

July 2015

## Charter Schools Versus Traditional Public Schools: Comparing the Level of Public Support In School Year 2014-2015

### Summary

This report presents IBO's latest comparison of per student public support for charter schools with that for traditional public schools. We have issued these comparisons twice before, most recently about five years ago. As in our prior two comparative reports, we reviewed the amount of money allocated to charter schools plus the supplemental public support given to these schools, some of which is required by the state and some provided at the city's discretion. We also estimated per student spending at traditional public schools. For both types of schools we disregarded spending that depends on the makeup of the student body.

Our latest comparison is based on the just completed 2014-2015 school year, in which traditional public schools received \$17,928 on average for each general education student. Since our last report, based on the 2009-2010 school year, charter schools have lost ground to traditional public schools:

- Charter schools co-located in Department of Education school buildings receive \$29 less per student than traditional public schools, essentially the same as students in traditional public schools.
- Charter schools housed in private space continue to receive considerably less support per student than traditional public schools, and that gap has also grown to \$2,914 for each student, or about 16 percent less than traditional public school funding.

Whether these differences in support continue in the coming years largely depends upon two factors. One is whether Albany will continue to set aside the funding allocation formula for charter schools that remains in law but has been supplanted by budgeted increases totaling \$250 per student over the next two school years. A second factor is the rental assistance provision enacted by the state in 2014 and the availability of space for charter schools within education department buildings. Some charter schools will be eligible to receive \$2,775 per student next school year to defray the cost of renting private space.



IBO has twice previously estimated and compared the per pupil public support for charter schools with support for traditional public schools. With a number of changes expected in public expenditures for both traditional and charter schools in the coming years, this education brief provides an update of those earlier reports. As before, IBO reviewed the amount of public money allocated to charter schools plus the supplemental types of assistance granted to charters, some required by state law and some determined by city policy. This combined amount, which we refer to as public support for charter schools, was then compared on a per capita basis with an IBO estimate of traditional public school per pupil spending for general education students across the entire Department of Education (DOE) system. Both charters and regular public schools also receive various forms of categorical aid from the state and federal governments as reimbursement for delivering services to individual students. Our measures for both charters and traditional schools exclude categorical spending.

### Comparing Public Spending

Because of their hybrid nature, the funding of charter schools' expenses is complicated, with some types of expense categories limited to specific funding sources and others more generally funded. Charters receive a per pupil allocation from their home school district (in the case of charters in New York City this is the DOE), which is intended to provide most of their basic operating costs. The allocation is determined by a formula in New York State education law. (See [sidebar](#) for an explanation of how that law has evolved over time.) In addition to the allocation, charters also qualify for reimbursement for services provided to certain students based on their educational needs.

Other expenses faced by charters that are not covered by the allocation—including debt service and insurance—must be covered by other funding, usually private. Charters can also receive public support for certain other expenses via the pass-through of goods and services from DOE. Under the previous mayoral administration, the DOE chose to locate significant numbers of charter schools in DOE buildings. In 2014, the state Legislature enacted provisions that create incentives for the DOE to continue to house new and expanding charters in DOE buildings. Under the provisions of that law, new or expanding charter schools that request space in DOE buildings are entitled to public funds for rental costs if the DOE chooses not to site them in public buildings.

<b>Funding of General Education Students in Traditional Public Schools, 2014-2015</b>	
<i>Dollars in thousands</i>	
	<b>Spending</b>
<b>Total Department of Education</b>	<b>\$20,881,945</b>
Less Charter School Spending <sup>1</sup>	(1,313,273)
Less Tax-Levy Funded Pre-Kindergarten	(26,998)
Less All Categorical Programs <sup>2</sup>	(2,203,501)
Less Special Education Spending <sup>3</sup>	(3,396,692)
Less All Nonpublic School Payments <sup>4</sup>	(1,570,695)
Less Fringe Benefits for Categorical Programs <sup>5</sup>	(12,758)
Less Fringe Benefits for Special Education Programs <sup>5</sup>	(664,858)
Less Facilities, Utilities, and Safety	(1,510,008)
<b>Subtotal DOE General Education Spending</b>	<b>\$10,183,162</b>
Debt Service for DOE <sup>6</sup>	1,470,171
Pensions for DOE Staff <sup>7</sup>	2,340,182
<b>Total Support for DOE General Education Spending</b>	<b>\$15,503,523</b>
<b>Calculation of Enrollment Base and Per Pupil Spending in Traditional Public Schools</b>	
<b>Enrollment</b>	
Total Students Department of Education	1,158,473
Less Pre-Kindergarten (General Education)	(25,612)
Less Charter Enrollment	(83,663)
Less Nonpublic School (NPS) Enrollment	(85,423)
<b>Subtotal: Traditional Public School General Education Enrollment</b>	<b>963,775</b>
Less Special Education Enrollment	(131,278)
<b>Public School General Education Enrollment Without Pre-Kindergarten</b>	<b>832,497</b>
<b>Total Students in DOE Buildings= Total Students Less NPS plus 52% of Charter Students</b>	<b>1,032,892</b>
<b>Per Capita General Education Spending</b>	
DOE General Education Spending	\$12,232
Debt Service for Education from City Budget <sup>8</sup>	1,423
DOE Spending on Facilities, Utilities, and Safety <sup>8</sup>	1,462
Pension Costs for Education from City Budget <sup>9</sup>	2,811
<b>Total Per Capita General Education Spending</b>	<b>\$17,928</b>
<small>SOURCES: Department of Education; Mayor's Office of Management and Budget  NOTES: <sup>1</sup>Unit of appropriation 406. <sup>2</sup>Units of appropriation 481 and 482. <sup>3</sup>Units of appropriation 403, 404, 421, 422, 423, 424 (other than school-based assessment staff), special education administration in 415 and 416, and special education transportation in 438. <sup>4</sup>Units of appropriation 470, 472, and 474, which includes special education pre-kindergarten, contract schools, other nonpublic schools, and Fashion Institute of Technology. <sup>5</sup>Fringe costs were prorated based on the share of personal services costs associated with special education and categorical programs. <sup>6</sup>Debt service for general education students based on total DOE enrollment minus nonpublic school enrollment and 52 percent of charter enrollment. <sup>7</sup>Pension costs for DOE general education staff (from adopted budget documents) and prorated based on the share of personal services costs not associated with special education and categorical programs. <sup>8</sup>Debt service per capita based on total DOE enrollment minus nonpublic school enrollment and 52 percent of charter enrollment. <sup>9</sup>Pension per capita based on total DOE enrollment minus pre-kindergarten and nonpublic school enrollment.</small>	

*New York City Independent Budget Office*

<b>Funding of General Education Students in Charter Schools, 2014-2015</b>	
<b>Per Capita Public Support for Charter Schools In Department of Education School Buildings</b>	
Approved Operating Expense	\$13,777
Software	10
Library Materials	6
Textbooks	57
Special Education Evaluation	66
Health	34
Transportation	417
Classroom supplies, furniture/fixtures	218
Food	429
Facilities	849
Utilities (Heat, Light, Power, Fuel)	292
Safety	321
Debt Service	1,423
<b>Total Charter School Support</b>	<b>\$17,899</b>
Traditional Public School Per Capita General Education Spending	\$17,928
<b>Difference in Per Capita Support</b>	<b>(\$29)</b>
<b>Per Capita Public Support for Charter Schools Not in Department of Education School Buildings</b>	
Approved Operating Expense	\$13,777
Software	10
Library Materials	6
Textbooks	57
Special Education Evaluation	66
Health	29
Transportation	417
Classroom supplies, furniture/fixtures	218
Food	429
<b>Total Charter School Support</b>	<b>\$15,014</b>
Traditional Public School Per Capita General Education Spending	\$17,928
<b>Difference in Per Capita Support</b>	<b>(\$2,914)</b>

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As with the two prior reports on this topic, IBO sought to compare per student public support for charters with that

for traditional public schools. To facilitate the comparison, we constructed measures of per student funding available to all schools, disregarding spending that depends on the make-up of the student body. For charter schools, our measure includes the basic operating allocation, the value of pass-through support from DOE, and in the case of charters co-located in education department buildings, the value of the additional support for space and school safety. We exclude most special education spending and other categorical spending as these items are reimbursed at essentially equal rates for charter schools and regular public schools. Because we are focused on public resources used for charter schools, IBO's analysis did not account for private contributions.

All calculations are based on data from the city's financial system as of June 2015 (the 2014-2015 school year).

### Relative Changes in Funding

In the five years since our last analysis of this issue, there have been significant changes. As the tables on this page show, charter schools have lost ground relative to traditional public schools in terms of funding. Charter schools co-located in DOE buildings (educating about 52 percent of charter school students in 2014-2015) received very nearly the same level of public resources as traditional public schools. Charters in private space continue to receive considerably less support than traditional public schools, a difference of \$2,914 per pupil, or 16 percent. These changes since school year 2009-2010 are driven by a \$1,376 increase in general education spending per student at the Department of Education. The recent increase in teacher salaries, including lump sum payments of back pay for teachers who retired in 2010 through 2014, is likely a contributing factor. Pension costs per pupil are also up \$679 since 2009-2010 at the DOE; conversely, debt service per pupil declined by \$138. Meanwhile, the basic charter allocation rose by \$1,334 per pupil over the five years, with increases in some years constrained by adjustments to the formula.

<b>Comparison With Previous Independent Budget Office Estimates</b>					
<b>School Type</b>	<b>Per Pupil Spending</b>			<b>Change 2009-2010 to 2014-2015</b>	
	<b>2008-2009</b>	<b>2009-2010</b>	<b>2014-2015</b>		
Traditional Public Schools	\$15,672	\$16,011	\$17,928	\$1,917	12.0%
Charters in DOE Buildings	\$16,373	\$16,660	\$17,899	\$1,239	7.4%
Difference from Traditional Public School	\$701	\$649	(\$29)		
Charters in Private Space	\$13,661	\$13,653	\$15,014	\$1,361	10.0%
Difference from Traditional Public School	(\$2,011)	(\$2,358)	(\$2,914)		

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## The Evolution of State Education Law on Charter School Allocations

The largest form of public support for charter schools is the per pupil allocation known as the basic tuition, which equals the DOE's approved operating expense (AOE) divided by its "total aided pupil units." The basic tuition is multiplied by the number of students enrolled in the charter school to arrive at the schools' payment. These allocations are paid by the local school district to the charter schools in its jurisdiction, drawing upon the district's current budget. As originally enacted, this amount was determined by a formula defined in the state charter school law. It is often thought of as equal to per pupil spending by the local district for direct operation of the traditional public schools.

The AOE is based on *local* expenses from two years earlier, multiplied by the percentage change in the *statewide* measure of those expenses from three years prior to one year prior. Thus, the 2008–2009 adjusted operating expense for New York City was based on the New York City AOE in school year 2006–2007 adjusted by the statewide change from 2005–2006 to 2007–2008. This

means that, all other things being equal, increases in general school spending within the DOE would lead to proportional increases in charter school tuition after a two-year lag. Similarly, decreases in per pupil spending at the DOE would lead to decreases in charter allocations two years later.

This formula was followed through the 2008-2009 school year. Charter allocations in New York City increased each year, from \$9,094 per pupil in 2005-2006 to \$12,443 in 2008-2009. Then the state Legislature and Governor placed a freeze on charter allocations, and the per pupil amount remained at \$12,443 in 2009-2010. The freeze was lifted, and charter allocation rose to \$13,527 in 2010-2011 and then was frozen at that level through 2012-2013.

In March 2014, the state Legislature and Governor chose to increase charter school allocations by fixed amounts for the subsequent three years while leaving the underlying formula within the law unchanged. As a result, per pupil allocations for charter schools in New York City were raised by \$250 to \$13,777 for 2014-2015 (the figure used in this report). Additional increases of \$100 in 2015-2016 and \$150 in 2016-2017 were also scheduled.

How these trends will play out over the coming years largely depends upon the state Legislature and Governor. We can anticipate that per pupil costs in DOE schools will likely rise as the full impact of the 2014 union settlements are felt in the DOE budget. (The current numbers reflect the contracts' impact on the 2014-2015 budget, but considerable additional costs will be felt in future years.) The impact of this on the relative funding of charters and traditional public schools depends upon decisions to be made in Albany. If the original formula for determining charter school allocations was in effect, these increases in traditional public school spending would trigger an equivalent increase in charter school allocations after a two-year lag. Thus, the relative funding of the two sectors would not be effected after the lag period. Currently, that formula is not being used to determine charter school per pupil payments, so we cannot project what the charter allocation might be, and how it will compare with funding of traditional public schools.

We also anticipate increased funding in favor of the charter sector due to the rental assistance provision enacted in 2014. Under this law, some charter schools will be eligible to receive \$2,775 per pupil in 2015-2016 to defray the cost of renting private space. (The amount increases to \$2,805 in the following year.) This money is only available for charter schools that are newly established and for those that are expanding their grade span under certain circumstances. In all cases, the money would only flow to the charters that had applied for co-location and the DOE either declined to offer co-located space or offered space that was determined to be insufficient in an appeal process. Thus, the impact of rental assistance on future differences between charter and traditional public school funding is dependent upon the availability of space within DOE buildings and the DOE's ability and willingness to offer that space to charter schools.

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