

Appendix

This appendix contains the state profiles that formed the basis of the analysis provided in this report. They detail each state's finance system as well as information on expected funding levels for charter schools in a variety of circumstances. The tables provide a breakdown of how different pupil characteristics affect overall funding and how funding varies across type of school. State officials were consulted during this process, and they reviewed each profile.

The text entries describe funding practices and issues related to finance such as financial reporting, participation in state retirement systems, and asset ownership issues. The tables illustrate how charter schools generate a per-pupil amount of funding (expressed as funding per member rather than funding per pupil served by a specific program) in a variety of circumstances that depend primarily on variations in the type of students enrolled. Each table provides funding estimates for three hypothetical charter schools (described fully in the methodology section of this report). The hypothetical **basic elementary charter school** enrolls no special needs or at-risk students and is generally located in a district with state average geographic and financial characteristics. The hypothetical **middle cost K-12 charter school** is located in the same district as the basic elementary charter school, but has a population closely matching the state average student population regarding grade level, at-risk and special needs characteristics. In most instances, the hypothetical **at-risk upper grade charter school** has double the state average enrollment of special needs and at-risk students and is located in a big city.

Generally, each hypothetical charter school has a population of 100 students (a number that allows easy conversion to percentages). In instances where funding varies by school size, the population sometimes varies from 100 students to highlight the impact of school size on funding levels. Arizona, for example, has 500 students enrolled in the hypothetical basic elementary school. In the first section of each state table, the column FTE (full-time equivalent) or WFTE (weighted full-time equivalent) provides an enrollment breakdown by student type. Because FTE students are sometimes counted twice (e.g., first as a regular student and then as a special education student), the breakdown of FTE students does not necessarily add up to 100.

Subsequent sections of each state table provide information on base funding and categorical funding expressed as dollar amounts per FTE pupil (\$/Member) – including states with a pupil weighting system of funding – averaged across the entire membership rather than pupils served in specific programs. In the New Jersey middle cost K-12 charter school, for example, four Tier II special education students each generate \$3,024 in state categorical aid for combined additional funding of \$12,100. Averaged over the entire membership of 100 students, the additional funding is \$121 per member. Table entries are always expressed in “per member” amounts. Federal funding includes the average dollar per member that each school’s population should generate for Title 1, limited English proficient, and special education students as explained fully in the methodology section of the report. Start-up funds and food service revenue are not included. Capital funding is a table entry, but not a component of “total revenue.”

Alaska

Base Funding: Authorized by school districts, charter schools are entitled to 100 percent of state operations funding based on average per-pupil revenue. School districts, however, can charge for indirect or administrative costs approved by the state for an amount up to 22 percent of funding. Charter schools are classified as either alternative schools or independent schools. Alternative schools enroll fewer than 200 students and are considered a part of the district school with the largest average daily membership (ADM). Independent schools enroll more than 200 students and exist as their own entity. As a result, independent charter schools benefit from increased funding weights associated with school size.

Adjustments for School Size and Cost Differentials: An area cost differential accounts for regional cost-of-living differences. The index averages 1.27 with Anchorage's index at 1.00. A school size factor allows more funding for smaller schools to account for higher costs in low populated areas. Independent charter schools (more than 200 students) benefit from greater funding due to the adjustment for size. The very small dependent schools benefit from the size adjustment only to the extent that the district school with which it is associated belongs to generates small school funding. The state department of education specifically designed this incentive to encourage charter schools to reach a certain efficiency level.

Categorical Funds Including Special Education and Bilingual Education: Categorical funds are folded into a single block grant under the umbrella of "special needs." Charter schools are eligible for these funds if they provide required services for special needs students. ADM adjusted for size and cost differential is multiplied by the special needs factor of 1.20. Funding is the same no matter how many students are served or how many programs are provided. This 20 percent funding includes dollars for vocational education, special education (except intensive special education), gifted and talented programs, and bilingual/bicultural services.

Low-Income Students: Alaska has no low-income, at-risk or compensatory aid program.

Transportation: Charter schools are not required to provide transportation to students. Some charter schools receive *incidental* transportation service from the state if the student lives within the attendance center. These students do not cost the state any additional money, and the state does not establish any additional routes for charter school students.

State Start-Up Assistance: None.

Capital Outlay and Facilities Assistance: None.

Timing of Payments: Charter schools maintain their financial accounts with the school districts and receive funding monthly from the general operating budget.

Financial Reporting: Financial reporting is blended with school district reporting. No independent audits are required.

Acquisition of Debt and Disposition of Assets: Charter schools may acquire debt, but assets revert to the school district if the charter school dissolves.

Correspondence Schools: An exception to funding rules is made for schools not following traditional models including cyber-schools and home schooling. In these situations, schools are funded at what has been determined as a “correspondence school level” equal to approximately 80 percent of the base student allotment. Thus, funding for fixed costs in regular schools is not available to correspondence schools.

Property Issues: A charter school recently attempted to build its own building using private funds and then lease the building back to the school district. This request was denied because the state department of education viewed the arrangement as a conflict of interest.

Alaska	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations						
Basic K-12	200	200.0	200	200.0	200	200.0
School size factor ^a		+ 72.0		+ 72.0		+ 72.0
subtotal		272.0		272.0		272.0
District cost factor ^b		x 1.237		x 1.237		x 1.000
Special needs factor ^c		x 1.0		x 1.2		x 1.2
Subtotal		336.5		403.8		326.4
Special education	0	0.0	36	0.0	72	0.0
Bilingual	0	0.0	25	0.0	50	0.0
Vocational/gifted	0	0.0	10	0.0	20	0.0
Enrolled in Title I	0	0.0	19	0.0	38	0.0
Total weighted FTE ^d		336.5		403.8		326.4
1. Basic need ^e	\$ 6,628	\$ 3,940	\$ 7,954	\$ 3,940	\$ 6,430	\$ 3,940
2. Transportation ^f	\$ -		\$ -		\$ -	
3. Federal funding						
Other federal programs	\$ 91		\$ 91		\$ 91	
Title I	\$ -		\$ 125		\$ 250	
Special education	\$ -		\$ 51		\$ 101	
Bilingual and immigrant	\$ -		\$ 9		\$ 18	
Total revenue	\$ 6,719		\$ 8,230		\$ 6,890	

ASSUMPTIONS: All schools enroll 200 students (independent schools). Basic elementary charter school has no special needs program. Middle cost K-12 charter school population reflects the state average. At-risk upper grade charter school has twice the state average concentration of special needs students and is located in Anchorage.

^a In a 200 student school, small size adds about 72 students to the WFTE.

^b District cost factor accounts for disparity in cost of living across the state. State mean is 1.237.

^c Special needs factor is equal to 1.20. This factor accounts for all categorical programs including special education (except intensive special education), gifted and talented, vocational education, and bilingual education. Middle cost school enrolls 30 special education students, 25 bilingual students and 19 qualify for Title I programs. At-risk school has twice the concentration of these students.

^d FTE plus school size factor, multiplied by district cost factor, multiplied by special needs factor.

^e Basic need factor includes required local contribution, Title VIII Impact Aid and state aid.

^f Charter schools receive transportation funding in-kind from the state if the state decides to provide it. Average state transportation funding is about \$725 per member.

Arizona

Arizona charter schools obtain funds in two ways. State-authorized (including both the state board of education and the state charter school board) charter schools get base support, transportation and capital funding as if they were school districts. School districts also authorize charter schools that are independent of the school district and funded under almost the same formula as state-authorized charter schools. With district-authorized charter schools, school size weightings are based on district characteristics, and transportation funding is significantly higher than for state-authorized schools. These schools generally are not located in the authorizing district.

Base Funding: Arizona basic support for school districts and charter schools alike started with a foundation of \$2,533 in 1998-99. Funding for maintenance and operations, transportation and capital expenditures is added to the base funding. With the exception of some capital funds, state funds are considered block grants to districts. School districts are not required to direct funding to any specific programs; as a result, capital outlay monies can be budgeted for maintenance and operations. Beginning in 1999-2000, charter schools will be able to spend capital funding for any purpose.

Grade Level Weights and Adjustments for School Size: Small school districts in Arizona get more funding. High school students also generate extra funds. Funding for state-authorized charter schools is adjusted for individual school size. The weighting ranges from as high as an additional 50 percent of the base support level for a small (less than 100 students) high school to no increase in the base support level for a large (more than 600 students) elementary school. Arizona provides less funding for large charter schools to account for expected efficiencies of larger schools.

Special Education and Bilingual Programs: Special education and bilingual education are accounted for in the basic formula through add-on weights (see table for weights). A weight for high-incidence lower-cost handicaps such as learning disabilities, mental retardation and the emotionally disturbed is applied to all students (not just the handicapped) ranging from approximately 16 percent of funding for elementary students to 27 percent for high school students. Charter schools receive this funding whether or not they enroll special needs students or provide services. High-cost handicaps and residential

and private school placement are funded through additional add-on weights.

At-Risk Funding: Discretionary grants are available for K-3 at-risk programs.

Adjustment for Longer School Day: Charter schools are eligible for an additional 3 percent of funding (increasing to 5 percent in 1999-2000) for school years of more than 200 days.

Transportation Support: Transportation funding for charter schools can be spent for any legitimate purpose. State-authorized charter schools received a flat \$174 per member in 1998-99. A district-authorized charter school's transportation allowance is based on the approved daily route-miles for school transportation and the number of eligible students transported. For 1998-99, district-authorized charter schools received \$1.59 - \$1.95 per mile (depends on ratio of pupils to route miles) and paid parents 10 cents or 25 cents per mile to drive their children to school. Charter schools can use the difference (about \$1.50 per mile) to spend on programming. School districts get the \$1.50 - \$1.92 per mile reimbursement mostly for school buses, but because so many miles are involved when parents drive their own children to a charter school, thousands of dollars per pupil are generated. The Arizona Joint Legislative Bureau computed that one charter school was receiving \$12,080 per member for transportation. The average transportation cost for district-authorized charter schools in 1998-99 was \$2,144.

Capital and Facilities Assistance: All charter schools receive capital and facilities funding: District-authorized charter schools are funded based on characteristics of the sponsoring school district; state-authorized charter schools are funded based on characteristics of the school itself. Some capital funding depends on grade level and school size. The capital outlay revenue limit program provides \$195 (large elementary schools) to \$330 per pupil (small high schools). The capital levy revenue limit program, which depends on school size but not grade level, provides \$195 (large schools) to \$300 per pupil (small schools). Regular and charter high schools get \$70 per pupil for textbooks, which in Arizona is considered a capital expense. A third capital assistance program, providing \$496 per pupil for K-8 schools and \$569 per pupil for high schools, is available only to charter schools. School districts get funding under the new school construction program. Based on need, funding for school districts averages only about \$400 per pupil per year. With voter approval, however, school districts can also sell tax exempt bonds to finance construction. Overall, facilities funding for charter schools ranges from \$900 to \$1,300 per student. Since charter schools qualify for capital funding as if they were small school districts, charter schools get better funding than the larger surrounding school districts in which they are located. Additionally, charter schools are granted flexibility with facilities funding and may spend the money on any legitimate purpose. School districts must spend the money on capital outlay and construction.

Charter School Stimulus Fund: Under the original state legislation, Arizona created a "stimulus fund" earmarked for start-up and facility costs. The upper limit for state start-up grants was up to \$100,000, but the average grant size was \$21,000. Arizona terminated the state stimulus funds in the 1997-98 school year in response to a court case brought by the Arizona Department of Education against former Bureau of Indian Affairs (BIA) schools

that had converted to charter schools. The state argued that former BIA schools should not continue to receive both state stimulus and BIA-federal funds. Thus, it argued Arizona should be exempt from its responsibility to fund BIA's charter schools through the state stimulus fund, or the state should be able to deduct the amount of state start-up funding from the federal start-up grants. The state won the case and Arizona has decided not to apply for federal start-up monies. Instead, state-authorized charter schools may apply directly for federal start-up funds.

Timing of Payments: For state-authorized charter schools, new charter schools are paid one-third of the total apportionment on July 1 and then one-twelfth of the total amount in eight monthly payments from Oct. 15 through June 15. In subsequent years, charter schools are paid in 12 monthly installments.

Uniform Financial Reporting: All state-authorized charter schools take part in the state's uniform financial reporting system. Charter schools may seek exemption from this requirement. District chartered schools are exempted from uniform financial reporting as individual schools.

Auditing Practice: Independent financial audits are required of state-authorized charter schools. District charter schools are included in the district's budget where the charter school is located and audited as a part of that district.

Ownership and Disposition of Assets: All property accumulated by charter schools, including property purchased with public schools, remains property of the charter school.

Teacher Retirement: A charter school is eligible to participate in the Arizona state retirement system, but most choose not to participate.

Arizona	Basic Elementary Charter School			Middle Cost K-12 Charter School			Urban At-Risk Upper Grade		
	Weight	FTE	WFTE	Weight	FTE	WFTE	Weight	FTE	WFTE
Grade/school size weights ^a									
Basic K-8	1.28	500.0	639.00	1.39	132.0	183.22	1.4	0.0	0.00
Basic 9-12	1.40	0.0	0.00	1.56	68.0	106.01	1.5	99.0	154.34
Student count add-ons ^b									
Hearing impairment	3.34	0.0	0.00		0.2	0.67		0.4	1.34
K-3	0.04	0.0	0.00		60.0	2.40		0.0	0.00
LEP	0.06	0.0	0.00		8.0	0.48		16.0	0.96
MD-R, AR, and SMR-R	2.00	0.0	0.00		0.0	0.04		0.0	0.08
MD-SC, A-SC, and SMR-SC	5.02	0.0	0.00		0.4	2.01		0.8	4.01
Multiple disabilities	6.03	0.0	0.00		0.1	0.43		0.1	0.87
Orthopedic (resource)	1.74	0.0	0.00		0.1	0.17		0.2	0.35
Orthopedic (self-contained)	5.64	0.0	0.00		0.1	0.45		0.2	0.90
ED, MIMR, SLD, SLI and OHI	0.00	0.0	0.00		7.0	0.02		14.0	0.04
ED (private)	2.63	0.0	0.00		0.1	0.16		0.1	0.32
Moderate MR	2.81	0.0	0.00		0.2	0.56		0.4	1.12
Visual impairment	4.83	0.0	0.00		0.1	0.68		0.3	1.35
Total		500.0	639.00		200.0	297.30		99.0	165.68
1. FY 1998-1999 base ^c									
		\$3,237	\$2,533		\$3,765	\$2,533		\$4,239	\$2,533
2. State transportation aid ^d									
		\$ 174			\$ 174			\$ 174	
3. Federal funding									
Title I		\$ -			\$ 127			\$ 254	
Special education		\$ -			\$ 36			\$ 72	
Bilingual and immigrant		\$ -			\$ 11			\$ 22	
Other federal programs		\$ 49			\$ 49			\$ 49	
Total revenue									
		\$3,460			\$4,162			\$4,810	
4. Capital outlay revenue limit									
K-8 support level ^e		\$ 249	\$ 195		\$ 271	\$ 195			
9-12 support level ^e					\$ 329	\$ 211		\$ 329	\$ 211
9-12 textbook ^f					\$ 70			\$ 70	
5. Capital levy revenue limit ^e									
		\$ 248	\$ 194		\$ 281	\$ 194		\$ 302	\$ 194
6. Additional capital Assistance									
K-8 support level ^f		\$ 496			\$ 496				
9-12 support level ^f					\$ 569			\$ 569	
Facilities percent of current revenue									
		29%			25% per K-8			26%	
					30% per 9-12				
Total revenue with facilities									
		\$4,453			\$5,209 per K-8			\$6,081	
					\$5,411 per 9-12				

ASSUMPTIONS: Table applies to state-sponsored charter schools. Basic elementary charter school is a 500 student elementary school with no special populations. Middle cost K-12 charter school is a 200 student high school and elementary school with the state average special populations. At risk upper grade charter school has 99 high school students with twice the state average concentration of special needs students.

^a Support level weight of .0.159 (K-8) or 0.279 (K-12) is incorporated into grade level/school size weight.

^b MD-R (Multiple Disabilities-Resource), AR (Autism-Resource), SMR-R (Severe Mental Retardation-Resource), MD-SC (Multiple Disabilities-Self Contained), A-SC (Autism-Self Contained), SMR-SC (Severe Mental Retardation-Self Contained), ED (Emotional Disability), MIMR (Mild Mental Retardation), SLD (Specific Learning Disability), SLI (Speech/Language Impairment), and OHI (Other Health Impairments).

^c Add 3 percent for a school with a 200 day school year.

^d District-sponsored charter schools get significantly more transportation funding, but not school size weights (see text).

^e WFTE calculations based only on school size and grade-level weights.

^f Funding based on FTE count, not WFTE.

California

Base Funding: School districts authorize charter schools, but students are allowed to cross district lines to attend charter schools. Charter school and school district funding comes from the base revenue limit program and an extensive system of categorical funding averaging about \$1,000 per student.¹ For the 1997-98 school year, the base revenue limit averaged about \$4,040 per pupil with most districts spending within \$300 of the average. Although this money is considered general purpose funding, school districts typically spend approximately 8 percent of the base revenue limit on special education and transportation. Charter schools are not automatically entitled to the full amount of base revenue funding. School districts frequently charge administrative fees and subtract amounts to cover district-provided services.

Pupil Count: Unlike most states, California charter school funding depends on *average daily attendance* (ADA). Charter schools with low attendance rates experience reduced funding. The alternative method, *average daily membership* (ADM) is used in all states with charter schools except Texas and California. Low-income and at-risk students usually have the highest absence rates. ADA funding discourages the establishment of charter schools serving these high-cost children and contributes to funding problems for charter schools that choose to do so.

¹ A new funding system effective in 1999-2000 simplifies the current system by giving charter schools “block grants” composed of revenue limit resources and most state categorical programs. Block grants are fixed for all charter schools and vary only by grade level. Transferring funding from categorical programs into block grants releases charter schools from regulatory strings typically attached to state categorical programs. Some categorical programs (e.g., teacher salary bonuses, English language acquisition programs and all federal programs) are not included in the block grant, and charter schools may apply for them individually. The state apportions funds directly to charter schools unless individual schools choose to get funding through their sponsor districts. As in the original funding system, block grants are apportioned based on average daily attendance.

Categorical Funding: Charter schools are entitled to state discretionary and categorical funds if they have eligible students. Charter schools negotiate for categorical funds with the school district. No statutory requirements specify that charter schools must expend funds received from a particular state-funded categorical program for that particular purpose. Charter schools can receive categorical funding for the following programs: lottery funds, school improvement programs, desegregation funding, state instructional materials, class size reduction, special education, transportation, gifted and talented, economic impact aid, mentor teacher and state compensatory education. Prior to 1999-2000, California law did not clearly entitle charter schools to lottery funds. Some school districts did not pass lottery funds on to charter schools because the funds were considered neither base revenue limit funds nor categorical funds. Table 1 shows district average categorical funding per member.

Special Education: Charter schools are entitled to special education funding to the extent that the pupils in their schools are entitled to special education services. Special education used to be funded through a complex reimbursement model, but the state has implemented a per capita funding model. Based on the assumption that children with disabilities are uniformly distributed among districts, funding is based on total enrollment rather than on the district's special education population. Charter schools must negotiate for funding with either their authorizing district or the Special Education Local Planning Area (SELPA). District special education funding formulas call for a fixed contribution of approximately 6 percent from the district's general purpose aid.

Limited-English Proficiency: Accounted for as a categorical program.

Low-Income Students: Accounted for as a categorical program based on student eligibility for free- and reduced-price lunch.

State Desegregation Funding: Charter schools can receive funding if the charter school agrees to participate in the state plan. The Edison Schools, Inc. charter school in San Francisco received approximately \$680 per pupil in 1998-99 for this program.

Transportation: Transportation plans are detailed in the charter. The California Department of Education ruled that charter school students are entitled to state categorical aid for transportation, which averages about \$40 per student (not per user).

State Start-Up Assistance: A small revolving loan fund with \$5.5 million offers \$50,000 loans with a two-year repayment schedule.

Capital Outlay and Facilities Assistance: None.

Timing of Payments: Apportionment to charter schools is on the same schedule as apportionment to district schools.

Facility Ownership: Since the charter school is a part of the district, a facility owned by a charter school still belongs to the district. The charter needs to spell out responsibility for

maintenance and insurance on the facility, as well as any other financial arrangements regarding facilities that may arise. In the case of start-up schools, charter schools are able to purchase property.

Uniform Financial Reporting: None.

Auditing Practice: The charter specifies whether the charter school is part of the school district audit or has its own audit conducted by an independent auditor in accordance with Generally Accepted Auditing Standards. The charter school component of a school district audit could be as simple as one line titled, “payment to charter school,” or it could treat charter schools like other district schools.

Teacher Retirement: Teachers are eligible to participate in the state retirement system. Charter school teachers, not the governing board of the charter school, choose whether to participate, and most charter schools do.

Administrative Fees: School districts, county departments of education or the state board of education (all chartering agencies) may charge for the actual costs of supervisory oversight of a charter school, not to exceed 1 percent of the revenue of the charter school. If the charter school is receiving rent-free facilities from the chartering agency, then the chartering agency can charge 3 percent of the charter school revenue for supervisory oversight. A local agency that is providing supervisory oversight and administrative costs necessary to secure charter school funding may charge 3 percent of total charter school revenue.

California	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
Average daily attendance (ADA) ^a	95		95		80	
Revenue limit per ADA		\$ 4,031		\$ 4,031		\$ 4,031
1. Revenue limit per FTE	100	\$ 3,829	100	\$ 3,829	100	\$ 3,225
2. State categorical funds ^b						
Lottery funds		\$ 105		\$ 105		\$ 105
School improvement program		\$ 93		\$ 93		\$ 93
Limited-English proficiency	0	\$ -	25	\$ 180	50	\$ 360
Desegregation		\$ -		\$ -		\$ 680
State instructional materials		\$ 31		\$ 31		\$ 31
Class size reduction		\$ 150		\$ 150		\$ 150
Special education	0	\$ -	10	\$ 222	20	\$ 444
Transportation		\$ 41		\$ 41		\$ 41
Mega item growth & COLA		\$ 12		\$ 12		\$ 12
Gifted and talented		\$ 7		\$ 7		\$ 7
Economic impact aid		\$ 6		\$ 80		\$ 190
Mentor teacher		\$ 16		\$ 16		\$ 16
State compensatory education	0	\$ -	20	\$ 40	40	\$ 80
3. Federal funding						
Title I		\$ -		\$ 134		\$ 268
Special education		\$ -		\$ 38		\$ 76
Bilingual and immigrant		\$ -		\$ 14		\$ 28
Other federal programs		\$ 52		\$ 52		\$ 52
Total revenue		\$ 4,342		\$ 5,044		\$ 5,858

ASSUMPTIONS : Basic elementary charter school enrolls students with no special needs. Middle cost charter school has students with special needs reflecting the state average. At-risk upper grade charter school is in an urban area with twice the concentration of special needs students as the state average.

^a Funding in California is based on average daily attendance rather than membership. Basic elementary and middle cost charter schools are assumed to have a 95 percent attendance rate, while the upper grade urban at-risk school is assumed to have an 80 percent attendance rate.

^b Categorical aid estimates are based upon 1996-97 per pupil revenues adjusted for inflation. Charter schools are eligible for all 60 categorical programs if they document their eligibility. The categorical chosen above represent the programs for which most charter schools could receive funding

Colorado

Base Funding: A charter school's base budget in 1997-98 was at least 80 percent of the school district's per-pupil operating revenue. The remaining 20 percent *or more* is negotiated over such issues as the purchasing of services from the school district or the receipt of in-kind services from the district. The average charter school receives approximately 95 percent of per-pupil operating revenue, and some receive up to 120 percent. The base amount of funding for each pupil was \$3,667 in budget year 1997-98, but adjustments for several school district characteristics add considerably more funding. A few districts have additional local option taxes that are sometimes shared with charter schools. In 1998-99, "override revenue" averaged \$224 per pupil in school districts where charter schools are located, although half of the charter schools are in districts with no override revenue.

Funding Based on School District Characteristics: Several adjustments are made to the school district base funding level including:

Cost-of-Living Factor: The cost-of-living factor reflects the differences in the costs of goods and services among each of the 176 school districts in Colorado. This factor ranged from 1.004 to 1.630 for the 1997-98 budget year.

Personnel Costs Factor: The personnel costs factor is based on enrollment and is used to adjust for cost differentials in employee salaries. This factor ranged from 79.9 percent to 90.5 percent in budget year 1997-98.

Non-Personnel Costs Factor: The non-personnel costs factor accounts for expenditure differentials other than personnel.

Size Factor: This factor provides more funds for both larger districts and smaller districts to adjust for the high cost of urban education or the diseconomies of small scale.

At-Risk Funding: Colorado uses participation in the federal free lunch program as the measure of an at-risk population. For each at-risk pupil, a district receives funding equal to at least 11.5 percent but no more than 30 percent of its total per-pupil funding. A district receives funding for the greater of (1) each pupil eligible for the federal free lunch program; or (2) a calculated number of pupils based on the number of grade 1-8 pupils eligible for the federal free lunch program as a percentage of the total population. The at-risk adjustment is automatically included in the per-pupil funding calculation for charter schools. Charter schools serving large numbers of at-risk students do not automatically get better funding, although these schools may negotiate a higher funding rate with the school district.

Special Education: Charter schools negotiate with school districts for special education funding or the in-kind provision of special education services. A school district is entitled to a base amount of state funding for special education equal to the amount of state funding received the preceding budget year. Once the base amount is determined for all districts, remaining state monies are distributed to districts servicing more special education students than the preceding budget year. State funding is insufficient, so most special education services are financed by general operating revenues.

Bilingual Education: Charter schools negotiate with districts for bilingual education funding, which is about 20 percent of the state average per-pupil operating costs for each bilingual student.

Transportation: Like school districts, charter schools are not required to provide transportation to students. State transportation for school districts is funded at a rate in cents per mile, plus 34 percent of the amount by which the costs exceed the mileage reimbursement. General operating revenues finance most transportation costs. Charter schools can negotiate for services or funds, and can use funds to reimburse parents for car-pool costs.

Capital Outlay and Facilities Assistance: School districts are required to budget at least \$216 per pupil (1997-98 budget year) out of their equalized formula funding for capital outlay, insurance and risk management. This amount was not automatically included in per-pupil operating revenue, the basis of charter school funding. Many school districts funded charter schools at 105 percent, an amount that incorporates per-pupil operating and capital outlay funding. Charter schools operating their own facilities were more likely to get 105 percent funding. The 1999 legislature raised per pupil funding to a minimum of 95 percent of per pupil revenue (PPR), a figure that includes funding for capital outlay, insurance and risk management. Approximately 25 percent of Colorado charter schools are housed in school district facilities (Caldwell and Arrington, 2000).

The charter school law requires districts to provide vacant facilities to charter schools free of charge. Partly because of this provision, about 25 percent of Colorado charter schools are housed in school district facilities. Charter schools are not entitled to proceeds of the local bond redemption fund mill levies of school districts used to pay off debt incurred for constructing school facilities. In rapidly growing Jefferson county, for example, charter

schools do not receive the \$717 per student raised through the levy (Caldwell and Arrington, 2000).

The Colorado Educational and Cultural Facilities Authority (CECFA) serves as a “conduit” for obtaining tax-exempt financing for organizations that “provide an educational program pursuant to a charter from a school district.” CECFA issues the bonds and loans the proceeds to the charter school after charging transaction fees of \$20,000 to \$30,000. The bonds issued are “non-course” to CECFA, which means that responsibility for repayment is limited to the charter school and investors will focus on creditworthiness of the charter school rather than the CECFA. Six charter schools have already obtained tax-exempt financing to refinance, purchase or build facilities (Caldwell and Arrington, 2000) Together, the six schools raised over \$23 million in financing at an interest rate between 6 percent and 7 percent, cutting borrowing costs in half compared to commercial lenders.

Administrative Fees: Administrative fees are allowed and specified in the charter.

Uniform Financial Reporting: Charter school financial reporting is blended with the district’s reporting, but the reporting is not uniform. State officials expect to provide some comparable charter school data for the 1998-99 school year.

Auditing Practices: Charter schools are required to describe the manner in which an annual audit of financial and administrative operations is conducted. Most charter schools appear as an entity in the school district’s audit.

Responsibility for Debt and Disposition of Assets: School districts are responsible for charter school debt. Some districts allow charter schools to form nonprofit corporations that can acquire debt and purchase property. Other school districts allow no debt. Issues about the disposition of assets from a closed charter school are currently unresolved, but because charter schools are entities of the schools district, districts are probably responsible.

Teacher Retirement: All charter schools participate in public employee retirement systems.

Colorado	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
Per pupil funding calculation						
FY98 base funding		\$ 3,667		\$ 3,667		\$ 3,667
Cost-of-living factor		1.124		1.194		1.236
Personnel costs factor		0.865		0.905		0.9050
Non-personnel costs factor		0.135		0.095		0.0950
Size factor		1.051		1.032		1.0342
Per pupil funding (PPF)		\$ 4,268		\$ 4,450		\$ 4,462
At-risk funding (ARF) ^a	0	\$ -	28	\$ 142	56	\$ 284
Per pupil operating revenue ^b (PPOR)= [PPF+ ARF]-216		\$ 4,052		\$ 4,375		\$ 4,530
Percent of PPOR negotiated ^c		90%		100%		120%
1. Categorical funds ^d						
Transportation payments ^e		\$ -		\$ -		\$ 55
Bilingual education		\$ -		\$ 4		\$ 8
Special education	0	\$ -	10	\$ 106	20	\$ 212
Gifted/talented	0	\$ -	7	\$ 7	7	\$ 7
2. Federal funding ^d						
Title I		\$ -		\$ 98		\$ 96
Special education		\$ -		\$ 40		\$ 80
Bilingual and immigrant		\$ -		\$ 7		\$ 14
1. Total negotiated revenue	100	\$ 3,647	100	\$ 4,375	100	\$ 5,436

ASSUMPTIONS: Basic elementary charter school receives 90 percent of PPOR, and its students generate no state or federal categorical funding for the school district. Data are reflective of Moffat school district. Middle cost K-12 charter school receives 100 percent of PPOR, and its students generate the average state and federal categorical aid for the school district. Data are reflective of El Paso school district. At-risk upper grade charter school receives 120 percent of PPOR and has twice the state average in state and federal categorical funding. Data are reflective of Denver.

^a At-risk funding expressed as the average amount per pupil, not per at-risk student.

^b \$216 per student is earmarked for capital reserves and insurance. Beginning in 1999-2000, charter schools will receive this amount automatically.

^c District and charter school negotiate the percent of PPOR to account for in-kind provision of services. Beginning in 1999-2000, minimum funding is set at 95 percent.

^d Categoricals are state per pupil averages in 1997-98. Few Colorado charter schools directly received state categorical aid or federal aid. Categorical and federal aid are reflected either in the negotiated adjustment of the percentage of PPOR, or is received "in-kind" through district provision of the service.

^e Some districts provide transportation at no charge to charter schools.

Connecticut

Base Funding: Funding depends on whether charter schools are authorized by a school district or the state board of education. Of the 12 original charter schools, only two were authorized by school districts.

Local district charter school. Charter school students are counted in the school district's enrollment. All payments to the charter school are negotiated locally. The state-mandated minimum expenditure, or foundation level, was \$5,775 in 1998-99. However, the typical school district added an extra 15 percent to the foundation through local tax levies for general operations, bringing total base revenue to an average of about \$6,500 per pupil.

State charter school. State-authorized charter schools receive a flat \$6,500 per pupil. Consequently, funding does not depend on the location of the charter school or the resident school districts of their students. Although approximately equal to the state average sum of the foundation level and local option property taxes for general operations, the relationship is coincidental. Charter school students are not counted in the district of residence for equalization aid purposes, so school districts could lose about \$5,775 in state equalization aid when a student attends a state-sponsored charter school.² A majority of school districts in Connecticut, however, are protected from state aid reductions due to an elaborate system of constraints on growth and reductions in state aid.

Funding Based on School District Characteristics: Local district charter schools have access to funding based on all of the unique characteristics of the local school district including higher revenues associated with high wealth and tax effort. State-chartered school funding corresponds only to the state average.

² Even though state aid supports only about one-third of the foundation level in the average school district, losing students to charter schools increases the wealth-per-pupil component of the state aid formula. Mathematically, the result is the loss of the entire foundation level, not just the state aid component.

Special Education: Most school district special education costs are financed from general operating revenue. Consequently, the \$6,500 base funding for charter schools includes most of the money an average school district spends on special education. In the most recent revision of the Connecticut charter school law, students identified as needing special education services in a charter school are entitled to a planning and placement team meeting held by the school district in which the student resides. The school district also pays the charter school “reasonable” costs in excess of \$6,500 (plus other state, federal and private resources if any) for special education services. Most observers interpret this provision of the charter school law as making special education the responsibility of the school district. If special education costs comprise 18 percent of a school district’s budget (the state average), this in-kind service amounts to \$1,000 per member (not just students served) after accounting for state aid (\$85 per member) and federal aid (\$60 per member).

Transportation: School districts in which a charter school is located, including state-authorized charter schools, provide transportation in-kind for students residing in the district. The state provides equalization aid for transportation averaging about \$85 per pupil (across total enrollment, not pupils transported). State transportation aid ranges from nil to 60 percent of actual costs depending on district wealth. Total state and local transportation costs per-pupil amounts to about \$380 per pupil.

Categorical Programs: Charter schools are eligible for competitive grants and other categorical aids as if the charters were a school district.

Limited-English Proficiency: Regular schools with more than 20 LEP students are required to have a bilingual program. The state provides about \$150 per bilingual pupil.

Low-Income Students: Connecticut’s foundation funding formula provides more state equalization aid for school districts with large numbers of children from families receiving Aid for Families with Dependent Children (AFDC). Charter schools authorized by a school district could benefit from this extra funding. The flat \$6,500 payment for state-chartered schools, however, has no adjustment for low-income students.

Capital Outlay and Facilities Financing: Connecticut school districts spend about \$550 per pupil on capital facilities and debt repayment. Charter schools have no access to this funding. Charter schools may apply for low interest loans from the state Health and Educational Facilities Authority, which makes direct loans up to \$150,000 to Connecticut charter schools. Up to 5 percent of unexpended funds each year can be contributed to a reserve to finance a specific capital or equipment purchase.

Timing of Payments: Early state aid payments assist charter schools with cash flow. For state-chartered schools, 25 percent of funding is transferred to the charter school in July and another 25 percent in September.

Uniform Financial Reporting: Charter schools are required to complete a modified form of the state uniform financial reporting required of school districts.

Auditing Practice: All charter schools must submit a certified audit statement of revenues and expenditures to the chartering authority.

Responsibility for Debt: The governing body of a state-authorized charter school is responsible for debts. School districts do not have to assume the debts of a charter school unless it is part of an agreement or contract.

Ownership and Disposition of Assets: Charter schools can purchase, own and convey real property.

Unexpended Funds: Up to 10 percent of such funds can be used for next year’s expenses, and 5 percent can be used as a reserve to finance a specific capital or equipment purchase.

Teacher Retirement: Qualified school professionals may participate, and the charter school makes payments under the same terms and conditions as school districts will. About 75 percent of Connecticut charter schools participate.

Connecticut	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
1. Foundation allowance ^a		\$ 6,500		\$ 6,500		\$ 6,500
2. Special education ^b						
District provided	0	\$ -	12	\$ 1,000	24	\$ 2,000
State categorical		\$ -		\$ 85		\$ 170
3. Low income ^c	0	\$ -	24	\$ -	48	\$ -
4. Limited-English proficient ^d	0	\$ -	12	\$ 18	24	\$ 36
5. Student transportation ^e		\$ 380		\$ 380		\$ 380
6. Federal funding						
Title I		\$ -		\$ 123		\$ 246
Special education		\$ -		\$ 59		\$ 118
Bilingual and immigrant		\$ -		\$ 4		\$ 8
Other federal programs		\$ 58		\$ 58		\$ 58
Total revenue		\$ 6,938		\$ 8,227		\$ 9,516
Without special education		\$ 6,938		\$ 7,083		\$ 7,228

ASSUMPTIONS: Each school is sponsored by the state chartering authority. Basic elementary charter school enrolls only elementary students who generate no extra funds. Middle cost K-12 charter school has the same student population characteristics as the average Connecticut district. At-risk upper grade charter school has twice the concentration of special education and at-risk students as the state average.

^a Most special education costs are financed from general operating revenue (state special education aid averages about \$85 per pupil).

^b School districts either pay charter schools for the extra costs of special education or provide the services “in-kind.” Special education costs average 18 percent of spending in Connecticut. The estimated value of federal, state and district-provided special education is about 18 percent of expenditures.

^c Unlike school districts, state charter schools receive no funding adjustment for low income pupils.

^d \$150 per bilingual pupil when schools have more than 20 pupils needing a bilingual program.

^e Estimated state average cost per student enrolled (not per student transported) for 1998-99. Includes both state and local sources.

Delaware

Base Funding: Per-pupil funding is based on expenditures in the home districts of charter school students. Per-pupil revenue is calculated separately for regular and special education based on school district expenditures. The state funding formula assigns different unit amounts, usually teachers, to pupils of various grade levels and special education categories. It also provides differentiated funding based on staff experience and credentialing. Charter schools receive staff experience funding based on the characteristics of their own staff.

Funding Based on School District Characteristics: Charter school funding varies with school district spending. This small state relies heavily on state funding, so there is little variation in spending among school districts based on wealth, tax effort or geography. About 80 percent of school districts spend between \$8,730 and \$9,270 per pupil excluding federal funds, special education and other categorical programs.

Grade Level Funding: The formula contains very small adjustments for grade level cost differentials based on standardized pupil to teacher ratios. In effect, pupils in grades 1-3 receive 5 percent greater funding because one teacher is funded for every 19 students instead of one teacher for every 20 students. There is no adjustment for high school grades.

Special Education: Funding for special education is based on the average school district spending for special education students.

Limited-English Proficiency: No separate state funding provided.

Low-Income or Compensatory Education: Programs for compensatory education are rolled into the state aid formula, so there is no separate per-pupil funding for at-risk children. In effect, school districts receive district average funding regardless of their actual at-risk population.

State Categorical Aid: Charter schools are eligible to receive other state categorical aids as though they were school districts. These programs include the Delaware Mentor Teacher

Program and programs for gifted and talented children. Funding amounts to less than \$50 per child enrolled.

Transportation: Charter schools can elect to have the school district in which they are located provide transportation for students residing in the district. Families outside of the school district are responsible for transportation to a bus route within the district. Charter schools can also elect to provide transportation themselves, either directly or through a contract. Funding is provided up to the contracted amount as if the charter were a vocational school district (up to \$600-\$700 per pupil transported). If a charter school supplies the services directly, it is funded like a vocational school district and can keep any excess transportation revenue.

Capital Outlay Funding and Facilities Financing: None provided. The state's Minor Capital Improvement Fund expressly omits charter schools.

Timing of Payments: Charter schools get advance funding. Based on a student roster submitted in May, the state and district advance a portion of estimated revenue during the summer. The remaining funding is provided in the middle of the school year.

Uniform Financial Reporting: Charter school annual reports must follow a uniform format and contain information related to revenues, expenditures, assets and liabilities. Before a charter school can operate outside of the state's accounting, payroll, purchasing, compensation, pension and/or benefits systems, a specific memorandum of understanding has to be developed. One reason for this procedure is to ensure that the state's financial reporting requirements are satisfied.

Auditing Practice: The state auditor conducts annual financial audits of all charter schools just as it conducts audits on regular school districts. The state or the chartering agency can also conduct financial, programmatic or compliance audits of a charter school. In cooperation with the state education department, the chartering authority must conduct such audits at least every three years.

Responsibility for Debt: Charter schools can incur debt. Since charter school boards have the power of a local school board, they also bear responsibility for the debt.

Ownership and Disposition of Assets: Charter schools can acquire assets including real property. Assets revert to the state if a charter school closes.

Teacher Retirement: A charter school may choose to be covered by the state retirement system or choose another retirement system in lieu of the state retirement system. If the charter school chooses another retirement system, a memorandum of understanding must be executed. All charter schools in 1998-99 participated in the state retirement system.

Delaware	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment						
Basic 1 - 3	0		27		20	
Basic 4 - 6	60		27		21	
Basic 7 - 12	40		37		41	
EMH students	0		3		6	
SED students	0		3		6	
LD students	0		3		6	
Total FTE	100		100		100	
1. Base funding ^a						
State average teachers		\$ 8,844		\$ 8,992		\$ 9,277
Charter average teachers		\$ 8,635 ^b		\$ 8,777		\$ 9,048
Entry-level teachers		\$ 8,191		\$ 8,317		\$ 8,558
2. Special education ^c		\$ -		\$ -		\$ -
3. Low-income ^c		\$ -		\$ -		\$ -
4. Other state categorical ^d		\$ -		\$ -		\$ -
5. Transportation ^e		\$ 215		\$ 215		\$ 215
6. Federal funding						
Title I		\$ -		\$ 161		\$ 302
Special education		\$ -		\$ 52		\$ 104
Bilingual and immigrant		\$ -		\$ 6		\$ 12
Other federal programs		\$ 64		\$ 64		\$ 64
Total revenue ^a						
State average teachers		\$ 9,123		\$ 9,490		\$ 9,974
Charter average teachers		\$ 8,914		\$ 9,275		\$ 9,745
Entry-level teachers		\$ 8,470		\$ 8,815		\$ 9,255

ASSUMPTIONS: Basic elementary charter school has no at-risk or special needs pupils. Middle cost K-12 school has the same student characteristics as the average Delaware district. At-risk upper grade charter school has twice the concentration of special education and at-risk students as the Delaware average. All hypothetical charter schools are located in an average wealth and tax effort school district.

^a "State average" funds charter schools as if their staff had state average characteristics regarding experience and credentialing. "Charter average" reflects the lower experience and credential levels of current charter schools. "Entry-level" reflects funding for a school staffed entirely by entry-level personnel.

^b Represents a K-12 district with state average expenditures (80 percent of districts spend between \$8,636 to \$9,278), excluding special education and other categorical programs.

^c incorporated into base funding calculation.

^d Amounts total to less than \$50.

^e Assume that 33 students are transported at a cost of \$650 per pupil (see text).

District of Columbia

Base Funding and Grade Level Weights: Both the school district and a newly created public charter school board authorize charter schools. In concept, D.C. charter schools receive the average basic cost per pupil, adjusted for grade level. They also get their share of money for special needs pupils. As operationalized in 1998-99, charter schools receive a base funding per pupil of \$5,500 in grades 6-8. In grades K-5, students get 5 percent more, and in high school, students are weighted 20 percent more, or \$6,600. Charter schools with pre-kindergarten or preschool programs get 16 percent extra, and summer school programs could add another 10 percent. A majority of charter school funding came from “new money” in 1998-99, rather than diverting funds from other public schools. Local funding provided only \$12.2 million for charter schools in 1998-99. The U.S. Congress appropriated \$16.8 million to make up the shortfall.

Special Education and Limited-English Proficiency: Special education students are divided into four categories that generate extra funding:

	Weight	Per-pupil Supplement
Special Education		
Level 1	+0.22	\$1,210 All services in regular classroom
Level 2	+0.80	\$4,400 Student leaves classroom (less than 25% of day)
Level 3	+1.13	\$9,515 Student leaves classroom (more than 50% of day)
Level 4	+1.73	\$9,460 Self-contained classroom
Residential	+1.70	\$9,350 Student resides at school facility
LEP	+0.40	\$2,200

In 1997-98, D.C. public schools served only about 10 percent of students in special education programs, but the district has a reputation for procedural delays in assessing children—delays that can last for years. Eventually, the District expects about 14 percent of students to need special education services. Currently, special education accounts for 20 percent of the school district budget when special education transportation is included. The charter school weightings clearly reflect that the average special education student costs well over twice as much as the average regular student.

Categorical Programs: This concept is not applicable to D.C. because it is both a state education agency and a school district. To the extent that the central administration allocates categorical-type funding to individual schools, these monies are already averaged into charter school funding.

Low-Income Students: As with regular public schools, the income or poverty status of students is not a specifically identifiable factor in the charter school funding formula.

Transportation: Charter school students are entitled to transportation, including reduced fares on D.C. public transportation systems on the same basis as regular students. The D.C. transportation program is driven primarily by special education transportation, which accounts for 95 percent of expenditures.

Capital Finances: Charter schools in Washington, D.C., received a facilities allowance of \$617 per pupil in 1998-99. The funds can be spent for any purpose, not just for facilities. The facilities allowance for 1999-2000 increases to \$1,058 per pupil, approximately the average per-pupil capital expense in other public schools for the prior fiscal year. Almost all capital improvement programs in traditional District of Columbia public schools are devoted to the repair of leaky roofs, broken windows, lead paint and asbestos removal, poor lighting, inadequate heating, inoperable bathrooms and other repairs. Some charter schools occupy former district schools and are using facility funds for exactly the same purposes. Public schools already have excess property for sale, and many schools are underutilized. Charter school operators are allowed to purchase or lease (including lease with option to purchase) public school facilities at a 15 percent to 25 percent discount.

Federal Funds: The weighting system incorporates federal funding for special education and bilingual education. Charter schools get Title I funding from the D.C. public schools as if they were traditional public schools. For competitive federal grants, charter schools are treated like independent school districts.

Timing of Payments: Charter schools receive 75 percent of funding in October (the beginning of the federal fiscal year) based on initial enrollment. The other 25 percent is paid in the spring based on subsequent enrollment counts. Funding can decrease in the spring, but not increase. New schools can get a loan based on projections of the first payment.

Mandated Administrative Fees: Charter schools are required to pay for any mandated district-wide assessments. Both the D.C. school board and the public charter school board charge an administrative fee of 0.5 percent.

Uniform Financial Reporting: Required.

Auditing Practice: The school must undergo an independent financial audit using government auditing standards.

Responsibility for Debt and Ownership of Assets: As a nonprofit corporation, charter school governing boards own assets and are responsible for debt. The chartering authorities monitor the disposition of assets in the event of school closure.

Teacher Retirement: Only teachers who taught in other D.C. public schools are eligible to continue participation in the teacher retirement system. Otherwise, charter schools are not involved in the main D.C. public employee retirement systems.

Dist. of Columbia	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	Weight	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations							
Basic K-5	1.05	100	105.0	42	44.1	0	0.0
Basic 6-8	1.00	0	0.0	25	25.0	50	50.0
Basic 9-12	1.20	0	0.0	33	39.6	50	60.0
Special education level 1	0.22	0	0.0	3	0.7	6	1.3
Special education level 2	0.80	0	0.0	3	2.4	6	4.8
Special education level 3	1.13	0	0.0	2	2.3	4	4.5
Special education level 4	1.73	0	0.0	2	3.5	4	6.9
Limited-English proficient	0.40	0	0.0	4	1.6	8	3.2
Total weighted FTE			105.0		119.1		130.8
1. Local funding		\$ 5,775	\$ 5,500	\$ 6,549	\$ 5,500	\$ 7,192	\$ 5,500
2. Transportation ^a		\$ -		\$ -		\$ -	
3. Summer school ^b		\$ -		\$ -		\$ -	
4. Other state categorical ^c		\$ -		\$ -		\$ -	
5. Federal funding							
Title I		\$ -		\$ 268		\$ 335	
Special education		\$ -		d		d	
Other federal programs		\$ 134		\$ 134		\$ 134	
Bilingual and immigrant		\$ -		d		d	
Total revenue		\$ 5,909		\$ 6,951		\$ 7,661	
Facilities allowance		\$ 617		\$ 617		\$ 617	
Total revenue with facilities allowance		\$ 6,526		\$ 7,568		\$ 8,278	

ASSUMPTIONS: Each school has 100 students. Basic elementary charter school has no pupils generating program cost weightings. Middle cost K-12 charter school has the same student population as the average D.C. public school. At-risk upper grade charter school has twice the concentration of students at each special education level as the D.C. average, and all students qualify for federal Title I funding.

^a About 95 percent of transportation costs in D.C. are for special education.

^b Charter schools providing qualifying summer school programs get an extra 10 percent, or \$550.

^c Categorical-type funding to individual public schools is averaged into the per-pupil allocation for charter schools.

^d Federal special education funding incorporated into student weightings.

Florida

Base Funding: Although school districts authorize charter schools, Florida's charter schools tend to function independently. Charter school students generate revenue for their schools in almost the same way that students generate funding for their school district. In 1998-99, base student funding in grades 4 to 8 was approximately \$3,223 per student. An elaborate system of weighting for high-cost pupils raises base funding by an average of 30 percent to about \$4,200 per pupil. A cost-of-living differential ranges from 0.91 in counties with the lowest cost of living to 1.07 in high-cost counties.

Grade Level Funding: Compared to students in grades 4 to 8, students in grades 1 to 3 obtain 6 percent extra funding and high school students receive about 14 percent more funding.

Funding Based on School District Characteristics: The base funding formula for school districts accounts for declining enrollment, sparsity, cost-of-living and similar factors. These adjustments are passed on to charter schools.

Special Education: Special education students generate funding through the base funding formula in five categories ranging from nearly 35 percent more for mild exceptionalities to approximately 700 percent more for the most complicated special needs.

Categorical Programs: Charter schools are entitled to their share of state discretionary (including lottery funding) and categorical funds averaging about \$200 per pupil.

Limited-English Proficiency: LEP students generate 20 percent extra funding through the weighting system.

Low-Income Students: Not specifically accounted for in the weighting system.

Transportation: Charter schools are responsible for transportation within a reasonable distance of the school and must show that transportation is not a barrier to equal access. However, they do not necessarily have to provide transportation. Extra funding, averaging \$160 a student is available for this specific purpose under the same formula applicable to school districts. Charter schools may contract with the school district or private contractors.

Capital and Facilities Financing: Total school district capital spending from all state and local sources in Florida is about \$1,000 per pupil (14 percent of total). Some charter schools in Florida are housed in school district facilities; but since Florida is desperately short of classroom space, most charter schools find their own facilities. School districts are not required to share the proceeds of discretionary local tax levies raised for school construction. Significant, one-time capital funding has been available for established charter schools through Florida's School Infrastructure Thrift Fund (SIT).³ A district in which charter schools had been operating in non-district facilities for at least a year was eligible for one-time payments of \$5,800 (elementary) to \$8,800 (high school) per pupil attending the charter school.⁴ If the charter schools' enrollment grew, the district received additional payments corresponding to the enrollment increase. The state department of education requires districts and charter schools to submit a joint application for SIT funds, which has resulted in shared allocations. The percentage of SIT funds that districts share with charter schools ranges from 40 percent to 95 percent, with most districts splitting the funds evenly with their charter schools. SIT funds will be available until the one-time appropriation is exhausted, which could occur in 1999-2000.

The 1999 Florida Legislature established a separate capital outlay trust fund for charter schools with its own annual appropriation. Beginning in their third year of operation, charter schools that did not use SIT funding, receive the state's share of the 30-year amortized cost of a "student station" in annual installments. In 1998-99, that figure amounted to \$387 for each elementary school student, \$443 for each middle school student, and \$587 for each high school student. Charter schools can use capital outlay funds only for capital expenses.

Cash Flow Assistance: None available. School districts are not allowed to advance funds to charter schools. Some school districts require charter schools to secure a line of credit for start-up purposes before a charter is granted.

Administrative Fees: School districts can charge administrative fees of up to 5 percent, not to exceed the actual cost. Contract administration includes technical assistance, monitoring compliance, processing financial records, processing student records, special education administration, test administration and processing of staff certification records.

Uniform Financial Reporting: Beginning in 1997-98, charter schools were included in Florida's Program Cost Reports submitted by school districts to the state. Charter school information is prepared in the same format and submitted as a separate exhibit in school district audits. Both the Program Cost Report and school district audits are only available from local school districts, a practice which seriously compromises the usefulness of uniform reporting.

³ The program, funded by a one-time appropriation of \$200 million, rewards school districts for finding appropriate alternatives to building new facilities by paying them half of the cost of building a "student station." Charter schools that are not located in public facilities constitute one alternative to building a new facility.

⁴ The estimated per-pupil cost of a new school in 1998-99 was \$11,600 for elementary students and \$17,600 for high school students. SIT pays out half of the estimated cost.

Governmental Funds Accounting: Charter schools are required to use a governmental funds accounting model, and it is suggested that this model align with Florida’s “Red Book” accounts. Schools run by pre-existing nonprofit organizations may use the accounting model of the parent organization.

Auditing Practice: Independent financial audits are required and are paid for by charter schools. Charter schools operated by a pre-existing nonprofit organization can be audited as part of the organization’s financial statements.

Federal Funds Accounting: School districts are responsible for oversight and accounting. School districts can provide services directly to charter schools or provide the funding and require the charter school to account for funds as if the school district spent the money.

Responsibility for Debt: The governing body of charter schools is responsible for debt. School districts are prohibited from assuming the debts of charter schools.

Ownership and Disposition of Assets: Charter schools are required to keep property records that clearly distinguish between property purchased with government funds and other property. If a charter is not renewed or terminated, the public assets revert to the school district.

Teacher Retirement: Governing boards of charter schools may participate in the state teacher retirement system, but almost all have chosen not to do so.

Florida	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	Weight	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations							
Basic K-3	1.057	50	52.9	25	26.4	0	0.0
Basic 4-8	1.000	50	50.0	23	23.0	0	0.0
Basic 9-12	1.138	0	0.0	19	21.6	36	41.0
Exceptional level 1	1.341	0	0.0	11	14.8	22	29.5
Exceptional level 2	2.072	0	0.0	5	10.4	10	20.7
Exceptional level 3	3.287	0	0.0	2	6.6	4	13.1
Exceptional level 4	4.100	0	0.0	1	4.1	1	4.1
Exceptional level 5	6.860	0	0.0	1	6.9	1	6.9
Dropout prevention	1.399	0	0.0	4	5.6	8	11.2
Ed alternatives 9-12	1.138	0	0.0	1	1.1	2	2.3
ESOL	1.201	0	0.0	4	4.8	8	9.6
Voc-Ed 6-12	1.240	0	0.0	4	5.0	8	9.9
Total		100	102.9	100	130.2	100	148.3
1. State and local base funding		\$ 3,315	\$ 3,223	\$ 4,196	\$ 3,223	\$ 4,780	\$ 3,223
District cost differential ^a		x 1.00		x 1.00		x 1.05	
Adjusted for cost differential		\$ 3,315		\$ 4,196		\$ 5,018	
2. Other equalized funding							
Discretionary lottery		\$ 62		\$ 78		\$ 89	
Program related ^b		\$ 27		\$ 34		\$ 39	
All other		\$ 29		\$ 37		\$ 42	
3. Categorical aid							
Instructional materials		\$ 78		\$ 78		\$ 78	
Public school technology		\$ 34		\$ 34		\$ 34	
Student transportation ^c		\$ 160		\$ 160		\$ 160	
Other state categorical ^d		\$ 85		\$ 85		\$ 85	
4. Federal funding							
Title I		\$ -		\$ 137		\$ 264	
Special education		\$ -		\$ 58		\$ 116	
Other federal programs		\$ 54		\$ 54		\$ 54	
Bilingual and immigrant		\$ -		\$ 7		\$ 14	
Total revenue		\$ 3,843		\$ 4,958		\$ 5,993	

ASSUMPTIONS: Each school has 100 students. Basic elementary charter school has no pupils generating program cost weightings. Middle cost K-12 charter school has the same student population as the average Florida district. At-risk upper grade charter school has twice the state average concentration of students generating program weightings.

^a District cost differential corresponds to the cost of living and ranges from .91 to 1.07.

^b Charter school must provide qualifying programs. Includes safe schools, dropout prevention and remediation.

^c Average state aid per pupil. Actual amount is determined by formula. Cost probably exceeds aid.

^d Florida state average assumed for each charter school. Must have qualifying programs.

Georgia

Base Funding: School districts authorize and fund charter schools. Support includes transportation and capital when feasible. A pupil weighting system drives the school district funding formula. Funding for charter schools is not required to follow exactly the state funding formula for school districts.⁵

Grade Level Funding: The formula uses high school general education as a base and offers slightly higher weights (about 1.02 or 2 percent extra) for grades 4-8. Grades K-3 have larger weights (1.34 for FTE kindergarten students and 1.26 for grades 1-3). Categorical programs that only serve particular grade levels add to grade level differences.

Special Education: The pupil weighting system ranges from 2.2 (120 percent more funding) to 5.3 for the more severely handicapped children. Districts are under no requirement to pass along the exact amount of extra funding to charter schools, but they are required to fund charter schools with special education needs as they would any other school.

Gifted and Talented: As part of the pupil weighting system, these students are weighted at 1.6 and generate 60 percent extra funding.

Limited-English Proficiency: This categorical program is less than 1 percent of total state aid. In Atlanta in 1999, LEP funding generated \$16 per pupil enrolled (not pupils receiving services).

⁵ Rather than calculate funding estimates from the formula for school districts, the following table is based on state aid allotments from the state funding formula for 1998-99. These amounts incorporate the locally funded part of the allotment called "fair share." Based on data from Georgia's Financial Data Collection System, an estimate of additional local revenue is derived. It is assumed that the proportion of local to state revenue is the same in 1998-99 as in 1996-97. The school finance office of the Georgia Department of Education adjusted the special education numbers for Atlanta.

Compensatory Education: A weight for remedial education in the base funding formula helps fund programs for students performing below benchmarks on standardized tests. In addition, there is a compensatory education program for students in grades K-5 who have developmental lags. Charter schools should receive funds for qualifying students.

Other State Categorical Programs: A charter school is eligible to receive other aid, grants and revenue on the same basis as any other school. Programs include professional development (\$30 to \$50 per pupil) and media centers (\$135 to \$150 per pupil).

Transportation: To the extent feasible, school districts are obligated to provide charter school transportation. In the estimate in the accompanying table, the school district is assumed to spend its average per-pupil transportation revenue on the charter students.

State Start-Up Assistance: None available.

Capital Outlay and Facilities Funding: Charter schools are not guaranteed a separate flow of capital funding. School districts are, however, obligated to share capital funding when possible. Given that almost all charter schools use preexisting school district buildings, facilities have not been a major issue.

Timing of Payments: Charter schools receive funding on the same schedule as other schools in their district.

Uniform Financial Reporting: Not required. Financial reporting requirements are determined in the charter agreement.

Auditing Practice: Blended with school district, although a charter agreement could contain a provision for an independent financial audit.

Responsibility for Debt: In practice, school districts are assumed to be responsible for debt, although this issue is not addressed specifically in the law.

Ownership and Disposition of Assets: Not specifically addressed in law or regulation. In the event of a charter school failure, it is assumed that assets revert back to the district.

Unexpended Funds: Charter schools can carry fund balances from year to year if the school district chooses to allocate funds in this manner.

Teacher Retirement: All charter schools currently participate in the state teacher retirement system, but participation is not mandatory. Charter school teachers employed by a local school board are eligible. Charter schools contracted to private management will probably be allowed to opt out.

Georgia	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
1. Formula funding ^a						
Grades 1-3	60	\$ 2,315	19	\$ 733	0	\$ -
Grades 4-5	40	\$ 1,168	13	\$ 380	0	\$ -
Grades 6-8	0	\$ -	19	\$ 574	0	\$ -
Grades 9-12	0	\$ -	25	\$ 749	52	\$ 2,950
Special education level 1	0	\$ -	1	\$ 80	2	\$ 303
Special education level 2	0	\$ -	3	\$ 288	6	\$ 1,092
Special education level 3	0	\$ -	5	\$ 627	10	\$ 2,377
Remedial	0	\$ -	9	\$ 373	30	\$ 2,110
Gifted	0	\$ -	6	\$ 314	0	\$ -
2. Categorical funding ^b						
Middle school		\$ -		\$ 64		\$ -
Special assistance		\$ -		\$ 153		\$ -
Media center		\$ 95		\$ 95		\$ 98
Staff development		\$ 27		\$ 27		\$ 26
In-school suspension		\$ 25		\$ 25		\$ 21
Limited-English proficiency		\$ -		\$ 5		\$ 22
Grade 4-5 counselors		\$ 68		\$ 68		\$ -
Technology training		\$ 8		\$ 8		\$ 9
3. Transportation		\$ 187		\$ 167		\$ 54
4. Federal funding						
Title I		\$ -		\$ 135		\$ 270
Special education		\$ -		\$ 39		\$ 2
Bilingual and immigrant		\$ -		\$ 1		\$ 78
Other federal programs		\$ 52		\$ 52		\$ 52
Total revenue	100	\$ 3,925	100	\$ 4,957	100	\$ 9,464

ASSUMPTIONS: Basic elementary charter school enrolls only elementary students who generate no extra funds. Middle cost K-12 charter school has the same student population characteristics as the average Georgia district. Basic and middle cost schools are located in Pickens, an average spending school district. At-risk upper grade school has twice the number of special education and at-risk students as the state average and is located in Atlanta.

^a Estimates use per pupil revenues rather than formula funding calculations. Local revenues are included and total revenues are extrapolated from state allotments. See text for details.

^b Categorical aids based on average amount per pupil enrolled, not served in a program.

Hawaii

Base Funding: Similar to the District of Columbia, Hawaii has a single statewide school system. Charter schools receive funding equivalent to other public schools. No constitutionally or legislatively prescribed formula allocates funding to any district schools. The state board of education has no independent authority to raise funds or borrow money, which all come through the state legislature. Historically, the budgetary process has been a top-down, tri-level process. Legislation in 1994 shifted more authority for programs, curriculum and educational needs to the school level, and charter school legislation is one component of this shift. The original charter school legislation specified that each school should receive the statewide per-pupil (ADA) expenditure, listed as \$5,400 in the legislation. However, the \$5,400 figure was probably incorrect and contained legally restricted state and federal funding such as federal programs for low-income students, children with disabilities, and school lunch funds. In practice, Hawaii's two charter schools get funding equivalent to other schools similarly situated.

Central Administration: Central administration costs (not to exceed 6.5 percent of the board of education budget) are funded by a separate appropriation. Like other public schools, charter schools do not include any of this appropriation in the local school budget.

Special Education: For special education students, charter schools should receive the same supplemental funding or services as other public schools. The state spends about \$4,000 per special education student (averaging \$300 per enrolled student); and only 7.5 percent of students are identified as students with disabilities.

Compensatory Education and Bilingual Education: Programs for these students average about \$100 per member. A program for low-achieving schools also exists.

Transportation: Only about 5 percent of Hawaii's students are transported, most for special education purposes. Transportation is provided directly by the state, not through the board of education and averages about \$130 per student (not user).

Capital Outlay and Facilities Financing: All charter schools are conversion schools. All school building and capital improvement projects in Hawaii are financed with cash and must be approved by the legislature as part of the state's capital improvement appropriations bill. In 1993-94, capital spending averaged about \$500 per student (Thompson, 1995).

State Start-Up Assistance: None.

Uniform Financial Reporting and Auditing Practice: Same system as other public schools.

Responsibility for Debt: No debt allowed. Even the board of education cannot hold debt.

Ownership of Assets: Facilities and assets belong to the state of Hawaii as do school facilities for regular schools.

Unexpended Funds: All unexpended funds revert to the central budget at the conclusion of the fiscal year.

Teacher Retirement: Same employee retirement systems as all public school employees.

Hawaii	Basic Elementary Charter School		Middle Cost Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
FTE enrollment						
Grades K-5	100		100		0	
Grades 9-12	0		0		100	
Special education	2		8		11	
Summary of total spending						
General		\$ 2,733		\$ 3,213		\$ 3,793
Special funds ^a		\$ 49		\$ 28		\$ 183
Central administration ^b		\$ 260		\$ 260		\$ 260
Transportation ^c		\$ -		\$ -		\$ -
Federal funding ^d						
Title 1		\$ -		\$ 96		\$ 192
Special education		\$ -		\$ 32		\$ 64
Other federal programs		\$ 32		\$ 57		\$ 57
Bilingual and immigrant		\$ -		\$ 6		\$ 12
Total revenue		\$ 3,073		\$ 3,692		\$ 4,561

ASSUMPTIONS: Each school has 100 students. Data are reflective of 1997-98 school year. Basic elementary charter school (modeled after Waialae charter school) enrolls few special education students and does not qualify for Title I funding. Middle charter school (modeled after Lanikai charter school) is an elementary school with a special education population matching the Hawaiian average and gets Title I funding. At-risk upper grade charter school (modeled after a regular high school in Honolulu) has a high special education population and is assumed to receive twice the state average Title I allocation.

^a Excludes restricted federal and state categorical funds.

^b Estimated central administration costs per pupil in the state.

^c Approximately 95 percent of Hawaiian students do not receive transportation services.

^d Based on methodology applied to all other states. Current charter schools do not have Title I programs and do not get federal funding in the amounts listed in the table.

Illinois

In 1997-98, six of the seven operating charter schools were located in Chicago. While funding generally flows through local school districts, new legislation in 1998 allows rejected applicants to appeal to the state board of education, and if approved by the state board, funding is deducted from state aid payments to the host school districts.

Base Funding: School districts pay charter schools 75 percent to 125 percent of the school district’s “per-capita tuition.” The specific amount within that range is specified in the contract.⁶ Per-capita tuition, a very specific calculation uniquely derived from each school district’s annual financial report, represents the cost of education for a regular student averaged across all grade levels. Charter schools aside, per-capita tuition plays a key role in special education funding when students are served by another school district. The tuition calculation starts with total district expenditures and then subtracts about 100 specific expenditure or revenue items, including revenue from other districts, adult education, preschool, most state categorical aid, special education, federal funding, community services, school lunch, capital expenditures, debt costs, student activities, local fees and revenues, and transportation.

Grade Level Funding: The general state aid formula for school districts gives students in middle schools 10 percent more funding; and in grades 9 to 12, students garner 30 percent more aid. Grade level weights are not a factor in the charter school tuition calculation. The absence of grade level funding adjustments could lead to overfunding elementary charter schools and underfunding charter high schools if both elementary and charter high schools receive the same funding—as in Chicago in 1997-98. A system of separate K-8 elementary

⁶ The initial charter school legislation called for funding in the range of 95 percent to 105 percent of per-capita tuition. Chicago interpreted the law as allowing differential funding for different types of students. In particular, Chicago withheld special education funds. The most recent legislation expanded the range from 75 percent to 125 percent, which allows greater funding for specialized charter schools serving more costly students.

and 9-12 high school districts exists in many parts of the state, which renders grade level weights irrelevant in those districts. The 75 percent to 125 percent range of funding flexibility could be used by K-12 unit districts to differentiate between elementary and high schools, or provide more funding for specialized schools whose higher costs may not be fully funded by state and federal categorical programs.

Funding Based on School District Characteristics: Despite an equalization formula that substantially improved in 1997, Illinois is a state with major spending inequities based on property wealth and tax effort. High-spending wealthy school districts generate more funding for all their students, including those in charter schools, than impoverished school districts generate. In 1998-99, per-capita tuition averaged about \$5,500 in elementary districts, \$4,900 in K-12 districts, and \$8,900 in high school districts. The lowest per-capita tuition in Illinois is about \$3,000 in elementary districts, \$3,300 in K-12 districts, and \$4,500 in high school districts. The highest per-capita tuition in Illinois is about \$18,000 in an elementary district, about \$10,000 in a K-12 district, and \$16,000 in a high school district.

Special Education: The contract between a charter school and the school district delineates special education funding and services. Chicago generally retains all special education services and centrally funds and provides personnel and resources to charter schools as needed. After consultation with the school district and the families involved, charter schools may choose not to serve individual special education students at that school if it cannot accommodate their needs consistent with the charter. However, enrollment cannot be denied based on disability.

Transportation: The charter school proposal must delineate plans for transportation of low-income and at-risk students, but otherwise charter schools are not required to provide transportation. The local school district is not required to provide transportation other than services similarly provided to nonpublic school students, unless it agrees to provide it as part of the charter agreement. State transportation aid for school districts amounts to about \$95 per pupil (averaged over all pupils, not pupils transported) and is allocated through an equalization formula.

Categorical Programs: Charter schools are entitled to their proportionate amount of federal and state categorical funding available for eligible students who enroll in the charter school. Averaged across all students enrolled, categorical aid amounts to about \$150 per pupil.

Limited-English Proficiency: Regular schools with more than 20 LEP students are required to have a bilingual program. Chicago allocates about \$450 in state funds per qualifying bilingual education pupil in charter schools.

Low-Income Students: Supplemental general state aid (also known as state Chapter 1 funding) provides substantial extra resources for schools with low-income students. Charter schools in Chicago get \$767 from these funds for each low-income student. Approximately 80 percent of Chicago students qualify.

Capital Outlay and Facilities Assistance: None provided in FY 1999. The Illinois Facilities Fund (IFF), a nonprofit community development loan institution, works with nonprofit organizations statewide to address capital needs.

Federal Funds: School districts are required to allocate a portion of their federal dollars to charter schools on the same basis that a district allocates federal aid to other district schools.

State Start-Up Assistance: The charter school law authorizes a \$500,000 revolving loan fund. On its own, the Chicago school district established a \$2 million revolving loan fund administered through the IFF.

Timing of Payments: School districts must pay tuition funds in four equal quarterly payments beginning no later than July 1. By Oct. 1, charter schools have received half of their base funding.

Financial Reporting: Independent annual financial audits are required. Other financial reporting is blended with school district reporting.

Debt Acquisition and Responsibility for Debt: The nonprofit corporation that runs a charter school is allowed to incur debt and is responsible for paying off the school's debt to the extent possible. The district is not responsible for any debt incurred by the charter school.

Ownership and Disposition of Assets: In the event of closure, a charter school would also be required to refund to the local school board any unspent funds received from the board. The law is silent with respect to the ownership of property paid for with public funds.

Teacher Retirement: Personnel certified in Illinois, including administrators, must participate in teacher retirement plans. Charter schools do not have to pay pension pickups in school district labor contracts (Chicago, for example, picks up 7 percent of the 8 percent employee contribution). Like school districts in Illinois, charter schools pay only the Medicare portion of Social Security for employees already participating in state retirement systems.

Illinois	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
1. Tuition per FTE member	100	\$ 4,900 ^a	100	\$ 4,900 ^b	100	\$ 4,200 ^c
State Chapter 1 (low income) ^d		na		na	100	\$ 767
Total tuition		\$ 4,900		\$ 4,900		\$ 4,967
2. Special education ^e	0	\$ -	12	\$ 600	24	\$ 1,200
3. LEP/bilingual ^f	0	\$ -	8	\$ 36	15	\$ 68
4. Other state categorical ^g		\$ 150		\$ 150		\$ 150
5. Transportation		\$ -		\$ -		\$ -
4. Federal funding						
Title I		\$ -		\$ 161		\$ 302
Special education		\$ -		\$ 52		\$ 104
Bilingual and immigrant		\$ -		\$ 6		\$ 12
Other federal programs		\$ 64		\$ 64		\$ 64
Total revenue (100% funding)		\$ 5,114		\$ 5,969		\$ 6,867
Without special education				\$ 5,317		\$ 5,563

ASSUMPTIONS: Basic elementary charter school enrolls only students who are not at risk and have no special needs. Middle cost K-12 charter school has the same student characteristics as the average Illinois district. At-risk upper grade charter school is in Chicago with twice the concentration of special education students as the Illinois average, and all students qualify for state Chapter 1 (low income). ADA is assumed to average 95 percent in the basic and middle cost charter schools and 90 percent in the at-risk school.

^a Column represents a K-12 district with state average per capita tuition (elementary districts average a per-capita tuition of about \$5,500).

^b Column represents typical K-12 district.

^c Column represents funding for a typical charter school in Chicago. The highest per capita tuition in an Illinois high school district is \$16,000.

^d Also called supplemental general state aid, the state low income weighting applies primarily to Chicago, where the low-income weighting is treated as a separate component of the tuition calculation for charter school funding.

^e Assumed that school districts either pay charter schools for the extra costs of special education or provide the services in-kind. The estimated value for the middle cost school is about 10 percent of the state average operating cost. In the at-risk school, the estimated value is about 20 percent of operating costs.

^f \$423 per bilingual pupil when schools have more than 20 pupils needing a bilingual program.

^g Estimated state average of major categorical programs not otherwise listed in table.

Kansas

School districts approve charter schools. The state board also approves each charter, which allows the board to approve specific waivers from state regulations. The three-year federal charter school grant played a strong role in developing the current 15 charter schools, the maximum allowed by state law. None of the big cities in Kansas has charter schools. Enrollment in school districts with charter schools ranges from 700 to 5,000 students. About half of the charter schools enroll students from nearby cooperating school districts. Regional service centers helped develop about half of the charter schools. Six of the 15 schools serve at-risk high school students.

Base Funding: Charter school funding flows through the school district in an amount determined in conjunction with the district. This section describes how students generate funding for school districts, not the funding entitlement for charter schools. The ability of school districts to support charter schools varies widely; big differences in per-pupil spending exist from one district to another. Operating expenditures average about \$4,700 per pupil, but the high-cost structures of small, rural districts add to expenditure variation. Among the 15 districts hosting charter schools, per-pupil operating expenditures range from about \$4,000 to nearly \$6,000, with the typical district spending about \$4,800. Districts with the lowest enrollment spend the most, and big cities spend substantially less than the state average.

A system of pupil weights leads to much of the dispersion in the basic spending guarantee.

Transportation	Based on density and cost analysis.
Low-enrollment	For districts with fewer than 1,750 students. Linear transition schedule based on historical costs of districts of fewer than 100 students with declining weights as district size increases. The weight for a 1,200-student school is about 0.15 or 15 percent extra funding. The minimum weight or “correlation adjustment” is 0.054 and applies to all school districts.
Vocational	0.50 extra FTE
Bilingual	0.20 extra FTE
At-risk	0.08 extra FTE
New facilities	0.25 first two years students are in a new facility.

School districts may adopt local option budgets adding up to 25 percent of base funding, some of it matched with state aid. School districts with local option budgets tend to be larger ones with below average spending levels.

Special Education: No specific formula guarantees a charter school's special education funding. State categorical aid funds approximately 80 percent of added costs for special education.

Low-Income and Bilingual Education: Low-income and bilingual students get extra weights in the general state aid formula as specified above.

Categorical Aid: Two small categorical programs, which are awarded to host districts and should get to charter schools, are: (1) in-service grants averaging about \$5 per pupil, and (2) educational excellence grants awarded on a competitive basis that average about \$3 per pupil statewide.

Transportation: School districts in which a charter school operates must provide transportation for pupils who qualify for free meals under the national school lunch act and who live at least 2.5 miles from the school. State transportation aid is part of the equalization formula described above.

Capital Outlay and Facilities Financing: Charter schools are generally housed in existing public school facilities.

State Start-Up Assistance: None.

Uniform Financial Reporting: Part of school district financial reporting, so it is not possible to separate charter schools from spending by other schools in the district.

Auditing Practice: Charter specifies manner in which annual financial audits will be conducted. At a minimum, charter schools are a component of the school district independent financial audit, which may or may not separately report the financial results of a charter school.

Ownership of Assets and Responsibility for Debt: No debt allowed because school districts are not allowed to incur debt except for repayment of bonds. School district owns all assets.

Teacher Retirement: All employees who are participating in the operation of a charter school and who qualify for membership in the Kansas public employees retirement system remain members of the system. Currently, all Kansas charter schools participate. However, if a charter school is deemed not to be an instrumentality of the government—perhaps through a private management contract—participation may not be mandatory.

Kansas	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	(Weight)	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations							
Basic K-12	1.00	100	100.0	100	100.0	100	100.0
Transportation	^a	35	5.8	35	5.8	0	0.0
Low-enrollment	^b	na	15.0	na	15.0	na	5.4
Bilingual	0.20	0	0.0	3	0.6	6	1.2
At-risk	0.08	0	0.0	32	2.6	64	5.1
Vocational	0.50	0	0.0	4	2.0	8	4.0
New facilities	0.25	0	0.0	0	0.0	0	0.0
Total weighted FTE			120.8		126.0		115.7
1. Base state and local funding		\$ 4,494	\$ 3,720 ^c	\$ 4,686	\$ 3,720	\$ 4,305	\$ 3,720 ^d
2. Special education categorical ^e		\$ -		\$ 281		\$ 517	
3. Other state categorical ^f		\$ 8		\$ 8		\$ 8	
4. Federal funding							
Title I		\$ -		\$ 113		\$ 226	
Special education		\$ -		\$ 46		\$ 92	
Bilingual and immigrant		\$ -		\$ 3		\$ 6	
Other federal programs		\$ 54		\$ 54		\$ 54	
Total revenue		\$ 4,556		\$ 5,191		\$ 5,207	

ASSUMPTIONS: Each school has 100 students. Basic elementary charter school has no pupils generating weightings except for low enrollment and transportation. Middle cost K-12 charter school has the same student population as the average Kansas public school. At-risk upper grade charter school has twice the concentration of at-risk, bilingual and vocational students as the Kansas average and is located in Wichita.

^a Based on \$618 per student transported.

^b Represents the weight for a 1,200 student district except the urban district, which has the minimum weight.

^c Represents basic elementary charter school in average district. Lowest spending district with a charter school averages \$4,100 per unweighted pupil.

^d Represents at-risk school in Wichita. Highest spending district with a charter school averages \$5,700 per pupil.

^e Estimated at 6 percent of general operating revenue.

^f In service and educational excellence grants.

Louisiana

Base Funding: Of the four types of Louisiana charter schools, school districts authorize three.⁷ District-authorized schools receive a per-pupil amount based on the average revenue of the authorizing district excluding capital funding.⁸ Grade level funding and weighted funding based on various student characteristics are part of the funding calculation for school districts but not charter schools. The weighting system for school districts includes adjustments for at-risk students, vocational education, special education, gifted and talented, and a weight for smaller districts to offset their loss of economies of scale. The total school district revenue produced by the weighted formula is then used to calculate an *average* student revenue amount for charter schools.⁹ Each student brings to a charter school the average revenue of the school district rather than the funding actually generated by the student. A state-authorized school (Type 2) receives all of its funds directly from the state, but it generally mirrors the amount of funding for Type 1, 3 and 4 schools.¹⁰

Geographic Adjustments: School districts with fewer than 5,000 students receive an economy-of-scale adjustment. The maximum adjustment generates 12.5 percent more revenue per pupil and is calculated by taking the difference between district enrollments

⁷Type 1 charters result from an agreement between a nonprofit corporation and a local school board. Type 2 charters result from an agreement between a nonprofit corporation and the state board of elementary and secondary education. Type 3 is a conversion school that is the result of an agreement between a local board and a nonprofit corporation. Type 4 is a conversion school resulting from an agreement between a local board and the state board.

⁸Louisiana law states that schools of Types 1, 3 and 4 receive “an amount for each pupil based on average daily membership in the charter school that is equal to the average current operating expenditure per pupil received by the local school board pursuant to the most recent legislative approved minimum foundation program formula, including appropriate weighted factors.”

⁹The range of basic revenue available to charter schools varies substantially. Using 1997 data, St. Landry Parish ranked at the lower end (approximately 10th percentile of parishes). Its average funding was \$3,870 per pupil. Red River was ranked as a middle range parish, with revenue of \$4,395. Ascension was ranked as a high revenue parish (approximately 90th percentile), with revenue of \$5,088.

¹⁰These funds come from a separate state appropriation and are not billed back to the district. However, the state recoups most of this funding because charter school students no longer count as funded students in the parish.

and the 5,000 student ceiling.¹¹ Organized on a parish (county) basis, few school districts qualify for the economy-of-scale adjustment.

Special Education Revenue: The law reads: “For each pupil who is entitled to special education services, the state and federal funds for special education for that pupil that would have been apportioned for that pupil to the school system shall be apportioned to the charter schools.” In practice, charter school special education students do not directly receive the funds commensurate to the state weighting. Instead those funds are incorporated into the per-pupil *average* revenue calculation used to fund each charter school student. A charter school with a similar percentage of special education students as the district would receive similar state special education funding.

At-Risk Student Funding: School districts obtain a 0.17 additional funding weight (17 percent more) for at-risk students. Folded into the average revenue calculation, the extra funds do not specifically follow children to charter schools. Louisiana, however, requires that the proportion of at-risk students in charter schools be at least 85 percent of the proportion of at-risk students in the district. As a consequence, charter school funding based on average revenue includes at-risk funding that is somewhat the same as the school’s at-risk population. A charter school with very high concentrations of at-risk students, however, does not receive the at-risk funding generated for the school districts by its students.

Gifted and Talented: The funding weight of 0.68 for gifted and talented children generates extra funding for school districts, but gifted charter school students do not bring this revenue with them since charter school funding already incorporates the average amount of all revenues in the school district.

Other State Categorical Aid: Charter schools can apply for any state funds that other public schools apply for. In the competitive grant category, district-authorized charter schools submit applications through the school district.

Transportation: School districts pay for transportation from general operating funds, so revenues typically used by districts for transportation are included in charter school funding. Charter schools routinely contract with the local school district for transportation. They are under no mandate, however, to supply transportation with the exception of special education.

State Start-Up Assistance: A revolving loan fund allows charter schools to borrow up to \$100,000 interest free. These funds must be paid back over three years. No charter school has applied for funding. The contractor that manages the fund requires financial statements from charter school board members, and collateral for loans made for repairs.

¹¹ If the district had 1,000 students, then the difference from the 5,000 ceiling is 4,000. Dividing 4,000 by a constant of 40,000 equals 0.10 or a 10 percent added weight.

Capital Outlay and Facilities Financing: Use of pre-existing public school facilities may be negotiated with the local school board. Only five schools were using such facilities in 1998-99.

Federal Funds: Charter schools are not school districts for purposes of federal funding, but the state works to ensure that charter schools receive their share of federal funding through school districts.

Timing of Payments: Charter schools receive their enrollment-based funds in July, with a projection governing the precise amount paid. In the subsequent winter, funding is adjusted based on actual pupil counts.

Uniform Financial Reporting: Charter schools need to complete the standard annual financial report (AFR). Even district-authorized charter schools file a separate AFR, a practice put into place by the state department of education.

Independent Financial Audit: The state department of education audits district-sponsored charter schools as an entity of the school district. An annual independent financial audit is required of state-authorized charter schools.

Responsibility for Debt: The law is silent on this issue.

Ownership and Disposition of Assets: The charter document makes provisions for the disposition of assets. For state-authorized charter schools, assets purchased with state funds revert to the state.

Unexpended Funds: State-authorized charter schools are able to build fund balances. Unexpended funds in the other types of charter schools revert to the district unless an exception is made in the charter.

Teacher Retirement: Employees on leave from school districts must be allowed to maintain their status in their retirement system. Otherwise, charter schools can provide another retirement option. Only one charter school has exercised the alternative retirement option.

Louisiana	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	Weight	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations							
Basic K-12 ^a	1.00	100	100.0	100	100.0	100	100.0
Special education ^b	1.50	0	0.0	11	16.5	22	33.0
At-risk	0.17	44	7.5	52	8.8	78	13.3
Gifted and talented	0.60	0	0.0	3	1.8	0	0.0
Small district weight ^c	na	0	0.0	0	0.0	0	0.0
Total weighted FTE			107.5		127.1		146.3
Total FTE enrollment		100		100		100	
1. Base funding ^d		\$ 4,527		\$ 4,527		\$ 4,422	
2. Special education ^e		\$ -		\$ -		\$ -	
3. At-risk ^e		\$ -		\$ -		\$ -	
4. Limited-English proficient ^e		\$ -		\$ -		\$ -	
5. Other state categorical ^e		\$ -		\$ -		\$ -	
6. Student transportation ^e		\$ -		\$ -		\$ -	
7. Federal funding							
Title I		\$ 238		\$ 238		\$ 476	
Special education		\$ -		\$ 45		\$ 90	
Bilingual and immigrant		\$ -		\$ 3		\$ 6	
Other federal programs		\$ 74		\$ 74		\$ 74	
Total revenue		\$ 4,839		\$ 4,887		\$ 5,068	

ASSUMPTIONS: Each school has 100 students. Basic elementary charter school enrolls 44 at-risk students (mandated minimum of 85 percent of district average) but no other students with special needs. Middle cost K-12 charter school has the same student population characteristics as the average Louisiana district. The basic and average schools rely on 1997-98 revenue estimates for Red River Parish (increased by an estimated 3 percent to reflect 1998-99 revenue). At-risk upper grade charter school has twice the concentration of special education and at-risk students as the Louisiana average and the same average revenue as Orleans Parish.

^a The weighted FTE calculation shows how Louisiana charter schools generate revenue for a school district. However, average school district revenue per FTE is the basis for funding charter schools, not the pupil weighting system.

^b All special education students are weighted the same.

^c Applies only to a few parishes with fewer than 5,000 students.

^d Based on estimated average school district expenditures for 1998-99. The lowest expenditure for a school district is about \$3,840 in Acadia Parish and the highest is \$5,600 in Cameron Parish.

^e Funding is incorporated into average cost based on characteristics of the school district. Funding for grade level cost differences, special education, at-risk programs, transportation and other programs is effectively equivalent to the school district average no matter what special needs students enroll in charter schools.

Massachusetts

There are two types of charter schools in Massachusetts. Chartered by the state board of education, the independent “commonwealth” charter schools receive “tuition” based on average school district spending that follows pupils from their district of residence. “Horace Mann” charter schools chartered by the state but must be approved by a local school committee, the local teacher’s union president and the state board of education. Horace Mann charter schools are exempt from state rules and regulations to the same extent as commonwealth charter schools. Horace Mann charter schools may also be exempt from local collective bargaining agreements, provided that employees of the charter school remain members of the collective bargaining unit, continue to accrue seniority and receive, at a minimum, the salary and benefits established by the local collective bargaining agreement.

Commonwealth Charter Schools

Base Funding: Charter schools get “tuition” for enrollees that is uniquely calculated for each “sending” school district (i.e., the school district in which the student resides). Some charter schools enroll students from as many as 20 school districts. For students residing in school districts above the foundation budget (high-spending ones), the tuition is the lower of the sending district’s tuition or the tuition of the district in which the charter school is physically located.

Although the legislation simply calls for charter schools to get the average cost per student, administrative rules carefully define costs included in the tuition calculation. Excluded costs are ones charter schools do not normally incur. Based on school district budgets included in the year-end annual financial report, the following types of costs are excluded: (1) transportation, (2) community service and adult education, (3) long-term debt service for construction financed by the State Building Assistance Bureau, (4) most programs with other school districts and private schools, (5) special education costs involving private school placements, hospital teaching and preschool programs, (6) school lunch and (7) federal programs.

Funding Based on School District Characteristics: Despite an equalization formula, Massachusetts has substantial spending inequities based on property wealth and tax effort. High-spending wealthy districts generate more funding for charter schools than poor school districts. In addition, charter schools inherit most of the funding that goes with the enrollment characteristics of the sending school districts whether or not the charter schools have the same kind of enrollment. These categories include: (1) preschool, (2) kindergarten, (3) elementary, (4) middle school, (5) high school, (6) special education, (7) bilingual, (8) vocational and (9) low-income. State foundation funding also contains a factor intended to compensate for the difference in wage levels around the state. As described below, some kinds of special education and preschool spending are subtracted from the tuition calculation.

Grade Level Funding Adjustments: Although school districts generate funding based on grade level, charter school funding does not distinguish between grades. Some evidence indicates that charter high schools or middle schools may be underfunded compared to regular high schools and elementary charter schools. In six cities studied by KPMG-Peat Marwick (1998), high schools spent between \$500 (Worcester) and \$1,500 (Springfield and Lawrence) more per pupil at the high school level. The state has chartered schools in a way that ensures a balance among elementary and high school charter schools, thus minimizing the impact of the incentive to operate elementary charter schools.

School District Transition Aid: To help ease the financial loss of enrollment shifts to charter schools, and to assist school districts in paying charter school tuition for students who had been in private schools, school districts are partially “reimbursed” for tuition increases. “Tuition increase” is the aggregate increase in tuition generated by all students attending charter schools. The reimbursement is 100 percent during the first year in which the increase occurs, 60 percent in the second year, and 40 percent in the third year. This transition aid amounted to more than \$2,000 per enrolled charter school pupil in 1998-99.

Special Education: Except for federal funding, the cost of private placements for severely handicapped students, hospital teaching and special education preschool, all of the special education *spending* supported by state and local revenues is passed on to charter schools in the tuition calculation. Therefore, charter schools get most resources devoted to the special education in the sending districts regardless of the actual number of special needs students or the severity of their handicaps. State law exempts charter schools from paying for private placements, and special education preschool (prototypes 502.5 and greater). This system works equitably if charter school special education enrollment approximates school district populations. The effects of financial incentives are mitigated by the lottery admission system, and charter schools cannot refuse to admit special education students. Charter schools collectively enroll slightly fewer students with individualized education plans (IEPs), but these students tend to have low-cost handicaps requiring only resource teachers. (KPMG-Peat Marwick, 1998).¹² Students requiring self-contained classrooms almost always stay in school districts.

¹² In 1996-97, according to KPMG-Peat Marwick, the state average special education enrollment (prototypes 502.1 to 502.4) was 15.2 percent compared to 11.1 percent in charter schools. Almost the entire differential

Categorical Programs: Most programs, such as special education, bilingual education and compensatory education, are factored into one or more of the 11 enrollment categories included in the foundation funding formula of the school districts. Subsequently, charter schools get most of this money through the tuition calculation. This funding is based on demographic characteristics of the sending schools district, not the enrollment characteristics of the charter school.

Bilingual Education: Bilingual education is an enrollment category in the general state aid formula, and the expenditures are passed on to charter schools in the tuition calculation based on the bilingual programs and students of the sending school district.

Low-Income Students: Low-income and compensatory education students are included in two of the 11 enrollment categories in the foundation formula. Based on the low-income characteristics of the sending school districts, funding is passed on to charter schools at the same rate.

Transportation: Students who reside in the district in which the charter school is physically located are entitled to transportation on the same basis as other public school pupils. School districts must accommodate all charter schools—even those having school days and school years that are different from the district's. If a charter school provides its own transportation, it gets the average cost per student (not user) from the sending district for students actually transported.

Capital Outlay and Facilities Financing: In Massachusetts, only debt service in excess of State Building Assistance Bureau (SBAB) grants for debt retirement enters the charter school tuition calculation. SBAB funds up to 90 percent of the debt retirement cost of new facilities in cities where facilities construction is an integral component of a racial desegregation plan; otherwise SBAB funds about half of debt retirement costs for qualifying projects, or no funding at all. A KPMG-Peat Marwick study of 33 school districts sending students to charter schools found that two-thirds had some capital expenditure for facilities included in tuition. On average, 63 percent of long-term debt was included in the tuition calculation. In 1998-99, a one-time state appropriation gave charter schools an additional \$260 per pupil for facilities funding—approximately equivalent to the annual SBAB average grant. Therefore, total facilities funding for the average charter school approximated the state average in 1998-99. Charter schools can use capital funding for general operating expenditures in Massachusetts.

State Start-Up Assistance: As with school districts, payments are made to charter schools at the end of each quarter, except for the first year of operation when the charter school's first payment is 45 days after the beginning of the first quarter. Certification for advance

occurred in the two most involved and expensive categories where the state average is 4.5 percent of enrollment, and the charter school average is 1.8 percent. The 1998 annual report of the state charter school office reports that 13 percent of charter school students had IEPs compared to the 16 percent state average. The National Charter School Survey (RPP, 1999) reports a 9.9 percent special education population in Massachusetts charter schools.

funding may also be obtained. The Massachusetts Industrial Finance Agency has provided partial guarantees for cashflow loans for several charter schools.

Uniform Financial Reporting: Beginning in 1998-99, charter schools will provide uniform financial reporting in a format customized for charter schools.

Independent Financial Audit: Required.

Responsibility for Debt: Charter school board is responsible for debt.

Ownership and Disposition of Assets: Charter school governing boards own assets. If a charter school is dissolved, the state would assume control of all assets that belong to the school, would liquidate those assets, and then address the claims of creditors.

Teacher Retirement: Certified teachers must participate in the state retirement system. All charter schools participate.

Massachusetts	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
1. Tuition		\$ 7,000 ^a		\$ 7,000 ^a		\$ 8,200 ^b
2. Special education ^c	0	\$ -	17	\$ -	34	\$ -
3. Low income ^c	0	\$ -	30	\$ -	60	\$ -
4. Bilingual ^c	0	\$ -	5	\$ -	10	\$ -
5. Other state categorical ^c		\$ -		\$ -		\$ -
6. Student transportation ^d		\$ 190		\$ 190		\$ 190
7. Federal funding						
Title I		\$ -		\$ 147		\$ 294
Other federal programs		\$ 65		\$ 65		\$ 65
Special education		\$ -		\$ 64		\$ 128
Total revenue		\$ 7,255		\$ 7,466		\$ 8,877
One-time facilities funding ^e		\$ 260		\$ 260		\$ 260
Transition aid for districts (sending districts) ^f		\$ 2,170		\$ 2,170		\$ 2,542

ASSUMPTIONS: All schools are commonwealth charter schools. Basic elementary charter school enrolls only students who are not at risk and have no special needs. Middle cost K-12 charter school has the same student population characteristics as the average Massachusetts district. At-risk upper grade charter school has twice the concentration of special education and at-risk students as the Massachusetts average and the same tuition as Boston.

^a Based on actual average charter school tuition for 1998-99. The lowest average tuition for a charter school is about \$5,700, and the lowest payment by a sending district is \$4,460 per pupil.

^b Based on tuition in Boston. The highest average tuition for a charter school is \$10,400, and the highest payment from a sending district is \$12,250 per pupil.

^c Incorporated into tuition based on characteristics of the sending districts. Categorical-type programs are included in the 11 enrollment categories that are part of the general state aid formula. Special education costs average 18 percent of operating costs statewide. Bilingual costs average 3 percent of operating costs statewide.

^d Estimated state average transportation costs per enrolled pupil (not user).

^e One-time appropriation of state building funds for 1998-99. Not included in revenue total.

^f Received by school districts, not charter schools. Estimated to average 31 percent of tuition for 1998-99.

Horace Mann Charter Schools

Horace Mann charter schools are chartered by the state, but must be approved by a local school committee, the local teacher's union president and the state board of education. Horace Mann charter schools are exempt from state rules and regulations to the same extent as commonwealth charter schools. They may also be exempt from local collective bargaining agreements, provided that employees of the charter school remain members of the collective bargaining unit, continue to accrue seniority and receive, at a minimum, the salary and benefits established by the local collective bargaining agreement.

Base Funding: Although funding is reached through a combination of negotiations and implementation of the regular school district budget allocation formula, Horace Mann schools cannot receive less than they would secure under the standard school district budget allocation procedure. A school can appeal a disproportionately small budget to the Massachusetts Department of Education.

Special Education, Limited-English Proficiency, and Low-Income Students: Horace Mann charter schools are likely to get funding specifically for special needs students in the school. Exact funding levels are the product of a combination of negotiations and implementation of the regular school district budget allocation formula.

Transportation: Transportation is provided to Horace Mann charter schools on the same basis as regular district schools, but the law does not prevent alternative arrangements.

Capital Outlay and Facilities Financing: School districts are responsible for facilities. Horace Mann charter schools are often housed in existing public school facilities, but they may also acquire property with the permission of the local school committee.

Federal Funding: Depending on the agreement with the school district, a Horace Mann school could apply for and receive its federal funding directly from state and federal authorities. Otherwise, federal funding flows through the regular budgeting process in the district. Horace Mann schools also qualify for federal start-up funding.

State Start-Up Assistance: None from state sources.

Uniform Financial Reporting and Auditing Practice: Like Commonwealth charter schools, however, Horace Mann schools must complete an annual report and an independent financial audit. School districts are likely to incorporate Horace Mann schools into the school district reporting and auditing process, although other arrangements are possible.

Responsibility for Debt and Ownership of Assets: Resides with school district.

Michigan

Base Funding: School district funding is driven by the “foundation allowance,” a per-pupil guaranteed funding level determined uniquely for each school district. The proceeds of an 18 mill local property tax levy are subtracted from the guaranteed funding level and the balance of school district funding comes from state revenue. The 1998-99 foundation allowance for most school districts is based on the 1993-94 (the year before a major state school finance overhaul) foundation allowance as updated on an annual basis. The legislature allowed the foundation allowance of several low-spending school districts to increase at a faster rate in order to reduce spending disparities among school districts. High tax effort and high wealth school districts, usually located in suburban areas, had the highest foundation allowances in 1998-99, as was the case in 1993-94.

Charter schools, which can only operate as a single-site facility, receive the per-pupil foundation allowance of the school district in which they are physically located, not to exceed \$5,962 in 1998-99 (coincidentally, this figure is about the same as the state average). Approximately 100 of the state’s 140 charter schools receive the maximum amount. Two charter schools receive the minimum allowance of \$5,170, the same as the school districts in which they are located. Unless chartered by a school district, charter schools can enroll students outside the boundaries of the school district in which the charter school is physically located.

Funding Based on School District Characteristics: Variations in school spending have narrowed since 1993-94. Low-spending districts are allowed to increase their funding at a rate faster than the average, so charter schools in low-spending school districts also show more rapid revenue growth. Charter school funding is based on the geographic location of the school building, creating an incentive to locate charter schools in school districts that spend at least \$5,962, the state maximum charter school payment. Not surprisingly, 70 percent of charter schools get maximum funding.

Special Education: Charter schools are eligible for special education categorical funding on the same basis as school districts. Some special education costs in school districts come from foundation allowance funds. About \$150 per enrolled pupil (not per handicapped student) is available through state categorical aid (a two-year funding lag exists) as well as

\$50 per enrolled pupil through federal funding. The state also provides about \$350 per pupil (averaged across all pupils in the state) directly to intermediate service districts. ISDs are also allowed to levy a property tax. Overall, state support for special education averages about 8 percent of the foundation level; charter schools without special education students receive none of this funding.

Limited-English Proficiency: The state has a small appropriation (\$4.2 million) to partially reimburse school districts and charter schools based on a per-pupil application.

Low-Income Students: Like school districts, charter schools receive a payment equal to 11.5 percent of the foundation allowance for each student eligible for free breakfast, lunch or milk.

Categorical Programs: Charter schools are eligible for state categorical support (in the same manner as local school districts) for vocational education, gifted and talented, professional development, school-to-work transition, and other small programs. Charter schools must provide qualifying programs.

Transportation: No state transportation aid is available to either school districts or charter schools, so transportation is financed entirely from the foundation allowance. Like school districts, charter schools do not have to provide transportation. Most charter schools do not provide transportation, while most school districts do. In effect, charter schools get transportation funding whether or not they provide transportation.

Capital Outlay and Facilities Financing: While no state facilities assistance is provided, the state charter school law specifically allows charter schools to issue tax-exempt securities. Based on an Internal Revenue Service ruling that did not specifically disallow the practice, numerous charter schools have successfully obtained tax-exempt financing to purchase or build facilities. Typically, an investment company secures financing for the charter school and gets a fee of approximately 5 percent of the amount financed. In addition to interest, the lender receives “points” approximating 5 percent. Typically, the lender holds a “reserve” of 10 percent. The fees and reserve are capitalized into the financing so no down payment or other up front money is required. In order to build a \$1.0 million facility, a charter school would obtain tax-exempt financing for \$1.2 million. The universities that authorize charter schools usually must agree to forward payments directly to lenders on behalf of the charter school. Although tax exempt, the higher risk carried by charter school securities results in interest rates substantially higher than those obtained by school districts.

State Start-Up Assistance: None.

Administrative Fees: Charter authorizers can collect 3 percent of funding to cover monitoring and administrative expenses.

Uniform Financial Reporting: Charter schools submit Form B, the uniform financial reporting form used by all school districts. Private management companies are exempt

from many aspects of Michigan's Freedom of Information Act, which limits the usefulness of Form B reporting limited due to lack of detail. Form B reporting is also misleading because facility leases are categorized under the broader category of administrative costs.

Auditing Practice: Every charter school is required to have an annual independent financial audit, which are subject to accounting standards approved by the Michigan Department of Education.

Responsibility for Debt: Charter schools can incur debt and use general school aid revenue to acquire buildings or pay debt.

Ownership and Disposition of Assets: Property purchased by a charter school remains the property of the charter school. No specific rules exist for disposing of property for dissolved charter schools.

Teacher Retirement: Participation is required unless private contractors manage schools. Reflecting the high percentage of private management contracts in Michigan, only 50 of 141 charter schools participate.

Michigan	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
1. Foundation allowance ^a		\$ 5,962		\$ 5,962		\$ 5,962
2. State special education aid ^b	0	\$ -	11	\$ 155	22	\$ 310
3. At-risk @11.5% ^c	0	\$ -	30	\$ 206	60	\$ 411
4. LEP ^d	0	\$ -	3	\$ 2	6	\$ 5
5. Other state categorical ^e		\$ -		\$ 24		\$ 24
6. Student transportation ^f		\$ -		\$ -		\$ -
7. Federal funding						
Title I		\$ -		\$ 195		\$ 390
Special education		\$ -		\$ 46		\$ 46
Other federal programs		\$ 69		\$ 69		\$ 69
Total revenue		\$ 6,031		\$ 6,659		\$ 7,217

ASSUMPTIONS: Basic elementary charter school enrolls only students who are not at risk and have no special needs. Middle cost K-12 charter school has the same student characteristics as the average Michigan district. At-risk upper grade charter school, located in Detroit, has twice the concentration of special education and at-risk students as the Michigan average. Host district foundation level is at least \$5,962.

^a Maximum foundation allowance (received by 70 percent of charter schools). Lowest possible foundation allowance (received by two charter schools) in 1998-99 is \$5,170.

^b The state allocates another \$350 per member (not handicapped pupils served) to intermediate school districts (ISDs) to provide special education. ISDs also benefit from a property tax levy. Charter schools are eligible to use IDS special education services. School districts also expend part of the foundation allowance for special education.

^c Each at-risk child generates \$657. The entry is total school at-risk funding divided by 100 students.

^d Michigan appropriated \$78 per child for limited-English proficiency.

^e Includes gifted and talented and vocational categoricals.

^f For both charter schools and school districts, transportation costs come from the foundation allowance. On average, Michigan schools spend about \$275 of the foundation allowance for transportation.

Minnesota

Base Funding: Based on state averages, charter schools receive the same base funding regardless of their location. The funding system resembles the one for school districts except that charter schools have an option on transportation services. In 1998-99, schools received basic state aid of \$3,530 per pupil plus an amount equal to the average state funding for:

- Training and experience—provides more state aid for school districts with mature teaching staffs.
- Operating capital—a separate component of the general aid formula.
- Sparsity—provides more aid for sparsely populated school districts.
- Graduation standards funding.¹³

Per-pupil base funding totaled \$3,759 in 1998-99.

Grade Level Funding: Per-pupil base funding is multiplied by a weighting formula that counts elementary school students at 1.06 and middle and high school students at 1.30.

Special Education: The state funds about two-thirds of special education costs. School districts may levy local property taxes for the remainder. If so, charter schools allocate their special education population back to their resident districts for levy purposes and then bill the district for its share of the levy funding as if the district were participating in a Board of Cooperative Educational Services.¹⁴ Funding is based on the second prior year's expenditures. The state pays additional money for 68 percent of the actual salary of each person providing special education instructional services and 47 percent of the cost of

¹³ Graduation standards funding (\$84.37 per pupil) must be spent on a number of specific purposes including technology and gifted and talented education.

¹⁴ Estimates for special education in the middle cost charter school in the following table begin first by taking the cost of a full time teacher and paraprofessional (estimated at \$50,000) and multiplied by .68. This is the salary base of \$34,000 supported by the state, totaling \$3,191 per pupil. The state funds an additional \$47 per pupil for materials. No costs for contracting out are included. Calculations are similar for the school for at-risk students. With twice as many students, costs are doubled.

supplies and equipment, not to exceed \$47 per disabled student. The state also covers 52 percent of the additional cost of a contract for instruction and supplemental services.¹⁵

Limited-English Proficiency: LEP funding is based both on the number of LEP students and the concentration of LEP students in a school district or charter school. Basic LEP funding is either: (1) 68 percent of one-half the salary of each teacher for every 40 LEP pupils, or (2) 68 percent of one-half the salary for a teacher in a district with 20 or fewer LEP pupils. The state also pays for 47 percent of the costs of supplies and equipment not to exceed an average of \$47 per pupil. As in special education, school districts can use a levy for the LEP costs not funded by the state. Charter schools allocate their LEP populations to the resident districts of the pupils attending the charter school for levy purposes and bill the school district. LEP concentration revenue is based on a formula.¹⁶ The maximum concentration revenue is \$149 per LEP pupil.

Low-Income or Compensatory Education: Charter schools, like school districts, may qualify for compensatory education money, which is a component of Basic Skills Revenue. To qualify, charter schools have to meet reporting requirements for basic skills expenditures. The basic revenue is \$3,530 multiplied by a concentration percentage, which is then multiplied by the number of students qualifying for free or reduced-price lunch. Finally this amount is multiplied by .6.¹⁷ There also is a basic skills match of up to \$22.50 in state aid per student.

Categorical Funding: Charter schools are eligible to receive other aids, grants and revenue as though it were a school district. These include: Secondary Vocational Students with Disabilities revenue, Secondary Vocational revenue, Teacher Education Improvement grants, Teacher Mentorship grants, First Grade Preparedness (full-day kindergarten),

¹⁵ “Additional” cost is determined by subtracting the regular classroom cost of a student from the special education contract for the fraction of the school day that the student receives services.

¹⁶ The middle cost charter school in the following table is assumed to get \$47 per pupil for material. The school also gets one-half of 68 percent of the estimated \$30,000 salary of one FTE teacher ($.5 \times .68 \times \$30,000$) or \$10,200. This is \$3,447 per LEP pupil. In addition there is concentration revenue. The concentration percentage of 3 (which is $100 \times \text{LEP}/\text{ADM}$) is divided by the constant 11.5 for a quotient of .261. This quotient is multiplied by the number of LEP students and the concentration revenue amount (\$149 in 1998-99) yielding \$117 dollars or \$38.89 per LEP child. Since the at-risk school with six LEP students will have the same amount of staff as one with three LEP students, per-pupil funding drops. The \$10,200 for staff equals only \$1,700 per LEP pupil. Funding for materials adds \$1,747 per pupil. There is slightly more concentration funding, however ($6/11.5 \times 6 \times 149$), coming to \$467 in total concentration revenue, or \$78 per pupil. Total additional funding is \$1,825 per LEP pupil.

¹⁷ In the middle cost charter school in the following table, 26 students qualify for compensatory education (19 for free lunch and 7 for reduced-price lunch). The concentration percentage is 22.5 (100 percent of free lunch, plus 50 percent reduced lunch, divided by school enrollment and multiplied by 100). The pupil weighting factor is the concentration percentage divided by 80, or .281. This weighting is multiplied by the pupil count (22.5) and .6 for a total of 3.7969. This amount is then multiplied by \$3,530. Total compensatory education funding is \$13,403, or \$513 for each of the 26 compensatory education students. Since compensatory education is based on a concentration formula, the per-pupil funding will be higher for a disadvantaged school. The concentration percentage for the at-risk charter school in the following table is .45. The pupil weighting factor is .5625. This amount is multiplied by the pupil count (45) and .6 for a total of 15.1875, which is then multiplied by \$3,530. Total compensatory education funding is \$53,611. Dividing among the 52 students yields \$1,031 additional per student.

Family Connections Program, Wide Area Transportation, Advanced Placement and International Baccalaureate, Violence Prevention grants, Family Service Collaboratives, and a number of technology programs. However, charter schools may not receive funds for which a levy is required.

Transportation: If a charter school provides transportation, then the charter school has a base funding adjustment of \$171 per *weighted* student. High school students generate 130 percent of this revenue, and elementary school students generate 106 percent of \$171. Transportation Sparsity and Transition Revenues that vary by district supplement base transportation funding. Low-income family transportation reimbursements go to families in open enrollment options including charter schools. In general, parents of students attending charter schools outside their district of residence are responsible for bringing their children to the district border.

State Start-Up Assistance: During the first two years of operation, charter schools are eligible for aid for start-up costs and additional operating costs of \$500 per pupil, with a minimum of \$50,000.

Capital Outlay and Facilities Assistance: In 1998-99, charter schools received building lease aid equal to the lesser of either 80 percent of approved leasing costs, or state average capital funding. The state estimate for average capital funding was \$465 per pupil. In 1999-2000, lease and increases to 90 percent of approved costs up to \$1,500 per pupil.

Timing of Payments: A charter school preparing for its first year of operation receives 10 percent of its funds on July 15 to help deal with cash flow problems. The next 80 percent of its funds are distributed in 22 equal bimonthly installments. The final 10 percent is distributed in October of the subsequent year. After the first year of operation, charter schools receive 90 percent of their funds in 23 equal bimonthly installments starting on July 15, and the final 10 percent is distributed in October of the subsequent school year.

Uniform Financial Reporting: Charter schools participate in the Integrated District Education Aids System (IDEAS). This is the computerized system used for school district financial reporting.

Auditing Practice: Charter schools are subject to the same financial audits, audit procedures and audit requirements as a school district. The Department of Children, Families and Learning; state auditor; or legislative auditor may conduct financial, program or compliance audits.

Responsibility for Debt: Charter schools are governed under the Minnesota law for nonprofit corporations or cooperatives. The charter school's nonprofit corporation is responsible for debt.

Ownership of Assets: State funds cannot be used to buy facilities. A charter can buy facilities with funds from non-state sources. Assets belong to the non-profit corporation.

Teacher Retirement: Charter school employees take part in the appropriate public retirement system.

Private Contributions: Charter schools can accept private contributions, but only for start-up purposes of capital facilities and must report them to the state.

Minnesota	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	Weight	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations							
Grades 1-6	1.06	100	106.0	50	53.0	0	0.0
Grades 7-12	1.30	0	0.0	50	65.0	100	130.0
Total weighted FTE		100	106.0	100	118.0	100	130.0
1. Base funding per FTE ^a		\$ 3,935	\$ 3,712	\$ 4,380	\$ 3,712	\$ 4,826	\$ 3,712
2. Limited-English proficiency ^b		\$ -	(0 FTE)	\$ 105	(3 FTE)	\$ 109	(6 FTE)
3. Special education ^b		\$ -	(0 FTE)	\$ 345	(11FTE)	\$ 690	(22 FTE)
4. Compensatory education ^c		\$ -	(0 FTE)	\$ 133	(26 FTE)	\$ 536	(52 FTE)
5. Basic skills aid		\$ 23		\$ 23		\$ 23	
6. Transportation ^d		\$ 238		\$ 265		\$ 292	
7. Federal funding							
Title I		\$ -		\$ 102		\$ 204	
Bilingual and immigrant		\$ -		\$ 2		\$ 4	
Special education		\$ -		\$ 47		\$ 96	
Other federal programs		\$ 53		\$ 53		\$ 53	
Total revenue		\$ 4,248		\$ 5,455		\$ 6,833	
Facilities lease aid		\$ 465		\$ 465		\$ 465	

ASSUMPTIONS: Each school has 100 students. Basic elementary charter school enrolls only students who are not at risk and have no special needs. Middle cost K-12 charter school has the same student population characteristics as the average Minnesota district. At-risk upper grade charter school has twice the concentration of special education and at-risk students as the Minnesota average.

^a Base funding pays for about 40 percent of special education and LEP costs. Pension adjustment of \$47 per weighted pupil has been subtracted from basic weighting allowance of \$3,759.

^b State LEP, special education and compensatory aid calculations are described in the footnotes in the accompanying text.

^c Estimated at \$513 per compensatory education pupil in middle cost school and \$1,031 per pupil at upper grade school.

^d Transportation sparsity and transition revenue are estimated to be \$53.46 per pupil. This calculation is based on data for the Skills for Tomorrow Charter School supplied by the Minnesota Department of Children, Families and Learning. Transportation funding does not include the value of services provided to low income families.

New Jersey

Base Funding: Charter schools receive per-pupil funding based on revenue that would have been generated by charter school students in their districts of residence. The state calculates base funding adjusted for grade level differences based on a weighting formula. Revenue allotted to special education, transportation of district students (5.4 percent of spending), and transportation provided to private school students (1.4 percent of spending) is included in the base amount. Charter schools get 90 percent of this amount. The state commissioner of education can, however, increase the percentage. The commissioner has exercised this power in a handful of cases, e.g., for a charter school that offered full-day kindergarten.

Grade Level Funding: Per-pupil base funding is multiplied by a weighting formula that counts elementary school students at 1.00, grades 6 to 8 as 1.12, and high school students at 1.20.

Funding Based on School District Characteristics: Despite an equalization aid formula that has been under judicial review for decades, New Jersey is a state with spending inequities based on property wealth and tax effort. High-spending, wealthy school districts generate more funding for charter schools than impoverished school districts.

Special Education Revenue: School districts are responsible for turning state funds over to the charter school for special education students residing in the district and attending that charter school. The state funding system has two categories: Tier I (\$150 per pupil) and Tier II (\$3,024 per pupil). State aid is generally insufficient to pay for all special education costs.

Limited-English Proficiency: School districts send funds to the charter school to cover categorical aid assigned to bilingual education students (about \$1,100 per bilingual student) residing in the district and attending that charter school.

Low-Income or Compensatory Education: School districts send funds to the charter school for compensatory education for eligible students residing in the district who attend that charter school. Charter schools in districts with high concentrations of at-risk students receive Demonstrably Effective Program aid for every student in the school. Schools in districts without a high concentration of at-risk students get Instructional Supplement aid available only for qualifying students.

Other State Categorical Aid: A charter pupil's district of residence is responsible for transferring to the charter school aid attributable to that student for special education, bilingual education, Instructional Supplement aid and Distance Learning Network aid. Other programs are included in the basic allotment.

Transportation: Students attending a charter school in their district of residence receive transportation services from the district on the same basis as other students in the district. Regulations require that students attending a charter school outside of their residential district boundary receive services from their district of residence in value up to a statutorily determined amount. If the amount required to transport them exceeds this cap, parents can agree to provide the extra funding, or the district can forward the cap amount to the parent in the form of transportation aid, and parents can provide services themselves.

State Start-Up Assistance: None.

Capital Outlay and Facilities Financing: No program.

Uniform Financial Reporting: Required.

Auditing Practice: The annual report must contain a comprehensive annual financial report including a balance sheet, an operational statement of revenues and expenditures, and a cash flow analysis.

Responsibility for Debt: Responsibility is not specifically addressed in law.

Ownership and Disposition of Assets: If a charter is revoked or becomes insolvent, the assets remaining after satisfaction of creditors will be distributed by the state commissioner of education among districts sending students to the charter school. Charter schools must include this provision in their bylaws.

Unexpended Funds: Charter schools keep unexpended funds. However, school districts can request that the charter school's allotment be reexamined in the event of excessive surpluses.

Timing of Payments: Charter school aid is split between the district average local tax levy and the district average state aid attached to each student. The local portion is paid to the district(s) of residence in 12 monthly installments beginning July 15. Thus, two payments

arrive before school starts. The resident district also pays the average state aid portion in 20 installments on the second and 16th of each month from September through June.

Teacher Retirement: All certified teachers must participate in the retirement program. All charter school teachers must be certified.

New Jersey	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	Weight	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations							
Grades 1-5	1.00	100	100.0	34	34.0	0	0.0
Grades 6-8	1.12	0	0.0	33	37.0	50	56.0
Grades 9-12	1.20	0	0.0	33	39.6	50	60.0
Total weighted FTE			100.0		110.6		116.0
Base funding ^a		\$ 7,457	\$ 7,457	\$ 8,244	\$ 7,457	\$ 9,820	\$ 8,466
90 percent funding		x .90		x .90		x .90	
1. Base funding @ 90%		\$ 6,711		\$ 7,420		\$ 8,838	
2. Special education							
Tier I ^b		\$ -	(0 FTE)	\$ 8	(5 FTE)	\$ 15	(10 FTE)
Tier II ^c		\$ -	(0 FTE)	\$ 121	(4 FTE)	\$ 242	(8 FTE)
3. Bilingual education ^d		\$ -	(0 FTE)	\$ 44	(4 FTE)	\$ 88	(8 FTE)
4. At-risk ^e		\$ -		\$ -		\$ 436	
5. Distance learning		\$ 41		\$ 41		\$ 41	
6. Transportation ^f		\$ 362		\$ 401		\$ 477	
7. Federal funding							
Title I		\$ -		\$ 123		\$ 246	
Bilingual and immigrant		\$ -		\$ 4		\$ 8	
Special education		\$ -		\$ 63		\$ 126	
Other federal programs		\$ 40		\$ 40		\$ 40	
Total revenue		\$ 7,154		\$ 8,264		\$ 10,558	

ASSUMPTIONS: Each school has 100 students. Basic elementary charter school has no at-risk or special needs students. Middle cost K-12 charter school has the same student population as the average New Jersey district. At-risk upper grade charter school has twice the concentration of special needs students as the New Jersey average. The basic and middle cost schools use base funding for Nutley, an average New Jersey school district. The at risk school uses base funding for Newark.

^a Includes a majority of special education and transportation costs.

^b \$154 per eligible pupil.

^c \$3,024 per eligible pupil.

^d \$1,103 per eligible pupil.

^e \$436 per student in eligible schools.

^f In-kind value of district-provided transportation estimated at state average of 5.4 percent.

New Mexico

Base Funding: More than 90 percent of education funding comes from the state equalization aid program. While the base funding amount was \$2,322 in 1998-99, an extensive system of weights increased average funding to about \$4,400. This formula adjusts for size, grade level, special education and other student characteristics, enrollment growth, and staff training and experience (T&E). The T&E factor is a multiplier applied after the basic weighting calculation. In 1998-99, charter schools were authorized and funded by school districts. The state requires that its basic funding formula amount be given to the charter school on a per-pupil basis. Districts can then add additional funds.

Grade Level Weights: At the elementary level, grade level weights range from 1.20 in first grade to 1.05 in grades 4 to 6. Middle and high school students are weighted at 1.25.

School and District Size Factors: New Mexico has a complicated system of size adjustments that should provide more funding to charter schools in small school districts. In the average district, these adjustments account for about 12 percent of school district revenue. The size adjustment recognizes only diseconomies of small scale and not the high costs of urban education, so Albuquerque gets no extra funding.

Training and Experience Factor: An adjustment for the higher costs faced by school districts with a better trained and more experienced staff averages about 9 percent of revenue.

Special Education Revenue: Nearly one in five students qualifies for special education services. Weights based on the intensity of services drive special education funding. A separate component of funding, related services, adds 14 percent to base funding in the average school district. Overall, special education funding averages well over \$1,000 per student. The “add-on” weighting for Type A and B students is 0.7. The weighting for Type C students is 1.0, and the weighting for Type D students is 2.0.

Gifted and Talented: Gifted and talented children receive funding as class B and C special education students.

Limited-English Proficiency: The additional weighting in the formula is 0.5, and about 5 percent of students qualify.

Low-Income or Compensatory Education: The formula has an at-risk index that generates about 8 percent of revenues in the average school district. The index for Albuquerque adds 16 percent to funding. Since the funding is not directed at specific schools or students, charter schools should benefit from this source of funding regardless of the exact number of at-risk students enrolled.

Categorical Funding: Charter schools are entitled to their fair share of categorical funding. The main categorical program is Instructional Materials, amounting to \$46 per pupil in 1998-99.

Transportation: Transportation arrangements are negotiated. In Albuquerque, the school district provides transportation to charter schools on the same basis as any other school.

State Start-Up Assistance: None.

Capital Outlay and Facilities Financing: Facilities issues are negotiated between the district and charter school. In Albuquerque, charter schools have some access to locally raised capital funding for maintenance and repairs.

Timing of Payments: Charter schools receive funds on the same basis as other schools in the district.

Uniform Financial Reporting: The reporting requirements are the same as for any other public school, and charter finance is subsumed in the district's reporting.

Auditing Practice: The audit requirements are the same as for any other public school; charter schools are audited as part of their host school district.

Responsibility for Debt: Charter schools cannot acquire debt.

Ownership of Assets: All assets belong to the school district in the event of closure.

Unexpended Funds: Funds revert to the school district at the end of the fiscal year.

Teacher Retirement: Charter school employees are public employees who participate in the teacher retirement system.

New Mexico	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	Weight	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations							
Grade 1	1.20	20	24.0	10	12.0	0	0.0
Grades 2-3	1.18	40	47.2	20	23.6	0	0.0
Grades 4-6	1.05	40	41.8	20	20.9	0	0.0
Grades 7-12	1.25	0	0.0	50	62.5	100	125.0
Special education A/B	0.70	0	0.0	11	7.7	11	7.7
Special education C	1.00	0	0.0	4	4.0	8	8.0
Special education D	2.00	0	0.0	4	8.0	8	16.0
Sp. educ. related services	a	na	0.0	na	14.0	na	28.0
Limited-English proficient	0.50	0	0.0	5	2.5	10	5.0
Subtotal			113.0		155.2		189.7
Training & experience factor	a	na	x 1.093	na	x 1.093	na	x 1.097
Subtotal			123.5		169.6		208.1
At-risk index	a	na	0.0	na	8.0	na	16.0
School & district size factors	a	na	12.0	na	12.0	na	0.0
Total weighted FTE			135.5		189.6		224.1
1. Base funding	b	\$ 3,147	\$ 2,322	\$ 4,403	\$ 2,322	\$ 5,204	\$ 2,322
2. Transportation	c	\$ 270		\$ 270		\$ 270	
3. Instructional materials		\$ 46		\$ 46		\$ 46	
4. Federal funding							
Title 1		\$ -		\$ 172		\$ 344	
Special education		\$ -		\$ 54		\$ 108	
Other federal programs		\$ 46		\$ 46		\$ 46	
Bilingual and immigrant		\$ -		\$ 20		\$ 40	
Total revenue		\$ 3,509		\$ 5,011		\$ 6,058	

ASSUMPTIONS: Each school has 100 students. Basic elementary charter school has no pupils generating program cost weightings. Middle cost K-12 charter school has the same student population as the average New Mexico school district. At-risk upper grade charter school has twice the concentration of students at each special education level as the New Mexico average and is located in Albuquerque.

^a Based on indexes, not pupil counts. Basic and middle cost schools use state average indexes. At-risk charter school uses indexes for Albuquerque.

^b Weighted FTE per pupil funding of \$2,322 applies to all school districts. All variation in FTE spending depends on pupil weightings and indexes for training and experience, at-risk students and size factors.

^c Represents state aid per enrolled pupil, which covers all transportation costs in most districts.

North Carolina

Base Funding: Charter schools receive an amount equal to the state per-pupil allocation of operating funds to the school district in which the student was previously enrolled minus special education funds. School district operating funds include financial support for vocational education, gifted education, transportation and at-risk programs. Except for special education, charter schools get the school district average whether or not they enroll students or provide programs generating the funds. This funding scheme works to the disadvantage of charter schools with high-cost students. In addition to state allotments for a variety of purposes, charter schools receive “local” funds that average about \$1,000 and range from \$500 to \$1,800.

Grade Level Funding Adjustments: Although school districts generate funding based on grade level, charter school funding does not distinguish between grades. For school districts, the weighting occurs in the formula allocating classroom teachers. Funding is based on teacher to pupil ratios of 1:23 for kindergarten, 1:26 for grades 1-9, and 1:28 in grades 10-12. Classroom teacher assistants are allocated to K-3 grades only. Charter high schools or middle schools do not get grade level weights and may be underfunded compared to regular high schools and elementary charter schools.

Funding Based on School District Characteristics: Funding is adjusted for geographic isolation. The formula is based on the property-weighted sales potential, agricultural use value, existing utilities and county personal property.

Special Education: In 1998-99, school districts obtained \$2,346 per special needs student, with funding capped at 12.5 percent of enrollment. Thus, when the percentage of students who are handicapped exceeds 12.5 percent, the funding per pupil served falls below \$2,346. One school district obtained only \$1,763 per handicapped pupil served. Charter schools receive the average special education revenue per child actually served from the school district the disabled student previously attended. Funding could range from \$1,763 to \$2,346 per special needs student. Charter schools obtain less special education funding when disabled students come from school districts with a high proportion of special needs

students. Although the funding cap eliminates the incentive for school districts to identify more children as handicapped in order to obtain extra funding, charter school funding is not capped. Additionally, funding is the same both for low- and for high-cost special needs students. As a consequence, a financial incentive exists for charter schools to enroll students with low-cost disabilities. State funds for children with disabilities are allotted based on the number of students who were included in the April 1 head count. If a child was not included in a school district head count, the charter school will not receive funds for that child. Each subsequent year, charter schools submit their own head count on April 1.

Other State Categorical Funding: Categorical programs in North Carolina include gifted and talented (about \$31 per member), vocational education (ranging from \$184 to \$204 per enrolled student), staff development, transportation and at-risk funding. Categorical aid is incorporated into the average per-pupil operating fund calculation. Thus, charter schools are funded at the same level as an average district school regardless of the charters' programs or student characteristics.

At-Risk Students: Funding for at-risk students amounts to about \$95 per pupil enrolled.

Bilingual: The state does not provide additional funds for bilingual education.

Transportation: School districts receive state transportation funding based on factors such as number of pupils, fuel costs and number of buses. Charter schools receive school district average transportation funding, since it is a component of operating funds, and can spend the transportation money for any legitimate purpose. For the school districts profiled in the following table, the transportation component of state aid ranged from \$144 to \$174 per enrolled pupil. Additional funds from local revenue supplement the state aid. Charter schools are required to provide a transportation plan for their students. The plan could consist of car pools or other alternative methods of transportation.

Capital Outlay and Facilities Financing: Charter schools have no access to the facilities financing or debt service funds of school districts. North Carolina includes a small amount of capital outlay spending in the average per-pupil operating funds used to derive charter school funding. North Carolina expanded the mandate of the Educational Facilities Finance Agency to include any "nonprofit institution within the State of North Carolina authorized by law and engaged or to be engaged in the providing of kindergarten, elementary, or secondary education, or any combination thereof." Including charter schools in the act may open the door to tax-exempt financing for charter school facilities. To date, the authority has not been willing to actually issue any bonds for charter schools.

State Start-Up Assistance: None.

Timing of Payments: Charter schools begin receiving state funds after the general assembly passes a budget. Funds are received as early as July 1 of each year. Charter school allocations are made one week after the initial allotments are distributed to school districts.

Uniform Financial Reporting: Charter schools must comply with reporting requirements from the state's Uniform Education Reporting System.

Independent Financial Audit: Required.

Ownership of and Disposition of Assets: Charter schools are not permitted to use state funds to purchase land or buildings but may use local funds (which average about \$1,000 per student) and private sources. Upon dissolution or non-renewal of the charter school, all assets of the charter school become assets of the local school district in which the charter school was located.

Teacher Retirement: The charter school board decides whether to participate in the teacher retirement system; in 1998-99, 16 out of 57 charter schools participated in the teacher retirement system.

North Carolina	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
Components of state allotment ^a						
Classroom teachers		\$ 1,853		\$ 1,853		\$ 1,796
Central office administration		\$ 97		\$ 97		\$ 34
Non-instructional support		\$ 192		\$ 192		\$ 192
School building administration		\$ 211		\$ 211		\$ 166
Instructional support		\$ 210		\$ 210		\$ 232
Vocational education		\$ 204		\$ 204		\$ 184
Teacher assistants		\$ 248		\$ 248		\$ 259
Staff development		\$ 5		\$ 5		\$ 3
Low-wealth supplement		\$ 4		\$ 4		\$ -
Gifted program		\$ 31		\$ 31		\$ 31
Transportation		\$ 144		\$ 144		\$ 174
Classroom materials		\$ 41		\$ 41		\$ 41
Regional technical assistance		\$ 7		\$ 7		\$ 1
At-risk funding		\$ 95		\$ 95		\$ 93
Textbooks		\$ 47		\$ 47		\$ 47
School technology		\$ 16		\$ 16		\$ 16
Other state funding		\$ 82		\$ 82		\$ 83
Local revenue ^b		\$ 1,000		\$ 1,000		\$ 1,700
1. Base funding per FTE		\$ 4,487		\$ 4,487		\$ 5,052
2. Special education ^c		\$ -		\$ 282		\$ 563
3. Federal funding						
Title I		\$ -		\$ 106		\$ 212
Bilingual and immigrant		\$ -		\$ -		\$ -
Special education		\$ -		\$ 47		\$ 94
Other federal programs		\$ 51		\$ 51		\$ 51
Total revenue		\$ 4,538		\$ 4,973		\$ 5,972

ASSUMPTIONS: Basic elementary charter school is funded through a school district with state average spending and no special needs students. Middle cost K-12 charter school is funded through a school district with state average spending and pupil characteristics. Urban at-risk upper grade charter school is funded through an urban school district and has twice the state average concentration of special needs students.

^a The average state appropriated funds per pupil is \$3,457 for 1998-99, and ranges between \$3,000 and \$5,500 depending on the size and wealth of the district.

^b Local funds vary from \$400 to \$1,800, which averages about \$1,000 per child.

^c The average special education revenue is \$2,346. Charter schools receive the average revenue per special education student from sending school districts regardless of student disability. Middle cost K-12 school is assumed to enroll 12 special education students, and the at-risk school is assumed to enroll 24 special education students.

Pennsylvania

Base Funding: Charter school revenue is based on the expenditure of the districts in which its students reside. Charter schools receive the amount the district would spend on each student minus the average per-student expenditure for special education programs, non-public school programs, adult education programs, community/junior college programs, and transportation. Also excluded are expenditures for facilities acquisition, construction and improvement debt service and payments to charter schools. Base payments to charter schools apparently include non-special education payments to other charter schools (since these are recorded in the instructional program lines), as well as expenditures on non-public school programs.¹⁸ The school district performs this calculation, which the state then audits.

Grade Level Funding: None.

Funding Based on School District Characteristics: Despite an equalization aid formula, Pennsylvania is a state with substantial spending inequities based on property wealth and tax effort. High-spending, wealthy school districts generate more funding for charter schools than poor school districts.¹⁹

18 At least one state document reviewed for this study indicates that district funds used for payment to private schools and charter schools are withheld from the funding calculation, but the state's own worksheets do not reflect this. In fact the private school funding line of the budget is specifically included in the calculation of charter school revenue.

19 For calculations in the following table, the hypothetical basic elementary and middle cost charter schools are located in William Penn school district, an average-spending Pennsylvania district, where charter schools receive \$5,939 per pupil. Approximately 80 percent of school districts allocate to charter schools between \$5,310 per pupil (Penncrest school district) and \$7,682 (Gateway school district). These figures exclude special education and other expenditures listed in the paragraph on base funding.

Special Education: For each special education student, charter schools receive the average special education spending per pupil in the sending school district in addition to the base payment. The average special education expenditure is calculated by dividing budgeted special education costs by a flat 16% of ADM. This average incorporates spending for all special needs students regardless of the charter school student's specific disability. As with school districts, charter schools can draw on additional state funds if a particular disability requires an ultra high-cost accommodation.

Limited-English Proficiency: No state funding for charter schools or school districts.

Low-Income or Compensatory Education: In the basic formula, school districts receive extra money per child qualified for AFDC (federally funded Aid for Families with Dependent Children). Because this funding is part of school district expenditures, every charter school student brings a share of this funding with him or her regardless of the student's AFDC status or the AFDC status of the charter school the child attends. Charter schools serving a predominantly low-income population may be underfunded.

Other State Categorical Funds: Because categorical programs are not excluded from the base district spending calculations as part of their base allotment, charter schools receive a share of all the categorical funds received in the district. Charter schools receive funding even if they do not provide qualifying programs.

Transportation: Transportation is provided for students in charter schools located within the district boundary in the same manner that transportation is provided to other schools in the districts. Additionally, school districts provide transportation services up to 10 miles beyond the district border to residents attending an out-of-district charter school. This matches school district obligations to transport resident children to private schools.

Start-Up Assistance: A one-time payment from federal and state funds of approximately \$800 per student is allocated to new charter schools. In addition, the state sends \$800 per additional student to established charter schools that have increased their enrollment. The goal is to limit the incentive for schools to pack in students in the first year to maximize start-up funding, thereby allowing them to grow more naturally.

Timing of Payments: The district pays in 12 equal monthly payments. For start-up funds, 70 percent of the payments are made upon completion of forms; and the remainder upon receipt of the Oct. 1 enrollment report.

Capital Outlay and Facilities Financing: None.

Uniform Financial Reporting: Charter schools provide an annual financial report and complete a budget form. School districts face the same reporting requirements.

Auditing Practice: Charter schools must have an annual audit completed by a licensed or certified public accountant in conformance with generally accepted accounting standards. The Pennsylvania auditor general may also conduct audits. The charter application must

contain provisions made for auditing the school under section 437 of the Pennsylvania code.

Responsibility for Debt: Charter schools are responsible for their own debt.

Ownership and Disposition of Assets: Charter schools own their assets. If a charter dissolves, the assets are first used to satisfy creditors. Any remaining assets revert back to the school district.

Teacher Retirement: All charter employees must be enrolled in the state retirement system unless the sponsoring organization has an alternative retirement program. Participation in the state system is very high with 28 of 31 charter schools participating in 1998-99.

Pennsylvania	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
1. Base funding ^a		\$ 5,939		\$ 5,939		\$ 5,488
2. Special education ^b	0	\$ -	12	\$ 966	24	\$ 1,076
3. Transportation ^c		\$ 232		\$ 232		\$ 232
4. Federal funding						
Title I				\$ 175		\$ 350
Special education				\$ 46		\$ 92
Other federal programs		\$ 50		\$ 51		\$ 51
Total revenue		\$ 6,221		\$ 7,409		\$ 7,289

ASSUMPTIONS: Basic elementary charter school has no special needs students. Middle cost K-12 charter school has the same student population as the average Pennsylvania school district. At-risk upper grade charter school has twice the concentration of low income and special education students as the Pennsylvania average and is located in Philadelphia.

^a Revenue based on average operating expenditures after subtracting special education costs. Basic and middle cost school expenditures use estimates for William Penn school district. At-risk school is based on Philadelphia's spending. About 80 percent of school districts spend between \$5,310 (Penncrest) and \$7,682 (Gateway).

^b Average special education costs in middle cost school are \$1,743, and \$4,485 at the upper grade school.

^c Estimate of the value of district-provided transportation per member, not user, is based on the state average.

Rhode Island

Base Funding: Charter schools receive the average per-pupil cost from the student's district of residence. Funding based on expenditures includes financial support for special education (including infant, toddler and preschool programs), private school transportation, community service, adult education and student activities including athletics. Charter schools pay back to the sending district 5 percent of charter school funding to acknowledge that when a student moves to a charter school, the sending district is not able to reduce costs by 100 percent. The state calculates the average state aid per pupil, weighted for poverty and tax effort, and pays the funds to the charter school. The district pays the average local revenue per pupil from each student in a district enrolled in a charter school. If the local school district is more than 30 days late in making local share payments to a charter school, the state deducts the amount from state aid and directly pays the charter school.

Grade Level Funding Adjustments: None exist for school districts or charter schools.

Funding Based on School District Characteristics: No adjustments for sparsity, school size or enrollment growth.

Special Education: All special education spending (averaging about \$1,100 per pupil or about 15 percent to 20 percent of total spending) is included in per-pupil charter school funding. The law mandates that charter schools reflect the diversity of students in the school district and as such, reflect the district's average special education population. In a typical school district in Rhode Island, approximately 20 percent of special education spending is devoted to the homebound, intensive disabilities, non-public day school, preschool and residential special education students. Charter schools receive this portion of special education spending even though it is highly unlikely that charter schools will or should ever serve these types of students.

Categorical Funding: As a component of average cost per pupil, categorical funding is distributed to charter schools based on prior year per-pupil average categorical program expenditure. Categorical programs support literacy, student equity, early childhood, technology, professional development, language assistance, instructional equity and targeted aid programs. Charter schools receive average categorical funding whether or not their student population is participating in the funded programs.

Transportation: Charter schools receive the school district average expenditure for public, non-public and special education transportation no matter whether the charter schools have a transportation need that is greater or less than the average. Charter schools can negotiate with the district to provide transportation, or charter schools devise their own plan.

Capital Outlay and Facilities Funding: A little less than \$100 per student in capital outlay funding is in a school district's general operating fund. This money flows to charter schools. Additionally, a facilities funding program reimburses local districts and charter schools for debt service related to capital projects. Considered on a case by case basis, charter schools may be eligible for a minimum 30 percent reimbursement of costs associated with support for facilities.

State Start-Up Assistance: The state will provide start-up loans—repayable over five years—if no federal funds are available.

Timing of Payments: Some funding is available before school starts. Rhode Island charter schools get payments from both the state and local school districts. State payments are distributed quarterly beginning July 1. School district payments are provided quarterly beginning Aug.15.

Uniform Financial Reporting: The charter school budget is usually included in the school district budget. Starting in 1999-2000, charter schools are required to provide individual uniform financial reports.

Auditing Practices: Charter schools are required to have an annual audit.

Ownership of Property and Disposition of Assets: Charter schools are eligible to own property. Details are set in the charter.

Teacher Retirement: Charter schools are required to participate in the state teacher retirement system.

Rhode Island	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
Components of operating costs						
General fund ^a		\$ 5,311		\$ 5,311		\$ 5,056
Disadvantaged ^b	0	\$ 103	33	\$ 103	64	\$ 525
Special education ^c	0	\$ 890	18	\$ 890	36	\$ 917
Special education infant, preschool, & private school tuition		\$ 195		\$ 195		\$ 197
Transportation ^d		\$ 408		\$ 408		\$ 365
Private school transportation		\$ 36		\$ 36		\$ 18
Research and analysis ^e		\$ 15		\$ 15		\$ 86
Community service ^f		\$ 21		\$ 21		\$ 5
Student activities and athletics		\$ 45		\$ 45		\$ 27
Capital outlay ^g		\$ 82		\$ 82		\$ 42
Total operating costs		\$ 7,106		\$ 7,106		\$ 7,238
95 percent funding		x .95		x .95		x .95
1. Base funding @ 95%		\$ 6,751		\$ 6,751		\$ 6,876
2. Federal funding						
Other federal programs		\$ 84		\$ 84		\$ 84
Special education		\$ -		\$ 62		\$ 126
Bilingual and immigrant		\$ -		\$ 10		\$ 20
Title I		\$ -		\$ 152		\$ 304
Total revenue		\$ 6,835		\$ 7,059		\$ 7,410

ASSUMPTIONS: Basic elementary charter school has no at-risk or special needs students. Middle cost K-12 charter school reflects the state average student population. At-risk upper grade charter school has twice the state average concentration of special needs students. The figures above are actual 1997-98 average operating funds used to determine charter school funding for the 1998-99 school year. For this example, Providence is the urban school district hosting the at-risk charter school, and Cranston represents an average school district for the other two hypothetical charter schools.

^a General fund comprises instruction, instructional improvement, gifted, attendance, guidance programs, school management, staff and fiscal services, and administrative support.

^b Disadvantaged expenditures includes bilingual and compensatory education.

^c Special education expenditures include intensive education and homebound.

^d Transportation expenditures also include special education transportation.

^e Research and analysis costs include information, data processing and statistical services.

^f Community service includes non-public school textbooks, student and adult continuing education.

^g Capital outlay has been extracted from many of the categories to create a separate expenditure.

South Carolina

Base Funding: Charter schools receive funding in a manner similar to school districts.

Authorized by local school boards, charter schools obtain funding based on the school district's audited total general fund expenditures from the previous year updated for inflation. The expenditure calculation includes capital outlay and maintenance but excludes bonded indebtedness and debt service. Students in grades 1 to 3, high school, special education or compensatory education get weights to reflect higher educational costs. Base funding for charter schools is expressed in *weighted* pupil units of the school district. In the average school district, expenditures per weighted student are about one-third lower than the unweighted per-pupil expenditures (adding weights inflates the actual number of pupils). A charter school multiplies the school district's weighted per-pupil expenditures by the charter's own weighted student count to ascertain revenue. If a charter school's student population matches the school district's, per-pupil funding is identical to the school district. Charter schools with high-cost students get more funding.

Grade Level Funding: Compared to grades 4 to 8, students in grades 1 to 3 or in high school generate about 25 percent more revenue for both school districts and charter schools.

Special Education: Pupil weightings for specific disabilities increase the number of weighted pupil units. Students with learning disabilities, for example, generate 75 percent more funding in grades 4 to 8. Due to grade level weights, the extra funding is less in grades 1-3 and high school. A student may only be assigned to one weighting category; if a student is receiving services from two different classifications, the student is classified in the higher of the two weightings.²⁰

Limited-English Proficiency: South Carolina provides no funding for bilingual education.

²⁰ Figures in the following table reflect this convention. A student with learning disabilities gets a weight of 1.74, but the additional funding is only 74 percent.

Categorical Programs: Charter schools receive categorical funding for eligible students enrolled. Funding is available for many programs including academic assistance, gifted and talented, and school improvement/innovation. The charter school's share of funding is negotiated between the school district and the charter school.

Transportation: The state directly provides transportation for students in South Carolina. School districts pay for approximately 33 percent of total transportation costs. Charter schools receive the district's share of transportation expenditures as part of their per-pupil funding, but not the state share. Charter schools have three transportation options: (1) The school district can permit the use of state school buses at the rate of 80 cents per mile plus all driver salary costs. The charter school is responsible for total costs. (2) The charter school can purchase and operate school buses. (3) The charter school can develop a transportation plan and require parents to provide transportation. The charter school's transportation plan is subject to school board approval.

Capital Outlay and Facilities Funding: Charter schools are not eligible for capital financing or debt service funding. However, base funding includes money for capital outlay and maintenance normally included in general operating funds.

State Start-Up Assistance: None available.

Timing of Payments: All state and local funding is distributed monthly beginning in July.

Uniform Financial Reporting: A charter school may maintain its own financial records or negotiate these services with the authorizing district. The records must be accounted for in accordance with the state department of education's Financial Accounting Handbook and Funding Manual. All revenue should be accounted for in the sponsoring district's financial statements. Detailed expenditure data are kept in the charter school's financial records.

Auditing Practice: Charter schools are required to have an annual independent audit.

Responsibility for Debt: Charter schools may incur debt. The charter school authorizer, usually the school district, is not liable for debts of a charter school and is immune from civil and criminal liability with respect to all activities related to a charter school.

Ownership and Disposition of Assets: Charter schools may acquire buildings or property. Upon dissolution of a charter school, its assets may not be used to benefit any private person. Assets obtained by restricted agreements with a donor through awards, grants or gifts will be returned. All other assets become property of the charter school authorizer.

Technical Assistance: School districts must provide technical assistance at no expense to groups preparing or revising a charter application. School districts distribute local, state and federal funds to charter schools. Other services centrally provided by the school districts are subject to negotiation between the charter school and the school district.

Teacher Retirement: Conversion charter schools are considered public entities and must participate in the state teacher retirement system. Start-up charter schools are not required to participate in the teacher retirement system but may elect to do so in their charter.

South Carolina	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	Weight	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted FTE calculations							
Kindergarten	1.30	0	0.0	5	6.5	0	0.0
Grades 1-3	1.24	50	62.0	25	31.0	0	0.0
Grades 4-8	1.00	50	50.0	35	35.0	0	0.0
Grades 9-12	1.25	0	0.0	25	31.3	80	100.0
Learning disabilities and educable	1.74	0	0.0	4	7.0	8	13.9
EMH, trainable, and orthopedic	2.04	0	0.0	3	6.1	6	12.2
Speech	1.90	0	0.0	3	5.7	6	11.4
Hearing, vision, autism	2.57	0	0.0	0	0.0	0	0.0
Total FTE or WFTE		100	112.0	100	122.5	100	137.6
1. Host district general fund ^a		\$4,743	\$ 4,235 ^b	\$ 5,189	\$ 4,235	\$ 4,746	\$ 3,450
2. Categorical aid							
Academic assistance (K-12 average)		\$ -	(0 FTE)	\$ 181	(40 FTE)	\$ 362	(80 FTE)
Continuous improvement/innovation		\$ 5		\$ 5		\$ 5	
Increase high school diploma		\$ -		\$ 28		\$ 28	
School innovation funds		\$ 33		\$ 33		\$ 33	
Gifted and talented		-		\$ 45		\$ 45	
Principal/ teacher specialist		\$ 7		\$ 7		\$ 7	
3. Transportation ^c		\$ 62		\$ 62		\$ 62	
4. Federal funding							
Title I		\$ -		\$ 140		\$ 280	
Special education		\$ -		\$ 53		\$ 106	
Bilingual and immigrant		\$ -		\$ -		\$ -	
Other federal programs		\$ 59		\$ 59		\$ 59	
Total revenue		\$4,909		\$ 5,802		\$ 5,733	

ASSUMPTIONS: Financial figures represent 1997-98 school year. Basic elementary charter school enrolls only elementary students who are not at risk and have no special needs. Middle cost K-12 charter school has the same student population as the South Carolina average. At-risk upper grade charter school has twice the concentration of at-risk and special needs students as an average South Carolina school and is located in an urban area.

^a Charter school funding is based on prior year's host district general fund expenditure updated for inflation.

^b The lowest expenditure per weighted pupil in South Carolina is \$3,424, about \$800 below the state average of about \$4,235.

^c The district's share of transportation expenditures, averaging \$62 per member is included in the host district general fund expenditure. The state provides no support for charter school transportation.

Texas

Texas provides for “open enrollment” and “campus” charter schools. Authorized by school districts, campus charter schools obtain funding through the normal budget allocation process of the school district. Open enrollment charter schools resemble the autonomous charter schools in many other states and account for more than 90 percent of Texas charter schools in 1999-2000. This section describes funding for open enrollment charter schools only.

Base Funding: Revenue for charter schools is based on the foundation allowance generated in the school districts in which students reside.²¹ The foundation allowance, starting at \$2,396 in 1997-98, incorporates a number of funding variables unique to each school district. The formula also has weights for special education, limited-English proficiency and at-risk factors (see table) based on student characteristics of charter schools.²² Although a charter school receives all of its funding from the state, the state recovers an equivalent amount from the sending school districts because the student is no longer counted as a student in the district.

Pupil Count: Unlike most states, Texas charter schools base funding on *average daily attendance* (ADA). Charter schools with low attendance rates receive less funding. The alternative method, *average daily membership* (ADM) was used in every state with charter schools in 1997-98 except California. Low-income and at-risk students usually have the highest absence rates. ADA funding discourages the establishment of charter schools serving these high-cost children, and probably leads to funding problems for charter schools that choose to enroll these students.

²¹ In the following table, it is assumed that all students come from the same school district, but charter schools often enroll students from several districts.

²² Texas supplies an online tool for calculating charter school funding in specific school districts based on the educational and demographic characteristics of student enrollment. The Web site is <www.tea.state.tx.us/school.finance/funding/charter.html>.

District Size Adjustments: The small district (fewer than 1,600 students) adjustment factor depends on enrollment, grade taught, and whether school district area exceeds 300 square miles. A mid-size district (between 1,600 and 5,000 students) adjustment factor is based on enrollment alone. Funds generated by district size adjustments are passed on to charter schools.

Funding Based on School District Characteristics: The base funding formula for school districts accounts for geographic variations in resources costs using a Cost of Education Index (CEI). The CEI is incorporated into the foundation allowance applying to charter schools. Despite an equalization aid formula that has gradually reduced spending inequalities in recent years, Texas still has substantial spending inequities based on property wealth and tax effort. Charter school funding reflects the remaining inequalities. In Texas, 80 percent of districts have a foundation allowance between \$3,900 and \$5,400.

Special Education: A pupil weighting system provides more funding for a variety of special needs including speech, resource room, and self-contained settings (see the following table). For example, mainstreamed special education students are weighted as an additional 1.1 student (totaling 2.1 students).

Gifted and Talented: Schools receive an additional allotment of 0.12 (12 percent extra) for gifted and talented students, but not more than 5 percent of students can be funded as gifted.

Limited-English Proficiency: LEP students secure 10 percent extra funding through the weighting system.

Low-Income or Compensatory Education: Compensatory education students receive 20 percent extra funding through the weighting system. Eligibility is based on enrollment in the free and reduced-price lunch program.

Career and Technology Education. Students served in career and technology programs obtain 67 percent more funding through the Texas financing system. These programs are concentrated in high schools and the many Texas charter high schools with alternative programs should benefit. In 1997-98, the 19 charter schools in Texas averaged 23.4 percent of enrollment in career and technology programs compared to 5 percent statewide.

Categorical Aid: Charter schools can apply for all categorical programs with the exception of funds for facilities assistance. A “technology allotment” of \$30 per pupil is the only program routinely available to all school districts including charter schools.

Transportation: No Texas public school district is required to provide transportation, so charter schools are also exempt. Funding for eligible students is available if transportation is provided. The state also provides additional funding for special education transportation. Wealthy districts get less state funding because transportation is funded on an equalized basis.

State Start-Up Assistance: None provided.

Capital Outlay and Facilities Financing: State funding for facilities assistance is not available to charter schools. Recently, the Texas legislature specifically allowed charter schools to issue tax-exempt securities. North Hills Prep became the first charter school in Texas to secure tax-exempt financing. Charter schools directly issue the securities with the help of investment banking firms as in Michigan (see Michigan section of Appendix), rather than through a conduit bonding authority as in Colorado (see Colorado section of this Appendix).

Timing of Payments: Funding is delivered in the first month that students are in school. Payment is monthly, although an extra payment is made in September for a total of 13. The attendance counts are adjusted every six weeks.

Uniform Financial Reporting: Charter schools have to maintain a financial accounting system that meets the Public Education Information Management System (PEIMS) data standards. These standards have been adapted for charter schools.

Auditing Practice: An independent audit is required and must include procedures for reviewing the accuracy of the fiscal information provided by charter schools' PEIMS.

Responsibility for Debt: The Texas Education Agency treats charter schools like school districts, so charter holders are responsible for debt.

Ownership and Disposition of Assets: If a charter closes, equipment purchased with state or federal funds reverts to the state for distribution.

Teacher Retirement: If the charter school itself is the agent of employment, it must participate in the state retirement system. If the school uses a management agency, then it is exempt from the state retirement system. The management agency functions like an employment agency and may choose to offer its own benefits package. In 1998-99, 82 of 87 charter schools participated in the state retirement system.

Texas	Cost Factor	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	Weight	FTE	WFTE	FTE	WFTE	FTE	WFTE
Weighted ADA calculations							
Basic K-12	1.00	100	100.0	100	100.0	100	100.0
Limited-English proficiency	0.10	0	0.0	12	1.2	24	2.4
Special education weight 1 ^a	0.16	0	0.0	4	0.6	8	1.3
Special education weight 2	0.95	0	0.0	4	3.8	8	7.6
Special education weight 3	1.20	0	0.0	1	1.2	2	2.4
Mainstream allotment	1.10	0	0.0	3	3.3	6	6.6
Compensatory education	0.20	0	0.0	48	9.6	85	17.0
Career and technology	0.67	0	0.0	5	3.4	10	6.7
Gifted	0.12	0	0.0	8	1.0	0	0.0
Total weighted FTE			100.0		124.1		144.0
Attendance rate ^b			95%		95%		80%
Total weighted ADA			95.0		117.9		115.2
<hr/>							
1. Foundation allowance ^c		\$ 4,119	\$ 4,336	\$ 5,111	\$ 4,336	\$ 4,607	\$ 3,999
2. Transportation ^d		\$ -		\$ -		\$ -	
3. Categorical funding ^e		\$ 30		\$ 30		\$ 30	
4. Federal funding							
Title I		\$ -		\$ 155		\$ 310	
Bilingual and immigrant		\$ -		\$ 6		\$ 12	
Special education		\$ -		\$ 45		\$ 90	
Other federal programs		\$ 42		\$ 42		\$ 42	
<hr/>							
Total revenue		\$ 4,191		\$ 5,389		\$ 5,091	

ASSUMPTIONS: Each school has 100 students. Basic elementary charter school has no pupils generating program cost weightings. Middle cost K-12 charter school has the same student population as the average Texas district. At-risk upper grade charter school has twice the concentration of special needs students and the fiscal characteristics of Houston.

^a Special education weighting in table combines several categories that have the same weight.

^b Funding in Texas is based on weighted average daily attendance. Attendance is assumed to be 95 percent at the basic and middle cost schools and 80 percent at the at-risk upper grade school.

^c Basic and middle cost school are in a typical district like Pottsboro (\$4,336). In Texas, 80 percent of districts have a foundation allowance between \$3,922 (Hale) and \$5,389 (Westhoff).

^d Transportation costs averaging about \$214 per pupil (4 percent of middle cost charter school) are included in the foundation allowance.

^e Includes only the technology allotment.

Wisconsin

Wisconsin has two charter school laws. The older law applies to the entire state. Only school districts are allowed to authorize charter schools, which are funded in about the same way as other district schools. Applying only to Milwaukee, the newest law allows the city, universities or technical colleges to authorize charter schools, and guarantees funding based on a specific definition of average expenditures called “shared costs.” (Milwaukee is treated separately after describing the state charter school funding system).

School-District Sponsored Charter Schools

Base Funding: Charter schools sponsored by local school boards are funded the same way as other district schools. In 1997-98, most of the 18 schools in operation were public school conversions. The budgets for these charter schools are a part of school district budgets, and districts usually provide in-kind services such as central administration, transportation and food service. In combination with local property taxes, school districts receive state aid based on an equalization formula that depends on the number of pupils in their schools (including charter schools), tax effort and the wealth of the district. Districts distribute money to charter schools; the amounts vary from district to district.

Grade Level Funding: None.

Special Education: Special education funding follows students according to normal district budgetary procedures. Charter schools providing special education services negotiate for their share of special education funding or receive services in kind from the district. The state reimburses districts for about 40 percent of prior year costs for educating and transporting pupils enrolled in special education. The local special education costs that are not reimbursed through state aid are financed by general operating funds (financed in part by state aid from the general aid formula).

Limited-English Proficiency: Charter schools are eligible to receive bilingual education funding if they provide services to LEP students. The state reimburses school districts for 63 percent of costs (subject to sufficient state appropriations). Charter schools negotiate for the funding or receive it in kind from the district. Funding for 1997-98 averages approximately \$10 per enrolled pupil (not pupils served).

Compensatory Education: Charter schools are eligible to receive compensatory education grants for grades K-5. Grants are awarded on a competitive basis to schools based on high numbers of dropouts and low-income students. The funding for 1997-98 averaged \$8 per member (not students served).

At-Risk Students: Charter schools qualify for funds equal to approximately 10 percent of shared costs if they educate children meeting one of several definitions for at-risk children. In 1997-98, funding for at-risk students was approximately \$4 per member (not students served).

Transportation: State law requires districts to provide transportation services to charter schools. The state pays a flat amount per transported pupil based on the distance traveled ranging from \$12 (hazardous, under two miles) to \$85 (over 18 miles). On average, state aid pays for about 15 percent of transportation, or \$20 per member. The other 85 percent of transportation costs are financed from general operating funds.

Capital Outlay and Facilities Funding: Facilities are arranged through the school district. Most charter schools are conversion schools.

State Start-Up Assistance: No state start-up funding is available.

Timing of Payments: Charter schools payments are made on the same schedule as other schools in the district.

Uniform Financial Reporting: Blended with school district.

Auditing Practice: Independent financial audits are blended with school district audits unless otherwise specified in the charter. The Joint Legislative Audit Committee may direct the Legislative Audit Bureau to perform a financial and performance evaluation of the charter school.²³

Teacher Retirement: Charter schools that are instrumentalities of a school district are required to participate. Charter schools that are independent of a school district are prohibited from participation. The general view is that independent charter schools do not employ public employees, and federal pension guidelines prohibit inclusion of private employees. All but one school outside of Milwaukee are instrumentalities of a school district.

²³ The estimates of per-pupil expenditures provided in the Legislative Audit Bureau Report (1998) are not an accurate representation of what it costs to run a charter school. The estimates did not include indirect costs incurred by charter schools or school districts, and in some cases only accounted for a portion of the year's expenditures.

Wisconsin	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
1. Shared costs ^a		\$ 6,300		\$ 6,300		\$ 6,053
2. Special education aid	0	\$ -	13	\$ 320 ^b	26	\$ 740
3. State transportation aid		\$ 20		\$ 20 ^b		\$ 24
4. State categorical aid						
At-risk	0	\$ -	26	\$ 4 ^b	52	\$ 46
Low income (pre K - 5)	0	\$ -	26	\$ 8 ^b	0	\$ -
Limited-English proficient	0	\$ -	2	\$ 10 ^b	10	\$ 44
School library aid		\$ 16		\$ 17 ^b		\$ 16
5. Federal funding						
Title I		\$ -		\$ 147		\$ 375
Special education		\$ -		\$ 51		\$ 102
Other federal programs		\$ 63		\$ 64		\$ 64
Total revenue		\$ 6,399		\$ 6,941		\$ 7,464

ASSUMPTIONS: Financial figures represent 1997-98 school year. Basic elementary charter school enrolls only students who are not at risk and have no special needs. Middle cost K-12 charter school has the same student population statistics as the Wisconsin average. At-risk upper grade charter school is located in Milwaukee.

^a In the average Wisconsin school district, approximately \$435 of shared cost is devoted to special education, and \$133 is devoted to transportation (per pupil enrolled, not for each student receiving services). In the upper grade at-risk school, approximately \$1,110 of shared cost is devoted to special education (doubled from the \$555 Milwaukee average to reflect an at-risk school), and \$176 is devoted to transportation.

^b Categorical aids are state averages per pupil enrolled, not for each student receiving services.

Milwaukee Charter Schools

Base Funding: Charter schools authorized by the city of Milwaukee, University of Wisconsin-Milwaukee, or Milwaukee Area Technical College are paid an amount equal to Milwaukee Public Schools' "shared costs," a component of the general state aid formula. In 1997-98 Milwaukee's shared cost was calculated at \$6,053. The calculation starts with total expenditures, which averaged about \$7,636. All debt services and facility costs are added. However, most school facilities are financed by the city of Milwaukee, and the capital costs included in charter school funding totaled only \$91 per pupil. Revenues excluded from the calculation include federal funds, restricted state categorical funds, gifts and donations, together totaling \$1,674. Shared costs include about 60 percent of actual special education and bilingual education costs, and approximately 85 percent of actual transportation costs.

Special Education: Charter schools receive state and federal funding if they provide services. The state reimburses districts for about 40 percent of prior year costs for educating and transporting pupils enrolled in special education. Shared costs include about 60 percent of actual special education costs. In Milwaukee, a dispute arose over whether charter schools are eligible for special education dollars in the shared cost calculation if charter schools do

not actually enroll an equivalent special education population. Until this dispute is resolved, the special education portion (approximately \$555 per member) is being held back from charter schools by the State Department of Public Instruction.

Limited-English Proficiency: Charter schools are eligible to receive bilingual education funding if they provide services to LEP students. Funding for bilingual education in Milwaukee was approximately \$22 per member (not pupils served).

Compensatory Education: Charter schools are eligible to receive compensatory education aid for students in grades K-5. Grants are awarded on a competitive basis to schools based on high numbers of dropouts and low-income students. Funding for this program in Milwaukee was approximately \$43 per member (not pupils served).

At-Risk Students: Charter schools qualify for funds if they educate children at risk of not completing high school. In 1997-98, funding for at-risk students was approximately \$23 per member.

Transportation: Charter schools are not required to provide transportation services to students. The state provides about 15 percent of transportation funding in Milwaukee, and about 85 percent of transportation costs are paid out of shared costs. In effect, charter schools get funding that Milwaukee devotes to transportation.

Other State Categorical Aids: Other than the categorical aids already mentioned, the only program of significant dollar value that could apply generally to charter schools is school library aid (approximately \$16 per pupil).

Capital Outlay and Facilities Financing: School district capital outlay and debt service costs are included in the shared cost-per-member calculation (about \$90 per student). Most facilities however, are owned and financed by the city of Milwaukee.

State Start-Up Assistance: No state start-up funding available.

Timing of Payments: Charter schools are paid quarterly in September, December, February and June.

Uniform Financial Reporting: Not required.

Audit Requirements: No independent financial audit currently is required.

Responsibility for Debt: Charter schools can incur debt and use general school aid revenue to acquire buildings or to pay debt.

Ownership and Disposition of Assets: Property purchased by a charter school remains the property of the charter school. No specific rules exist for disposing of property for dissolved charter schools.

Teacher Retirement: Charter schools that are instrumentalities of a school district are required to participate. Charter schools that are independent of a school district are prohibited from involvement. It is expected that many Milwaukee charter schools will be run by private contractors and will not be allowed to participate in the state teacher retirement system.

Milwaukee	Basic Elementary Charter School		Middle Cost K-12 Charter School		Urban At-Risk Upper Grade	
	FTE	\$/Member	FTE	\$/Member	FTE	\$/Member
Total FTE enrollment	100		100		100	
1. Shared costs ^a		\$ 6,053		\$ 6,053		\$ 6,053
2. Special education aid	0	\$ -	13	\$ 370 ^b	26	\$ 740
3. State transportation aid		\$ -		\$ 24 ^b		\$ 24
4. State categorical aid						
At-risk		\$ -		\$ 23 ^b		\$ 46
Low income (Pre K - 5)	0	\$ -	78	\$ 43 ^b	0	\$ -
Limited-English proficiency	0	\$ -	5	\$ 22 ^b	10	\$ 44
School library aid		\$ 16		\$ 16 ^b		\$ 16
5. Federal funding						
Title I		\$ -		\$ 300		\$ 375
Special education		\$ -		\$ 51		\$ 102
Other federal programs		\$ 63		\$ 63		\$ 63
Total revenue		\$ 6,132		\$ 6,965		\$ 7,463

ASSUMPTIONS: Financial figures represent 1997-98 school year. Basic elementary charter school enrolls only elementary students who are not at risk and have no special needs. Middle cost K-12 charter school has the same student population characteristics as the average Milwaukee school. At-risk upper grade charter school has twice the concentration of special education and at-risk students as the Milwaukee average.

^a Approximately \$555 of shared cost is devoted to special education, and \$176 is devoted to transportation per pupil enrolled, not for each student receiving services.

^b Categorical aids are 1997-98 Milwaukee averages per pupil enrolled, not for each student receiving services.