# **New York**

# by Larry Maloney

## **Summary and Highlights**

This snapshot examines the revenue sources and funding equity for district public schools and charter schools in New York and, in particular, Albany, Buffalo, and New York City, during FY 2006-07 (Figure 1).<sup>1</sup>

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

Space intentionally left blank.

**CHARTER SCHOOL FUNDING: Inequity Persists** 

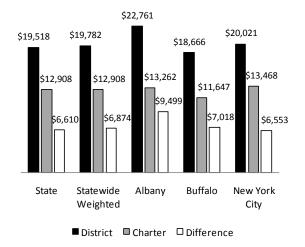
Figure 1: District and Charter School Revenues and Enrollments

New York (2006-07)			Statewide Weighted for Charter Enrollment		Albany		Buffalo		New York City		
Per pupil Revenue											
District		\$19,518		\$19,782		\$22,761		\$18,666		\$20,021	
Charter		\$12,908		\$12,908		\$13,262		\$11,647		\$13,468	
ifference	(\$6,610)		(\$6,874)		(\$9,499)		(\$7,018)		(\$6,553)		
Difference	(33.9%)		(34.7%)		(41.7%)		(37.6%)		(32.7%)		
Per pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	District	Charter	
Federal	\$761	\$610	\$1,265	\$610	\$1,256	\$2,015	\$1,429	\$552	\$1,582	\$343	
State	\$8,856	\$6,607	\$10,028	\$6,607	\$7,215	\$4,653	\$14,086	\$8,620	\$9,742	\$5,850	
Local	\$9,756	\$4,007	\$8,401	\$4,007	\$14,241	\$5,327	\$3,032	\$1,608	\$8,659	\$4,963	
Other	\$145	\$991	\$88	\$991	\$50	\$764	\$119	\$295	\$38	\$1,416	
Indeterminate	\$0	\$693	\$0	\$693	\$0	\$503	\$0	\$573	\$0	\$896	
Total	\$19,518	\$12,908	\$19,782	\$12,908	\$22,761	\$13,262	\$18,666	\$11,647	\$20,021	\$13,468	
Enrollment											
District		2,714,773		N/A		8,603		34,589		977,270	
District		99.0%	N/	'A		85.1%		88.5%		98.5%	
Charter	26,485		N/A			1,505		4,510		14,973	
Charter	1.0%		N/A		14.9%		11.5%		1.5%		
Number of Charters	93		N/A		7		13		58		
Total Revenue											
District	\$52,988,005,852		N/A		\$195,813,407		\$645,629,049		\$19,566,147,887		
DISTRICT	99.4%		N/A		90.7%		92.5%		99.0%		
Clt	. \$341,880,976		N/A		\$19,959,084		\$52,529,183		\$201,659,923		
Charter	0.6%		N/A		9.3%		7.5%		1.0%		
Total	\$53,329,886,828		N/A		\$215,772,491		\$698,158,232		\$19,767,807,810		
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	District	Charter	
Federal	3.9%	4.7%	6.4%	4.7%	5.5%	15.2%	7.7%	4.7%	7.9%	2.5%	
State	45.4%	51.2%	50.7%	51.2%	31.7%	35.1%	75.5%	74.0%	48.7%	43.4%	
Local	50.0%	31.0%	42.5%	31.0%	62.6%	40.2%	16.2%	13.8%	43.3%	36.9%	
Other	0.7%	7.7%	0.4%	7.7%	0.2%	5.8%	0.6%	2.5%	0.2%	10.5%	
Indeterminate	0.0%	5.4%	0.0%	5.4%	0.0%	3.8%	0.0%	4.9%	0.0%	6.7%	
Change in district school funding if subjected to charter funding structure											
(\$17.9 billion)					(\$81.7 million)		(\$242.7 million)		(\$6.6 billion)		

### **Highlights of Our Findings**

- New York's 93 charter schools received 33.9 percent less funding than district schools: \$12,908 vs. \$19,518 per pupil, a difference of \$6,610 per pupil.<sup>2</sup>
- New York charter schools received \$12,908 per pupil, but district schools would have received an estimated, \$19,782 to educate the same students a difference of \$6,874 or 34.7 percent. Weighting the district PPR for charter enrollment therefore increases the funding disparity by \$264 from the statewide difference above.
- The charter revenue data exclude certain in-kind services received by law from their respective districts, such as non-instructional special education referral and testing, textbooks, library materials and transportation, the inclusion of which would make the difference smaller.
- Albany's seven charter schools received 41.7 percent less funding than district schools: \$13,262 vs. \$22,761 per pupil, a difference of \$9,499 per pupil.

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



Buffalo's 13 charter schools received 37.6 percent less funding than district schools: \$11,647 vs. \$18,666 per pupil, a difference of \$7,018 per pupil.<sup>2</sup>

 New York City's 58 charter schools received 32.7 percent less funding than district schools: \$13,468 vs. \$20,021 per pupil, a difference of \$6,553 per pupil.

#### **Primary Reason for Funding Disparities**

Charters receive considerably less local funding statewide than districts because charters do not receive local facilities funding for the construction and renovation of school buildings. Districts statewide received 50 percent of their revenue from local sources, while charters received 31 percent of revenue from local sources.

#### **How New York Funds Its District Schools**

New York's school funding process attempts to reduce funding disparities created through property and income wealth factors that benefit some districts more than others. Funding for education programs is driven almost exclusively by a locale's ability to generate property tax revenue. Areas with higher assessed property values can therefore assess a lower millage to generate the same level of revenues as poorer areas.

To compensate for the variation in property tax assessment rates statewide, the state enacted the School Tax Relief Program, which provides tax relief to residents of high tax communities. State funding for public education is generated in inverse proportion to a district's wealth, as measured by real property and adjusted gross income. As a result, low wealth districts receive a relatively high amount of state aid while high wealth districts receive a lower level of state revenue. While this program provides no new revenue to school districts, it shifts the burden of providing education funding from the local taxpayer to the state.

In addition to property taxes, state sales tax revenues also support education. Communities can attach their own sales tax (up to 4 percent) to the state sales tax of 4.25 percent. Eight counties earmark a portion of this sales tax revenue for education; these receipts provide support to approximately 153 of the state's districts.

The state's five largest communities have the state to the charter school. The LEA status of restrictions on revenues targeted for education charters for other federal non-ESEA programs is purposes, limiting their ability to generate funds determined on a case by case basis. through property taxes.

The most prominent example of this restriction occurs in Buffalo, where only 16.2 percent of the district's total FY 2006-07 education budget consisted of local revenue, while the state portion far exceeded state contributions elsewhere (75.5 percent in Buffalo vs. the state average of 45.4 percent). However, these districts raise revenue in other ways. For example, New York City uses a modified local income tax for residents, which assesses a tax on commercial rents, business, and financial services.

Small school districts also impose certain taxes that larger districts may not implement, including a tax on utilities not to exceed 3 percent. These communities generate revenue through tax exemptions for Industrial Development Agencies, as well. In addition to the base funding described above, the state provides categorical funding for each of the following: Flex Aid, Sound Basic Education Aid, Reorganization Incentive Aid, Transportation Aid, BOCES and Special Services Aid, and Special Education Aid.

The finance landscape described here portrays funding in FY 2006-07. Changes to the state funding formula after the FY07 school year may change the way in the state collects and distributes funds.

#### **How New York Funds Its Charter Schools**

Districts are required to provide charter schools with the equivalent of the district's approved operating expense per pupil. Additional sums must be transferred to the charter for students with disabilities, if the student receives special education services by the charter school. Distribution of the Public Excess Cost Aid is based on the length of day the student spends receiving special education services. New York charters are considered Local Education Agencies (LEA) for the purpose of federal funding related to ESEA, so funding for federal programs flows directly from

Figure 3: State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		Х	
Charter schools are eligible for local funding			Х
Cap on funding a charter school can receive		Х	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	Х		
Charter schools receive differential funding		Х	
State allows district to withhold funding from charter schools for providing administrative services		x	
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			Х
Cap on number of charter schools	<b>X</b> <sup>3</sup>		
Cap on number of charter schools authorized per year		Х	
Cap on number of students attending charter schools		Х	
Charter schools have an open enrollment policy	Х		

Although the state's charter law prescribes equal access to the district's approved operating expense aid and Public Excess Cost Aid, there are some categories of state education funding that charter schools cannot access. Where New York school as eligible for selected funding streams, charter schools cannot receive those funds.

#### **Facility Funding**

The state of New York has established a charter school stimulus fund (law 97-SSS), which can be applied toward the acquisition, renovation, financing or construction of charter school facilities. In FY 2006-07, the state provided \$3.85 million to this fund. Additionally, the city of New York has a matching program to fund charter facilities in that city by contributing up to 90 percent of program costs.

# Primary Revenue Sources for New York's **Public Schools**

Charter schools received a majority of their funding from state sources and relied disproportionately on state funds, in comparison to district schools, which received more revenue from local sources through sales and property taxes than did charters.

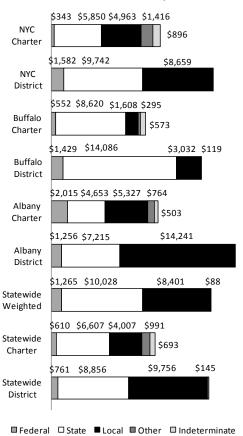
Charters statewide received 51.2 percent of their total revenue from state sources, while district schools statewide received 45.4 percent. Albany's charters recorded 35.1 percent in state funding vs. 31.7 percent for district schools. For Buffalo and New York City, however, district schools received an advantage in state revenue. Buffalo charters received 74.0 percent in state funding, while district schools received 75.5 percent in state funding. New York City charters received 43.4 percent in state revenue compared to 48.7 for district schools.

More local revenue reached district schools than charter schools. Statewide, charters received 31.0 percent of total revenue from local sources, while districts statewide received 50 percent of their revenue from local sources. Albany charters recorded 40.2 percent of their revenue as originating from local sources, while district schools recorded 62.6 percent of their revenue from local sources. In Buffalo, charters received 13.8 percent of their revenue from local sources, while district schools received 16.2 percent. New

state laws were not updated to reflect a charter York City charters operated their schools with 36.9 percent of their income from local sources, compared to 43.3 percent of local revenue reaching the city's district schools.

> Charter schools statewide appear to rely on "Other" revenue sources (7.7 percent of their funding) to a greater degree than do district schools (0.7 percent). However, New York City skews this average, with a total of 10.5 percent of revenue originating from "Other" (compared to 5.8 percent in Albany and 2.5 percent in Buffalo.

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



It is important to view funding from the perspective of total pupils served to determine if charters indeed receive the same level of funding per pupil as school districts in the state. When analyzing the percent of total revenue available for districts and charters, New York's charter schools statewide received less funding (0.6 percent) than the student population served (1.0 percent). New York City charters enrolled 1.5 percent of the city's students but received 1.0 percent of the revenue. Buffalo's charters served 11.5 percent of the total student population yet received only 7.5 percent of the total revenue available for educational services in the city. Finally, Albany's charter schools served 14.9 percent of the total student population of the city but only received 9.3 percent of the total revenue.

Figure 5 indicates that other student factors favor higher funding for the charters than they receive: charters statewide have a higher percentage of students eligible for free or reduced price lunch, and more charters are Title 1 eligible than traditional public schools. Both these factors lead to additional funding that should favor charters, but charter receive less federal funding than districts across the state, with the exception of Albany. However, the higher percentage of secondary pupils in district schools, which results in more funding from the state, does help to explain some of the funding variance.

Figure 5: School Characteristics

rigare 3. Serioor characteristics								
New York (2006-07)	Statewide District	Statewide Charters						
Percentage of students eligible for free or reduced price lunch <sup>4</sup>	43.5%	73.3%						
Percentage of schools eligible for Title I	68.0%	90.3%						
Percentage of students by school type:								
Primary (K-5)	45.0%	68.8%						
Middle (6-8)	19.5%	10.2%						
High (9-12)	30.6%	2.9%						
Other (K-12, K-8, etc.)	4.8%	18.0%						

#### **State Scorecard**

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

Figure 6: State Scorecard

Figure 6: State Scorecard						
	Findings	NY				
unding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y				
Federal Funding	Percentage of federal revenue is greater than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	>				
nding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y				
State Funding	Percentage of state revenue is <i>greater</i> than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	>				
nding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N				
Local Funding	Percentage of local revenue is <i>greater</i> than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	>				
unding-	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y				
Facilities Funding	Percentage of facilities revenue is greater than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	N/A				
ailability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Р				
Data Ava	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Р				
nula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Р				
Funding Formula	State funds student (black) or the LEA (grey)	S				
Fun	State funding formula is fair and equitable (Yes = black, No = white)	N				

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 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 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 three revenue streams listed.

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

#### **Endnotes**

Several sources were used to compile the revenue analyzed for New York's districts and charters. The New York State Education Department provided data from the state's annual financial data collection known as the ST3 report. The report provides data based on local, state, federal, and other sources of revenue. The ST3 report adds charter revenue data into the revenue reported for each district. In order to separate charters from district funds, the dollar "pass-throughs" for the states' charters was removed from the state and district figures reported in this analysis. Therefore, a reduction in revenue equal to the expenditures for pass-throughs to the state's

charters was applied at the state level as well as for each district studied. Given that it is not possible to determine the revenue origin of the expenditure, the reduction in revenue for the state and for each city in the study was claimed as an indeterminate reduction in revenue.

Financial data for the state's charters originates from the annual audits for FY 2006-07.

Due to the state's funding formula, charter schools receive the majority of their funding from the district in which they are located, with most of it in a category called "Basic Operating Revenues." This category represents a mixture of state and local revenue based on the state funding formula and represented the majority of dollars received by any of the charters. calculating "Basic Therefore. Operating Revenues" as Local revenue skewed our analysis. To more accurately depict Local and State revenues, we used the following methodology for New York's charters:

- We developed a database in which we identified each student attending a charter school based on the student's originating district. This information was obtained from the state department of education.
- Once students were identified by district, we used the database provided by the New York State Education Department that listed local, state, federal, and other revenue by school district. We extracted the Local and State revenue line items for any district that had a student attending a charter school and assigned those revenue dollars to each student in the database.
- The Local and State revenues were totaled by district, then the Local revenue was divided by the total to determine the percentage of Local revenue received by a district. The same calculation was conducted to determine the percentage of state revenue received by a district.

- We totaled the number of pupils at each charter and determined the percentage of pupils per originating district at each charter.
- The total of Local and State revenues was multiplied by the percentage of Local revenues and the percentage of students from each originating district to determine the total Local revenue for each charter. The same process was then applied to determine State revenues for each charter.

In instances where a charter school identified district-provided revenue that originated at the state or the federal level, then those funds were considered state or federal. Two types of district funding were separated into state or federal categories: State Aid-Pupils with Disabilities and Federal Aid-Pupils with Disabilities. These two categories represent a portion of the charters' total state and federal revenue. Remaining revenue from the public school district was counted as local revenue.

- Revenue for this study was provided by two state sources: the state ST3 data collection and the annual audits of the state's charter schools. Neither data set is available online but can be requested from the New York State Education Department.
- <sup>3</sup> The State University of New York may authorize 50 charter schools, and the state's Board of Regents may authorize 50. There is no limit on the number of existing district schools that may convert to charter schools. The legislature approved raising the cap to 200 charter schools effective July 1, 2007.
- <sup>4</sup> Since some schools choose not to participate in the free or reduced price lunch program even though they enroll significant numbers of low-income children, this comparison excludes district and charter schools that reported zero free or reduced price lunch students.