

A Guide to Comparing Charter & Public School Funding and Spending in Connecticut

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With the recent ruling in *CCJEF v. Rell*, Connecticut's attention is now more closely focused on equity in educational funding. As policymakers consider options to promote equity and adequacy in education funding, it is important to understand the differences in funding and spending between charter schools and public-school districts. Simple comparisons often overlook the fact that charter schools are not responsible for the same costs that public-school districts face, including, but not limited to, special education and transportation.

This policy brief highlights these key funding differences and offers adjusted per pupil spending for charter school and public-school districts in Connecticut. Expenditures are most often expressed in unadjusted or partially adjusted per-pupil dollar amounts by district, which are averages (mean) that can obscure important differences in costs and spending.ⁱ Therefore, we urge caution in making overly simplistic comparisons between charter school and public-school funding and spending.

Major points of this guide include:

- The State shares the cost of funding public education with towns and cities.
- Charter schools are not accountable to towns, so do not receive local funds.
- The State funds charter schools outside of the ECS system with per-pupil grants.
- There is a gap in State per-pupil funds in favor of charter schools compared to most public-school districts.
- Public districts have responsibilities that add to their costs that charter schools do not bear such as special education and transportation, which charter schools are not financially responsible for funding.
- When adjusted for special education, rough estimates show that public-school district spending more closely resembles per-pupil charter school spending.ⁱⁱ

Part I: Funding

The State shares the cost of funding public education with towns and cities.

Local public-school districts are the primary method that the State provides public education to the vast majority of its 550,000 schoolchildren and the state shares the costs of public education with local districts. These school districts correspond to town and city lines, with the exception of regional school districts that include multiple municipalities. Local towns and cities levy property taxes and other fees to fund public-school districts.

Over the last three decades, the state of Connecticut has assisted towns and cities in paying for public schools through the Educational Cost Sharing (ECS) grant. The basic concept of the ECS is that the state supplements local support for public education by providing a grant based on student need (e.g. free/reduced priced meal eligibility, town per capita income) and towns' ability to pay (e.g. town property grand list) for education. The policy goal is to provide ECS grants to "equalize" so that per pupil spending is more similar across towns and cities. Given this goal, the ECS moderately achieves this mission.ⁱⁱⁱ Critics of the ECS grant argue that there are a variety of problems with the grant including legislative compromises, inadequate funding, outdated measures to determine grant size, regressive distribution, and lack of portability, to name a few^{iv}.

The ECS grant funds public-school districts not individual schools or students.

In practice, the state provides ECS grants in the form of a grant that supports public-school districts as a whole, not necessarily individual schools or students. In other words, the ECS grant system provides funding equity for districts, not individual schools.^v The ECS grant is relatively progressive, which means that towns and cities with less ability to pay and with more need

generally receive a higher grant amount. The ECS system results in an average cost sharing such that, on average, local towns and cities funded 64.4% of the total cost for public education, while the state funded 29.8% in 2014-15.^{vi} During the same year, the average, or per pupil, ECS grant for towns and cities in Connecticut was roughly \$3,300 per student.^{vii} Because the ECS grant is progressive, some towns receive an average of several hundred dollars per student, while others receive nearly \$10,000 per student from this State grant.^{viii}

Comparing State Grants: 2014-15

School District	Students (ADM) #	State ECS per-pupil \$	All state grants
Bridgeport	21,096	\$8,480	\$10,036
Hartford	21,957	\$9,299	\$13,282
Middletown	5,117	\$3,840	\$4,770
All Connecticut districts average		\$3,897	\$3,932
	# Students	State grant per-pupil	
All State charter schools in CT	7,961	\$10,500	\$10,669

Source: CT SDE, 2016; CSFP, 2016^x

Public-school districts receive other state grants for additional responsibilities.

Smaller categorical grants assist with a portion of the cost of special education, transportation, programs to reduce racial isolation, bilingual education, and a number of other state priorities. Public-school districts are required by law to pay for many of these priorities and, in many cases, implement these initiatives (e.g. desegregation, special education).^x

The State funds charter schools outside of the ECS system with per-pupil grants.

In 2014-15, 7,961 students attended state charter schools, or 1.5% of all students.^{xi} Most charter school students are Black (60%) or Latino (26%) children. The per-pupil grant for each student attending a charter school was \$11,000 in 2015-16 and \$10,500 for 2014-15.^{xii} This per-pupil grant for each student in a charter school was the same rate regardless of student

demographic characteristics or the cost to educate students in a particular area of the state. Charter schools also receive federal funds and considerable private and tuition funding.^{xiii} Charter schools are eligible for capital funds for facilities, but state law does not require funding.

Charter schools are not accountable to towns, so do not generally receive local funds.

Charter schools are separate from local public-school districts and have a high degree of autonomy from local and State control. Because charter schools are created and funded mostly by the State, they do not receive local revenue from towns and cities as public-school districts receive from their local towns and cities. Therefore, charter schools are very reliant on State grants for funding. As a result, there is considerable debate about whether charter schools are public and how to fund them.^{xiv}

There is a gap in State per-pupil funds in favor of charter schools compared to public districts.

The average ECS funding for students in public schools was slightly more than \$3,000 per-pupil, while charter school students were all funded at \$10,500 in 2014-15. Even when considering all State grants combined, charter schools receive a higher per-pupil grant than virtually every other school district in Connecticut.^{xv} The average per-pupil amount of all State grants for all non-regional public districts was \$3,900 in 2014-15.

Charter schools are not financially responsible for special education or transportation costs.

Charter schools do not directly receive State funds dedicated for special education services and transportation for students because those costs are the responsibility of local public-school districts, per Connecticut law.^{xvi} With the exception of special education and transportation, assistance from local public-school districts to charter schools is not required by Connecticut law. Through various agreements and cooperative agreements, local public-school districts can voluntarily support

nearby charter schools through in-kind support for buildings, office support, cash supplements, and other benefits.^{xvii}

CMO's complicate the financial picture

Some charter schools are privately managed by charter management organizations (CMO's). CMO's can charge charter schools a management fee of 10% or more.^{xviii} Charter schools may also benefit from in-kind or cash support from CMO's that is not listed on an individual charter school's ledger and/or not subject to public disclosure. Additionally, the identity of donors to charter schools through related CMO's may not be subject to the CT Freedom of Information Act^{xix} The rationale is that CMO's are private entities and donors may want to keep their identities private as well.

Part II: Expenditures

Public districts have responsibilities that add to their costs that charter schools do not bear

These responsibilities add to the cost and expenditures for public-school districts. Charter schools do not have to serve all students, including those with disabilities that reside in their city, only those students that attend the particular charter schools; hence, per-pupil student expenditures are deflated when compared to local public-school districts. Public-school districts bear the costs of transportation and any special education costs for all students who reside in the same town and attend nearby charter schools, which are also considered separate school districts.

In order to pay for special education services, charter schools can receive funds from local public-school districts as a reimbursement or in-kind service from local school districts. These reimbursements and in-kind supports are listed on charter school ledgers (ED001 Form). The cost of serving students with disabilities at charter schools is also incorporated into public-school districts' expenditures, however. Thus, a public-school district's per-pupil costs include any costs that are incurred by students who live

within the district's boundaries and attend a charter school, plus all other students. Public-school district's costs are thereby inflated while the charter school's costs are reduced.

Charter schools often serve fewer high-need, students compared to public-school districts

These high-need groups include students with disabilities, emergent bilingual students, and children eligible for free lunch compared to the local public-school districts, thus charter schools often have lower educational costs.^{xx} For instance, local public-school districts where children reside must assume the costs of tuition for high-cost district settings or outplacements of students with disabilities when the district cannot readily provide a free appropriate public education (FAPE). The State assists local districts with a portion of these excessive costs through a separate grant.^{xxi} But charter schools do not pay tuition for such services or when students attend other schools for these purposes. Finally, it is important to note that a portion of special education expenditures can potentially be mixed into general education programs and can also benefit regular education students, which is true at both public and charter schools. Put another way, general and special education per-pupil spending can be reported separately, but may not be as easily divided in practice.

Comparisons of public district & charter schools must account for different costs

These costs include special education and transportation costs, dissimilar responsibilities, and different student demographics. State reports show that the average (non-regional) public district per-pupil expenditure (unadjusted NCEP) was roughly \$16,200 in 2014-15.^{xxii} According to other analysis, the average unadjusted, per-pupil expenditures for all charter schools in Connecticut was roughly \$14,866 in 2014-15.^{xxiii} However, these per-pupil expenditures were not adjusted for special education costs, one of the largest sources of dissimilar costs between charter schools and public-school districts. Without adjusting for the

spending on special education and transportation, as well as other costs, simplistic comparisons between public-school districts and charter schools are incomplete.

Comparing similar non-special education costs is a simple first step to fairer comparisons.

Using state expenditure reports, we can calculate an adjusted per-pupil spending figure for each public-school district in the state^{xxiv}. The state’s Net Current Expenditures Per-Pupil (NCEP) already adjusts for transportation and tuition revenue, capital spending on land, buildings & equipment, and debt service.^{xxv} By subtracting total special education expenditures from Net Current Expenditures, and then dividing by the Average Daily Membership (ADM), we can determine an adjusted per-pupil amount that can be more fairly compared to charter school per-pupil spending.^{xxvi}

When adjusted for special education, public-school district spending more closely resembles per-pupil charter school spending.^{xxvii}

Without adjusting for special education, local public-school district spending on a per pupil basis (NCEP) appears much higher than charter school spending. After adjusting for special education spending our rough estimates show that public-school districts and charter school spending is much more similar than previously understood. For example, the average per-pupil expenditures (adjusted NCEP) for non-regional school districts was \$13,067 while the average adjusted per-pupil spending for charter schools was \$14,305 in 2014-15.^{xxviii}

In many cases, adjusted charter school spending is higher than adjusted local per-pupil public-school district spending. In other cases, the opposite is true. In the most extreme case, such as Hartford, these adjustments are crucial for fairer comparisons. Nearly 25% of all Hartford public school spending goes towards special education costs. When adjusted for special education costs, Hartford Public Schools’ per-pupil spending is reduced from \$19,000 to \$14,500, much closer to the per-

pupil spending at nearby charter schools. In fact, Hartford’s unadjusted per-pupil spending includes reimbursement payments to nearby charter schools for special education services.

Comparing Per-Pupil Expenditures for Selected Public & Charter Districts in ‘14-15

District	Net Current Expend Per-Pupil ^{xxix}	Students with disability (%)	Special Ed. Expend Per-pupil	Adjusted Net Current Expend. Per-Pupil
Achievement First (charter)	\$13,422	9.5%	\$1,023 ^{xxx}	\$12,400
Hartford (public)	\$19,362	16.2%	\$4,233 ^{xxxi}	\$15,129
NBFA (charter)	\$13,358	8.9%	\$479	\$12,879
Bridgeport (public)	\$13,920	14.7%	\$3,124	\$10,796
Local Public Districts^{xxxii}	\$16,232	-	\$3,165	\$13,067

Source: CT SDE (Edsight), 2016; CSFP, 2016.

Conclusion

There are important differences in funding and per pupil spending between charter school and public districts in Connecticut. Because they are supported almost entirely by the state, rather than local tax revenue, charter schools receive a per-pupil grant of around \$11,000, which exceeds State ECS and other grants to almost all other school districts in Connecticut. Local towns and cities help pay the difference to their local public schools.

When adjusting for special education in public-school districts, per-pupil public-school district expenditures closely resemble spending in charter schools, confirming previous analyses.^{xxxiii} Other spending adjustments might include controlling for student demographics and funds for special programs such as bilingual education and desegregation initiatives. In sum, we recommend caution in making overly simplistic comparisons between charter school and public school funding and spending. Careful comparisons of charter and public schools matter for accurate analysis of equity in educational funding.

ⁱ See Baker (2012).

ⁱⁱ See Baker (2012) Rutgers University researcher Bruce Baker has found similar findings using the same adjustment procedure for a comparison of Connecticut charter school spending compared to local public-school districts with an adjustment for special education and transportation costs.

ⁱⁱⁱ See Baker et al (2017) for the 6th edition of the National Report Card of fair education funding. Connecticut ranks high on overall funding and moderately on distribution.

^{iv} See Hassel & Doyle (2009) for a discussion on lack of portability of state educational funding. Also see Rodriguez & Siegel (2011) for a review of issues with the Connecticut's ECS Sharing grant.

^v See Baker & Welner (2010). They discuss the issue that between-district disparities may be more important than between-school disparities in the same district when it comes to funding equity.

^{vi} See Connecticut State Department of Education (2016) for "Percentage of Revenue by Source (Excluding School Construction)", 2014-15 for all districts.

^{vii} See Connecticut State Department of Education (2016) for "Education Cost Sharing Entitlements" and "2014-15 Selected Public School Expenditures" that includes the "Average Daily Membership" for the same year.

^{viii} See Connecticut State Department of Education (2016).

^{ix} See Connecticut School Finance Project (2016) & CT SDE (2016) school choice expenditure 2014-15.

^x See part d(3) in 10 Con. Stat. § 16-10-66ee on Charter School Funding. Special education students. Transportation. Contracts. Cooperative Arrangements. The specific parts explains: (3) In the case of a student identified as requiring special education, the school district in which the student resides shall: (A) Hold the planning and placement team meeting for such student and shall invite representatives from the charter school to participate in such meeting; and (B) pay the state charter school, on a quarterly basis, an amount equal to the difference between the reasonable cost of educating such student and the sum of the amount received by the state charter school for such student pursuant to subdivision (2) of this subsection and amounts received from other state, federal, local or private sources calculated on a per pupil basis. Such school district shall be eligible for reimbursement pursuant to section 10-76g. The charter school a student requiring special education attends shall be responsible for ensuring that such student receives the services mandated by the student's individualized education program whether such services are provided by the charter school or by the school district in which the student resides.

^{xi} See Connecticut State Department of Education (2016) for "Public School Enrollment" for 2014-15 for all districts. There was a total of 546,347 in all CT public schools and 7,961 students in State charter schools. An additional 70 students attend a local charter schools named Elm City Montessori Charter School, which is a collaborative arrangement with the New Haven Public Schools. This school is funded differently from all other State charter school, therefore we removed it from all analyses herein.

^{xii} See part d(1) in 10 Con. Stat. § 16-10-66ee on Charter School Funding.

^{xiii} See Connecticut State Department of Education (2016) for "Percentage of Revenue by Source (Excluding School Construction)", 2014-15 for all districts. Charter schools also receive substantial funding from "tuition and other" sources, which complicates understanding of all revenue. According to the State Department of Education, charter schools received an average of 15% of their revenue from "tuition or other" sources in 2014-15, which was separate from the State per-pupil support for charter schools. Tuition and other sources can include voluntary tuition payments by local school districts and private funding to charter schools. The average belies a wide range. Some charter schools receive a small portion of revenue from tuition or other sources, while some charter schools receive roughly 50% of all funds from tuition or other sources, including private funds.

^{xiv} See Green, Baker, & Oluwole (2013). The authors note that charter school across the country frequently claim public status when it comes to public funding, but private status when it comes to public accountability.

^{xv} See Izraeli and Murphy (2012).

^{xvi} See part d(3) of 10 Con. Stat. § 16-10-66ee.

^{xvii} See parts j and m of 10 Con. Stat. § 16-10-66ee. Also see Rabe Thomas (2013).

^{xviii} See Rodriguez Data Solutions, LLC (2016).

^{xix} See “Regulations concerning management of charter schools” of 10 Con. Stat. § 16-10-66nn, which requires that the State Board of education adopt regulations for charter management organizations. The regulations do not require disclosure of donors to CMO’s for the purposes of individual charter school, but they “permit charter management organizations to collect private donations for purposes of distributing to charter schools.”

^{xx} See Cotto and Feder (2014).

^{xxi} Lohman (2007).

^{xxii} See Connecticut State Department of Education (2016) for Percentage of Total Expenditures Used for Special Education, 2014-15. Because Hartford’s 2014-15 data is missing, we substituted with 2013-14 data. Also see Connecticut State Department of Education (2016) for “2014-15 Selected Public School Expenditures” that includes the “Average Daily Membership” for the same year. This average is from 146 towns and cities and we do not include towns that are part of regional school districts because they do not have comparable data to adjust special education funding.

^{xxiii} See Connecticut School Finance Project (2016).

^{xxiv} The State provides at least two per-pupil spending figures. The first is the Net Current Expenditure Per Pupil (NCEP). The NCEP figure deducts transportation costs and tuition revenue from school district total and per-pupil expenditures, but not special education costs. Therefore, comparing the NCEP with charter school spending is incomplete. The State also reports per-pupil spending for each district by spending category, including administrative costs, special education, transportation, etc.

^{xxv} See CT State Department of Education (2016) for guide on Net Current Expenditures Per Pupil.

^{xxvi} Adjusted Net Current Expend. Per-Pupil (NCEP) can be expressed as: Net Current Expenditures – Total Special Education Expenditures – Special Education Transportation / Average Daily Membership.

^{xxvii} See Baker (2012) Rutgers University researcher Bruce Baker has found similar findings using the same adjustment procedure.

^{xxviii} See Connecticut State Department of Education (2016) for Percentage of Total Expenditures Used for Special Education, 2014-15. Because Hartford’s 2014-15 data is missing, we substituted with 2013-14 data. Also see Connecticut State Department of Education (2016) for “2014-15 Selected Public School Expenditures” that includes the “Average Daily Membership” for the same year. This average is from 146 towns and cities and we do not include towns that are part of regional school districts because they do not have comparable data to adjust special education funding. See also See Connecticut School Finance Project (2016) for the school choice expenditures 2014-15.

^{xxix} Because the State does not compute any NCEP data for charter schools, we use a similar per pupil measure called Total Current Expenditures Per Pupil, or TCEPP, which was reported in a spreadsheet by the CT School Finance Project and based on CT SDE finance data (ED001).

^{xxx} This measure reflects per-pupil reimbursement + in-kind from local districts to charter schools.

^{xxxi} For Hartford Public Schools, the 2013-14 is a substitute for the 2014-15 special education data because the latter is missing from the State’s Edsight data portal. The use of the previous year’s data likely provides an underestimate of the 2014-15 special education costs for this district.

^{xxxii} This average is for non-regional school districts. Town public-school districts that have NCEP data that are part of regional districts do not all pay special education costs directly, they instead cooperate to pay through the regional school districts, which do not have NCEP data. Therefore, we remove these small public-school districts and their regional school districts from this analysis. The average special education prevalence for all public-school districts, regional and local is 13.4%.

^{xxxiii} See Baker (2012).

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