

Funding of Districts versus Charters

Prepared By: Yousef Awwad, Director of School Finance

Date: 12/20/2010

Purpose:

The purpose of this document is to highlight the difference in funding between charters and districts and explain any disparity.

Overview:

Funding in the State of Arizona is driven by the Average Daily Membership. The equalization formula is the mechanism to calculate the funding. The calculations are made on a district or charter level.

The main components of the funding formulas for districts are:

- 1- Base Support Level
- 2- Transportation Support Level
- 3- Soft Capital
- 4- Unrestricted Capital Outlay

The sources of the formula funding for districts are:

- 1- State aid from the general funds
- 2- Local tax levies

The main components of the funding formula for charters are:

- 1- Base Support Level
- 2- Additional Assistance

The source of funding of the charters' formula is Basic State Aid from the state general fund.

Programs generate more funding for districts

Districts can also generate funding outside the formula by levying taxes from local tax payers in the form of Overrides, Adjacent ways, and Desegregations. Districts also receive monies to construct schools through the school facility board and can generate growth funding if they experienced sudden growth in student count. Those funding streams are not available to charters.



Department of Education

In addition to the above mentioned funding streams, districts can increase their funding even more by having one of the following programs:

- Career Ladder program.
- Teacher compensation.
- Average teacher experience is above state average level.

Those programs are not available for charters.

Funding available for both Districts and Charters

Other funding streams that are not covered by the formula and are available to both districts and charters are:

- Classroom Site funds.
- Instructional Improvement funds.
- 200 days instruction.
- Other non formula funds in the forms of state funded programs.
- Federal funding.

Drivers of the Equalization Formulas for School Districts:

- Average Daily Membership for calculating Basic Support Level, Soft Capital and Unrestricted Capital.
- Average Daily Mileage and the number of Eligible students for Transportation Support Level.
- Local tax levies.
- Student count to determine whether a district will receive a higher weight for small school status.
- Weights determined by statutes.

Drivers of the Equalization Formula for Charter Schools:

- Average Daily Membership for calculating both Base Support Level and Additional Assistance.
- Student count to determine whether a district will receive a higher weight for small school
- Weights determined by statutes.



How funding is different:

The following scenarios show how funding per student differs from school districts to charter school holders:

Scenario A the assumption is that the student count is greater than 600 and in Scenario B, the student count is less than 100. Most ADM in districts are funded at student weight of more than 600, however in charters most ADM are funded at a student weight of less than 500.

A- Scenario - Assumptions

- Students enrolled are 600 or more in both district and charter.
- District have Career Ladder program, Teacher Compensation, 200 days Instruction, and Teacher Experience Index.
- Districts factored in a growth of about \$59.50 (average statewide funding per ADM in FY2010).
- District factored in Transportation of \$249.53 (average statewide transportation per ADM in FY2010).
- The following table shows per ADM funding for Charters is higher than Districts per ADM using the above assumptions.

2010 Per student funding (student count more than 600)						
	Total	Total	al Diff with SCA Diff W/O SC			
Grades	District	Charters	Cuts	Cut		
K-8	\$4,831.88	\$5,561.66	\$729.78	\$ 577.84		
9-12	\$5,344.98	\$6,201.94	\$856.96	\$ 705.20		

B- <u>Scenario – Assumption</u>

- Students enrolled are less than 100 in both district and charters.
- Districts have career ladder program, teacher compensation, 200 days, and Teacher Experience Index.
- Districts factored in a growth of about \$59.50 (average statewide funding per ADM in FY2010).
- District factored in Transportation of \$ 249.53 (average statewide transportation per ADM in FY2010).
- The following table shows per ADM funding for Charters is higher than Districts per ADM using the above assumptions.



2010 Per student funding (student count less than 100)						
	Total	Total	Diff with SCA	Diff W/O SCA		
Grades	District	Charters	Cuts	Cut		
K-8	\$5,773.17	\$6,388.56	\$615.39	\$	431.83	
9-12	\$6,431.76	\$7,200.39	\$768.63	\$	564.08	

Districts Funding versus Charters statewide comparisons from all sources

Actual state wide numbers are taken from FY2009 Annual Financial Reports.

Differences in statewide funding are due to the following factors:

- Districts and Charters both receive SPED and ELL add on weights which generate more funding. Districts are more likely to have more SPED and ELL students than Charters because 91% of the students are in districts.
- Districts receive Growth, charters don't.

Statewide	funding F	Y2009					
Total	ADM	Local	State	Federal	Total	Avg. per ADM	
Total Districts	944337	\$ 3,930,183,301	\$3,918,325,400	\$ 1,051,027,250	\$ 8,899,535,951	\$ 9,424	
Total Charters	99018	\$ 51,598,865	\$ 676,322,958	\$ 64,149,261	\$ 792,071,084	\$ 7,999	
Total	1043355	\$ 3,981,782,166	\$4,594,648,358	\$ 1,115,176,511	\$ 9,691,607,035	\$ 9,289	
Average	ADM	Local	State	Federal	Total	Avg. St & L	
Districts	944337	\$ 4,162	\$ 4,149	\$ 1,113	\$ 9,424	\$ 8,311	
Charters	99018	\$ 521	\$ 6,830	\$ 648	\$ 7,999	\$ 7,351	
Diff		\$ 3,641	\$ (2,681)	\$ 465	\$ 1,425	\$ 960	

Source: Analysis are made by School Finance based on 2009 SAFR report.



Other information to consider

- Districts have 91% of the students statewide.
- Districts with less than 600 ADM are 44.3% of the total districts and report only 2.2% of the ADM.
- Charters with less than 600 ADM are 91% of the total and report 64.4% of the total Charter Schools ADM.
- Since more than 64% of the charter students are in small schools, compared with only 2% in the districts, it is fair to say that charters are benefiting more from the small school weight in funding than districts do.
- Total SPED, ELL and other Section B ADM funding for school districts \$839 million compared to \$20 million for charters, additionally districts have significantly more SPED students than charters. This is one of the reasons why districts statewide average is higher than charters statewide average.

Schools Cuts in FY2010-2011

- Base Level amount is \$3267.72.
- Additional aid per ADM was increased for K-8 by \$19.06 to \$1607.50 and 9-12 increased by \$22.22 to \$1873.52.
- \$10 million cut in additional aid for charters or about \$91 an ADM.
- Districts will be cut more than \$165 million in soft capital.
- Both charters and districts will be cut \$218 million in total for the ADD on Weight of full day Kindergarten.

K-12 Reductions							
Formula Cuts	FY 2008	FY 2009	FY 2010	FY 2011			
Districts	\$ (40,000,000)	\$ (312,198,000)	\$ (144,000,000)	\$ (165,120,700)			
Charters		\$ (5,000,000)		\$ (10,000,000)			
KG Funding				\$ (218,000,000.00)			
Total	(40,000,000.00)	\$ (317,198,000)	\$ (144,000,000)	\$ (393,120,700)			

Charters Additional Assistance (A.A) Analysis							
FY	Base	e Level Amt	Growth	A.A (K-8)	Growth	A.A (9-12)	Growth
2006	\$	3,001.00		\$1,330.05		\$ 1,550.14	
2007	\$	3,133.53	4.4%	\$1,387.25	4.3%	\$ 1,616.81	4.3%
2008	\$	3,226.88	3.0%	\$1,445.25	4.2%	\$ 1,684.41	4.2%
2009	\$	3,291.42	2.0%	\$1,474.16	2.0%	\$ 1,718.10	2.0%
2010	\$	3,267.72	-0.7%	\$1,588.44	7.8%	\$ 1,851.30	7.8%
2011	\$	3,267.72	0.0%	\$1,607.50	1.2%	\$ 1,873.52	1.2%