



Unfair Funding: How Charter Schools Win & Traditional Schools Lose

Introduction

Proponents have long claimed that community or ‘charter’ schools are the cure for much of what ails Ohio’s education system. If only parents had more “choice” over where their children attend school, they say, competition and the magic of the market would surely improve all schools.

Equally important, boosters claim that charter schools are cost neutral to the state. Unfortunately, a data set recently produced by the Ohio Department of Educationⁱ explodes that particular myth. According to the data, the way charter schools are funded in this state has a profoundly negative impact on the resources that remain for the overwhelming majority of kids — 1.6 million — who stay in Ohio’s traditional public schools. Actually, it’s even worse than that. In the vast majority of cases — even in many urban school districts — the state is transferring money to charter schools that perform substantially worse than the public schools from which the students supposedly “escaped.”

Here are the facts:

- **Because of the \$774 million deducted from traditional public schools in FY 2012 to fund charters, children in traditional public schools received, on average, \$235 (or 6.5%) less state aid than the state itself said they needed.**
- **More than 90% of the money sent to rated charter schoolsⁱ in the 2011-2012 school year went to charters that on average score significantly lower on the Performance Index Score than the public schools students had left.ⁱⁱ**
- **Over 40% of state funding for charters in 2011-2012 (\$326 million) was transferred from traditional public districts that performed better on both the State Report Card and Performance Index.**

IO does not claim that all charter schools are bad, or that charters don’t have a place in Ohio’s education landscape. We do say that the way Ohio’s political leaders have chosen to fund charters has had a profoundly negative impact on the children who remain in traditional public schools. That impact can no longer be ignored, and IO believes it is incumbent on the Governor and the General Assembly to develop a funding system that is not detrimental to the majority of Ohio’s school children.

ⁱ Not all Charter Schools are rated on the state Report Card or Performance Index Score. Typically, these are schools that only serve Kindergarten through 2nd Grade. Proficiency tests start in 3rd Grade, so those schools would not produce the data necessary to calculate the two accountability measures. Charter Schools are not rated on the State Report Card during their first two years, so that could account for a lack of rating as well.

Charter School Funding²

Ohio charter schools receive a per pupil amount, based on enrollment, that is deducted from state formula funds allocated to the public school district where the child resides. These deductions occur even if the child never attended their residential district schools.

The per pupil amount deducted for charters – currently \$5,653ⁱⁱⁱ, plus any special education and other weighted funding – is based on Ohio’s old “Building Blocks” calculation, which includes a base cost for classroom teachers, personnel support and non-personnel support.

In FY 09, the per pupil amount was set at \$5,732, which included \$2,931 for teachers (at an average teacher salary with benefits of \$58,621 and a student-teacher ratio of 20:1), \$1,962 for personnel support, and \$839 for non-personnel costs. In the fiscal 2010-11 biennium, the building blocks formula was eliminated for traditional public schools, but the deduction amount was retained (with a downward adjustment) for students attending a charter school.

But basing the per pupil charter deduction on what it actually costs to educate a child in a traditional public school is fundamentally flawed. That is because charter schools generally have much *lower* costs than traditional public schools. Take teacher costs, for example, since they are the largest expense in any type of school. According to the latest State Report Card, the average teacher in a charter school is paid \$34,714³, whereas traditional public school teachers receive \$57,310⁴. Transportation is another major cost — but one that is not borne by charters. By law, traditional public schools must pay the transportation costs for all children in a district, including those who attend charters.^{iv} Indeed, charters are exempt from complying with more than 270 legal requirements imposed on traditional public schools. And all of these requirements come with a cost in dollars and cents.^v

Considerations like these are what make figuring out how much to deduct for charter schools so difficult. And they are exactly why the first unanimous recommendation of the School Funding Advisory Council’s Subcommittee on Charter-Traditional School Cooperation and Collaboration (made up of equal numbers of traditional and charter school advocates) was to fund children according to where they attend school, *not* where they live.^{vi}

The danger in making charter school deductions too high is obvious: not only are charter schools unfairly enriched, but the already dwindling resources available to children who remain in traditional public schools are unfairly reduced still further. In fact, the data show that’s exactly what has happened.

² This analysis does not include any changes that may be made under Gov. John Kasich’s FY14-FY15 biennial budget

³ This calculation is done by averaging the average teacher salaries in charter schools in the 2010-2011 School Building set of data located here: <http://ilrc.ode.state.oh.us/Downloads.asp>. The Ohio Department of Education has only released a limited set of report card data for the 2011-2012 school year that does not include teacher salaries yet, pending the results of the Ohio State Auditor’s data scrubbing investigation. Teacher salaries are located under the “Teacher Information” hyperlink in the 2010-2011 school building dataset. Charter Schools are grouped by IRN number. Sorting by a building’s IRN number will break out the Charter Schools for analysis.

⁴ This calculation was made using the same School Building data set found in the above calculation, but only for traditional public school buildings, not charter schools. The amount is different than others used both in building blocks and the Evidence Based Model, but Innovation Ohio wanted to compare apples to apples, so using the same calculation methodology from the building-level report card data would permit such an analysis.

Collateral Damage

There are real consequences to the current funding scheme set up by state lawmakers. In FY 12, traditional schools were told they collectively would receive \$6.3 billion to educate the 1.7 million students in Ohio, which broke down to \$3,634 per pupil.^{vii} However, when deductions totaling \$774 million for charter schools are removed (for the just over 108,000 children they enroll),^{viii} traditional schools are left with \$5.9 billion to educate the remaining 1.6 million children – or just \$3,399 per pupil. By contrast, charter schools receive \$774 million from the state to educate 108,000 students — or \$7,141 per pupil, more than twice the amount received by traditional schools.

In other words, students who attend traditional public schools actually receive \$235 — or 6.5% — less from the state than what the state says they need because charter schools are costing the state so much more.

Regardless of how one feels about charters, the way in which Ohio currently funds them has a negative impact on the children who remain in traditional public schools.

Some districts, of course, fare worse than others. And that is because while districts statewide lost 6.5% in per pupil funding in FY 12 after charter funds were deducted, the amount varies widely from district to district. Table 1 lists the top 25 public school districts in Ohio in terms of the percentage reduction in per pupil state funding as a result of charter school deductions⁵.

Table 1: Percentage reduction to per pupil state aid after charter reduction

County	District	% Reduction
Cuyahoga	Brooklyn City SD	-60.1%
Summit	Woodridge Local SD	-42.9%
Cuyahoga	Richmond Heights Local SD	-33.4%
Franklin	Columbus City SD	-28.4%
Trumbull	Lordstown Local SD	-27.6%
Hamilton	Cincinnati City SD	-23.8%
Cuyahoga	Parma City SD	-22.5%
Ottawa	Put-In-Bay Local SD	-20.5%
Franklin	New Albany-Plain Local SD	-18.0%
Summit	Copley-Fairlawn City SD	-17.5%
Cuyahoga	Fairview Park City SD	-16.6%
Lake	Riverside Local SD	-16.6%
Franklin	Groveport Madison Local S	-16.6%
Franklin	Gahanna-Jefferson City SD	-16.6%
Cuyahoga	Westlake City SD	-16.4%
Lucas	Springfield Local SD	-15.8%
Hamilton	Princeton City SD	-14.8%

⁵ Upper Arlington loses more money to Charters than it receives from the state, but that’s overwhelmingly to Charters run by the district itself, so their per pupil loss was not included

County	District	% Reduction
Hancock	Van Buren Local SD	-14.6%
Cuyahoga	Bedford City SD	-14.6%
Delaware	Olentangy Local SD	-14.0%
Trumbull	Howland Local SD	-13.6%
Cuyahoga	Berea City SD	-13.4%
Lorain	Avon Lake City SD	-13.1%
Portage	Field Local SD	-13.1%
Cuyahoga	Mayfield City SD	-12.9%
	Statewide Average	-6.5%

Table 2 lists the Top 25 public school districts in Ohio in terms of total dollars lost in per pupil state funding as a result of charter school deductions.

Table 2: Amount lost due to charter overpayment⁶

County	District	Total District \$ Lost to Per Pupil Cuts
Franklin	Columbus City SD	\$ (50,588,244)
Hamilton	Cincinnati City SD	\$ (26,897,931)
Lucas	Toledo City SD	\$ (16,499,863)
Montgomery	Dayton City SD	\$ (8,651,248)
Summit	Akron City SD	\$ (7,595,177)
Franklin	South-Western City SD	\$ (5,400,007)
Cuyahoga	Parma City SD	\$ (4,910,906)
Franklin	Groveport Madison Local S	\$ (3,812,482)
Cuyahoga	Cleveland Municipal SD	\$ (3,429,538)
Franklin	Westerville City SD	\$ (3,180,409)
Franklin	Upper Arlington City SD	\$ (3,137,991)
Butler	Middletown City SD	\$ (2,687,761)
Lorain	Elyria City SD	\$ (2,556,669)
Mahoning	Youngstown City SD	\$ (2,502,647)
Lorain	Lorain City SD	\$ (2,399,061)
Cuyahoga	Euclid City SD	\$ (2,134,376)
Licking	Newark City SD	\$ (2,000,345)
Franklin	Gahanna-Jefferson City SD	\$ (1,630,831)
Franklin	Reynoldsburg City SD	\$ (1,604,765)
Stark	Canton City SD	\$ (1,576,891)

⁶ Represents the factor of pupils remaining in the traditional public schools and the per pupil funding amount cut from districts after the district's charter deduction

Trumbull	Warren City SD	\$	(1,487,037)
Lucas	Washington Local SD	\$	(1,455,216)
Cuyahoga	Cleveland Hts-Univ Hts Ci	\$	(1,452,987)
Richland	Mansfield City SD	\$	(1,448,305)
Franklin	Hilliard City SD	\$	(1,444,297)

It is true that a few districts that actually see a slight *increase* in per pupil state funding after children enroll in charters and deductions are taken. However, such examples are exceedingly rare. For the majority of districts, the way we fund charters results in a significant loss in state funding per traditional school pupil.

Excellence Funds Failure

The reduction in funds for children in traditional public schools is bad enough. What’s even worse is that most of the money transferred to charters is going to schools that perform worse than the district of residence on the state’s two major performance measures, the state Report Card and Performance Index.⁷

In fact, of 6,888 transfers between a traditional public district and a charter school, 5,810 — or 84.4% — went from better performing public school districts to poorer performing charter schools on either the report card designation or Performance Index score. And 5,081 of *those* transfers came from public school districts that rated better than the charter in **both** categories, representing \$328.6 million, or more than 40% of all money transferred to charters in the 2011-2012 school year.

Comparing just the Performance Index Scores, more than 90% of the money sent to rated charter schools in the 2011-2012 school year went to charters that rated, on average, 18 points lower on the Performance Index Score than the public schools from whence the children and money came.

The myth that charter schools always offer better options for children and parents is perhaps best debunked by this: of the 350 charter schools in Ohio, only 14 educate children who all come from public schools that perform worse than the charter on either the Report Card or Performance Index Score, or both. Meanwhile, 137 charter schools receive all their children from better performing public schools on either or both measures⁸.

As for traditional public schools, all districts lost at least some children to worse performing charter schools, with 326 of Ohio’s 612 School Districts losing all their charter school money to schools that perform worse on one or both of the measures⁹. Table 3 lists the top 25 Districts according to money transferred to poorer performing charter schools. Of these, the average district lost just shy of 70% of its overall deduction to poorer performing charter schools¹⁰.

⁷ The state Report Card rating lists a School District or Charter School as “Excellent with Distinction”, “Excellent”, “Effective”, “Continuous Improvement”, “Academic Watch”, and “Academic Emergency” based on a variety of measures. The State’s Performance Index Score is being used increasingly to judge schools. It looks at the percentage of students in buildings, districts and Charter Schools that rate Advanced, Accelerated, Proficient, Basic and Below Basic on the state’s proficiency tests. Both these measures are being used by the state to direct dollars and to judge districts’ effectiveness.

⁸ In both these examples, there are charters that only receive one or two children from better performing traditional public schools, yet they are not included in this figure. Likewise, there are some charters that receive one or two children from poorer performing districts and are not included in the other 100% figure. IO chose to draw a hardline at 100%, while acknowledging that some charters on both ends of the success spectrum are very close to being included in the two categories discussed.

⁹ As mentioned earlier, there are some Districts that lose more than 99%, but less than 100% of their money to poorer performing charters. However, IO made the decision to draw a hardline at 100% for the same reasons stated earlier, acknowledging that many districts are nearly at 100% losses to poorer performing charter schools.

¹⁰ The totals lost to charters in this chart only include money lost to charters that are rated on either the Report Card or Performance Index Scores. The totals lost to charters may, therefore, be less than the overall totals lost to charter schools as reported on the districts’ 2011-2012 District Payment Reports.

Table 3: Districts that Lose the Most Money to Poorer Performing Charter Schools

District	\$ Lost to Poorer Performing Charters	\$ Lost Overall	% Lost to Worse Performing Charters
Columbus City SD	\$ 40,085,129	\$ 98,629,303	40.6%
Cincinnati City SD	\$ 36,479,188	\$ 50,893,614	71.7%
Toledo City SD	\$ 29,497,644	\$ 65,664,051	44.9%
Cleveland Municipal SD	\$ 20,480,622	\$ 117,376,081	17.4%
Akron City SD	\$ 18,989,550	\$ 25,613,158	74.1%
South-Western City SD	\$ 11,116,467	\$ 13,547,405	82.1%
Dayton City SD	\$ 10,085,762	\$ 43,677,912	23.1%
Youngstown City SD	\$ 8,909,825	\$ 21,728,536	41.0%
Groveport Madison Local SD	\$ 8,606,927	\$ 9,070,674	94.9%
Canton City SD	\$ 5,595,641	\$ 6,200,948	90.2%
Middletown City SD	\$ 4,834,713	\$ 5,273,871	91.7%
Mansfield City SD	\$ 4,675,671	\$ 7,113,842	65.7%
Westerville City SD	\$ 4,273,265	\$ 4,276,858	99.9%
Warren City SD	\$ 4,215,120	\$ 5,344,259	78.9%
Euclid City SD	\$ 3,874,934	\$ 6,122,617	63.3%
Newark City SD	\$ 3,574,168	\$ 4,545,799	78.6%
Upper Arlington City SD	\$ 3,461,319	\$ 3,467,082	99.8%
Huber Heights City SD	\$ 3,298,396	\$ 3,713,111	88.8%
Reynoldsburg City SD	\$ 3,263,793	\$ 3,525,267	92.6%
Parma City SD	\$ 3,076,262	\$ 7,047,501	43.7%
Elyria City SD	\$ 2,886,081	\$ 5,698,766	50.6%
Hamilton City SD	\$ 2,778,140	\$ 3,021,039	92.0%
Springfield City SD	\$ 2,674,103	\$ 5,330,557	50.2%
Marion City SD	\$ 2,169,016	\$ 2,581,926	84.0%

Areas for Innovation

Innovation Ohio offers the following recommendations for policymakers as they move forward with the new school funding system.

1. Pay charter schools what it actually costs *them* to educate children, not what it would have cost the traditional district of residence.

Today, charter schools are paid based on what it costs traditional schools to educate a child. Instead, charter schools should have their own formula based on their actual costs, *including capital funds*. The new formula should accurately calculate the cost of educating children in the charter, not at the traditional district of residence. This builds on the recommendation of the School Funding Advisory Council to fund children where they attend school, not where they live.

2. Ensure that charter school funding does not materially affect state funding available to the kids who remain in traditional public schools

Any new system should be designed to ensure that no child in this state receives less money than what the state itself says they need to succeed. Charter school funding should *not* come at the expense of traditional school students.

3. Children in Traditional Public Schools should not lose opportunities because their School District loses state funds to poorly performing Charter Schools.

Even those who believe in “school choice” presumably would agree that the choice should not include going from a better school to a worse one. But at present, Ohio is sending far too much money to charter schools that underperform traditional public schools in the districts the children leave behind. This results in a double loss; one for the kids who transfer, and another for the kids who stay put but receive less money than they should. State Senator Schiavoni sponsored legislation in the previous legislative session that would put an end to this practice.^x The bill allowed for exceptions to the rule if school officials deemed the transfer to be acceptable and in the child’s best interest. IO supports this approach, and believes Senator Schiavoni’s legislation should be revisited.

Conclusion

Charter schools can be an important component of Ohio’s K-12 education system. But unless the mechanism for funding them is fixed — and until the state insists on the same level of accountability for charters as it does for traditional public schools — charters will continue to unfairly drain away resources from traditional school districts that still educate 90% of Ohio children. Now that a new school funding system is being developed, there is no better time to address this issue.

In particular, policymakers must recognize the ways in which charter school funding has hurt the majority of Ohio’s school children. A new system should be developed that ensures charters become a true partner in — not a hindrance to — what we all hope will be a renaissance in Ohio education. Surely the funding of charter schools, which were created in the name of “choice,” should not unfairly penalize children or parents who choose to remain in Ohio’s traditional public school system.

Endnotes

- ⁱ Casey, P.R. (2012, December 17). RE: Your Nov 30 Public Records Request [Email to the author]. Responding to a public records request from Innovation Ohio Education Policy Fellow Stephen Dyer.
- ⁱⁱ Spears Voltini, J. (2013, February 4). January 29 Public Records Request. [E-mail to the author]. Data from the Ohio Department of Education from the 2011-2012 school year. Report card data comes from the October, 2012 ODE preliminary report card data. The transfers provided by the Department were given at the district, not building level. The transfer to Charter Schools is made from a district's state funding line, which means the lost revenue impacts the entire district.
- ⁱⁱⁱ Am. Sub. HB 153, 129th General Assembly. (Ohio). Bill Analysis, pg 201
- ^{iv} Ohio Rev. Code Ann. § 3317.012.
- ^v Legislative Service Commission, Members Only Brief, Education Laws and Community Schools, 129th Sess. (Ohio 2012).
- ^{vi} *Addendum to the 2010 SFAC Report, Report to the Traditional Public/Community School Collaboration Sub-Committee of the Ohio School Funding Advisory Council.* (2010, August). Columbus, OH. Accessed online at: <http://education.ohio.gov/GD/DocumentManagement/DocumentDownload.aspx?DocumentID=95172>
- ^{vii} This spreadsheet is available at <http://innovationohio.org/wp-content/uploads/2013/02/District-Losses-to-Charter-FY12.pdf>. The raw data is from the Ohio Department of Education based on the April 2 payments made to districts.
- ^{viii} *Op cit*, Casey, P.R. email
- ^{ix} Senate Bill 175, 129th Ohio General Assembly. (Ohio).