

# **NEPC REVIEW: FAIRNESS IN FACILITIES: WHY IDAHO PUBLIC CHARTER SCHOOLS NEED MORE FACILITIES FUNDING (BELLWETHER EDUCATION PARTNERS, JANUARY 2019)**



Reviewed by:

Mark Weber

Rutgers, The State University of New Jersey and New Jersey Policy Perspective

March 2019

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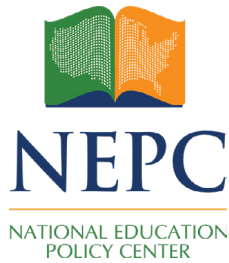
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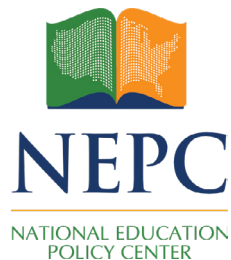
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## Executive Summary

A recent report from Bellwether Education Partners contends that more funding should be given for charter school facilities. Focusing on a series of case studies in Idaho, the report argues that charter schools are unfairly denied funding for the construction and renovation of their school buildings. The examples the report gives, however, are not “apples-to-apples” comparisons, and this makes any statewide generalizations suspect. Further, the report’s calculation of “costs-per-seat” ignores the reality that different students have different needs. Consequently, public district schools, which enroll proportionally more students with disabilities and English language learners, will likely have greater facilities expenses per pupil than charter schools. The report bemoans the fact that charter school facilities are not part of local school districts’ bonds and tax levies, yet it does not acknowledge that charter facilities are often owned by private entities. Mandating that local taxpayers support charter facilities would, therefore, force them to pay for buildings they would not own. Given these limitations, the report provides little guidance for policymakers and other stakeholders at a time when Idaho is working to overhaul its school funding system.



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## I. Introduction

Idaho is currently undergoing a debate over a proposed major overhaul to its school funding system,<sup>1</sup> and part of that debate is focused specifically on charter school funding. Charter schools are publicly funded but privately managed, either by for-profit or nonprofit entities. Unlike public school districts, charters were found not to be state actors in a recent federal court decision.<sup>2</sup> Idaho state data<sup>3</sup> list 57 active charter schools in the 2018-19 school year enrolling 24,006 pupils, or 7.8 percent of the state's students in publicly financed schools.

This is the context in which Bellwether Education Partners, a nonprofit group known for its work in charter school advocacy and consultancy, has released its latest report: *Fairness in Facilities: Why Idaho Public Charter Schools Need More Facilities Funding* by Kelly Robson, Juliet Squire, and Lynne Graziano.<sup>4</sup> The report's title page indicates it was published in conjunction with two other organizations: Bluum<sup>5</sup>, a nonprofit group that supports private and charter schools in Idaho; and Building Hope, another nonprofit that provides facilities financing and support for charter schools across the United States.

The report contends Idaho charter schools suffer from a disparity in facilities funding compared to public school districts. It presents several case studies, comparing charter facilities spending to expenditures on public school district facilities. While the authors find that building and renovation per-square-foot spending for charter and district schools are similar, they argue that per-seat costs are lower for charters, forcing the charters to do without amenities such as gyms or office space. The authors offer a series of recommendations to both alleviate the supposed disparity in charter and public district school facilities funding, and to support the provision of high-quality facilities for all publicly financed schools in the state.

## II. Findings and Conclusions of the Report

The report begins by comparing aggregate revenues from state and local sources for facilities expenditures. The report's authors calculate public school district revenues for facilities of \$1,206 per pupil annually, but only \$445 per pupil for charters. The difference is accounted for by local bonds and levies for public school districts, which the authors calculate at \$1,048 per pupil. Notably, revenues from other sources, including philanthropy, are not included.

The report then presents four comparisons of facilities spending in charter and public district schools:

- In Boise, renovations to Timberline (\$413 per square foot) and Boise (\$308 per square foot) High Schools are compared to renovations to Sage International Charter School (\$96 per square foot). The report acknowledges the older public district schools likely cost more to renovate than Sage's more modern building; however, it also contends Sage made concessions to keep costs down, such as not building a dedicated gym. It also notes Sage is a K-12 school, while the others enroll only high school students.
- Also in Boise, the report compares new school construction: Future Public School, a charter, versus Amity and Whittier Elementary, part of the Boise School District. Costs per square foot costs are similar; costs per seat, however, are \$13,123 for Future, but \$26,751 for Amity and \$27,224 for Whittier. The report places great importance on a joint-use deal Future struck with the Boys and Girls Club, which allows Future to use the Club's gymnasium and cafeteria in exchange for the Club using Future's classrooms during non-school hours.
- In Meridian, the report notes per-square-foot costs are less for Compass Charter School's new building compared to new buildings in the West Ada School District. The report also notes, however, that the charter building is wood-framed, while the school district is cinderblock.
- In Middleton, the report compares Forge International Charter School's new building to a proposal from the local school district, and finds both per-square-foot and per-seat costs are much lower at the charter. However, the report also acknowledges the public district school proposal includes all furnishing and equipment expenditures, while the charter spending figures do not.

Based on these case studies, the report offers five recommendations:

1. Collect better data on school facilities statewide.
2. Apply "impact fees" – fees that cover the impact new school construction will have on existing public services – equally on public school districts and charters.
3. Increase state funding for facilities for both charters and public school districts.
4. Have the state guarantee charter construction financing through "moral obligation bonds."
5. Include charter schools in local public school district' bonds and levies. The report is

somewhat ambiguous as to whether this should be allowed or required, but favorably cites a law in Colorado that requires charters be included in local public school district facilities financing.

### **III. The Report's Rationale for Its Findings and Conclusions**

While the report acknowledges its four case studies may not apply to all of Idaho's communities, it still contends these "...comparisons are illustrative." (p. 27) Yet all of the comparisons presented have contingencies, as acknowledged by the authors, that keep them from being "apples-to-apples" analyses. Still, the report centers its recommendations largely on these comparisons, justifying statewide changes in charter fiscal policy based on four examples.

### **IV. The Report's Use of Research Literature**

The report has 95 footnotes, including many citing sources. Yet, none references any empirically-based research, peer-reviewed or not, on charter school fiscal practices, the fiscal impacts of charter schools on public school districts, education cost modeling, or school facilities costs. As I show below, this lack of reference to the relevant research greatly hampers the report's usefulness in guiding Idaho charter school policy.

### **V. Review of the Report's Methods**

#### **Facilities Costs and Student Characteristics**

When evaluating this report, we must keep in mind a core principle of public school finance: *costs* are not the same as *expenditures*. As Duncombe et al. explain: "Cost is defined as the minimum spending required to reach a given level of student performance using current best practices."<sup>6</sup> Cost must take into account variations in both educational outcomes and student characteristics, which have a profound effect on those outcomes. Expenditures, by contrast, are simply measures of spending; they need not consider differences in student characteristics or outcomes.

Unfortunately, the report repeatedly uses the term "cost" when it actually refers to "expenditure." This is particularly problematic when the report refers to "per-seat costs" or "per-student costs," because there is no acknowledgment that different students have different costs to achieve equal educational opportunity.

Take, for example, students with learning disabilities (SWDs). There is widespread consensus among scholars of school finance that these students require more resources to secure

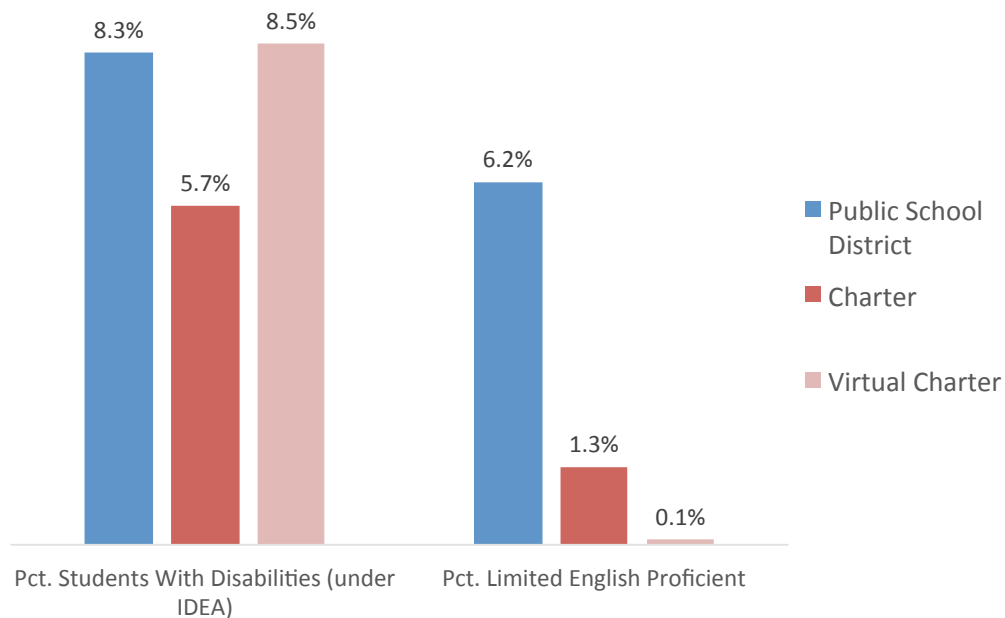
an adequate education.<sup>7</sup> Most of those resources translate into increased instructional and support staff: counselors, occupational and physical therapists (OT/PTs), speech therapists, and so on. These additional staff need space to work: an OT/PT needs a room to administer therapies, a child study team needs office space to conduct their work, and so on. Any school, therefore, with larger proportions of SWDs will likely need more physical space per pupil to adequately serve its entire student population.

Similarly, English language learners (ELLs) will need additional staff to provide them with instruction that aids their acquisition of English. Such instruction may include both time in a general classroom with other students, and time in small group or individual instruction. Again, extra space is needed to administer an appropriate program to serve these students' needs.

The comparison of spending-per-seat between charters and public district schools, therefore, is not valid if there is no accounting for differences in student populations. Yet nowhere within the report do the authors acknowledge there are substantial differences in student characteristics or staffing per student between Idaho's charter and public district schools.

Figure 1, based on federal data, shows differences in aggregate student populations for public district, charter, and virtual charter schools in Idaho (virtual charters, as distance learning providers, do not by definition have the same facilities requirements as brick-and-mortar schools).<sup>8</sup> While 8.3 percent of Idaho public school district students are classified with a learning disability under the Individuals with Disabilities Education Act (IDEA)<sup>9</sup>, only 5.7 percent of Idaho brick-and-mortar charter students are similarly classified.

Idaho Schools, 2015-16: Student Characteristics by Charter Status

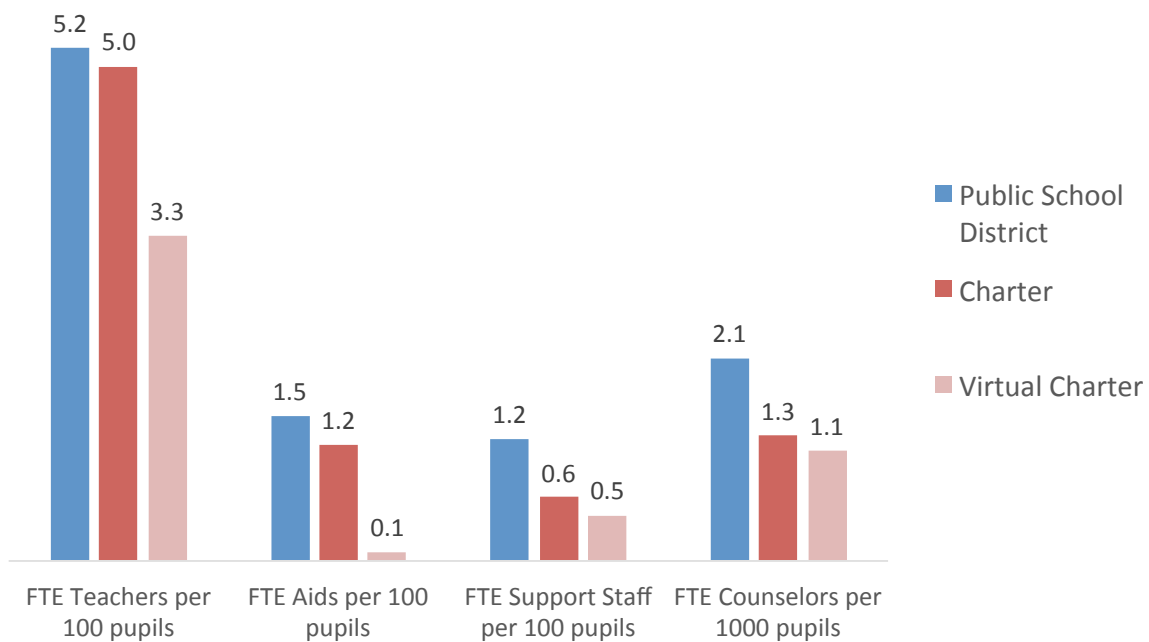


Source: U.S. Department of Education 2015-16 Civil Rights Data Collection.

Similarly, 6.2 percent of public school districts students are designated as Limited English Proficient, compared to only 1.3 percent of charter students who are not enrolled in virtual schools. Idaho law lays out a variety of options for educating these students.<sup>10</sup> All require additional resources<sup>11</sup>, including appropriately trained staff who, again, can reasonably be expected to need adequate additional space to deliver appropriate instruction.

Figure 2 shows the differences in staff deployment between Idaho’s public district schools and its charters. The number of full-time equivalent (FTE) teachers per 100 pupils is similar for both types of brick-and-mortar schools (virtual charter teachers per 100 is considerably lower). District schools deploy slightly more aids per 100 than charters. The most substantial differences, however, are in support staff: public district schools deploy twice as many of these staff as charters. In addition, public districts schools deploy 2.1 counselors per 100, compared to 1.3 per 100 for charters.

Idaho Schools, 2015-16: Staff per 100 pupils by Charter Status



Source: U.S. Department of Education 2015-16 Civil Rights Data Collection.

The precise facilities needs to provide an adequate education for SWDs and ELLs is admittedly not well known; further empirical research into these costs is certainly needed. Yet even the most rudimentary description of school facilities spending should acknowledge that student population differences likely contribute to differences in facilities costs and, therefore, facilities spending.



## **Facilities Ownership and School Governance**

As the report acknowledges, the primary drivers of differences in school facilities revenues between Idaho charter and public district schools are local bonds and levies. The report suggests that charter schools should be included in local bond and levy requests. Yet this recommendation misses a critical difference between charter and public district school facilities: charter facilities are often not owned by the public.

As Baker and Miron<sup>12</sup> note, when charter operators use public funds to acquire a school facility that is run by an independent charter management organization (CMO), they are essentially using taxpayer funds to purchase a building the taxpayers do not own or control. In contrast, a public school district facility is owned by a state actor, subject to control by elected or appointed officials who are ultimately answerable to their constituents.

Charter supporters often argue that the solution to this problem is to require charter schools be governed by nonprofit entities. Yet as Baker and Miron note, the distinction between for-profit and nonprofit CMOs is often little more than a formality: for-profit firms are often contractors for nonprofit charter entities, taking over most of a charter's administrative functions.<sup>13</sup>

In addition, non-profit CMOs can and do often act like for-profit organizations, and are not subject to the same standards of transparency as state actors. Taxpayers, then, end up paying for a school facility, but do not enjoy the same rights to transparency or student and family due process<sup>14</sup> as in public school districts.

I note here that Idaho has clear laws regarding the dissolution of a charter school and the subsequent distribution of its assets.<sup>15</sup> After meeting its employee compensation obligations, charter assets must be used to pay off creditors; consequently, a poorly managed charter school that closes may leave taxpayers with no assets left to recoup.

## **VI. Review of the Validity of the Findings and Conclusions**

Again, the findings and recommendations in the report are based on four examples that, by the authors' own acknowledgment, are full of contingencies that make it impossible to generalize to the entire state. This said, some of the recommendations are good policy: collecting more and better data on school facilities, for example, would be useful for policymakers and require minimal expense. Given the state's population growth, allocating more funding for public district school facilities is also a sound idea.

The other recommendations, however, are more problematic. Impact fees<sup>16</sup>, for example, are an attempt by the state to mitigate the costs of public works created by state actors on other state actors. Because school districts provide a constitutionally mandated<sup>17</sup> public service, waiving impact fees when those districts build facilities is rational policy.

A growing body of empirical research, however, shows that charter schools often impose

additional inefficiencies on the provision of public schooling. Charter growth places fiscal stressors on public school districts<sup>18</sup>, whose enrollment losses are not perfectly elastic to declines in school expenditures.<sup>19</sup> Charters are redundant systems of school organization, often inefficiently small.<sup>20</sup> Given the negative effects of charters on the finance of public school districts, it is rational to impose impact fees on charter expansion, but not on public school district construction.

## **VII. Usefulness of the Report for Guidance of Policy and Practice**

The report lacks “apples-to-apples” comparisons of charter and public school facilities spending, avoids discussing differences in student characteristics between the charter and public school district sectors, does not examine the issue of school governance and facilities ownership, and proposes recommendations that are problematic. It is, therefore, of little use to education policymakers in Idaho who wish to improve the provisioning of an adequate and equitable education to the state’s children.

Idaho will continue its debate over school funding into 2019; charter policy, including facilities funding, must be a part of that debate. Legislators and stakeholders would be best served by research that makes appropriate comparisons between charters and public district schools, and considers the effects of charter growth on the entire system of publicly financed schooling in the state. Unfortunately, this report is not that research.

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