

Fiscal Impact of Charter Schools on Local Education Agencies (LEAs)

Section 8.28.(b) of House Bill 168 (1999 Session): The State Board of Education shall study the fiscal impact of charter schools on local school administrative units. The State Board of Education shall report the results of the study to the Joint Legislative Education Oversight Committee prior to the convening of the 2000 Regular Session of the General Assembly.

Background

North Carolina needs a mechanism that recognizes two now apparent realities of charter schooling:

1. Charter schools are not a zero sum exercise

It takes more money to serve the same number of students from more schools rather than fewer schools. Charter schools require some (not full) additional funding.

2. Impact on existing schools is not uniform

If an entire school converts to charter status, nearly 100% of the ADM cost is eliminated for the LEA. If 10 students over 3 grades leave a school, very little expense (only per-student expenses such as textbooks, activity funds, etc.) is reduced in that existing school. Traditional public schools need an allotment formula that takes into account these very different situations.

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Previous State Board Budget Request

The State Board of Education has recognized the initial funding impact of charter schools on LEAs in their last two Expansion Budget requests.

- ▶ **FY 1998-99 Expansion Request:** The State Board of Education requested that LEA's State funding not be reduced during the first year of charter operations or if the charter school was expected to grow more than 10% in one fiscal year. The total request of \$20 million would allow an LEA one year of transition to adjust to the loss of students. This funding philosophy currently exists with the best one of two average daily membership calculation. LEAs are funded at the higher of the projected student population for the next fiscal year or the actual population in the current fiscal year, whichever is higher. This allows LEAs to adjust to population losses by allowing a one year transition.
- ▶ **FY 1999-00 Expansion Request:** The State Board further defined the impact on LEAs of the first year of school operations.

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Current Funding Process:

- ▶ **Year 1 and charter schools growing by more than 10%:** Each State allotment to a local education agency is reduced based on the estimated charter school enrollment. **See chart attached**
- ▶ **After Year 1 and charter schools not growing by more than 10%:** The State Board of Education has adopted a funding formula for continuing charter schools (those growing by 10% or less) that does minimize the financial impact, from State funding, on LEAs. The students will not be counted in an LEA's average daily membership (ADM); therefore treating the student loss the same as if the students moved out of the district. This does not help address the continuing loss of local resources; however, current legislation requires that local funding be transferred to a charter school based on the district in which the student resides.

Impact on Fast Growing School Systems

- ▶ lose 100 kids to a charter
- ▶ 1st months ADM comes in 150 more than projected
- ▶ Net growth 50 kids
- ▶ No new funding will be allotted. The 'real' dollar loss to the system is for 150 kids, not 100. That is, less dollars are available to the students in the system now.

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Impact on Local Funding

- ▶ 115C-238.29H(b) If a student attends a charter school, the local school administrative unit in which the child resides shall transfer to the charter school an amount equal to the per pupil local current expense appropriation to the local school administrative unit for the fiscal year.
- ▶ Note that it relates to where the child resides not where they went to school.

State Funding for Charter Schools



