



**Equal or Fair?
A Study of Revenues and Expenditures
in American Charter Schools**

EXECUTIVE SUMMARY

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Advocates and opponents wrangle continuously over whether charter schools receive too little or too much funding. This study of available national data provides a comprehensive and detailed review of charter school finance and uncovers patterns in both income and expenditures. Charter schools managed by education management organizations (EMOs) receive particular attention.

This study's research questions focus on examining and comparing the amounts and sources of revenues and expenditures between charter schools and traditional public schools, and among several categories of charter school.

The study identifies and compares data for nine comparison groups, across and within states: (1) all schools in the country, (2) public school districts housing only traditional public schools, (3) public school districts housing EMO-operated charter schools, (4) all charter schools, (5) independent (self-managed) charter schools, (6) charter schools managed by EMOs, (7) charter schools operated by *for-profit* EMOs, (8) charter schools operated by *nonprofit* EMOs, and (9) virtual charter schools.

Data come from the National Public Education Financial Survey (NPEFS) for School Year 2006–07, the most recent year for which national school finance data are available. Spending by category is reported both as a percentage of *Total Current Expenditures* (TCE) and as a per-pupil amount.

Key Findings

Revenues: On first appearance, charter schools receive less revenue per pupil (\$9,883) than traditional public schools (\$12,863). However, this direct comparison may be misleading because of the different ways states channel monies to charters and because charters may not be reimbursed for services they do not provide. Largely because of their unique funding formulas, states differ dramatically in the amount, sources, and patterns of revenues that both charter schools and traditional public schools receive. Moreover, charter schools receive private revenue that is largely absent from the national data.

Expenditures: In most states, charter schools report spending less money per pupil

than traditional public schools. They spend less on instruction, student support services and teacher salaries. This study finds, however, that charter schools pay more for administration, both as a percentage of overall spending as well as for the salaries they pay administrative personnel.

Traditional public schools often receive revenues and spend money for a range of services that charter schools do not provide, resulting in “apples to oranges” comparisons. This study finds indications that differences in revenues and expenditures can be largely explained by higher spending by traditional public schools for special education, student support services, transportation, and food services.

When charter schools and traditional public schools have similar programs and services and when they serve similar students, funding levels should be equal in order to be considered fair. However, as long as traditional public schools are delivering more programs, serving wider ranges of grades, and enrolling a higher proportion of students with special needs, they will require relatively higher levels of financial support. Under these circumstances, differences or inequality in funding can be seen as reasonable and fair.

This study points out the importance of more research, and better quality research, on charter school finance. Improvements in research, however, require improvements in the availability and completeness of financial data.

Four appendices with detailed data on revenues and expenditures broken out by state are available for readers who wish to examine state-specific data.

A Cautionary Note

It is important to remember that wide variations exist within each comparison group as well as within and across states. States vary extensively in funding, and within a single state, it is possible to find some charter schools are minimally supported, while others are generously supported. Moreover, there are wide variations among the services schools provide and the students they serve, with traditional public schools serving a wider range of grades and a higher proportion of students with special needs. Under these circumstances, differences or inequality in funding might be deemed rational and reasonable.

As a consequence, care must be taken to avoid the simplistic use of raw numbers, as they may be misleading. This study points to several places where policymakers need to look more closely when considering funding formulas and charter policy. Even more importantly, it highlights the crucial gaps in data that need to be filled in order to bring greater precision to charter school finance studies.