducted those pioneering studies were re-assembled for this latest project and discovered to our surprise that the inequity in public charter school funding has actually grown (Main Report, Foreword, p. 6 [un-numbered]).

In fact, there's a fourth instance:

http://wff.cotcdn.rockfishhosting.com/documents/65c49fec-da6b-4124-ac47-1f04186644e1.pdf.

9 Baker, B. D., Libby, K., & Wiley, K. (2012). *Spending by the Major Charter Management Organizations: Comparing Charter School and Local Public District Financial Resources in New York, Ohio, and Texas*. Boulder, CO: National Education Policy Center, 49.

10 From Baker, B. D., Libby, K., & Wiley, K. (2012). *Spending by the Major Charter Management Organizations: Comparing Charter School and Local Public District Financial Resources in New York, Ohio, and Texas*. Boulder, CO: National Education Policy Center, 49:

> Charter advocates often argue that charters are most disadvantaged in financial comparisons because charters must often incur, from their annual operating expenses, the expenses associated with leasing facilities space. Indeed it is true that charters are not afforded the ability to levy taxes to carry public debt to finance construction of facilities. But it is incorrect to assume when comparing expenditures that for traditional public schools, facilities are *already paid for* and have no associated costs, while charter schools must bear the burden of leasing at market rates – essentially an 'all versus nothing' comparison. First, public districts do have ongoing maintenance and operations costs of facilities as well as payments on debt incurred for capital investment, including new construction and renovation. Second, charter schools finance their facilities by a variety of mechanisms, with many in New York City operating in space provided by the city, many charters nationwide operating in space fully financed with private philanthropy, and many holding lease agreements for privately or publicly owned facilities.

11 Baker, B.D. & Bathon, J. (2012). *Financing Online Education and Virtual Schooling: A Guide for Policymakers and Advocates*. Boulder, CO: National Education Policy Center. Retrieved May 19, 2014, from http://nepc.colorado.edu/publication/financing-online-education.

12 From Baker, B. D., Libby, K., & Wiley, K. (2012). *Spending by the Major Charter Management Organizations: Comparing Charter School and Local Public District Financial Resources in New York, Ohio, and Texas*. Boulder, CO: National Education Policy Center, 37.

13 Baker, B. D. & Ferris, R. (2011). *Adding up the Spending: Fiscal Disparities and Philanthropy among New York City Charter Schools*. Boulder, CO: National Education Policy Center, 23. Retrieved May 19, 2014, from http://nepc.colorado.edu/files/NEPC-NYCharter-Baker-Ferris.pdf.

14 The Budgetary Per Pupil Cost indicator is presented to allow the comparison of those costs included in a district's general fund and special revenue fund budget (early childhood aid, preschool expansion aid, and preschool education aid) related to servicing the pupils on roll in the district (students who are educated within the district's schools) that are considered comparable across school districts. The subcomponents of this per-pupil cost are shown later in this document as separate indicators, including: classroom instruction, support services (attendance and social work, health, guidance, child study team, educational media/school library services, and improvement of instruction services), administration (general, school and business administration), operations and maintenance of facilities, food services, extra-curricular activities and community service. Current expenses are the instructional costs of regular and special programs offered to students as well as the normal operating costs of the district. The costs included in this calculation are the costs of governance, support, and instruction that are considered common to all school districts and generally are uniform among them. Examples of expenses that are part of this indicator include salaries and fringe benefits of staff, textbooks, supplies and materials, rentals, insurance, legal fees and other purchased professional, technical, and property services. Certain items that generally are not common and uniform between districts are excluded to allow the meaningful comparison of costs. Expenses that are omitted from the calculation include: pensions paid by the state on behalf of districts, local contribution to special revenue, tuition expenditures, interest payments on the lease purchase of buildings, transportation costs, residential

costs, and judgments against the school district. Also excluded from this per-pupil calculation are equipment purchases, facilities acquisition and construction services, expenditures funded by restricted local, state (other than the special revenue funds noted above) and federal grants, and debt service expenditures.

State of New Jersey, Department of Education (n.d.). *Taxpayers' Guide to Education Spending2013,* Indicator Descriptions, Indicator 1-Budgetary Per Pupil Cost. Retrieved May 19, 2014, from http://www.nj.gov/education/guide/2013/ind.shtml#ind1.

15 It makes sense in such a case to exclude transportation expenses from both charter and district schools because charter schools are not responsible for the provision of transportation in this case. Thus equally removing the responsibility for (and expense on) transportation from both districts and charters is appropriate where one cannot parse the shares of district transportation expense on district children and on children attending each charter.

16 For example, the state's "Budgetary per Pupil Cost" data appear not to consistently include private source revenues for charter schools, including parent organization contributions. Further, unlike neighboring New York State, there are few if any alternatives for evaluating the extent of these omissions. The state as authorizer does not post more comprehensive annual financial reports comparable to those provided by either the State University of New York or City of New York, and New Jersey charter schools have historically only sparsely and incompletely reported IRS filings (form 990).

17 Connecticut State Department of Education (n.d.). *Charter Schools Questions and Answers*. Hartford, CDT: Author, 5. Retrieved May 19, 2014, from http://www.sde.ct.gov/sde/lib/sde/pdf/equity/charter/FAQs.pdf.

18 Connecticut State Department of Education (n.d.). *Charter Schools Questions and Answers*. Hartford, CDT: Author, 6. Retrieved May 19, 2014, from http://www.sde.ct.gov/sde/lib/sde/pdf/equity/charter/FAQs.pdf.

19 Connecticut State Department of Education (n.d.). *Charter Schools Questions and Answers*. Hartford, CDT: Author, 7. Retrieved May 19, 2014, from http://www.sde.ct.gov/sde/lib/sde/pdf/equity/charter/FAQs.pdf.

20 See below:

Town	Name	TCE	Sp.Ed	Sp.Ed %	Pub PTran	PTran %
15	Bridgeport	$289,575,130	$63,573,120	21.95	$7,387,719	2.55
64	Hartford	$389,832,010	$92,673,235	23.77	$10,336,241	2.65
93	New Haven	$344,538,182	$63,217,826	18.35	$14,973,283	4.35

Source: 2010-2011 End of Year School Report ED001
https://www.csde.state.ct.us/public/dgm/grantreports1/SpTrExpViewRpt.aspx

21 See below:

Name	NCESID	Enrollment	Total Revenue	Revenue per Pupil
Bridgeport City Schools	0900450	20,205	$355,560	$17,598
Hartford Public Schools	0901920	21,021	$456,412	$21,712
New Haven City Schools	0902790	20,003	$464,719	$23,232

http://www2.census.gov/govs/school/elsec11t.xls

22 Magnet aid totals for recent years:

District	pay2005	pay2006	pay2007	pay2008	pay2009	pay2010
Bridgeport	$88,089	$87,600	$78,850	$40,000	$31,098	$33,483
Hartford	$5,998,693	$11,014,459	$19,270,886	$20,826,432	$22,517,160	$29,404,088
New Haven	$13,952,048	$15,692,150	$17,874,402	$21,927,932	$26,423,390	$30,109,570

Obtained by request from Connecticut State Department of Education in conjunction with pending litigation:

Baker, B.D. & Bifulco, R. (2011) *Evaluating Connecticut's Education Cost Sharing Program, School Funding and Educational Resources*. Hartford, CT: Connecticut Coalition for Justice in Education Funding.

23 Baker, B. D., Libby, K., & Wiley, K. (2012). *Spending by the Major Charter Management Organizations: Comparing Charter School and Local Public District Financial Resources in New York, Ohio, and Texas*. Boulder, CO: National Education Policy Center.

24 NYC Independent Budget Office (2010, February). *Comparing the Level of Public Support: Charter Schools versus Traditional Public Schools*. New York: Author, 1

NYC Independent Budget Office (2011). *Charter Schools Housed in the City's School Buildings get More Public Funding per Student than Traditional Public Schools*. New York: Author. Retrieved May 19, 2014, from http://ibo.nyc.ny.us/cgi-park/?p=272;

NYC Independent Budget Office (2011*) Comparison of Funding Traditional Schools vs. Charter Schools: Supplement*. New York: Author. Retrieved May 19, 2014, from http://www.ibo.nyc.ny.us/iboreports/chartersupplement.pdf.

25 NYC Independent Budget Office (2010, February). *Comparing the Level of Public Support: Charter Schools versus Traditional Public Schools*. New York: Author, 3.

26 NYC Independent Budget Office (2010, February). *Comparing the Level of Public Support: Charter Schools versus Traditional Public Schools*. New York: Author, 3.

27 NYC Independent Budget Office (2010, February*). Comparing the Level of Public Support: Charter Schools versus Traditional Public Schools*. New York: Author, 3.

28 NYC Independent Budget Office (2010, February). *Comparing the Level of Public Support: Charter Schools versus Traditional Public Schools*. New York: Author, 3.

29 For a concise listing of co-locations (during this time period), see Appendix A in:

Democrats for Education Reform (2011) *Teacher Voice/Teacher Choice: Teacher Satisfaction in NYC Charter Schools*. New York: Author. Retrieved May 19, 2014, from http://www.dfer.org/2011/09/teacher_voicete.php.

30 Separately, I have in the past run sensitivity analyses comparing charter spending to schools of similar students and grade range, including all expenditures and including only relevant expenditures. See:

Baker, B.D. (2012, May 7). No excuses! Really? Another look at our NEPC charter spending figures. *School Finance 101* (blog). Retrieved May 19, 2014. From http://schoolfinance101.wordpress.com/2012/05/07/no-excuses-really-another-look-at-our-nepc-charter-spending-figures/.

Also in this post is a discussion of common incorrect assertions about the role of accumulated pension costs for the NYC public district.

IBO has responded to these misguided claims as well:

Turetsky, D. (2013, Oct. 10). Answering Back: SOS Report on IBO's Comparison of Public Funding for Charter & Traditional Schools Doesn't Make the Grade. *IBO Web Blog*. Retrieved May 19, 2014, from http://ibo.nyc.ny.us/cgi-park/?p=763.

31 New York State Education Department (n.d.). *Overview of the Statewide Fiscal Profile of New York State School Districts*. Albany, NY: Author. Retrieved May 19, 2014, from http://www.oms.nysed.gov/faru/PDFDocuments/FiscalProfileofNewYorkStateSchoolDistricts.pdf.

32 Previously reported here:

Baker, B.D. (2014). *Review of "Should Charter Schools Pay Rent?"* Boulder, CO: National Education Policy Center. Retrieved May 19, 2014, from http://nepc.colorado.edu/thinktank/review-should-charter-schools-pay-rent.

33 Taylor, L.L, Alford, B.L., Rollins, K.B., Brown, D.B., Stillisano, J.R., & Waxman, H.C. (2011) *Evaluation of Texas charter schools 2009-10*. College Station, TX: Texas Education Research Center, Texas A&M University.

34 Texas Education Agency (2011). *2010-11 Academic Excellence Indicator System*, Download of All Data. Retrieved May 19, 2014, from http://ritter.tea.state.tx.us/perfreport/aeis/2011/DownloadData.html.

35 Combs, S. (2013). Download FAST Data. *Financial Allocation Study of Texas*. Austin, TX: Texas Comptroller's Office. Retrieved May 19, 2014, from http://www.fastexas.org/results/downloads.php.

36 From Baker, Libby, & Wiley (2012):

> Texas charter school laws provide for several types of charter schools, but two dominate the current landscape, open enrollment and district charter schools. District charters are operated by districts (potentially contracting with private management firms) and financed through district budgets. *Open enrollment* charters operate as independent entities drawing students from across district boundaries. For financing purposes, students enrolling in Texas charter schools are treated as inter-district transfer students. Transfer student tuition rates are set according to the state school finance formula (Foundation School Program, FSP). For charter schools opened since 2001, funding is provided according to a "State Average Formula," based on the state average funding per weighted student.
>
> That is, funding to open-enrollment charter schools operates as a pass through payment from local districts, where the tuition level is set according to a calculation of statewide funding per weighted student. This means that for districts below the statewide average funding per weighted pupil, their payments for charter students will exceed their resources available to their own students, and for districts above the statewide average funding per weighted pupil, the opposite will be true.
>
> Open enrollment charters are eligible for direct federal funding through IDEA and Title I. These funds may be accessed by application to the state. In addition, state grants for startup funding are available for the first three years of operation.

Baker, B. D., Libby, K., & Wiley, K. (2012). *Spending by the Major Charter Management Organizations: Comparing Charter School and Local Public District Financial Resources in New York, Ohio, and Texas.* Boulder, CO: National Education Policy Center.

37 Theoretically, economies of scale should also not be considered an exogenous cost factor across schools within a population-dense urban district because the district should be able to organize attendance zones so as to balance enrollments. In Baker, Libby, and Wiley (2012), we considered the choice by states through charter authorizing or by districts to operate small schools within city limits in population dense areas like New York or Houston to be a choice that contributes to resource inequity.

38 Gronberg, T. J., Jansen, D. W., & Taylor, L. L. (2012). The relative efficiency of charter schools: A cost frontier approach. *Economics of Education Review, 31*(2), 302-317.

39 I also undertook a preliminary analysis of Michigan, which, like Texas, operates fiscally independent charter schools and reports finances of those charters as local education agencies in their statewide financial reports. The analysis suggests that the *Charter Funding* report overstates any charter funding gap by approximately two-fold.

40 Rhode Island's new Uniform Chart of Accounts system provides unique opportunities for precise comparisons of resources tracked from district to specific schools, including fiscally dependent charter schools. See: https://www.ride.ri.gov/InformationAccountability/RIEducationData/UniformChartofAccounts.aspx

41 See, for example:

Baker, B.D. (2014). Understand your data and use it wisely. *School Finance 101* (blog). Retrieved May 19, 2014, from http://schoolfinance101.wordpress.com/2014/04/11/understand-your-data-use-it-wisely-tips-for-avoiding-stupid-mistakes-with-publicly-available-nj-data/;

Baker, B.D. (2013). Newark Charter Update. *School Finance 101* (blog). Retrieved May 19, 2014, from http://schoolfinance101.wordpress.com/2013/07/14/newark-charter-update-a-few-new-graphs-musings/;

Baker, B.D. (2012). The Commonwealth Triple-Screw. *School Finance 101* (blog). Retrieved May 19, 2014. from http://schoolfinance101.wordpress.com/2012/06/05/the-commonwealth-triple-screw-special-education-funding-charter-school-payments-in-pennsylvania/.

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