

California

by Jay F. May

Summary and Highlights

This snapshot analyzes the revenue sources and funding equity of district public schools and charter schools in California and, in particular, Los Angeles and San Diego for FY 2006-07 (Figure 1).¹

In the following figures, the statewide values show how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district per pupil revenue varies between districts. The weighted values estimate how much more or less per pupil funding charter schools received compared to the funding district schools would

Figure 1: District and Charter School Revenues and Enrollments

California (2006-07)	Statewide		Statewide Weighted for Charter Enrollment		Los Angeles		San Diego	
Per pupil Revenue								
District	\$10,559		\$10,995		\$13,904		\$13,312	
Charter	\$9,987		\$9,987		\$8,363		\$7,658	
Difference	<i>(\$572)</i> <i>(5.4%)</i>		<i>(\$1,008)</i> <i>(9.2%)</i>		<i>(\$5,541)</i> <i>(39.9%)</i>		<i>(\$5,654)</i> <i>(42.5%)</i>	
Per pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	\$863	\$512	\$938	\$512	\$1,482	\$647	\$1,202	\$607
State	\$6,099	\$4,832	\$6,340	\$4,832	\$8,506	\$6,103	\$6,004	\$3,062
Local	\$3,597	\$4,643	\$3,718	\$4,643	\$3,916	\$1,613	\$6,107	\$3,990
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indeterminate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$10,559	\$9,987	\$10,995	\$9,987	\$13,904	\$8,363	\$13,312	\$7,658
Enrollment								
District	6,063,319 96.4%		N/A N/A		663,794 93.8%		119,378 91.1%	
Charter	223,624 3.6%		N/A N/A		43,832 6.2%		11,656 8.9%	
Charter Schools	561		N/A		102		31	
Total Revenue								
District	\$64,020,883,027 96.6%		N/A N/A		\$9,229,503,951 96.2%		\$1,589,188,289 94.7%	
Charter	\$2,233,354,841 3.4%		N/A N/A		\$366,563,559 3.8%		\$89,266,513 5.3%	
Total	\$66,254,237,868		N/A		\$9,596,067,510		\$1,678,454,801	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	8.2%	5.1%	8.5%	5.1%	10.7%	7.7%	9.0%	7.9%
State	57.8%	48.4%	57.7%	48.4%	61.2%	73.0%	45.1%	40.0%
Local	34.1%	46.5%	33.8%	46.5%	28.2%	19.3%	45.9%	52.1%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in district school funding if subjected to charter funding structure								
	<i>(\$3.5 billion)</i>				<i>(\$3.7 billion)</i>		<i>(\$674.9 million)</i>	

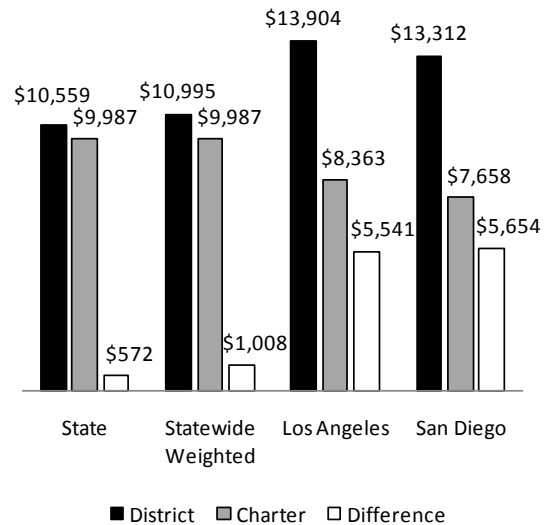
have received to educate the same students. (See Methodology for details.)

Highlights of Our Findings

- California charter schools received \$9,987 in revenue per pupil compared to \$10,559 in revenue per pupil for district public schools—a difference of \$572, or 5.4 percent.
- California charter schools received \$9,987 per pupil in revenue, but district schools would have received an estimated \$10,995 to educate the same students – a difference of \$1,008, or 9.2 percent. Weighting the district per pupil revenue for charter enrollment, therefore, increases the funding disparity by \$436.
- California charter schools served 3.6 percent of students, but received only 3.4 percent of total revenues. Charter schools in Los Angeles and San Diego served 6.2 and 8.9 percent of students, respectively; but received only 3.8 and 5.3 percent of revenues, respectively.
- Los Angeles charter schools received \$8,363 in revenue per pupil compared to \$13,904 in revenue per pupil for district schools—a difference of \$5,541, or 39.9 percent (Figures 1 and 2).
- San Diego charter schools received \$7,658 in revenue per pupil compared to \$13,312 in revenue per pupil for district schools – a difference of \$5,654, or 42.5 percent (Figures 1 and 2).
- The disparities of *high district per pupil revenues vs. lower charter per pupil revenues* for Los Angeles and San Diego, 39.9 percent and 42.5 percent, respectively, are much higher than the statewide difference of 5.4 percent. While the Los Angeles and San Diego *charter school* per pupil revenue amounts are generally consistent with the statewide *charter school* amounts, the Los Angeles *district school* per pupil of \$13,904 and San Diego district per pupil of \$13,312 are much greater than the statewide district per pupil of \$10,559. District vs. charter school

differences in student needs do not account for these large focus district disparities.

Figure 2: Per Pupil Total Revenue for California District vs. Charter Schools, FY 2006-07



Primary Reasons for Funding Disparities

- A contributing factor for the high per pupil revenue totals for Los Angeles and San Diego district schools is a four-year decrease in enrollments in a period of increasing revenues. A comparison of FY 2002-03 data to FY 2006-07 data shows that revenues have increased substantially for district schools in Los Angeles (62.0 percent) and San Diego (44.0 percent); while enrollments have decreased by 7.3 percent and 9.5 percent, respectively. Whereas, all other statewide district school revenues increased 47.1 percent while enrollments increased 0.8 percent. The San Diego 4-year revenue increase of 44.0 percent with an enrollment decrease of 9.5 percent appears nearly consistent with California’s intent to have revenue dollars follow students, given that statewide other district revenue dollars increased 47.1 percent while enrollments increased 0.8 percent. However, the Los Angeles four-year revenue increase of 62.0 percent, with an enrollment decrease of 7.3 percent, appears to demonstrate how, in practice, total revenue dollars do not follow

students equitably in all cases. State equalization efforts, including the Categorical Block Grant mechanism, exclude 85 percent of total categorical grants available; and exclude federal funds. Those gaps in state equalization control allow variability in total district per pupil revenues; in practice, compromising state intent to equalize total revenues and intent to have dollars follow students.

- For the state on average, charter schools received a greater percentage of local funding. However, on a district-to-district basis, this varied based on district wealth, inclination, and other factors. Los Angeles charter schools, by example, received only \$1,613 per pupil in local revenue; whereas Los Angeles district schools received \$3,916 per pupil. San Diego charter schools received \$3,990 per pupil local revenue; significantly more than Los Angeles charter schools, but much less than San Diego district schools that receive \$6,107 in local revenue. The state funding mechanisms fail to equalize for these differences with mitigating state revenues. Los Angeles and San Diego district schools also received more state revenues per pupil than charter schools; \$8,506 and \$6,004 for district schools, respectively, compared to \$6,103 and \$3,062 for charter schools, respectively (Figure 4).

How California Funds Its District Schools

Funding for California district schools comes from federal programs, state income and sales taxes, local property taxes, the California State Lottery, and other local sources. Each year, the legislature determines the amount of state revenues and local property taxes for public education.

California public schools are funded based on a per pupil (based on attendance) formula that provides a base amount weighted by grade level (Figure 3). Funding for most state general-purpose and categorical programs follows students, based on average school district per pupil revenue. The California Longitudinal Pupil Achievement Data System (CALPADS) -- requiring student identifier, revenue, expenditure, and

other data submissions from all public schools – is used to manage data for revenue determination and allocation.

How California Funds Its Charter Schools

Charter schools receive local funding as part of the state funding formula in lieu of local property tax revenues. Other types of local funds are not available to charters unless they are negotiated with the authorizer as part of the charter agreement.

California charter legislation mandates that charter schools receive 100 percent of state and district operations funding, based on enrollment, in the form of a General Purpose Entitlement and a Categorical Block Grant. Today, charter schools receive state funds through four funding streams.

- Revenue Limit Funding (can range from 55 percent to 85 percent of state funding for a district): Charter schools receive revenue limit funding equal to the average revenue limit of all district schools in the state. The base revenue limit is calculated annually and is often referred to as a general purpose entitlement that charter schools may spend at their discretion.
- Categorical Block Grant (can range from 5 percent to 20 percent of state funding for a district): In lieu of applying separately for certain categorical programs, charter schools receive categorical block grant funding. The categorical block grant rate provides per pupil funding equal to the average amount of funding that district schools receive in total for certain categorical programs. Charter schools may expend categorical block grant funding at their discretion and are not bound by the specific programmatic requirements that district schools must follow for each categorical program included within the block grant. The state's Categorical Block Grant includes only about 15 percent of total categorical grant amounts available to public schools.
- Economic Impact Aid (can range from 5 percent to 10 percent of state funding for a district):

Charter schools receive a single rate equivalent of the statewide average per pupil funding provided to district schools for Economic Impact Aid (EIA). Unlike other sources of revenue, EIA funds must be spent on services that benefit economically disadvantaged or English language learners.

Figure 3: State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X ²
Charter schools are eligible for local funding			X ³
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)			X ⁴
Charter schools receive differential funding	X		
State allows district to withhold funding from charter schools for providing administrative services			X ⁵
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district			X ⁶
Cap on number of charter schools	X ⁷		
Cap on number of charter schools authorized per year	X ⁷		
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X ⁸		

- **Other Categorical Programs** (can range from 5 percent to 30 percent of state funding for a district): Charter schools also may apply separately for the 85 percent of categorical

programs not included in the categorical block grant. Many of the state’s largest categorical programs, such as Class Size Reduction (CSR), are not included in the block grant – but charter schools may apply for those funds. Like district schools, charter schools that apply for these categorical programs are required to abide by all associated programmatic requirements. Some charter schools receive substantially less funding than other schools serving comparable populations, in part because charters don’t always apply for these program funds.

Charter schools typically do not benefit from bonds or other local revenues. However, they receive funding in lieu of property taxes as part of the state funding formula. Many charter schools rely on independent fundraising, grants and corporate sponsors as another source of funding. Charter schools can elect to be treated as independent LEAs for accounting, CALPADS data collection, and assignment of unique student identifiers.

Facility Funding

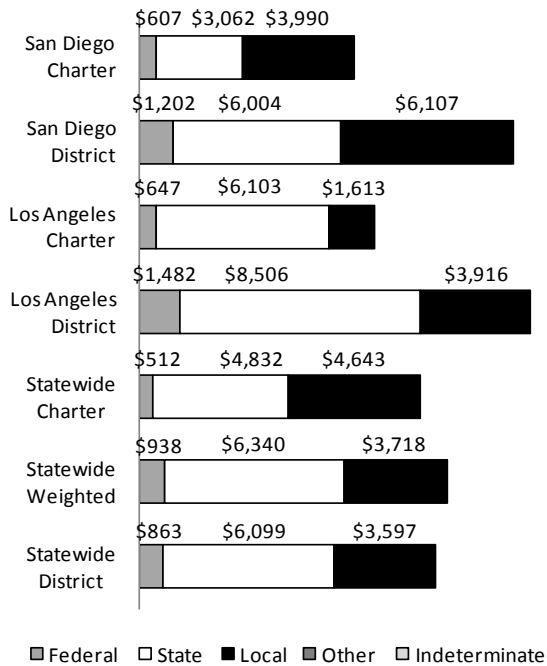
Recent legislative action has attempted to provide equal facilities funding and other supports for charter schools. Proposition 39 states, "school districts are required to provide equivalent facilities to charter schools." Propositions 1 and 47 provide that "charters may access facility funding directly from the state or through their school district." The Charter School Revolving Loan Fund provides low-interest loans to new charter schools for facilities and other purposes. The Charter School Facility Grant Program provides assistance with facilities, rent and lease costs for charter schools. Eligible schools can receive up to \$750 per unit of average daily attendance.⁹

Primary Revenue Sources for California’s Public Schools

Charter schools are required to apply separately for certain state and federal categorical funds and many charter schools do not have the resources to obtain these funds (Figure 4). Such programs include Title I, K-3 Class Size Reduction, and

Supplemental Instruction. While charters can apply separately for the 30+ programs, many do not because of complex application and reporting requirements. The funding associated with the Categorical Block Grant represents about 15 percent of the total categorical funding; therefore, 85 percent of other categorical grants require substantive application efforts and have use restrictions.

Figure 4: Per Pupil Revenue by Source for California District vs. Charter Schools, FY 2006-07



District public schools and charter schools served similar percentages of high school students; 29.9 percent vs. 24.4 percent, respectively. Given that federal revenues contribute only 5.1 percent to total statewide charter school revenues, and only 8.2 percent of statewide district school revenues, the difference in Title 1 Eligible schools (74.3 percent for district schools and 57.6 percent for charter schools) likely impacts total per pupil revenues, but not substantially (Figure 5).

Figure 5: School Characteristics

California (2006-07)	Statewide District	Statewide Charters
Percentage of students eligible for free or reduced price lunch	51.2%	46.6%
Percentage of schools eligible for Title I	74.3%	57.6%
Percentage of students by school type:		
Primary (K-5)	48.8%	33.7%
Middle (6-8)	18.7%	10.7%
High (9-12)	29.9%	24.4%
Other (K-12, K-8, etc.)	2.6%	31.3%

State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as to the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are

Figure 6: State Scorecard

Findings		CA
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y
	Percentage of federal revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Percentage of state revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Percentage of local revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	> ¹⁰
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Percentage of facilities revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y ¹¹
	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y ¹¹
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P ¹²
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

considered to be LEAs. “No” means charters in the state are never considered an LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

Endnotes

¹ School districts in California provide financial data to the state using the Standard Account Code Structure (SACS). In FY 2006-07 charter schools had an option to provide data in the SACS format, or use a specified (less detailed) Alternative Form. All Los Angeles charter schools used the SACS reporting process. Most San Diego charter schools used the Alternative Form. SACS and Alternative Form financial data are available in separate downloadable Access database files. This analysis was performed using the California Department of Education’s two Access database files (SACS and the Alternative Form) for the 2006-07 school year. For more information on these databases go to: <http://www.cde.ca.gov/ds/fd/fd/>

² Charter schools can receive their funding through their authorizing district. However, a charter school, at its election, can choose to be treated as its own independent LEA and fiscal agent for purposes of funding streams, financial reporting, and data management.

³ Charter schools receive local funding as part of the state funding formula in lieu of local property tax revenues. Other types of local funds are not available to charter schools unless they are negotiated with the authorizer as part of the charter agreement.

⁴ District public schools and charter schools receive differential funding based on the type of district (elementary, high school, or unified).

⁵ The chartering authority may charge for the actual costs of supervision, not to exceed 1 percent of a charter school's revenues if the charter school is providing its own facilities or 3 percent if the charter school obtains "substantially" rent-free facilities from the chartering authority.

⁶ Charter schools can choose to function as a local education agency or be part of a local school district.

⁷ California allowed the State Department of Education, county offices of education, and local public school districts to charter initially up to 750 charter schools, a number that now is increasing by up to 100 schools per year.

⁸ California charter schools are open to all students in the state. While the selection criteria are not permitted to be used to screen students out of the admissions lottery, charter schools can provide preference for enrollment to the siblings of current students, district residents, and at-risk students.

⁹ Propositions 1, 39, and 47 provide equal facility funding rights and supports for charter schools; but historically, actual funding practice has lagged in reaching equity. Facilities funding practices appear to be improving, but still have not reached full equity with district schools.

¹⁰ For the state on average, charter schools receive a greater percentage of local funding. However, on a district-to-district basis, this varies based on district wealth and inclination. Los Angeles and San Diego charter schools, by example, receive a smaller percentage of local revenues than their enrollment would suggest compared to district enrollment.

¹¹ The California Longitudinal Pupil Achievement Data System (CALPADS) is the primary source of revenue data and enrollment data for this

revenue study. CALPADS has been fully developed and is a required methodology for all public K-12 schools beginning only a few years ago. This system has greatly improved the quality of accounting and reporting for revenues, expenditures, and enrollments.

¹² Charter schools can elect to be treated as independent LEAs for accounting, CALPADS data collection, and assignment of unique student identifiers.