Apples to Apples

Comparing Funding

of

Texas Charter Schools

to

Traditional School Districts in Texas

RESOURCE CENTER FOR
CHARTER SCHOOLS

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**Comparing Funding of Texas Charter Schools
to
Traditional School Districts in Texas**

A Comprehensive Analysis of Per Pupil Funding
Using Audited Data from the 2003-2004 School Year

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The editorial team of Apples to Apples wishes to thank the staff of the Texas Education Agency for their tremendous cooperation and assistance in the preparation of this report. In addition to providing numerous files and reports that constituted the source data and basis for all of the calculated values in this report, the TEA staff was repeatedly available to answer our many questions and provide valuable insights into the history and operations of the many complex school finance formulas. The TEA staff was also gracious and cooperative in review of several preliminary drafts of this report and offered many thoughtful comments and questions. Modifications made in response to their input resulted in significant improvements to the clarity and accuracy of the final product.

"We already knew that charter schools in Texas were short-changed financially, expected to make robust education bricks with far too little straw. This careful analysis indicates that the problem is even worse--and perhaps worsening--since we did the Fordham Institute study in August 2005. The 39% shortfall would put Texas next to the bottom of the equity scale for charter students nationwide, many of whom are at the top of the neediness scale."

Chester E. Finn, Jr.
Senior Fellow - Hoover Institution,
Stanford University
President - Thomas B. Fordham Foundation

"As this report makes clear, there's a substantial and inexplicable gap in funding between charter and other public school students in Texas. Charter schools are fulfilling their mission of teaching and learning despite having to cut into classroom budgets for facilities needs. This solid new research should form the basis for state action to remedy this clear inequity."

Nelson Smith
President
National Alliance for Public Charter Schools

"In the debate over charter school funding, it's all too common for both sides to over-simplify. By contrast, this report does the hard work of carefully analyzing how much money charter schools actually receive, and why. It's must-reading for anyone committed to making sure all Texas public schoolchildren receive a fair share of public resources."

Bryan Hassel
Co-Director
Public Impact

"Charter schools are public schools. This important research shows that some public school students in Texas seem to generate more money than other comparable public school students. I am sure now that policy makers are being made aware of this inequity, they will want to move swiftly to do the right thing for all the children in Texas."

Dr. Howard Fuller
Founding Chairman
Black Alliance for Educational Options
Founding Chairman
National Alliance for Public Charter Schools

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National Alliance for Public Charter Schools

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Executive Summary

This study confirms and expands on prior findings that Texas open-enrollment charter schools (charters) receive on average less funding per student than do traditional independent school districts (ISDs). The purpose of this study is to provide a comprehensive look at the components of Texas school funding, comparing the resources available to charters and traditional districts and analyzing those results by various methods of counting student population. The results clarify both the degree and causes of funding inequities and provide possible prescriptions for correcting them.

Comparisons between the funding of charters and ISDs have been difficult because the state has used significantly different methods for charters than for ISDs to calculate "weighted students" (WADA), the customary basis for funding comparisons between districts. This study performs comparisons using several methods for determining weighted students and finds that charters are under-funded regardless of the method used.

Although Texas changed its formula for funding charter schools in 2001 to one more reflective of real operating cost differences, the changes are being phased in over ten years and as a result, the effects of that change had not yet shown much impact on the level of funding examined in this study. However, as the study shows, even these changes produce funding below that provided to ISDs of comparable size and demographics.

Using audited data for the 2003-04 school year and using the statutory definition of WADA for ISDs and the definition for charters that will result from the new formula when phased in, this report found that charter schools averaged $1,297 less per WADA in total revenue for operations and facilities than would be available to an ISD of comparable size and demographics in the same county (see Appendix A, Table 5). Under an "apples to apples" comparison applying formulas to charters in the same manner in which they are applied to ISDs, Texas charter schools averaged $1,825 less per weighted student per year than comparable ISDs in 2003-04, equal to a 39% funding advantage for traditional school districts (see Appendix A, Table 7).

This represents a significant annual shortfall for charters. For example, a charter enrolling 250 students that received $1,825 less per student would have received $456,250 less in 2003-04 than an ISD of comparable size and with comparable pupils. Yet unlike traditional school districts, charter schools do not have local tax-generating ability to offset such a shortfall.

Because several more years of the new formula phase-in have occurred since 2003-04, the current gaps would be in the neighborhood of $260 - $360/ WADA less than these numbers. Therefore the shortfall in "all funds revenue" per WADA in the **2007-08** school year will likely range in round numbers from about **$1,040** / WADA, using the statutory definition of WADA currently being phased in, to around **$1,465** / WADA less per student per year if WADA were determined by applying district-level formulas to charter schools in the same manner they are applied to traditional independent school districts.

The findings in this report are in line with the August 2005 Fordham Institute's national study, *Charter School Funding: Inequity's Next Frontier,* which found that in Texas, traditional districts statewide outpaced Texas charter districts in combined state and local funding totals by 21%, or $1,554 per enrolled pupil (using 2002-03 data).

In addition to confirming the existence of inequities in the funding of Texas charter schools compared to traditional districts, this report analyzes the shortcomings in the current charter formula structure and recommends possible formula modifications that would eliminate the inequities. This study finds that, in particular, the current funding formulas fail to properly adjust for uncontrollable district-level costs for diseconomies of scale and, to a lesser extent, for salary market differentials. Some, but not all of this disadvantage in operating funds will eventually disappear when the recent formula changes are fully phased in, but charter school students will have to suffer the effects of that inequity during the remaining years of the phase-in.

The study finds that traditional school districts averaged $675 per student in funding for facilities from local taxes and state aid, for which charter schools had no parallel funding mechanism (see Appendix B). Therefore, charter schools had to shift some of their operating formula money to pay for their facilities costs. Furthermore, charters have all had to acquire their facilities within the past decade while many ISDs have had at least a portion of their facilities built and paid for many years before. As a result, charters had much higher expenditures for facilities, averaging $1,015 per student. **All told, the unequal treatment of facilities funding is responsible for about half of the overall funding disadvantage.** The phase-in to the new formula does not correct for this at all.

In May of 2006, the Texas Legislature made major changes to the funding of public education, primarily by substituting state revenue for local property tax revenue in the formulas. The nature of those changes shifts the funding of many, perhaps even most school districts in Texas to a "hold-harmless" based upon each district's 2005-06 state and property tax revenue despite the statutory formulas, which were also adjusted. Because this analysis is based on funding from prior years, the impact of those formula changes is not analyzed. However, since the effect of the "hold-harmless" is to freeze prior funding, and therefore prior inequities in place, it is unlikely that the conclusions would be dramatically impacted.

In 2007-08, funding provided by the "Additional State Aid for Tax Reduction" hold-harmless will exceed the funding provided by regular formulas for virtually all districts and charters, due to the dramatic reduction in Tier 2 funding resulting from the required property tax reductions and to the manner that this is reflected in the funding formula for charter schools. Therefore, the funding improvements that would occur either from continuation of the new formula phase-in or from other changes recommended in this report might have little or no impact. The recommendations for future change in this report assume that formula funding will again become the primary source of education funding.

Under an "apples to apples" comparison applying formulas to charters in the same manner in which they are applied to ISDs, Texas charter schools averaged $1,825 less per weighted student per year than comparable ISDs in 2003-04, the shortfall in "all funds revenue" per WADA in the **2007-08** school year will likely range in round numbers from about **$1,040** / WADA . . . to around **$1,465** / WADA less per student.

Study Findings

Research Objectives

There has been much controversy over whether charter schools in Texas are funded at levels comparable to the funding received by traditional school districts for the education of their students. Several recent studies have indicated that the level of funding for charter schools, on a per pupil basis, is indeed less on average than that provided to traditional districts. Each of these studies, however, has been subject to some criticism because of the use of a single definition of "per pupil funding". It is argued that perhaps these studies ignore differences that might result from the demographics of the students (with associated differences in funding) or of other uncontrollable cost features at the district level for which Texas provides cost adjustments. For example, Texas aid formulas generate on average the equivalent of about three students in average daily attendance for each full-time-equivalent student in special education. If special education students make up a much smaller percentage of the students that charter schools educate, would this distort a per pupil comparison that made no adjustments for such differences? This study addresses these concerns by taking demographic and uncontrollable cost differences into account.

Another area of controversy is the failure to distinguish between operating costs and the capital cost of providing facilities. If funding is to be made comparable, it is essential to know the degree to which any inequities are a result of the formula funding for operations as opposed to the state's failure to provide any assistance to charter schools for facilities acquisition or renovation. Since charter schools currently must pay for facilities costs primarily out of state "maintenance and operation" aid, a strict comparison of operating funds is flawed. This blurring of functions may give a false impression of comparable funding for operations when in reality such funding is reduced in charter schools by the amount spent for a building lease, mortgage payment, or similar facilities expenses. While the same may be true in a few traditional school districts that have financed facilities through arrangements such as lease-purchase agreements, the practice is much less prevalent among ISDs and some of them qualify for state Instructional Facilities

Allotment (IFA) assistance for which charters cannot qualify. By examining data both for "all funds operating expenses" and for "all funds revenues" (which includes revenue used both for operations and for facilities), this study takes facilities funding into account in order to provide a clear picture of how ISD and charter school funding compares.

The overall purpose of this study is to provide a comprehensive look at each component of school funding, comparing the resources available to charters and traditional districts, and analyzing those results by various methods of counting student population. The results should clarify both the degree and causes of any funding inequities, and provide a prescription for correcting them.

Findings

This study confirms the results of prior research that has indicated a lesser access to funding for Texas charter schools than that enjoyed by traditional school districts. Comparing revenues from all sources per enrolled student in the 2003-04 school year, charter schools in Texas received over $6,735 while ISDs in the counties served by those charters received slightly under $7,976, an advantage of $1,241 per enrolled student. Compared to the $8,078 per enrolled student received by all ISDs in the state, the disadvantage for charter schools was $1,343 per enrolled student (See Appendix A, Table 1). Over half of that gap appears to stem from the failure of the state to provide equalized access to funding for facilities for charter schools in the manner in which it provides such funding to ISDs.

These findings are in line with the August 2005 Fordham Institute's national study, *Charter School Funding: Inequity's Next Frontier*, which analyzed FY 2002-03 data in 16 states and the District of Columbia and found:
- On average, charter schools across Texas received 13.7% less funding than traditional schools, a gap of $1,155 per student per year.
- Traditional districts statewide outpaced Texas charter districts on combined state and local funding totals by 21.2 %, or $1,554 per pupil.

- Weighting the 17 states in the Fordham Study by their charter enrollments, the average discrepancy nationwide was $1,801 per pupil, or 21.7% less.

Because Texas districts vary so widely in uncontrollable cost differences, Texas school finance formulas provide funding adjustments to pay for those differences. Comparisons of funding between Texas school districts are usually and most appropriately done on the basis of funding per weighted student in average daily attendance, or "WADA". The formulas adjust both for differing costs of instructional arrangements resulting from the varying educational needs of students (program weights) and for differences in costs between districts as a result of diseconomies caused by size (the small and sparse district adjustments) and differences in wage markets due to competing wages and "desirability" factors (the Cost of Education Index, or "CEI"). This controls for funding differences that result from uncontrollable cost differences due to the nature of the student populations of districts and to the varying impacts of salary market forces, through the CEI and economies or diseconomies of scale.

Such a comparison involving charter schools is difficult. The 2003-04 school year was early in the ten-year shift to a new charter funding formula. Neither the old nor the new state law provide CEI index values calculated to reflect the specific market conditions for each charter school. In addition, the law does not apply the small or mid-size school adjustment formulas to charter schools in the same manner as it does to ISDs. As a result, calculations of "WADA" for ISDs and charters are incomparable, making funding comparisons equally difficult. Therefore the study examined per pupil funding based on several different possible ways to compute a CEI for each charter school and also on the application of the small district adjustment to charter schools in the same manner in which it is applied to traditional school districts. (See Appendix A for a detailed discussion of these calculations and findings). There are real differences in the conditions faced by ISDs and charter schools and there are legitimate differences of opinion as to the degree that various cost differences are uncontrollable for both types of districts. Policy-makers should carefully review the various methods of determining WADA presented in the report in deciding which method they feel best represents an appropriate basis for comparison.

The study finds a significant funding disadvantage for charter schools even when differences in demographics are taken into account. In other words, **charter schools receive less funding due to different treatment under the formulas, not because they educate "cheaper" students**. In fact, while Texas charter schools do have lesser concentrations of special education and bilingual students than do traditional school districts, they have a 22% higher concentration of economically disadvantaged students than do the traditional school districts. Traditional districts do have a slightly higher student cost ratio: in 2003-04 they had 3,955,106 students in average daily attendance (ADA) who produced 4,870,512 "weighted" students when adjusted for program weights (but not for district cost differences) under the formulas in effect that year. This meant that the state estimated they would cost 23.1% more to educate than if they were all only in regular education programs. For the 149 charter schools examined in this study, the comparable figures were 40,927 ADA and 49,560 program-weighted students, or a cost ratio of 21.1%. In other words, based on the state's estimate of student cost differences, **only a 2% funding advantage for ISDs can be explained by student demographics**.

Because 2003-04 was early in the shift to the new formula, the funding for most charters was based primarily on the per-pupil funding of the ISDs in which each of their students resided. Since the preponderance of charter students live in large urban and suburban districts, district-level cost differences in that year primarily reflect the higher average CEI of those districts, with little or no "small district" adjustment for diseconomies of scale. Therefore, the major difference in operations funding found in this study results from the failure to provide charter schools with adjustments for diseconomies of scale in the same manner as is done for traditional districts.

Most charter schools face those same diseconomies on the cost side, but are given scant revenues under the old formula to offset those costs differences. The change in law adopted in 2001 is phas-

ing in more appropriate funding for charter district cost differences over ten years. Accelerating that phase-in, with the exceptions noted below, would eliminate many of the operations funding inequities. However, a truly comparable and equitable funding system would require adjusting the formula to reflect the salary market "Cost of Education Index" (CEI) adjustment faced by the charter in the county in which it is located and the application of the small and mid-size district formulas to charter schools in the same manner as they are applied to traditional school districts.

Applying comparable adjustments for student and district uncontrollable cost differences to charter schools in the manner that is done for traditional school districts, the general fund operating expenditures averaged $989 per weighted student less than for the traditional school districts in counties with charter schools in 2003-04. Comparing all revenues for operations and facilities in the same manner, Texas charter schools averaged $1,825 per weighted student per year less than comparable ISDs in that year (see Appendix A, Table 1).

Even under the new formula, most charters (142 of the 149 examined in this study) are shorted by the use of the state average of size adjustments since they are below the "average" size. Applying the size adjustments in the same manner as they are applied to ISDs would provide an average adjustment 50% higher than the state average adjustment, resulting in an average of about 12% higher funding.

In the 36 counties examined in this study in which the charter schools are located, the average impact of the CEI raises the adjusted basic allotment (ABA) of the ISDs in those counties by almost 10% over the statutory basic allotment. Furthermore, school districts are funded in two "tiers" for maintenance and operation expenses. The Tier 1 "Basic Entitlement" was originally intended to represent the minimum cost of an accredited education program and consists of a basic allotment ($2,537 in 2003-04) which is then adjusted for student and district cost differences. The Tier 2 "Guaranteed Yield" was originally called the "Enrichment Equalization Allotment" and was intended to equalize the ability of districts to enrich their education program above the minimum level, but only half of the value

of the CEI is applied in this tier. The combined Tier 1 and Tier 2 impact of the CEI generates an average of nearly 8% more than the basic funding level in those counties, or about $500/ADA. Since the original charter formula was based on the resident district values, it provided a similar market cost adjustment for charters.

Because the majority of ISDs are located outside of urban areas in counties with relatively lower wage markets, the new charter formula produces a relatively low statewide average CEI value, while the overwhelming majority of charter schools are located in urban counties with much higher wage market costs. The shift to the new formula's use of the statewide average allotment adjustments will reduce the ABA for charters to only 5.6% above the basic allotment, or a combined loss in Tier 1 and Tier 2 of about $140/ADA.

For these reasons, applying statewide averages to charter schools that are smaller than most school districts and are largely concentrated in higher-cost urban areas will still result in unequal and inadequate funding. Absent the recommended modifications, it would be appropriate to apply a "hold-harmless" provision protecting charter schools from any losses that might result from the phase-in. This protection may already have been provided by the hold-harmless provision adopted under HB1 of the 79th Legislature's 3rd Called Session. However, the reduction in maximum formula funding available due to the tax rate compression also mandated in that legislation may complicate the use of formula changes in correcting the charter school funding disadvantages. It is possible that charters will gain the needed revenue through the increased WADA that the new formulas will produce, if that higher WADA is applied to the hold-harmless per-WADA guarantee. Otherwise, it is likely that the charter formula modifications suggested in this report would have to be applied to the 2005-06 base year "target revenue" that is used as the basis for the HB1 hold-harmless, as well as to the new formulas established under that law, for charter schools to actually receive the full benefit of the formula adjustments.

One difference between ISDs and charters in formula funding which this study did not attempt to

quantify involves Tier 2 funding. For a traditional independent school district, the amount of Tier 2 aid is proportionate to the number of pennies of enrichment tax levied by the district. Since charter schools do not levy local taxes, the new formulas being phased in base Tier 2 funding for charters on the statewide average enrichment tax rate in the same manner that it uses the statewide average CEI and size adjustments. Similar to the situation with the CEI, charter schools are primarily concentrated in counties with higher than average tax rates and therefore have to compete with the greater level of funding that those higher taxes provide, particularly in recruiting and retaining teachers. Therefore, the Tier 2 funding that charters receive should also be based on the average enrichment tax in the county rather than the statewide average. However, the effect of the tax rate compression adopted under HB1 in 2006 significantly reduces the impact of this problem.

Regardless of the method of analysis, there are clear inequities when it comes to the funding of facilities. Because they receive no state funding for facilities and can levy no local taxes, charter schools are forced to "rob from Peter to pay Paul." They must pay for their facility lease or mortgage costs out of funding that most traditional school districts would use solely for the maintenance and operation of their instructional program. In essence, this "compresses" the money charter schools have available for operating expenses and is one of the primary causes of the funding gap between charters and traditional schools. Assistance for facilities funding, with proper protections for state taxpayers, is essential to funding equity. (See Appendix B for a detailed discussion of the inequity resulting from the lack of facilities funding available to charters.)

Sources of Inequity in Funding

There are several aspects of current formula funding that contribute to the under-funding of charter schools in Texas:

1) Charter schools receive no state funding for facilities.

Most traditional school districts in Texas fund their facilities through bond issues, paid for over time through a combination of local "interest and sinking fund" (I&S) debt service taxes and through state aid under either the Instructional Facilities Allotment (IFA) or Existing Debt Allotment (EDA) established under Chapter 46 of the Education Code. A few fund their facilities through lease-purchase agreements (of which many receive assistance under Chapter 46) and an even smaller number, primarily wealthier districts, have funded their facilities by setting aside money over time and then essentially paying cash. In the first instance, the funding is from a separate source that can only be used for the purpose of facilities acquisition or construction and does not "compete" for funding with the operations and instructional programs. In the latter two circumstances, the local share of the funding must come out of revenues that would otherwise be available for spending on operations and instruction.

Charter schools do not have a tax base and therefore cannot collect I&S taxes. They also do not currently qualify for state funding under Chapter 46. Therefore, they are in a similar situation to the few traditional districts with lease-purchase financing – funding for facilities must come from revenue that would otherwise be available (and was allocated by the state) for maintenance and operation of the instructional and operational costs of education. The inability to qualify for Chapter 46 funding means that charter schools are in a worse condition, because 100% of the facilities funding must come totally out of operational funds with no IFA or EDA offset.

This inequity in facilities funding is responsible for over half of the overall under-funding of charter schools. Traditional school districts averaged about $675 per student in funding from local taxes and state aid for facilities for which charter schools had no parallel funding mechanism. Therefore, charter schools had to shift some of their operating formula money to pay for their facilities costs. Furthermore, charters have all had to acquire their facilities within the past decade while many ISDs have had at least a portion of their facilities built and paid for many years before. As a result, charters had much higher expenditures for facilities, averaging $1,015 per student.

2) Formula funding for charter schools was initially based on per-student funding for the school district in which each student resides.

This funding method may appear reasonable, but it ignores one extremely important issue. Every single charter school in Texas is small – the largest had only 1,302 ADA in 2003-04 – and therefore has diseconomies of scale in the same manner as do small ISDs. On the other hand, the overwhelming majority of charter school students reside in larger urban school districts that do not qualify for small school, or even mid-size school formula adjustments.

Until 2001, this meant that diseconomies of scale were virtually ignored for charter schools. In that year, the 77th Legislature restructured funding for charter schools to simplify the laborious task of calculating and adding up the per-student cost of the home district of each charter school student. The revised statute provides that *"adjustments under Sections 42.102, 42.103, 42.104, and 42.105 and the district enrichment tax rate ("DTR") under Section 42.302 are based on the average adjustment and average district enrichment tax rate for the state." (Sec. 12.106(a), Texas Education Code).* Sec. 42.102 provides for the adjustments under the Cost of Education Index (CEI) and Sec. 42.103 – 42.105 establish the formula adjustments for small, mid-size and sparse districts. However, this change to statewide average district-level adjustments only applies fully to charter schools established after September 1, 2001 and is otherwise being phased in over a ten-year period (10% per year) for pre-existing charter schools. For the 2003-04 school year, those districts received only 10% of their funding under the new formula.

While a few charter schools (twelve schools, primarily those that draw students from wealthy "Chapter 41" districts) receive better funding under the old law, the vast majority will be more appropriately funded when the new approach is fully implemented and uniformly applied (or applied with a hold-harmless for those twelve). Under current law, this will not fully occur until the 2012-13 school year.

3) Even the revised formulas inadequately reflect uncontrollable costs of education.

- Use of the statewide average CEI (rather than the county average CEI) unfairly penalizes most charters, which are primarily located in urban counties with much higher than average salary market costs and therefore have much higher than average CEIs.
- Using the statewide average small district adjustment similarly penalizes most charter schools, since that adjustment is only about two-thirds of what the average adjustment would be if the small district formula were applied individually to each charter school in the same manner that it is applied to traditional school districts.
- Most charter districts are penalized by the use of the statewide average enrichment tax in calculating Tier 2 allotments since they are primarily concentrated in urban counties that have above average tax rates, generating higher levels of revenue with which the charters must compete for teachers and other personnel.

Possible Solutions to Funding Inequity

The following changes to the current funding statutes could correct the structural sources of the inequity in funding:

1) Accelerate shift to the new funding structure.
Much of the inequity in funding for maintenance and operation would be eliminated if the existing statutory funding structure were fully applied immediately to all charter schools rather than over the remaining years of the phase-in. Unless this is combined with the modifications suggested in the next recommendation, a hold-harmless provision should be provided for the twelve charter schools that would lose significant funds under the new funding structure unless that protection has already been provided by the "Additional State Aid for Tax Reduction" hold-harmless under HB1 in the 3rd Called Session of the 79th Legislature. The acceleration to the new funding structure would likely cost about $36 million per year under the old formulas plus the compound impact this would have

on the higher funding adopted under HB1. The hold harmless would cost about $1.3 million above that amount unless it has already been covered by the hold-harmless in HB1.

2) Modify the charter funding structure to more closely mirror the funding of traditional school districts.

Changing the CEI to the county average CEI for the charter school's county, applying the small and mid-size district formulas in the same manner as for ISDs, and using the county average enrichment tax in determining a charter school's allotment would more accurately and fairly adjust for uncontrollable costs and would likely eliminate the need for the hold harmless provision in Item 1 above.

3) Provide separate funding for facilities for charter schools.

Full equity in funding cannot be achieved without an equalized form of facilities assistance, just as is the case for traditional school districts. In the absence of a local tax base to pay for bonds and with no state facilities funding, charter schools are forced to use operating funds for capital expenses. The voter approval required for traditional bond funding is somewhat of a safeguard for which no parallel exists for charter schools. Still, it should be possible to establish a facilities funding system, perhaps along the lines of the recent proposed legislation that would limit the facilities funding to those charter schools with a proven record of strong academic accomplishment and financial accountability.

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Appendices

Appendix A: Revenue and Operating Expenditure Data

Traditional District Funding

For a traditional district, the difference between its average daily attendance (ADA) and its WADA in 2003-04 is calculated as follows:

The basic allotment (currently $2,537) is adjusted as follows:
- 71% of it is multiplied by the district's cost of education index (CEI) and added to the remaining 21% of $2,537, producing the district's "adjusted basic allotment" (ABA)
- for districts with fewer than 5,000 students, the ABA is then multiplied by the district's small district adjustment (if under 1600 students) or mid-sized adjustment (if under 5000 students) to produce the "adjusted allotment" (AA)

To the number of students in average daily attendance in the regular education program are added the counts of various special populations (special education, bilingual, etc.) multiplied by the program weights for their respective programs, creating a total of "program-weighted" pupils. This count of "program-weighted" students is then multiplied by the district's AA to produce their Tier 1 "basic" program entitlement. For the Tier 2 "enrichment" allotment, each district is guaranteed a yield of $27.14 per WADA per penny of enrichment tax up to a maximum of 64 pennies of tax. The WADA are calculated by multiplying the program-weighted students by half of the Tier 1 impact of the district's CEI and 100% of the district's small or midsize adjustment.

Charter Data Used
The initial data on operating expenditures, all funds revenue and enrollment was provided by the Texas Education Agency (TEA) for 188 charters schools. Of those, 16 were residential charters and were removed from the analysis due to higher costs associated with their residential expenses. TEA indicated that 10 charter schools had questionable

data, of which 2 were residential. Of the remaining 164 charter schools, 15 additional schools had implausible data (such as negative numbers for local revenue or average daily attendance greater than enrollment), as did another 2 of the residential charters. This left 149 non-residential charter schools in 36 counties with data that appears accurate and the analysis was limited to those 149 charter schools. Five counties that contain 93 of these charter schools and 75% of charter students have been singled out for individual comparisons.

The following definition accompanied the operating expenditure data received from TEA: "Operating Expenditures are defined in the same way as for TEA standard reports, with the exception of the treatment of TRS on-behalf payments. Includes funds 101 and 199 only. Includes expenditure objects from 6100 through 6499 only. Excludes expenditure object code 6144 (TRS on-behalf payments). Includes function codes 11, 12, 13, 21, 23, 31, 32, 33, 34, 35, 36, 41, 51, 52, 53, 92, 95." The study used data derived from audited data, "summary of finance" data and "foundation master file" (FM) data for the 2003-04 school year to compare the differences between open-enrollment charter school and traditional independent school district per-pupil operating expenditures and revenues in a variety of formats.

Description of Chart and Tables
This study examined per pupil funding based on several different possible ways to compute a CEI for each charter school and also on the application of the small district adjustment to charter schools in the same manner in which it is applied to traditional school districts. The following tables show the per-pupil differences between charter schools and ISDs for three accounting categories: General Fund Operating Expenditures, All Funds Operating Expenditures and All Funds Revenue. The General Fund Operating Expenditures consist primarily of the purposes for which state maintenance and operation funding (including local M&O tax revenue of ISDs) is provided. All Funds Operating Expenditures include special purpose funds not part of the regular educational program and separate from state formula funding, as well as most federal funds. All Funds Revenue includes revenues for facilities as

well as for maintenance and operation.
Because salary market costs vary widely in Texas and to mitigate the impact of any anomalous data resulting from coding differences or from similar non-substantive causes, each summary table compares the county totals for the charter schools within each of those five counties to the county totals for the ISDs in that county. Charter school sums for all 36 counties with charter schools are compared to the ISD sums both for those 36 counties and for all ISDs in the state.

All of the tables are derived from the same total dollars for each accounting category. They differ in the definition of "per pupil" used to calculate the comparisons. The following chart summarizes the total number of pupils under each definition in the five counties and statewide for the 149 charter schools. The titles "WADA 1," "WADA 2," etc., correspond to the charts in the appendix detailing revenues and expenditures per WADA and link them to the appropriate summary tables that follow immediately below this chart.

All five of the WADA calculations include the pupil weights used in current law for both ISDs and charters. "WADA 1" adds a wage market cost of educa-

tion index (CEI) calculated by averaging the CEIs for all of the ISDs within the county in which the charter school is located, but with no adjustment for diseconomies of scale. "WADA 2" is calculated in a similar manner, except that the CEI adjustment is based on the average per-pupil CEI value within the county. In this method, the CEI of a district with 50,000 students would have 100 times the impact on the county average as would the CEI of a district with 500 students. "WADA 3," used in Table 5 uses the state average "Adjusted Allotment" (AA), calculated by summing the AA for all ISDs in Texas and dividing the sum by the number of ISDs. This is similar to the method used in the new formula for charter schools currently being phased in and includes some adjustment for both wage market (CEI) and size-related costs. "WADA 4" analyzes the impact of applying only the pupil weights and the current small district adjustment formula (for districts with fewer than 300 square miles) to charters in the same manner that they are applied to ISDs. "WADA 5" combines the impact of WADA 4 with the county average CEI used in WADA 1.

SUMMARY: CHARTER SCHOOL ENROLLMENT COUNTS (ADA AND WADA PUPIL)								
Pupil Counts Used for:		Table 1	Table 2	Table 3	Table 4	Table 5	Table 6	Table 7
County	Number of CS	FY2004 Fall Enrollment	FY2004 Refined ADA	County Avg CEI WADA 1	County Wtd CEI WADA 2	State Avg AA WADA 3	County Small WADA 4	Avg CEI + Small WADA 5
Bexar	18	6,381	5,483	7,341	7,364	8,568	8,935	9,496
Dallas	24	12,338	10,803	13,904	14,021	16,086	15,991	17,146
Harris	32	11,964	10,209	13,544	13,597	15,466	15,999	17,380
Tarrant	9	2,699	2,342	2,905	2,925	3,377	3,609	3,851
Travis	10	1,940	1,717	2,021	2,033	2,389	2,593	2,721
31 Others	56	12,020	10,373	13,328	13,442	15,592	16,849	17,860
36 Counties	149	47,342	40,927	53,043	53,381	61,478	63,976	68,454
STATE	149	47,342	40,927	53,043	53,381	61,478	63,976	68,454

In the following tables, the first, third and fifth columns in the right-hand portion represent the differences in per-student funding using the student count from the third column in the left-hand portion of the table. A negative percentage and a number in parentheses represents a disadvantage for charter schools. The other columns on the right reflect the average percentage that each difference represents of the total corresponding per-pupil charter school funding. Table 1 divides the total funds in each category by the total enrollment, similar to the methodology used in the recent studies.

Charter School Per Pupil Deficit Based on Fall Enrollment

Table 1			CHARTER SCHOOL MINUS ISD DATA					
County	Number of CS	FY2004 Fall Enrollment	Gen Fund Op Exp CS vs ISD's	Gen Fund % diff	All Funds Op Exp CS vs ISD's	All Funds Op Exp % diff	All Funds Rev CS vs ISD's	All Funds Rev % diff
Bexar	18	6,381	(610)	-11.5%	(567)	-8.6%	(1,548)	-22.5%
Dallas	24	12,338	(626)	-12.5%	(895)	-14.9%	(1,429)	-22.1%
Harris	32	11,964	(102)	-1.8%	(133)	-2.0%	(863)	-12.4%
Tarrant	9	2,699	(538)	-10.9%	(953)	-16.8%	(1,603)	-26.4%
Travis	10	1,940	(195)	-3.4%	(594)	-8.7%	(996)	-14.2%
31 Others	56	12,020	(540)	-10.5%	(637)	-9.9%	(1,247)	-18.3%
36 Counties	149	47,342	(435)	-8.3%	(584)	-9.1%	(1,241)	-18.4%
STATE	149	47,342	(488)	-9.3%	(646)	-10.1%	(1,343)	-19.9%

Traditional school districts in the 36 counties containing charter schools had an overall advantage of $1,241 per enrolled student in revenues available from all funding sources in the 2003-04 school year. Over half of that advantage ($657 per enrolled student) came from revenue available for non-operating expenses. The operating expenditure advantage from all sources of funding averaged $584 per enrolled student in the 36 counties, and the advantage held by ISDs in general fund operating expenditures averaged $435 per enrolled student. When comparing the 149 charter schools to all 1,031 ISDs in the state, the ISDs' advantage grew to $488 per enrolled student in general fund operating expenditures and $646 per student in operating expenditures from all funding sources. The ISD advantage was $1,343 in revenue from all sources, leaving an average of $697 per student in revenue advantage available for non-operating expenditures.

Texas charter schools do not have access to local tax collections as do traditional school districts and are therefore dependent upon state aid for the vast majority of their revenue (about 97% of general fund revenue in 2003-04). A handful of charter schools have raised substantial amounts of revenue from private sources (categorized in state audits as "local" revenue), which include donations, interest earnings, fees, sales of goods, services and tickets, and other non-governmental sources. The most important source of "local revenue" for charters is charitable contributions, which are not generally available to all charter schools and may not be consistently available even for those who receive them. Removing just two schools, the KIPP and YES charter schools, from the Harris County totals lowers the average general fund operating expenditures for the remaining thirty charter schools in Harris County by over $300 per enrolled student (increasing the gap with the traditional ISDs to $404) and similarly lowers the average all funds operating expenditures in the county by about $383 per student and the all funds revenue by $368.

Statewide, there were only eight charter schools that generated at least 10% of their operating revenues from private sources, and those eight received about 52% of the total funds designated as local that were received statewide by the 149 charter schools. Removing those eight from the calculations increases the general operating expenditure gap by over $100 per enrolled student to $591 compared to all of the ISDs in the state and increases the gap in all funds operating expenditures to $780 and in all funds revenue to $1,485 per enrolled student.

Charter School Deficit Based on Average Daily Attendance

Texas schools are funded on the basis of attendance rather than enrollment. Table 2 presents the comparisons in funds per student in **average daily attendance**, or "ADA".

Table 2			CHARTER SCHOOL MINUS ISD DATA					
County	Number of CS	FY2004 Refined ADA	Gen Fund Op Exp CS vs ISD's	Gen Fund % diff	All Funds Op Exp CS vs ISD's	All Funds Op Exp % diff	All Funds Rev CS vs ISD's	All Funds Rev % diff
Bexar	18	5,483	(223)	-3.6%	(71)	-0.9%	(1,106)	-13.8%
Dallas	24	10,803	(366)	-6.4%	(593)	-8.6%	(1,142)	-15.4%
Harris	32	10,209	391	6.0%	471	5.9%	(306)	-3.8%
Tarrant	9	2,342	(205)	-3.6%	(594)	-9.1%	(1,263)	-18.1%
Travis	10	1,717	39	0.6%	(349)	-4.5%	(778)	-9.8%
31 Others	56	10,373	(176)	-3.0%	(180)	-2.4%	(808)	-10.2%
36 Counties	**149**	**40,927**	**(69)**	**-1.1%**	**(141)**	**-1.9%**	**(826)**	**-10.6%**
STATE	**149**	**40,927**	**(110)**	**-1.8%**	**(188)**	**-2.5%**	**(913)**	**-11.7%**

The gap in expenditures and revenues between ISDs and charters is significantly narrower when the comparisons are based on funds per student in attendance. This is because the average ratio of attendance to enrollment is much lower--86.5% for charter schools as opposed to the 92.6% average attendance ratio for ISDs. While most of the advantage in operating funds disappears when comparing funding per ADA, the "all funds revenue" gap is still $826 per ADA in the 36 counties and $913 when charter schools are compared to all ISDs in the state, reflecting once again the disadvantage in facilities funding.

The gap would in fact be much wider if a handful of charter schools with substantial private contributions are removed from these calculations. In Harris County without KIPP and YES, the general funds operating expenditure "advantage" for the remaining thirty charter schools is only $142 per ADA. Similarly, the "advantage" in all funds operating expenditures is reduced by over $320 to $150 per ADA and the all funds revenue disadvantage nearly doubles to $606. Again, removing the eight charter schools with high private revenues from the state-wide figures, the general fund operating expenditure gap increases to over $200 per ADA, the all funds operating expenditures to $310, and the gap in all funds revenues grows to $1,087 per ADA.

Charter School Deficit Based on Differing Definitions of WADA

Texas has long recognized that "per ADA" comparisons between districts are inadequate because of the significant uncontrollable cost differences resulting from variations in concentrations of higher-cost students, from variations in salary markets and from diseconomies of scale due to district size. The state therefore adjusts its funding of ISDs based on formulas that account for student and district cost differences, which are used to create **students in weighted average daily attendance**, or "WADA." At present, there is no comparable calculation for charter schools because of differing methods used to account for district-level cost differences. Each traditional school district has an individual CEI value, reflecting uncontrollable cost differences of paying teachers based on the district's demographics and wage market. Charter schools do not have individual CEI values calculated for them.

Charter schools also do not benefit from the Small and Mid-sized District "diseconomies of scale" formula adjustments in the same manner as ISDs, although there is currently in statute a gradual shift to funding charter schools based on the state average values for these formulas. Originally, charter schools were funded based on the cost per student in the various ISDs in which each of their students resided. Since the vast majority of charter students come from larger ISDs, this in effect denied most charter schools, which are small, any adjustment for diseconomies of scale. Therefore, most charter schools currently receive little in the way of diseconomies of scale adjustments, even though most charter districts are sufficiently small in size to experience those diseconomies.

Under the newer formula, charter schools receive a Tier 1 allotment based on the school's individual total of program-weighted students multiplied times the statewide average AA, meaning by the statewide average impact of the CEI and the small and mid-size formulas. For Tier 2, charter schools receive $27.14 times the statewide average enrichment tax (since they cannot levy a tax of their own) and by a weighted student count based on those statewide averages.

Because that definition of WADA using CEI and small/mid-size adjustments unrelated to the individual charter's wage market and diseconomies of scale provides an unfair comparison, several different potential definitions of WADA were analyzed in this report to make comparisons between charter schools and ISDs that control for the individual differences in uncontrollable costs.

Tables 3 – 7 compare the three fund accounts on a per-weighted pupil basis. The charter school WADA used in these tables were derived through the application of CEI and/or scale adjustments to the number of program-weighted full-time equivalent students (FTE's) for each charter school in the same manner as if it were a traditional school district.

In each case, the program-weighted FTE's are calculated by applying the various program weights for special education, compensatory, bilingual, vocational and gifted & talented education to the FTE's for each program and adding them to the total regular program ADA. These are then further adjusted by CEI and/or scale adjustments to create a WADA total for each charter school and the resulting funds per WADA are compared to the funding per WADA of the ISDs in the county or counties.

Tables 3 and 4 examine only the impact of applying two different methods of calculating a CEI index value for each charter. Table 5 utilizes a definition of WADA derived from the statewide average impacts of the small/mid-size scale adjustments and half of the statewide average CEI, in the same manner that WADA is calculated for ISDs. Table 6 examines only the impact of applying the small/midsize district adjustments to charter schools in the same manner as they are applied to ISDs.

Charter School Deficit Based on Application of Average County CEI

Table 3 calculates WADA for charter schools using a CEI based on the average of the various CEI index values for the traditional school districts in the county in which the charter school is located. The average is calculated by summing the index values for all ISDs in the county and dividing by the number of districts. There is no adjustment made for diseconomies of scale.

Table 3			CHARTER SCHOOL MINUS ISD DATA					
County	Number of CS	FY2004 County Avg CEI WADA	Gen Fund Op Exp CS vs ISD's	Gen Fund % diff	All Funds Op Exp CS vs ISD's	All Funds Op Exp % diff	All Funds Rev CS vs ISD's	All Funds Rev % diff
Bexar	18	7,341	(149)	-3.2%	(32)	-0.6%	(802)	-13.4%
Dallas	24	13,904	(184)	-4.1%	(338)	-6.3%	(746)	-13.0%
Harris	32	13,544	261	5.3%	313	5.2%	(278)	-4.5%
Tarrant	9	2,905	(51)	-1.1%	(341)	-6.5%	(858)	-15.2%
Travis	10	2,021	540	9.7%	333	5.1%	17	0.2%
31 Others	56	13,328	111	2.4%	169	2.9%	(277)	-4.5%
36 Counties	**149**	**53,043**	**65**	**1.4%**	**36**	**0.6%**	**(472)**	**-7.9%**
STATE	**149**	**53,043**	**104**	**2.2%**	**88**	**1.5%**	**(438)**	**-7.3%**

Since this method gives equal emphasis to the index values of smaller school districts in the county, which usually have lower index values, it produces a somewhat lower county average index value. In the absence of small district scale adjustments for charter schools, their overall average funding disadvantage appears to disappear. However, because most charter schools are small, they do experience diseconomies of scale, and such a comparison does not properly reflect uncontrollable cost differences.

As with the comparisons based on enrollment and ADA, the few charters with large charitable contributions somewhat distort the overall picture. In Harris County, removing KIPP and YES from the calculations reduces the seeming "advantage" in general fund operating expenditures from $261 per student to $41 and in all funds operating expenditures from $313 to $33, and increases the all funds revenue disadvantage from minus $278 to minus $543 per student.

Similarly, removing the eight charter schools with over 10% private funding changes the apparent 36-county charter advantage to a disadvantage of $12 per student in general operating funds and a disad-

vantage of $76 per student in all funds operating expenditures. The all funds revenue gap increases to minus $546 per student.

It should also be noted that the current CEI values in Travis County are inordinately low due to the failure of the legislature to update the index in 14 years, giving ISDs in that county the appearance of having a higher level of revenue per weighted student than is probably appropriate based on actual salary market conditions. Furthermore, five of the seven ISDs in Travis County are wealthy "Chapter 41" districts that are able to spend more per student than non-wealthy districts, creating a more expensive marketplace in which the charter schools in that county must compete.

Charter School Deficit Determined by CEI Based on Average Pupil Impact

Table 4 uses a CEI based on the average pupil impact of the various CEI index values for the school districts in each county. The relative impact of each district's CEI is "weighted" by the number of ADA in the district. The CEI of a district with 20,000 ADA would have twice the impact of the CEI of a district with an ADA of 10,000 in calculating the county average CEI.

Table 4			CHARTER SCHOOL MINUS ISD DATA					
County	Number of CS	FY2004 County Wtd CEI WADA	Gen Fund Op Exp CS vs ISD's	Gen Fund % diff	All Funds Op Exp CS vs ISD's	All Funds Op Exp % diff	All Funds Rev CS vs ISD's	All Funds Rev % diff
Bexar	18	7,364	(163)	-3.6%	(50)	-0.9%	(820)	-13.8%
Dallas	24	14,021	(221)	-5.0%	(382)	-7.2%	(794)	-13.9%
Harris	32	13,597	242	4.9%	290	4.8%	(302)	-4.9%
Tarrant	9	2,925	(82)	-1.8%	(376)	-7.2%	(896)	-16.0%
Travis	10	2,033	507	9.2%	294	4.5%	(24)	-0.4%
31 Others	56	13,442	72	1.6%	120	2.1%	(329)	-5.4%
36 Counties	**149**	**53,381**	**35**	**0.8%**	**0**	**0.0%**	**(510)**	**-8.5%**
STATE	**149**	**53,381**	**75**	**1.6%**	**52**	**0.9%**	**(476)**	**-8.0%**

Because this method gives greater weight to larger districts in the county, which usually have higher index values, it produces a somewhat higher average index in all but three counties where the indices are the same as in the first method. The overall average CEI produced is about 1.8% higher for the 36 counties, resulting in about a 1% increase in WADA for the charter schools. The impact is much less significant in the larger counties than in the smaller counties. Eliminating the charter schools with high private revenues has exactly the same dollar effect per student as in the previous table. Again, the failure of this method to adjust for diseconomies of scale presents an incomplete view of the real picture of an "apples to apples" comparison.

Charter School Deficit Based on Applying the New Funding Formula

The CEI used in Table 5 is based on the new funding formula that is being phased in for charter schools over a ten-year period. It uses the statewide average values for the CEI and small/mid-size district adjustments, with only half of the CEI impact, as is done in calculating WADA for traditional school districts.

Table 5	CHARTER SCHOOL MINUS ISD DATA							
County	Number of CS	FY2004 State Avg AA WADA	Gen Fund Op Exp CS vs ISD's	Gen Fund % diff	All Funds Op Exp CS vs ISD's	All Funds Op Exp % diff	All Funds Rev CS vs ISD's	All Funds Rev % diff
Bexar	18	8,568	(808)	-20.5%	(850)	-17.4%	(1,657)	-32.4%
Dallas	24	16,086	(786)	-20.5%	(1,062)	-23.0%	(1,526)	-30.7%
Harris	32	15,466	(349)	-8.1%	(434)	-8.2%	(1,040)	-19.4%
Tarrant	9	3,377	(690)	-17.6%	(1,077)	-23.8%	(1,647)	-33.9%
Travis	10	2,389	(315)	-6.7%	(677)	-12.2%	(1,018)	-17.9%
31 Others	56	15,592	(563)	-14.2%	(674)	-13.6%	(1,171)	-22.3%
36 Counties	**149**	**61,478**	**(578)**	**-14.3%**	**(749)**	**-15.2%**	**(1,297)**	**-25.0%**
STATE	**149**	**61,478**	**(538)**	**-13.3%**	**(697)**	**-14.1%**	**(1,263)**	**-24.4%**

Because this method uses an adjustment for diseconomies of scale as well as for the salary market (CEI) it produces a far higher number of weighted ADA, and therefore, far lower values for expenditures and revenues per student, than in the first two tables where only CEI market adjustments were made to the program-weighted pupils. This begins to give a clearer picture of the real disadvantages that charter schools face, with gaps in general fund operating expenditures in all counties and averaging in excess of $500 per student. The disadvantage in all funds revenue averages over $1,200 per student.

Even so, this understates the real gap because the statewide averages used in these adjustments are less than the actual costs that charter schools face. While the statewide average CEI is 1.056, or 5.6%, the average CEI in the 36 counties with charter schools is 1.118, or 11.8%, and the pupil-weighted average CEI is 1.137, or 13.7%. The statewide average small district adjustment is 21.6%, but 142 of the 149 charter districts included in this analysis would receive a larger adjustment if the small school adjustment for districts under 300 square miles were applied to their regular program ADA in the same manner as is done with ISDs. The average adjustment produced when applying the small district formula to charter schools is 33.5%. In other

words, the statewide average CEI adjusts for less than half of the market costs that charter schools actually face due to the counties in which they are located, and the statewide average small/mid-size adjustment is less than two-thirds of what the state's formula says is the real average diseconomy of scale that charter schools face.

Charter School Deficit Based on WADA Defined by Applying Small District Formula

Table 6 is based on charter school WADA derived only from the application of the small district formula to each charter school in the same manner as it is applied to ISDs. This calculation does not include a CEI in order to clarify the impact that diseconomies of scale have on charter school costs.

Table 6			CHARTER SCHOOL MINUS ISD DATA					
County	Number of CS	FY2004 Small Only WADA	Gen Fund Op Exp CS vs ISD's	Gen Fund % diff	All Funds Op Exp CS vs ISD's	All Funds Op Exp % diff	All Funds Rev CS vs ISD's	All Funds Rev % dif
Bexar	18	8,935	(969)	-25.7%	(1,051)	-22.4%	(1,867)	-38.0%
Dallas	24	15,991	(764)	-19.8%	(1,035)	-22.3%	(1,497)	-29.9%
Harris	32	15,999	(492)	-11.8%	(609)	-12.0%	(1,219)	-23.5%
Tarrant	9	3,609	(942)	-25.6%	(1,368)	-32.3%	(1,958)	-43.1%
Travis	10	2,593	(685)	-15.8%	(1,113)	-21.8%	(1,465)	-28.0%
31 Others	56	16,849	(859)	-23.4%	(1,044)	-22.7%	(1,563)	-32.1%
36 Counties	**149**	**63,976**	**(735)**	**-18.9%**	**(942)**	**-19.8%**	**(1,499)**	**-30.1%**
STATE	**149**	**63,976**	**(696)**	**-17.9%**	**(890)**	**-18.8%**	**(1,465)**	**-29.4%**

Table 6 gives an even truer picture of the funding differences between charter schools and independent school districts. When adjusting for uncontrollable costs due to their size, charter schools have significantly less operating revenue per weighted student, even when no adjustment is made to them for salary market factors. General fund operating expenditures are $735 per pupil less on average for charter schools than for the neighboring ISDs. **When all revenue sources are included, the overall per pupil disadvantage is almost $1,500 per pupil.**

When all revenue sources are included, the overall per pupil disadvantage is almost $1,500 per pupil.

Charter School Deficit Based on the Most Comparable Definition of WADA

Table 7 is based on a definition of WADA most comparable to that used for traditional ISDs. It results from the application of both the small district formula and the "county average CEI" used in Table 3 (the lower or more conservative of the two CEI's) to each charter school. Each charter school's ADA is adjusted by the average CEI index value for the ISDs in the county in which the school is located. The result is also adjusted by the small school formula value calculated for that school in the same manner that it is applied to a traditional school district.

Table 7			CHARTER SCHOOL MINUS ISD DATA					
County	Number of CS	FY2004 Avg CEI + Small WADA	Gen Fund Op Exp CS vs ISD's	Gen Fund Op Exp % diff	All Funds Op Exp CS vs ISD's	All Funds Op Exp % diff	All Funds Rev CS vs ISD's	All Funds Rev % diff
Bexar	18	9,496	(1,193)	-33.6%	(1,328)	-30.1%	(2,158)	-46.7%
Dallas	24	17,146	(1,024)	-28.4%	(1,348)	-31.1%	(1,834)	-39.3%
Harris	32	17,380	(821)	-21.5%	(1,014)	-21.6%	(1,631)	-34.1%
Tarrant	9	3,851	(1,173)	-34.0%	(1,634)	-41.1%	(2,243)	-52.7%
Travis	10	2,721	(889)	-21.5%	(1,354)	-27.8%	(1,712)	-34.3%
31 Others	56	17,860	(1,067)	-30.8%	(1,304)	-30.1%	(1,838)	-40.0%
36 Counties	**149**	**68,454**	**(989)**	**-27.3%**	**(1,252)**	**-28.2%**	**(1,825)**	**-39.2%**
STATE	**149**	**68,454**	**(950)**	**-26.2%**	**(1,200)**	**-27.1%**	**(1,791)**	**-38.5%**

Even though this methodology uses the smaller of the CEI values studied in this report, the gap in funding is pronounced for all three accounting categories. General fund operating expenditures are just under $1,000 per weighted student less on average for charter schools than for the ISDs in their counties. When all revenue sources are exam-ined, the average disadvantage for charter schools is $1,825 per weighted pupil in comparison to ISDs in the 36 counties. Compared to all ISD's in the state, charter schools average $950/WADA less in general fund operating expenditures and are underfunded by an average of $1,791/WADA in all funds revenue.

Appendix B: Facilities Funding

Traditional school districts have access to several sources of funding for facilities and other major capital expenditures that are not available to charter schools. By far the largest source of facilities funding stems from the ability to levy a separate local tax for debt service, called the "interest and sinking fund" or I&S tax. In the 2003-04 school year, 716 of the 1,031 ISDs levied I&S taxes which generated over $2.6 billion in revenue, or $663 per ADA statewide. Most of the districts with no debt service were small districts, so the average I&S revenue for just the 716 districts that levied these taxes was $693/ADA.

Of those 716 districts, 560 received state assistance for their debt service. Of those, 535 received an average of $174/ADA through the Existing Debt Allotment (EDA) and 188 districts received an average of $73/ADA through the Instructional Facilities Allotment (IFA). All but 25 of the IFA districts also received aid under the EDA, with the average total state aid for districts receiving state debt assistance equaling $205/ADA.

The combined total of I&S revenue and state EDA and IFA assistance divided by the total ADA of the state averaged $816/ADA. For just those 716 districts with debt service, the average total facilities funding was $853/ADA.

Charter schools received no state funding for facilities and can levy no local taxes. The only comparable "extra" source for these costs was a combination of private donations and a very limited pool of short-term, one-time-only federal grants. In the two prior years combined, those grants totaled $27.4 million, or an average of $530/ADA, or $265 per year. ISDs also received a total of $43 million of this federal grant money over those same two years, which was not included in the previous funding totals for ISDs. These grants are not a reliable continuous source of funding.

Facilities data was only available for 138 of the 149 charter schools included in this report and they spent $41.6 million on facilities, of which slightly over half was spent on rentals and operating leases. About half of the remainder was spent on land and equipment and the other half on building purchase and improvement. Total facility expenditures for those 138 charter schools averaged $1,064 per ADA It is likely that ISD facilities expenditures per student are lower because a portion of those assets were acquired or constructed many years earlier, when costs were cheaper. The newness of most charters denies them that same break.

Appendix C: Data used in the preparation of Summary Tables

This chart provides the basic expenditure, revenue and pupil data for traditional school districts:

Chart 1

TRADITIONAL ISD PUPIL COUNTS, REVENUE AND EXPENDITURES COUNTIES WITH CHARTER SCHOOLS AND STATE TOTALS							
County	ISD's	Pupil Counts			Expenditures		Revenues
		FY2004 Fall Enrollment	FY2004 Refined ADA	FY2004 WADA	FY2004 Gen Fund Op Exp	FY2004 All Funds Op Exp	FY2004 All Funds Revenue
Bexar	12	269,841	249,583	335,375	1,592,061,996	1,925,680,914	2,272,697,419
Dallas	15	414,607	383,881	504,795	2,335,424,358	2,867,041,435	3,279,661,173
Harris	20	696,195	643,698	847,684	3,935,325,676	4,831,411,766	5,433,279,571
Tarrant	16	292,208	271,518	345,085	1,593,675,522	1,935,465,313	2,242,844,462
Travis	7	119,485	109,947	142,523	714,604,561	886,803,793	955,045,950
31 Other Counties	204	1,204,768	1,115,669	1,512,003	6,852,133,944	8,521,763,080	9,721,991,210
36 County Total	**274**	**2,997,104**	**2,774,297**	**3,687,466**	**17,023,226,057**	**20,968,166,301**	**23,905,519,785**
State Total	**1031**	**4,261,324**	**3,995,106**	**5,337,664**	**24,430,423,915**	**30,076,235,904**	**34,423,261,164**

The next chart provides the expenditure and revenue data for the 149 charter schools:

Chart 2

CHARTER SCHOOL EXPENDITURES AND REVENUE				
County	Number of Charters	General Fund Operating Expenditures	All Funds Operating Expenditures	All Funds Revenues
Bexar	18	33,754,346	41,915,858	43,864,213
Dallas	24	61,770,515	74,275,797	79,960,534
Harris	32	66,408,711	81,437,653	83,049,674
Tarrant	9	13,267,390	15,304,323	16,388,783
Travis	10	11,223,560	13,246,272	13,575,118
31 Others	56	61,878,090	77,364,339	82,004,114
36 Counties	**149**	**248,302,612**	**303,544,242**	**318,842,436**
STATE	**149**	**248,302,612**	**303,544,242**	**318,842,436**

The remaining charts provide the expenditures and revenues per pupil for the various definitions of pupil counts used in calculating the summary tables in Appendix A:

Chart 3

General Fund Operating Expenses				
	ISD	Charter	ISD	Charter
County	/Enrollee	/Enrollee	/ADA	/ADA
Bexar	5,900	5,290	6,379	6,156
Dallas	5,633	5,007	6,084	5,718
Harris	5,653	5,551	6,114	6,505
Tarrant	5,454	4,916	5,869	5,664
Travis	5,981	5,785	6,500	6,538
31 Other Counties	5,688	5,148	6,142	5,965
36 County Total	**5,680**	**5,245**	**6,136**	**6,067**
State Total	**5,733**	**5,245**	**6,177**	**6,067**

Chart 4

General Fund Operating Expenses per WADA					
	ISD	Charter	Charter	Charter	Charter	Charter
County	/WADA	/WADA 1	/WADA 2	/WADA 3	/WADA 4	/WADA 5
Bexar	4,747	4,598	4,584	3,939	3,778	3,554
Dallas	4,626	4,443	4,405	3,840	3,863	3,603
Harris	4,642	4,903	4,884	4,294	4,151	3,821
Tarrant	4,618	4,567	4,536	3,928	3,676	3,445
Travis	5,014	5,554	5,521	4,699	4,329	4,125
31 Other Counties	4,532	4,643	4,603	3,969	3,673	3,465
36 County Total	**4,617**	**4,681**	**4,651**	**4,039**	**3,881**	**3,627**
State Total	**4,577**	**4,681**	**4,651**	**4,039**	**3,881**	**3,627**

Chart 5

All Funds Operating Expenses				
	ISD	Charter	ISD	Charter
County	/Enrollee	/Enrollee	/ADA	/ADA
Bexar	7,136	6,569	7,716	7,644
Dallas	6,915	6,020	7,469	6,875
Harris	6,940	6,807	7,506	7,977
Tarrant	6,624	5,670	7,128	6,534
Travis	7,422	6,828	8,066	7,716
31 Other Counties	7,073	6,436	7,638	7,458
36 County Total	**6,996**	**6,412**	**7,558**	**7,417**
State Total	**7,058**	**6,412**	**7,604**	**7,417**

Chart 6

All Funds Operating Expenses per WADA						
	ISD	Charter	Charter	Charter	Charter	Charter
County	/WADA	/WADA 1	/WADA 2	/WADA 3	/WADA 4	/WADA 5
Bexar	5,742	5,710	5,692	4,892	4,691	4,414
Dallas	5,680	5,342	5,297	4,618	4,645	4,332
Harris	5,700	6,013	5,989	5,265	5,090	4,686
Tarrant	5,609	5,268	5,233	4,531	4,241	3,974
Travis	6,222	6,555	6,516	5,546	5,109	4,869
31 Other Counties	5,636	5,805	5,756	4,962	4,592	4,332
36 County Total	**5,686**	**5,723**	**5,686**	**4,937**	**4,745**	**4,434**
State Total	**5,635**	**5,723**	**5,686**	**4,937**	**4,745**	**4,434**

Chart 7

All Funds Revenue				
	ISD	Charter	ISD	Charter
County	/Enrollee	/Enrollee	/ADA	/ADA
Bexar	8,422	6,874	9,106	8,000
Dallas	7,910	6,481	8,543	7,402
Harris	7,804	6,942	8,441	8,135
Tarrant	7,676	6,072	8,260	6,997
Travis	7,993	6,997	8,686	7,908
31 Other Counties	8,070	6,822	8,714	7,906
36 County Total	**7,976**	**6,735**	**8,617**	**7,790**
State Total	**8,078**	**6,735**	**8,703**	**7,790**

Chart 8

All Funds Revenue per WADA						
	ISD	Charter	Charter	Charter	Charter	Charter
County	/WADA	/WADA 1	/WADA 2	/WADA 3	/WADA 4	/WADA 5
Bexar	6,777	5,975	5,957	5,119	4,909	4,619
Dallas	6,497	5,751	5,703	4,971	5,000	4,663
Harris	6,410	6,132	6,108	5,370	5,191	4,778
Tarrant	6,499	5,641	5,603	4,853	4,541	4,256
Travis	6,701	6,718	6,677	5,683	5,236	4,989
31 Other Counties	6,430	6,153	6,101	5,259	4,867	4,592
36 County Total	**6,483**	**6,011**	**5,973**	**5,186**	**4,984**	**4,658**
State Total	**6,449**	**6,011**	**5,973**	**5,186**	**4,984**	**4,658**

About the Author

Paul Colbert is a consultant in business, strategic planning, problem-solving, public affairs and public policy for numerous clients. Mr. Colbert was a member of the Texas House of Representatives for 12 years beginning in 1981 and served as Chairman for Budget and Oversight of the Public Education Committee and as the Public Education Committee's representative on the House Appropriations Committee for eight of those years. Rep. Colbert co-authored several education reform bills, including HB72, the Education Reform Act of 1984, and SB1, the school finance reform bill passed in 1990. He also established the Texas Literacy Council and the School Bond Guaranty program. He is considered one of the foremost experts in Texas on public school finance, and drafted or influenced much of the Texas school finance legislation from 1974 to 1991. Rep. Colbert also authored bills creating the Texas Center for Superconductivity at UH, The UT Mental Sciences Institute, and the Texas A&M Institute for Biosciences and Technology. In his subsequent work as a consultant, Mr. Colbert developed the state aid distribution system for the teacher salary increase in 1999.

Rep. Colbert received numerous awards for his legislative work. He was recognized as one of the "Ten Best" legislators by Texas Monthly magazine, the Houston Post and by the Dallas Morning News. For his work in economic development and in education, Rep. Colbert was chosen "National High-Tech Legislator of the Year" by the American Electronic Association. He also has received the "Champion of Equity Award" from The Equity Center, a coalition of over 600 Texas school districts, for his consulting work since leaving office. Prior to his election, Mr. Colbert served as Research Director for the Senate Education Committee, as an advisor on school finance to Governor Briscoe, and as an aide to seven legislators.