The Fiscal Impact of Charter Schools on Boulder Valley School District

Prepared by
Augenblick & Myers, Inc. for
Boulder Valley School District
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This report was prepared by Augenblick & Myers, Inc. (A&M) for the Boulder Valley School District (Boulder Valley) concerning school district finances related to authorizing charter schools. Boulder Valley contracted with A&M to: 1.) review the current research on charter school funding; 2.) gather data from the district; 3.) analyze the data, and 4.) write a report concerning the cost impact of charter school authorizing.

This work began in the early fall of 2001 when A&M submitted to Boulder Valley a listing of data needs. (Appendix A). This list included the information needed to identify the cost of authorizing. A&M received the data from Boulder Valley in November.

Review of Research

Little work has been done on the question of the cost to school districts as authorizing authorities for charter schools. Most of the research that has been done on this subject accepts the need for some resources directly related to the authorizing functions. Some research suggests that there is a financial impact on school districts related to the loss of student funding because of the loss of students. Districts say that overhead costs do not change with the loss of dispersed students. They argue that teachers cannot be reduced, and overhead dollars decreased, if the loss of students comes from many classrooms. Rolfes (1998) notes that school district growth and size affect the amount of impact that results from the loss of students to charter schools. Small school districts with stagnant or declining enrollments feel the greatest financial impact. One study in Pennsylvania looked at managing the fiscal impact of charter schools in that state and did an analysis of the fiscal impact of charter schools on the School District of Philadelphia (Pennsylvania Economy League, 2001).

Research on finances in Colorado related to charter schools has concluded that neither the authorizing school district nor the charter schools have sufficient funds. In Colorado, some finance related issues are part of the contract established between the charter school and school districts. Funding for special education and at-risk students are examples of items that vary based on charter school contracts. This state policy tends to set up a no-win situation for both entities but has been changing as legislation favorable to the charter schools has been passed. The overall funding level of K-12 education in Colorado for school districts and charter schools is: (a) lower than it used to be, (b) less than the national average, and (c) lower than most other states that have school districts as charter authorizers.

Data Analysis

A&M initiated the data evaluation with the assumption that the financial impact to Boulder Valley was primarily because of two factors. We accepted the concept that the financial loss is, in part, because of the loss of students to charter schools. That cost, when added to the cost of employee time and legal costs related to charter school activities, should account for most of the cost of authorizing.

As a way of estimating the cost of authorizing, A&M started from the current actual expenditure for charter schools. The estimated total of school expenditures for charter schools in Boulder Valley in 2001 is about $7.83 million and they are serving about 1,271 students. If all of the students in charter schools came from schools in Boulder Valley and no cost savings could be realized by the district, that amount would be lost revenue to the district. Lost revenues also need to take into account those costs that the district might be able to reduce because of overall declining enrollment.

A second cost component of charter schools to Boulder Valley is the direct cost of staff

assisting in the authorizing and oversight roles. One concern expressed by some districts in the cost of authorizing charter schools is the disproportionate number of personnel hours devoted to assisting charter schools. The information compiled by the district, representing all additional personnel costs expended by Boulder Valley in advising or assisting charter schools is shown in Appendix B. This total estimated cost of staff ($213,722) represents approximately $168 per charter school pupil.

The identification of lost revenue is different for district fixed costs and variable costs. Nearly all of the fixed costs should be included in determining the cost of lost student revenue, and the variable costs depend on where students were previously enrolled. If many of the students in one charter school were previously enrolled in the same school and were concentrated in certain classrooms, reductions in the variable costs could be made. If those students came from a number of schools with no concentration in classrooms, little of the variable cost could be saved.

Reducing Teachers

A&M received a spreadsheet from Boulder Valley of the residential location of charter school students based on public school attendance areas (duplicated in Table 3). This provides a basis for assuming how many students might otherwise be attending a particular district school, and for analyzing the concentration of where charter school students may be coming from.

Because we assume that not all students currently enrolled in charter schools would otherwise attend Boulder Valley schools, we began by taking 70% of the total in each attendance center. We then calculated a percentage, which represents the portion of a teaching position that the district would use to educate those students, were they attending a regular district school, based on the teacher ratio found on pages 66 through 71 in the 2000-2001 Proposed Budget. For example, in the Bear Creek

Elementary attendance area, the total number of charter school students (less the 30% that would not attend Boulder Valley schools) represents 14% of one full-time teacher. In theory, the district should realize a savings of 14% percent of a teacher's salary in that attendance center. However, we acknowledge that such small portions of a position would be difficult to eliminate in order to realize any savings. We determined that only positions of 50% or greater should be included as a potential savings to the district. Therefore, we totaled up all positions above this cutoff and divided that by the total of all positions represented by charter school students. In doing this, we created a percentage of teaching positions (67.9%) that could be saved by the district in relation to all teaching positions that would be required if charter school students were attending district-run schools.

With fixed and variable costs combined, about $3.23 million is the level of Boulder Valley spending that would be associated with lost revenues. It would be necessary to add the direct personnel costs of at least $213,722 in order to complete the spending for which no revenue exists. This total, $3.45 million, represents a per pupil amount of $2,711 (shown in Table 1).

In Table 2 we estimate the impact of the dollar amount derived in Table 1. By taking the District's per pupil expenditure, and multiplying that by the non-charter school enrollment, we arrive at an amount we consider District Revenue ($137,261,118). The Effective Loss ($3,445,681) represents the per pupil cost calculated in Table 1, multiplied by the total charter school enrollment. When the Effective Loss is subtracted from the District Revenue, it provides a figure that we consider the District Effective Revenue ($133,815,437), meaning the amount of money available for non-charter school students in the district. By dividing the District Effective Revenue by the total non-charter enrollment of the district, we arrive at a per pupil amount of effective revenue ($5,259) that the District spends on

non-charter school students. This can then be compared to the per pupil amount the District would spend without the effective lost revenue from charter schools ($5,394). Table 2 suggests that currently Boulder Valley has approximately $135 less to spend on non-charter school students than it would if the District had no charter schools. This number would obviously be affected by changes in enrollment or the authorization of a new charter school.

Conclusion

This report provides a look at the cost impact of authorizing charter schools. It accounts for direct costs associated with authorizing charter schools and the impact of district expenditures that have not been reduced where revenues are lost. While this individual report is tailored to Boulder Valley, it is also part of a larger study involving multiple front-range districts. The numbers used to calculate the fiscal impact in other districts may not be directly comparable, due to slight reporting differences, however, the method of calculation, reasoning and analysis are the same for every district in the study. This final product demonstrates the fiscal impact of charter schools on Boulder Valley compared to other similar districts.

References

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Table 1

Fixed Costs

Total Charter School Expenditures:	$7.83 million	x 33.1%	= $2.59 million	
		at 62% students	= $1.61 million	

Variable Costs

	$7.83 million	x 66.9%	= $5.24 million	
		at 62% students	= $3.25 million	(Total Costs at 50%)
		at 50% loss	= $1.62 million +	$1.61 million = $3.23 million

Assuming:				
62% students at 50% loss	$3.23 million	+ $213,722 (district personnel)	=	$3.45 million
$3.45 million	divided by 1,271 Charter School students		=	$2,711 per Charter School Pupil

Table 2

Financial Impact of Charter Schools

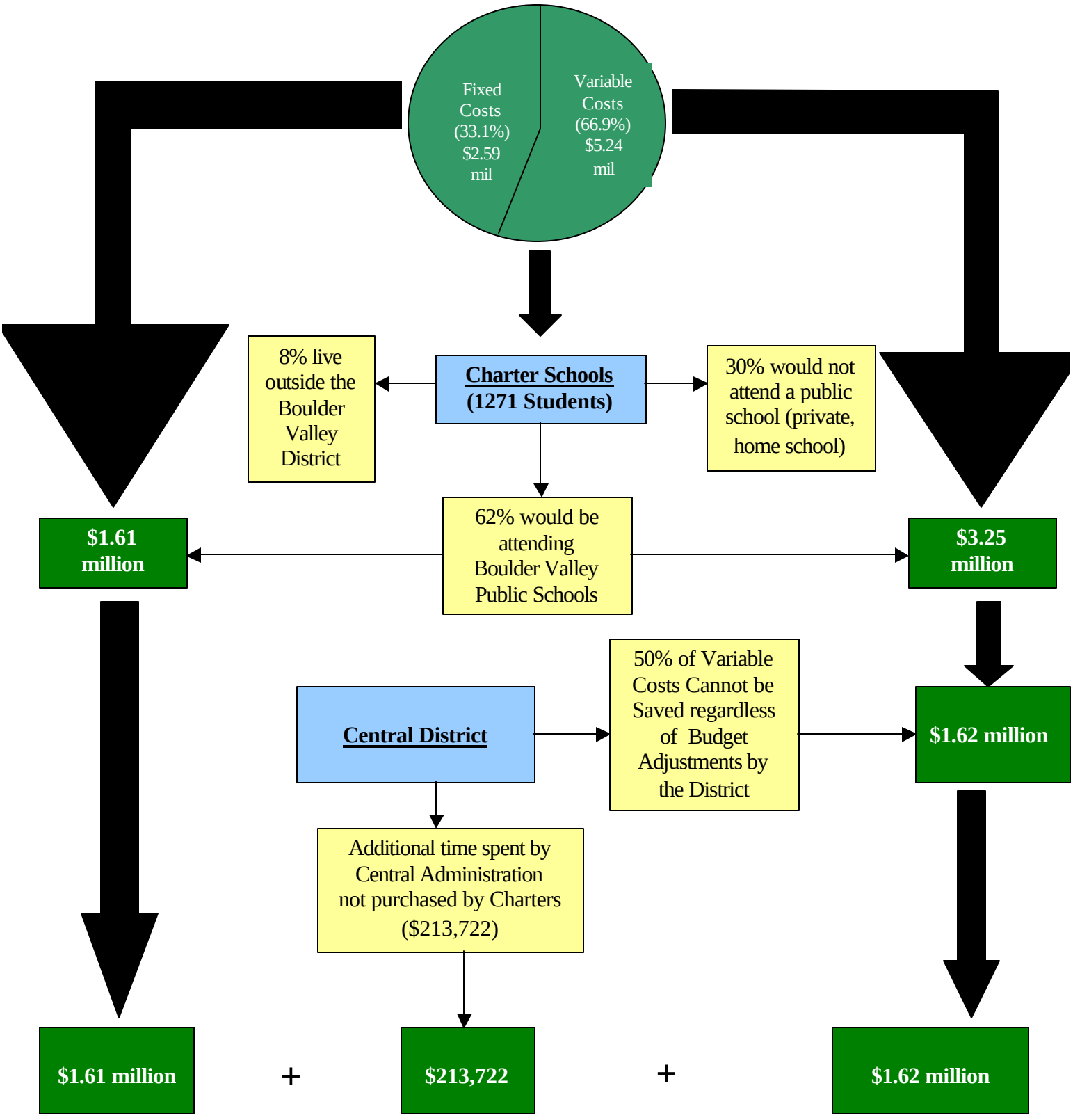
Charter School Enrollment:	1,271
Non-Charter District Enrollment	25,447
District Revenue: (Enrollment x $5,394)	$137,261,118
Effective Lost Revenue: ($2,711 x Charter Enrollment)	-$3,445,681
District Effective Revenue:	$133,815,437
(Per Pupil)	($5,259)

Difference Per Pupil Without Charter Schools: $135

Table 3

Boulder Valley School	Total Charter School Students in Attendance Center	70%	Total # Teachers Needed to Educate	Positions Greater than 50%
Birch Elementary	28	19.6	0.784	0.784
Bear Creek	5	3.5	0.14	
Columbine	13	9.1	0.364	
Crest View	39	27.3	1.092	1.092
Douglass	22	15.4	0.616	0.616
Sanchez	29	20.3	0.812	0.812
Eisenhower	23	16.1	0.644	0.644
Emerald	16	11.2	0.448	
Flatirons	14	9.8	0.392	
Foothill	17	11.9	0.476	
Heatherwood	13	9.1	0.364	
Kohl	40	28	1.12	1.12
Lafayette	131	91.7	3.668	3.668
Ryan	38	26.6	1.064	1.064
Fireside	19	13.3	0.532	0.532
Louisville	14	9.8	0.392	
Coal Creek	33	23.1	0.924	0.924
BCSIS	5	3.5	0.14	
Mapleton	1	0.7	0.028	
Creekside	13	9.1	0.364	
Mesa	20	14	0.56	0.56
Nederland	3	2.1	0.084	
Superior	4	2.8	0.112	
Whittier	12	8.4	0.336	
		0	0	
Base Line Middle	8	5.6	0.224	
Broomfield	5	3.5	0.14	
Burbank	20	14	0.56	0.56
Casey	0	0	0	
Centennial	7	4.9	0.196	
Angevine	23	16.1	0.644	0.644
Louisville	6	4.2	0.168	
Platt	2	1.4	0.056	
Southern Hills	9	6.3	0.252	
		0	0	
Boulder High	7	4.9	0.196	
Broomfield	3	2.1	0.084	
Centaurus	8	5.6	0.224	
Fairview	3	2.1	0.084	
New Vista	2	1.4	0.056	
Monarch	3	2.1	0.084	
Araphahoe Ridge	0	0	0	
		0	0	
Monarch K-8	7	4.9	0.196	
Aspen Creek K-8	7	4.9	0.196	
Eldorado K-8	13	9.1	0.364	
			19.18	13.02
	Total Percentage of Teachers that Could be saved:			**67.9%**

Total Charter School Transfers
($7.83 million)



= A loss to the District of

$3.45 million

or

$2,711 per Charter School Student