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TEXAS CHARTER SCHOOL FINANCE

In spring 2014, Raise Your Hand Texas (RYHT) engaged Moak, Casey & Associates (MCA) to analyze the financing, including current revenues and expenditures, of Texas open-enrollment charter schools, and compare funding information to that of Texas public school districts. The purpose of this study is to identify differences in funding between the charter schools and school districts. This report provides the results of that analysis as well as background information on enrollments, staffing and salaries, and funding for charter schools.

This is not the first report studying Texas charter schools' finance, and comparing the open-enrollment charter schools to traditional public schools. State law (TEC §12.1013) requires that the commissioner have prepared an annual report that compares performance of charter schools to matched traditional campuses. The Texas Center for Educational Research (TCER) did the annual report for the years 2003-04, 2004-05, 2005-06, 2006-07, and 2007-08, providing information not only on the funding of charters but also enrollment, staffing, student and family satisfaction, and charter school student performance. The Education Research Center (ERC) at Texas A&M University completed the annual evaluation for 2009-10. In addition, for the school finance court case (*Texas Taxpayer et al v. Williams*), the Texas Charter Schools Association (TCSA) and its expert witnesses introduced information on charter school funding as evidence in their pleadings.

In the analysis of charter school finance, this report goes beyond the other studies of Texas charter schools in that a careful analysis of finance data revealed significant differences in accounting standards and reporting between open-enrollment charter schools and traditional school districts. These differences in standards and reporting required adjustments to the data to ensure comparability. Adjustments will be explained in detail in discussions of the data analysis later in the report. On the other hand, this report does not evaluate the charter schools and the progress charter school students are making on performance measures, nor does it use surveys of open-enrollment charter school stakeholders. This report considers only open-enrollment charter schools, although prior reports have included all classes of Texas charter schools. Since the data have been adjusted for comparability purposes, and included only open-enrollment charter schools, the results of the analyses in this report are different from prior studies.

The report is organized into four sections. In the first, background information on open-enrollment charter schools is compared to traditional public schools. Differences in organization, enrollment patterns, location of the schools, and size are highlighted. Also, staffing and staff compensation are analyzed. The second section describes the current funding of both traditional public school districts and open-enrollment charter schools, and draws comparisons and contrasts to their funding. The next section focuses on funding, including capital outlay and debt service, revenues, and expenditures, while the final section highlights the differences in actual funding as a result of the formulas. A history of funding of charter schools is contained in Appendix A for those readers who wish more detail. A brief analysis of prior reports on charter school funding, and highlights of differences between the older reports and this analysis is included as Appendix B.

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1. Background

Texas open-enrollment charter schools were first authorized in statute in 1995 with charters granted by the State Board of Education (SBOE) for an initial period of five years, with the opportunity for 10-year renewals. Open-enrollment charter schools are new “public” schools that are created by groups such as non-profit organizations, universities or local government groups (TEC §12.101). The 83rd Legislature in 2013 modified the approval process so that the Commissioner now “proposes” the granting of a new charter, which may be disapproved by the SBOE; however, SBOE may not grant a new charter that has not been proposed by the Commissioner. Open-enrollment charter schools operate relatively free of most state and local school requirements but the State maintains authority over open-enrollment charter schools. Because open-enrollment charter schools have been authorized for less than 20 years, these are relatively “young” school operations.

Open-enrollment charter schools are eligible for federal categorical aid programs such as Title I (compensatory education) or IDEA (special education), but may not levy property taxes nor charge tuition. Charters may draw enrollment from multiple school districts, and may operate in private or public facilities.

In 2013 Texas raised the cap on open-enrollment charters from 215 to 305, to be phased in over five years. According to the 2013 *Digest of Education Statistics*, in 2012, Texas operated the second largest number of charter schools and enrolled the second largest number of students. (California was first.) The *Digest* reported that the number of children in Texas charter schools as a percent of total public school enrollment was a relatively small proportion of the state’s public enrollment and was less than the national average (Texas: 3.8% v. National 4.2%).

Enrollment. Table 1 displays the growth in Texas open-enrollment charters and in traditional public school districts between 2009 and 2014. In Table 1, two “enrollment” measures are displayed: enrollment, which is a headcount of students in the school or school district reported to PEIMS on a particular day in the fall; and Average Daily Attendance (ADA), which is a measure of attendance every day of the school year, or of the students actually coming to schools, over the entire school year.

Both traditional public schools and open-enrollment charter schools are facing significant enrollment growth, with all the issues related to growth. Between 2008-09 and 2013-14, open-enrollment charter schools doubled their enrollments, while growth in the traditional public schools was not as dramatic. In 2013-14 traditional school districts added over twice as many students as did open-enrollment charter schools (51,915 v 24,170 enrollment and 48,317 v 24,616 ADA) although these numbers represent larger percentage increases for the charter schools. Open-enrollment charter school students accounted for 3.9 percent of all student enrollment in 2013-14, up from 3.4 percent in 2012-13 and 2.0 percent in 2008-09. The average charter district size, although growing significantly, is still significantly below that of the average traditional public school district, an average 1,006 students enrolled in open-enrollment charter districts compared to 4,828 in traditional public school districts in 2013-14.

Table 1 – Growth in Texas Open Enrollment Charters 2009 through 2014)

Measure	2008-09		2012-13		2013-14		Difference (2013-14 minus 2012-13)	
	Charter Districts	ISD	Charter Districts	ISD	Charter Districts	ISD	Charter Districts	ISD
Number of districts	205	1,030	202	1,026	202	1,025	0	-1
Enrollment	102,903	4,646,668	179,120	4,896,720	203,290	4,948,635	24,170	51,915
ADA	90,079	4,309,237	161,846	4,537,646	186,462	4,585,963	24,616	48,317
ADA as a % of Enrollment	87.5%	92.7%	90.4%	92.7%	91.7%	92.7%	1.3%	0.0%
Average enrollment	502	4,511	887	4,773	1,006	4,828	119	55
Percent of State Total:								
Districts	16.6%	83.4%	16.4%	83.6%	16.5%	83.5%	0.0%	0.0%
Enrollment	2.2%	97.8%	3.5%	96.5%	3.9%	96.1%	0.4%	-0.4%
ADA	2.0%	98.0%	3.4%	96.6%	3.9%	96.1%	0.5%	-0.5%

Source: AEIS and PEIMS data.

The measure, ADA as a percentage of enrollment, indicates what portion of the student body is attending as opposed to being enrolled in the district. The higher this ratio (100% being a perfect score with every enrolled student attending every day), the more likely the students are to be successful in their school “careers.” In each of the three years for which data are presented in Table 1, traditional schools had a higher percentage of enrolled students attending than did open-enrollment charter schools.

ADA also is an important factor in the Texas funding formulas for both open-enrollment charter schools and for traditional public schools. Generally, the higher the ADA, the more state revenues are allocated, all other things being equal.

Table 2 provides background information on the broad diversity of charter schools. Overall, charter schools have a higher level of diversity than traditional public schools. That is, open-enrollment charter schools enrolled greater percentages of Hispanic and African-American students than did the traditional public schools.

Table 2 – Enrollment Diversity, 2009 through 2014

Group	2008-09		2012-13		2013-14		Difference (2013-14 minus 2012-13)	
	Charter	ISD	Charter	ISD	Charter	ISD	Charter	ISD
Hispanic	52,468	2,211,899	99,508	2,498,016	115,486	2,552,829	15,978	54,813
Anglo	17,901	1,590,614	28,858	1,487,001	34,408	1,482,885	5,550	-4,116
African-American	28,395	640,976	38,923	605,434	42,510	610,209	3,587	4,775
Asian	3,427	165,875	8,373	181,640	6,984	189,026	-1,389	7,386
Other	300	16,349	3,164	108,022	3,229	113,662	65	5,640
Total	102,491	4,625,713	178,826	4,880,113	203,290	4,948,635	24,464	68,522
Percent of Total:								
Hispanic	51.2%	47.8%	55.6%	51.2%	56.8%	51.6%	1.2%	0.4%
Anglo	17.5%	34.4%	16.1%	30.5%	16.9%	30.0%	0.8%	-0.5%
African-American	27.7%	13.9%	21.8%	12.4%	20.9%	12.3%	-0.9%	-0.1%
Asian	3.3%	3.6%	4.7%	3.7%	3.4%	3.8%	-1.2%	0.1%
Other	0.3%	0.4%	1.8%	2.2%	1.6%	2.3%	-0.2%	0.1%

Source: 2008-09 and 2012-13 numbers are AEIS membership; 2013-14 numbers are PEIMS enrollment.

Traditional public schools generally operate mature, comprehensive PK-12 systems while open-enrollment charter schools may operate a variety of different educational arrangements, including only early elementary grades, elementary grades, only middle school grades, only high school grades, multi-level (both elementary and secondary), or only alternative education centers. In 2013 the open-enrollment charters enrolled pupils in 31 different organizational patterns including grades 4 to 9, grades 5-12, grades 11-12, and PK-12. The 202 charter school districts operated 586 campuses in 2013, 199 of which were alternative education centers enrolling 44,053 students. Approximately a third of the open-enrollment charter schools educate students at multi-levels, with about 70 percent of students enrolled in early elementary/kindergarten/pre-k through grade 12 systems. Over 90 percent of traditional public schools operate multiple grade levels.

Table 3 displays information on grade level enrollment in 2009, 2013, and 2014. The pattern of enrollment by grade has shifted somewhat for the open-enrollment charter schools between 2009 and 2014. In 2009, less than 50 percent of enrollment was in the elementary schools, with about 29 percent of students in high school grades. By 2014, about 52 percent of charter school enrollment was in the elementary grades and the percentage in high school had dropped to 23.6 percent, less than the traditional public schools percentage share of 27.5 percent. In 2012-13 and 2013-14, the charter schools enrolled a greater portion of their students in the elementary and middle school grades than did the public schools.

Table 3 – Grade Level Enrollment, 2009 through 2014

Population	2008-09		2012-13		2013-14		Difference (2013-14 minus 2012-13)	
	Charter	ISD	Charter	ISD	Charter	ISD	Charter	ISD
Pre-K – Grade 5	50,297	2,349,645	92,519	2,461,170	105,411	2,493,846	12,892	32,676
Grades 6 - 8	22,430	1,009,447	43,231	1,080,598	49,808	1,091,878	6,577	11,280
Grades 9 - 12	29,764	1,266,621	43,076	1,338,345	47,976	1,361,926	4,900	23,581
Total	102,901	4,646,668	179,120	4,896,720	203,290	4,948,635	24,170	51,915
Percent of Total:								
Pre-K – Grade 5	48.9%	50.6%	51.7%	50.3%	51.9%	50.4%	0.2%	0.1%
Grades 6 - 8	21.8%	21.7%	24.1%	22.1%	24.5%	22.1%	0.4%	0.0%
Grades 9 - 12	28.9%	27.3%	24.0%	27.3%	23.6%	27.5%	-0.4%	0.2%

Source: AEIS and PEIMS data.

Table 4 provides information on full-time equivalent (FTE) program enrollments in the open-enrollment charter schools and in the traditional public schools. “Program” enrollments refer to children in special education, bilingual, compensatory, career and technical, and gifted/talented programs. Comparison of the FTE enrollments is necessary because children are not in the special programs all of the school day or school year.

Although by far the majority of children enrolled in special programs are served in the public schools, as a percentage of ADA, charter schools in 2013-14 had a greater percentage of students identified as bilingual or who are the basis for the compensatory education allotment than did the traditional public schools. Traditional public schools had greater percentages of ADA in special education, career and technical, and gifted/talented programs than did the charter schools. (All other things being equal, children in special programs require additional resources to provide comparable educational programs.)

Table 4 – Program Enrollments 2009 through 2014

Program Area	2008-09		2012-13		2013-14		Difference (2013-14 minus 2012-13)	
	Charter	ISD	Charter	ISD	Charter	ISD	Charter	ISD
Special Ed	2,516	118,319	3,212	112,859	3,584	113,943	372	1,084
Mainstream	3,127	109,472	3,677	108,783	3,871	109,693	195	910
Bilingual	11,852	661,329	27,944	726,357	34,686	733,308	6,742	6,951
Comp Ed	66,732	2,657,495	115,625	3,007,631	131,205	3,042,752	15,580	35,121
Career & Tech	1,828	179,614	2,273	216,407	3,129	218,450	856	2,043
Gifted/Talented	1,028	212,237	2,239	222,352	2,456	229,208	217	6,856
ADA	90,079	4,309,237	161,846	4,537,646	186,462	4,772,425	24,616	234,779
% of ADA:								
Special Ed	2.8%	2.7%	2.0%	2.5%	1.9%	2.4%	-0.1%	-0.1%
Mainstream	3.5%	2.5%	2.3%	2.4%	2.1%	2.3%	-0.2%	-0.1%
Bilingual	13.2%	15.3%	17.3%	16.0%	18.6%	15.4%	1.3%	-0.6%
Comp Ed	74.1%	61.7%	71.4%	66.3%	70.4%	63.8%	-1.1%	-2.5%
Career & Tech	2.0%	4.2%	1.4%	4.8%	1.7%	4.6%	0.3%	-0.2%
Gifted/Talented	1.1%	4.9%	1.4%	4.9%	1.3%	4.8%	-0.1%	-0.1%

Source: AEIS and PEIMS data.

Table 5 displays the 2014 geographic distribution of open-enrollment charter schools and traditional public schools. Charter schools are concentrated in the urban areas of the state, including Region 4 (Houston), Regions 10 and 11 (Dallas/Ft. Worth), Regions 13 and 20 (Austin/San Antonio), and Region 1 (lower Rio Grande Valley). In contrast, a third of traditional public schools are in the other, more rural parts of the State.

Table 6 provides information on the enrollment size of open-enrollment charter school districts and traditional public school districts in 2009, 2013, and 2014. In 2008-09, there were no charter school “districts” that enrolled more than 5,000 pupils, although about 79 percent of the State’s public school students were enrolled in districts larger than 5,000 students. Sixty-five percent of charter school enrollments were in schools of less than 1,000 students.

By 2013-14, although charter schools still did not have any students in “districts” larger than 25,000, 13.8 percent now were enrolled in charter “districts” serving 10,000 to 24,999 students. Traditional public schools districts enrolled more than 70 percent of total enrollments in districts larger than 10,000 students, and only 4.6 percent of total enrollment in districts serving under 1,000 students.

Table 5 – Geographic Distribution of Charter School Campuses/Enrollments 2013-14

City/Area	2013-14 Charter Schools		Traditional Schools 2013-14		Difference between Charters and Traditional Schools	
	# Campuses	Enrollment as of Oct. 2013	# Campuses	Enrollment as of Oct. 2013	# Campuses	Enrollment as of Oct. 2013
Houston (Region 4)	143	52,211	1,284	1,129,825	1,141	1,077,614
Dallas/Fort Worth (Regions 10/11)	160	64,626	1,921	1,297,135	1,761	1,232,509
Austin/San Antonio (Regions 13/20)	122	34,011	1,129	781,377	1,007	747,366
Lower Rio Grande Valley (Region 01)	55	22,918	553	400,638	498	377,720
Other (All Other Regions)	106	29,458	2,806	1,316,734	2,700	1,287,276
TOTAL	586	203,224	7,693	4,925,709	7,107	4,722,485
% of Total:						
Houston	24.4%	25.7%	16.7%	22.9%	-7.7%	-2.8%
Dallas/Fort Worth	27.3%	31.8%	25.0%	26.3%	-2.3%	-5.5%
Austin/San Antonio	20.8%	16.7%	14.7%	15.9%	-6.1%	-0.9%
Lower Rio Grande Valley	9.4%	11.3%	7.2%	8.1%	-2.2%	-3.1%
Other	18.1%	14.5%	36.5%	26.7%	18.4%	12.2%

Source: AEIS and PEIMS data.

Table 6 – Enrollment by District Size 2009 through 2014

Size Classification	2008-09		2012-13		2013-14		Difference (2013-14 minus 2012-13)	
	Charter	ISD	Charter	ISD	Charter	ISD	Charter	ISD
>50,000	0	1,354,148	0	1,466,065	0	1,483,472	0	17,407
25,000 - 49,999	0	1,019,240	0	1,095,154	0	1,136,219	0	41,065
10,000 - 24,999	0	788,719	23,104	878,494	28,057	896,261	4,953	17,767
5,000 - 9,999	0	507,308	12,629	480,520	17,416	471,008	4,787	-9,512
3,000 - 4,999	10,912	326,468	22,545	335,356	33,247	314,844	10,702	-20,512
1,600 - 2,999	13,894	259,913	30,477	259,575	38,213	262,024	7,736	2,449
1,000 - 1,599	11,247	164,790	20,812	156,536	23,413	159,911	2,601	3,375
500 – 999	30,856	142,568	39,500	140,503	34,653	141,434	-4,847	931
Under 500	35,994	83,514	30,053	84,517	28,291	83,462	-1,762	-1,055
TOTAL	102,903	4,646,668	179,120	4,896,720	203,290	4,948,635	24,170	51,915
% OF TOTAL:								
>50,000	0.0%	29.1%	0.0%	29.9%	0.0%	30.0%	0.0%	0.0%
25,000 - 49,999	0.0%	21.9%	0.0%	22.4%	0.0%	23.0%	0.0%	0.6%
10,000 - 24,999	0.0%	17.0%	12.9%	17.9%	13.8%	18.1%	0.9%	0.2%
5,000 - 9,999	0.0%	10.9%	7.1%	9.8%	8.6%	9.5%	1.5%	-0.3%
3,000 - 4,999	10.6%	7.0%	12.6%	6.8%	16.4%	6.4%	3.8%	-0.5%
1,600 - 2,999	13.5%	5.6%	17.0%	5.3%	18.8%	5.3%	1.8%	0.0%
1,000 - 1,599	10.9%	3.5%	11.6%	3.2%	11.5%	3.2%	-0.1%	0.0%
500 - 999	30.0%	3.1%	22.1%	2.9%	17.0%	2.9%	-5.0%	0.0%
Under 500	35.0%	1.8%	16.8%	1.7%	13.9%	1.7%	-2.9%	0.0%

Source: AEIS and PEIMS data.

To summarize the data in the preceding six tables, open-enrollment charter schools/districts on average:

- are smaller than traditional public school districts;
- are clustered in urban areas;
- are growing at a faster rate than traditional public schools;
- enroll a greater proportion of Hispanic and African-American pupils than do the traditional public schools;
- have a greater percentage of students in elementary and middle school grades;
- had a greater proportion of bilingual and compensatory education students, but much fewer numbers of these students than traditional public schools;
- enrolled smaller percentages of special education, career and technical, and gifted/talented students than did the traditional public schools.

Almost all of these factors are considerations in the Texas public school funding formulas. The formulas include “weights” for small schools, for geographic size of the district, for high school students, for bilingual, compensatory education, special education, career and technical, and gifted/talented students. Because of the differences in the distribution of pupils across these categories, it is to be expected that funding per pupil would vary across open-enrollment charter schools and traditional school districts. That is, charters or districts with greater proportions of students in high school, or in one of the special classes, or small charters or districts, would be expected to have higher revenues or expenditures per pupil than districts with different concentrations of pupils.

Staffing and Salaries. The following tables include information on the staffing and staff salaries in open-enrollment charter schools and traditional public schools in 2012-13, the latest year for which complete information is available. In the first part of Table 7, showing pupil/staff ratios, a lower ratio means that the staff have to serve fewer students. In the second half of the table, a larger ratio indicates that more staff are available to serve students.

Putting both parts of the table together, the data show that charters have higher total staffing ratios, most notably for teachers and instructional aides, relative to the number of students, but have about twice as many administrators as do the traditional public schools, considering the number of pupils served.

Table 7 – Comparison of Staffing Ratios for Charters and Traditional Schools 2012-13

Staff Type	Charter Schools	Traditional Schools	Difference	
			Number	Percent
Pupil/Staff Ratio:				
Teachers	16.7	15.5	-1.2	-7.4%
Support Staff	86.4	87.5	1.1	1.3%
Administration	117.8	205.9	88.1	74.8%
Instructional Aides	158.4	83.1	-75.2	-47.5%
Auxiliary Staff	53.9	29.0	-24.9	-46.2%
Total Staff	9.5	7.8	-1.7	-17.8%
Staff per 1,000 Pupils:				
Teachers	59.9	64.7	4.8	8.0%
Support Staff	11.6	11.4	-0.1	-1.3%
Administration	8.5	4.9	-3.6	-42.8%
Instructional Aides	6.3	12.0	5.7	90.5%
Auxiliary Staff	18.5	34.4	15.9	85.8%
Total Staff	104.8	127.4	22.6	21.6%

Source: AEIS and PEIMS data.

Open-enrollment charter schools on average paid staff less than traditional public schools in 2012-13, the last year for which data were available. (See Table 8.) Teachers and support staff in traditional public schools earned about 16 percent and 21 percent respectively more than teachers and support staff in charter schools. However, instructional aides in open-enrollment charter schools earned 21.9 percent more than aides in traditional public schools. Perhaps this difference indicates that aides in charter schools perform slightly different roles than aides in traditional public schools because the pupil/teacher ratio in public schools is lower. In other words, there are fewer charter school teachers so that aides have to assist more students.

Table 8 – Comparison of Average Salaries for Charter Schools and Traditional Schools 2012-13

Staff Type	Charter Schools		Traditional Schools		Difference	
	Number	Average Salary	Number	Average Salary	Number	%
Teachers	10,727	\$42,400	316,719	\$49,037	\$6,637	15.7%
Support Staff	2,074	\$47,656	55,977	\$57,626	\$9,970	20.9%
Administration	1,520	\$66,967	23,782	\$77,267	\$10,299	15.4%
Instructional Aides	1,131	\$24,123	58,909	\$18,845	-\$5,279	-21.9%
Auxiliary Staff	3,321	\$23,928	168,650	\$22,840	-\$1,088	-4.5%
Total Staff	18,774	\$40,602	624,037	\$40,953	\$351	0.9%

Source: AEIS and PEIMS data.

Another reason that teachers in the traditional schools earn more may be related to years of experience and earning of advanced degrees. Salary schedules typically award higher salaries for additional staff years of experience and advanced training.

Table 9 displays information for 2012-13 on the years of experience, holding of advanced degrees, and turnover rates for charter and traditional schools. The average experience of a teacher in a traditional school was over 7 years more than that of a teacher in a charter school, 11.7 years of experience compared to 4.5 years in a charter school. In addition, 17 percent of teachers in open-enrollment charter schools had earned advanced degrees compared to 23.9 percent in traditional public schools. In addition, the turnover rate in charter schools was significantly higher than the turnover rate for teachers in traditional schools. Over one-third of 2011-12 charter school teachers did not return to the same charter or district in 2012-13, compared to about one in seven traditional public school teachers.

Table 9 – Comparison of Years of Experience and Turnover Rates, 2012-13

Element	Charter Schools	Traditional Schools	Difference
Percent of Teachers with less than 5 Years of Experience	74.2%	31.7%	-42.5%
Average Experience	4.5	11.7	7.2
2011-12 Turnover Rate	35.9%	14.7%	-21.2%
Percent of Teachers with Advanced Degrees	17.0%	23.9%	7.0%

Source: AEIS and PEIMS data.

2. Open-Enrollment Charter Schools Funding and Public School Funding

Open-enrollment charter schools are funded under formulas that are different from the formulas for traditional public school districts. This section will describe the current funding mechanisms for both traditional public school district funding and that of the open-enrollment charter schools, as those formulas currently exist. For those who wish more detail, a brief history of charter school funding may be found in Appendix A.

School districts are funded by a two-tier funding system based on the average daily attendance of students. The basic funding formula is called the “Foundation School Program (FSP)” or Chapter 42, Texas Education Code (TEC). Legislatively adopted state policy calls for the system to provide both adequacy and equity for the public schools. Traditional public school district funding is a shared responsibility between taxpayers and the state. The FSP has four basic variables: the number of students, the types of students, the property values in the district, and the tax rate that is applied to that property value. Each school district (and each open-enrollment charter school) is guaranteed a basic revenue level, with additional revenues allotted for students participating in special education, career and technology education, bilingual education, compensatory education, and/or gifted and talented programs, and for the size of the district, based on a series of weights.

For public school districts, Tier 1 of the formula is a basic foundation program, with a “basic allotment” per pupil and a series of weights for student and district characteristics. Each district that receives transportation assistance also receives an amount for transportation. The total cost is shared between the State and the school district. The district’s share is determined by applying a maintenance and operations (M&O) tax rate to the district’s taxable property value for the prior school year, and then the State pays any amounts between the total cost and the district share. More wealthy districts pay larger shares of their total entitlement. The district’s share remains the same, regardless of how many fewer or additional students there may be. The wealthiest districts pay most of the full cost of Tier 1 and an additional amount to meet equity standards through the recapture provisions of Chapter 41, TEC.

The “basic allotment” is an amount that every school district is guaranteed to receive from the combination of state and local funds (as described above) for each student in Average Daily Attendance (ADA). The basic allotment was \$4,765 per ADA for 2012-13 for those districts with tax effort of \$1.50 per \$100 of taxable value in 2005. Districts with lower tax effort are provided a reduced basic allotment.

Each public school district is assigned a “Cost of Education Index (CEI)” that is designed to recognize cost differences beyond the control of the school district. CEIs range from 1.02 to 1.20. The CEI has not been recalculated since 1991, and is applied to 71 percent of the basic allotment. In addition, to recognize that small or mid-sized districts cannot take advantage of economies of scale, a small size adjustment is added for districts with less than 1,600 ADA and a mid-size adjustment is added for districts with between 1,601 and 5,000 ADA. Also, small districts with over 300 square miles in area receive a larger increase. Some low-enrollment districts also receive a sparsity adjustment. In Tier I, the calculation is based on the “Adjusted Allotment” which is defined as the basic allotment adjusted for a small or mid-size district, and the CEI. The adjusted allotment varies by school district depending on the characteristics of the district.

For public school districts, Tier 2 is called the “enrichment tier” or the “guaranteed yield funding,” and has two components. In level 1, a school district may supplement Tier 1 funding by taxing above what is called the district’s “compressed tax rate” (two-thirds of the district’s tax rate in 2005) with voter approval required in some circumstances. The state equalizes the revenue raised by each penny of tax rate levied above the compressed tax rate, so that every school district is guaranteed a minimum amount of revenue per student in Weighted Average Daily Attendance (WADA). “WADA” is a number calculated by taking the Tier 1 entitlement, less the transportation allotment, less the new instructional facilities allotment, less the high school allotment, and less 50 percent of the CEI adjustment, and dividing that number by the district’s basic allotment.

In Level 1 of Tier 2, for each of the first 6 pennies levied above the compressed rate, the state supplements the allotment per WADA to the level of the Austin Independent School District, which is at the 95th percentile of funding. These additional funds are not subject to recapture. In Level 2 of Tier 2, the remaining pennies up to the statutory M&O cap of \$1.17 are equalized by the state guaranteeing a specific dollar amount for each WADA per penny of tax effort. These amounts may be subject to recapture.

Recapture (or as it is known in some circles “Robin Hood”) is a system put into place to limit a property wealthy school district’s access to its tax base. Under current law, property wealthy school districts reduce their taxable value to an “equalized wealth level” and may use several options for this reduction. Since some of the pennies in Level 1 of Tier 2 are not subject to recapture, variation in the amounts allocated to school districts do occur.

Another wrinkle to the school funding for public school districts is the “Target Revenue” calculation put into place in 2006. This provision protects districts with revenues below a calculated level in 2006. The calculated amounts are known as “target revenue” to which other funds were added. The state thus allocated “Additional State Aid for Tax Reduction (ASATR)” as a form of hold harmless payment to the district if that level of funding was not achieved from the formula.

The formula for charter schools is somewhat different in that amounts are based on **state average allotments, not an allotment based on the individual characteristics of the charter**. In 2009, the Legislature revised the funding structure for the charter schools, and amended the laws that specifically deal with the funding of open-enrollment charter schools. The specific legislation is shown in Appendix A. This statutory change immediately moved all open-enrollment charter schools to the **state average basis of funding calculations**, with the exception that if the funding provided under the previous calculations for 2009-10 were greater (including the prior mix based on district of residence and statewide averages), the open-enrollment charter school would receive the greater amount. So, while the system for funding open-enrollment charter schools nominally is based entirely on statewide average elements, for some open-enrollment charter schools, the amount may be based on prior law.

As described above in 2009, the legislature significantly revised funding formulas for independent school districts, raising the basic allotment amount to a much higher level (\$4,765), re-defined the local share of Tier 1 funding to be based on the compressed tax rate of each district, proportionately reduced the basic allotment for districts with compressed tax rates less than \$1.00, and eliminated the first level of Tier 2 that had been associated with taxes between the previous local fund assignment rate of \$0.86 and the district’s compressed rate. These revisions presented TEA with a need to determine which averages to use for funding calculations for open-enrollment charter

schools, and how those averages would be computed. Because the basic allotment would no longer be uniform across all districts, TEA chose to add an average basic allotment to the set, drop the Tier 2 Level 1 tax rate that no longer existed in law, and drop the state average amount of ASATR per WADA. TEA chose to continue with the simple average process of adding up the funding elements (basic allotment, adjusted basic allotment, adjusted allotment, Level 2 - Austin, and Level 3 - \$31.95 yield) as calculated for each independent school district, then dividing the sum by the number of districts. The resulting state average funding elements for 2009-10 through 2013-14 are shown in Table 10.

Table 10. State Average Funding Elements, 2009-10 through 2013-14.

State Averages	2009-10	2010-11	2011-12	2012-13	2013-14 (est.)
Basic Allotment	\$4,625	\$4,625	\$4,625	\$4,625	\$4,805
Adjusted Basic Allotment	\$4,888	\$4,887	\$4,887	\$4,888	\$5,077
Adjusted Allotment	\$5,933	\$5,932	\$5,931	\$5,926	\$6,155
DTR – Austin Yield Level	\$0.0514	\$0.0521	\$0.0525	\$0.0565	\$0.0545
DTR - \$31.95 Yield Level	\$0.0363	\$0.0414	\$0.0453	\$0.0485	\$0.0501
Revenue per WADA Target	\$4,971	\$4,971	\$4,971	\$4,971	\$4,971

SOURCE: TEA FSP files with calculations by MCA.

Due to the requirement to provide open-enrollment charter schools with the greater of the calculated revenue or the revenue that would have been available under prior law, TEA also calculates the revenues of prior formulas, including the prior ASATR amount. The prior funding is comprised of 30% derived from the revenue levels of the resident district, and 70% based on state averages using the prior set of formulas, as would have been the case in 2009-10.

The 2009-10 school year calculations became the basis for calculating subsequent years' targets for purposes of determining ASATR. Specifically, TEA calculated a 2009-10 statewide average revenue per WADA at the compressed tax rate and a charter-specific amount of revenue under prior formulas

Implications of Charter Funding Structure. As a result of the use of state averages for formula funding calculations, all open-enrollment charter schools were assigned an adjusted allotment of \$5,926 for the 2012-13 school year, and a preliminary adjusted allotment of \$6,155 for 2013-14 (preliminary because the state average could change as the adjusted allotments of independent school districts change). This adjusted allotment reflects a 24.37% increase above the stated basic allotment of \$4,765 in 2012-13, and a similar increment in 2013-14. However, open-enrollment charter schools are assigned a state average basic allotment which is significantly below the stated amount that is applicable to school districts with compressed tax rates of \$1.00. Therefore, the open-enrollment charter school adjusted allotment reflects a 28.13% increase above the stated basic allotment of \$4,625 in 2012-13, and a similar increment in 2013-14. This relationship ultimately plays a role in comparisons between ISDs and open-enrollment charter schools, since the total funds allotted and the basic allotment are used to compute WADA. Tables 11, 12, and 13 display the 2012-13 distribution of the basic allotment, the adjusted basic allotment, and the adjusted allotment.

Table 14 summarizes the data in the three prior tables. From these tables, it can be seen that open-enrollment charter schools have a basic allotment assigned that is lower than 700 ISDs (68%), although this is largely because so many ISDs are clustered at \$4,675. The charter basic allotment is also lower than that used to fund 77% of the ADA found in ISDs.

Table 11. 2012-13 Distribution of Basic Allotment

Group	ADA	% of ISD ADA	Count of Districts	% of ISDs
Charters – BA = \$4,625	157,999.70		202	
< \$3,965	15,250.10	0.4%	27	2.6%
\$3,965 to < \$4,065	2,276.33	0.1%	7	0.7%
\$4,065 to < \$4,165	26,689.28	0.6%	22	2.1%
\$4,165 to < \$4,265	52,527.40	1.2%	21	2.0%
\$4,265 to < \$4,365	89,780.59	2.1%	37	3.6%
\$4,365 to < \$4,465	142,297.83	3.4%	56	5.5%
\$4,465 to < \$4,565	196,116.77	4.7%	84	8.2%
\$4,565 to < \$4,665	610,232.26	14.5%	120	11.7%
\$4,665 to < \$4,765	352,263.45	8.4%	100	9.7%
\$4,765	2,720,317.11	64.7%	552	53.8%
Grand Total	4,365,750.82		1,228	

SOURCE: TEA FSP files with calculations by MCA.

Table 12. 2012-13 Distribution of Adjusted Basic Allotment

Group	ADA	% of ISD ADA	Count of Districts	% of ISDs
Charters – ABA = \$4,888	157,999.7		202	
< \$3,950	7,467.9	0.2%	14	1.4%
\$3,950 to < \$4,100	6,724.0	0.2%	10	1.0%
\$4,100 to < \$4,250	5,673.5	0.1%	13	1.3%
\$4,250 to < 4400	12,245.3	0.3%	23	2.2%
\$4,400 to < 4550	81,588.5	1.9%	49	4.8%
\$4,550 to < 4700	57,694.0	1.4%	71	6.9%
\$4,700 to < 4850	275,135.0	6.5%	135	13.2%
\$4,850 to < 5000	463,002.0	11.0%	298	29.0%
\$5,000 to < 5150	1,211,249.3	28.8%	291	28.4%
>= \$5,150	2,086,971.8	49.6%	122	11.9%
Grand Total	4,365,750.8		1,228	

SOURCE: TEA FSP files with calculations by MCA.

Table 13. 2012-13 Distribution of Adjusted Allotment

Group	ADA	% of ISD ADA	Count of Districts	% of ISDs
Charters – AA = \$5,926	157,999.7		202	
< \$4,300	7,377.6	0.2%	4	0.4%
\$4,300 to < \$4,700	61,536.9	1.5%	6	0.6%
\$4,700 to < \$5,100	830,049.6	19.7%	100	9.7%
\$5,100 to < \$5,500	2,976,908.2	70.7%	292	28.5%
\$5,500 to < \$5,900	153,419.5	3.6%	151	14.7%
\$5,900 to < \$6,300	82,065.2	2.0%	140	13.6%
\$6,300 to < \$6,700	54,245.0	1.3%	154	15.0%
\$6,700 to < \$7,100	24,808.5	0.6%	104	10.1%
\$7,100 to < \$7,500	6,482.6	0.2%	22	2.1%
>= \$7,500	10,858.1	0.3%	53	5.2%
Grand Total	4,365,750.8		1,228	

SOURCE: TEA FSP files with calculations by MCA.

Table 14. Relationship of Key Elements for Traditional ISDs to Values for Charter Schools

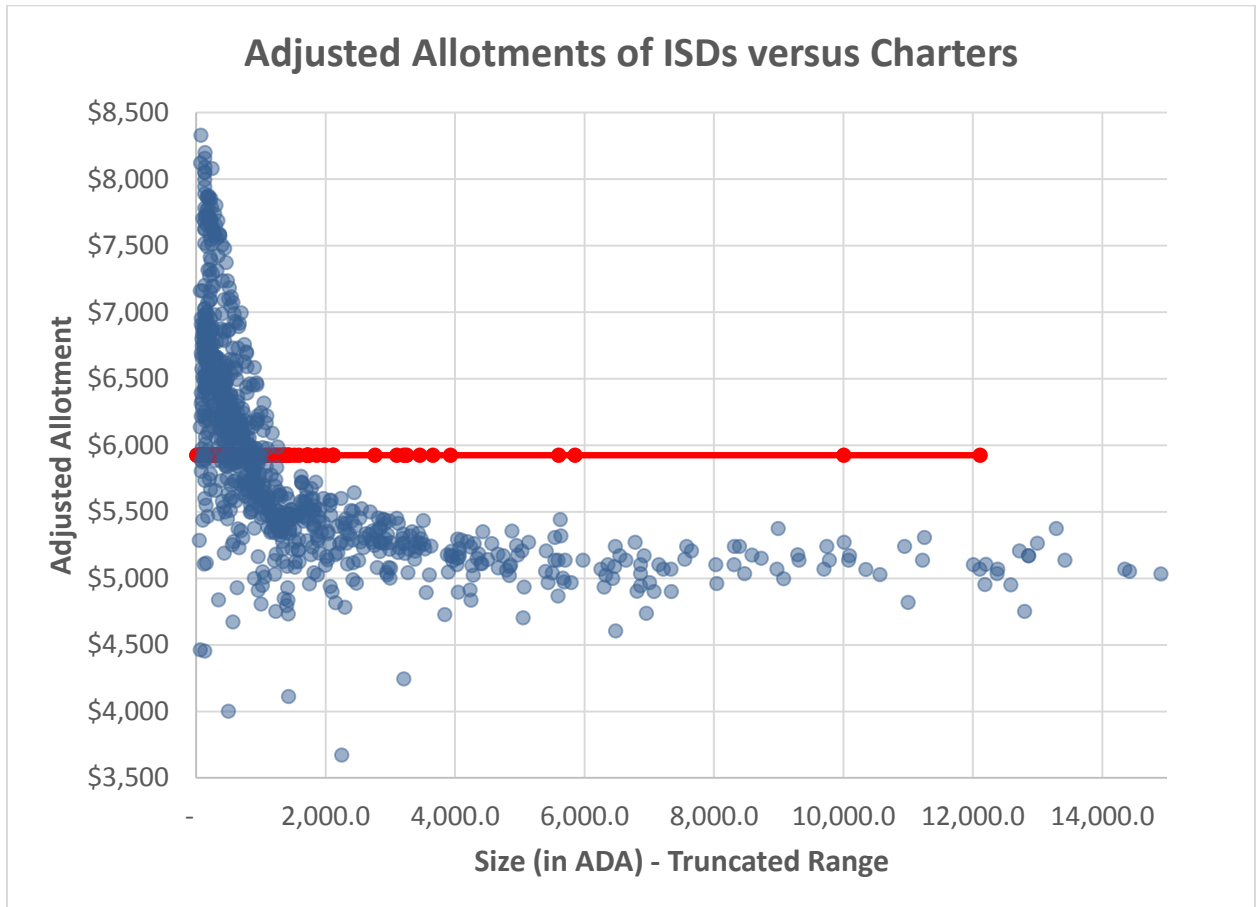
State Averages	ISD Range (5% to 95% of ADA)	% of Traditional Public School ADA Below Charter Value
Adjusted Allotment	\$4,832-\$5,780	95.9%
DTR – Level 1 (tax rate)	\$0.0385-\$0.0646	59.9%
DTR – Level 2 (tax rate)	\$0.0000-\$0.1160	78.1%

Source: TEA FSP files with calculations by MCA

The adjusted basic allotment, which reflects the impact of the cost of education index, shows a similar skewedness. The \$4,888 value assigned to open-enrollment charter schools is lower than that of 659 ISDs (62%), and lower than that used in the funding calculations for 87% of ISDs.

While the open-enrollment charter schools' basic allotment and adjusted basic allotment are skewed to the low end of ISD values, the adjusted allotment is skewed to the high end. The \$5,926 value assigned to charters is higher than that of 562 ISDs (55%), and higher than that used to fund nearly 96 percent of ADA. The very substantial adjustments received by small school districts from the small district adjustment, particularly the adjustment given to those ISDs with more than 300 square miles, results in a distribution of ISD adjusted allotments that is significantly skewed to higher values. In Chart 1 below, the blue figures are traditional school districts while the red dots or line represent charters. **Because the adjusted allotment is the value that actually distributes funding to charters and ISDs, the assignment of this high value is significant. Also significant is the determination of WADA, which is essentially a relationship between the sum of allotments and the basic allotment.** This feature will be discussed later.

Chart 1: Comparison of Adjusted Allotments of ISDs versus Charters, 2012-13



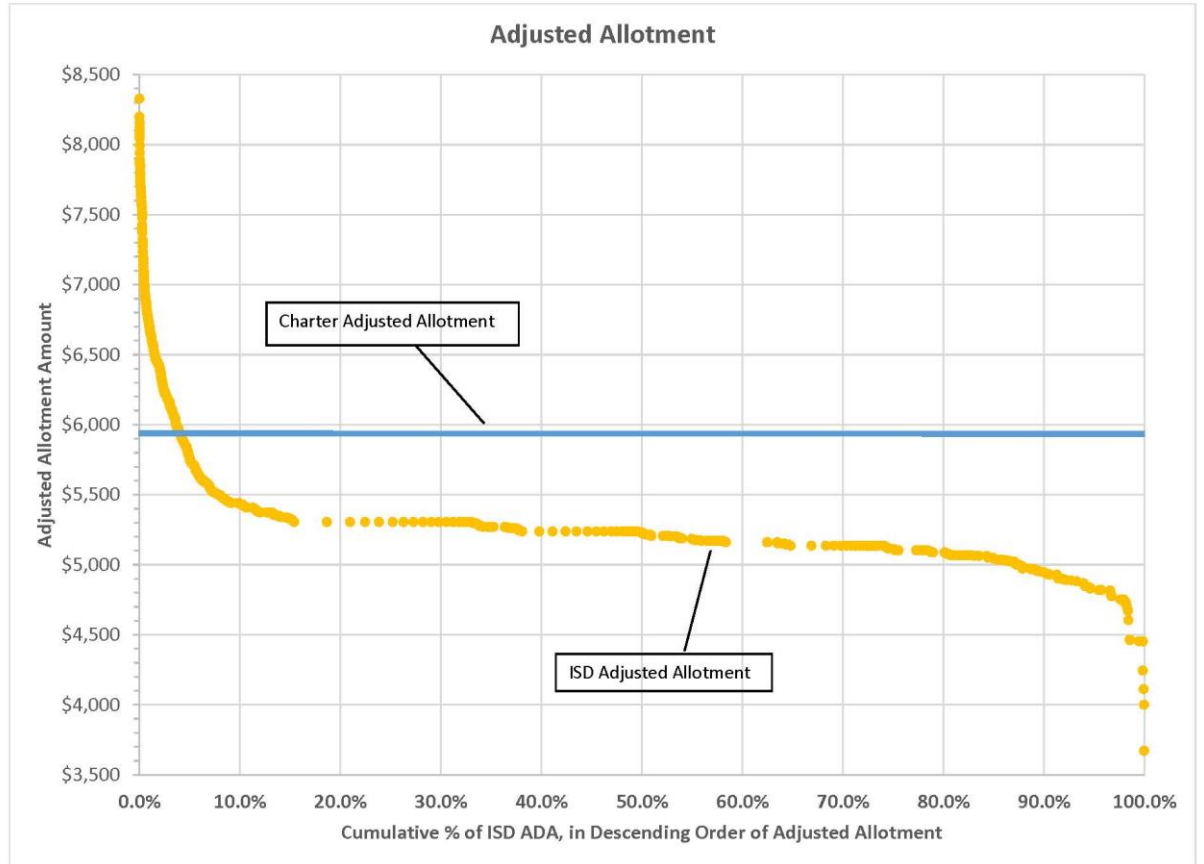
• = Charter Schools

• = Independent School Districts

Source: TEA FSP files with calculations by MCA

Chart 2 illustrates that the adjusted allotment assigned to charters for their funding calculations is higher than that used in the funding formulas that cover the vast majority (95.9%) of average daily attendance in ISDs. This is indicative that **charters have a significant funding advantage for maintenance and operations purposes compared to most of the population of the state.**

Chart 2: Relative Position of Charter Adjusted Allotment Compared to the Student Population of ISDs



Source: TEA FSP files with calculations by MCA

3. Analysis of Revenues and Expenditures

Operating Expenditures

As was noted in the section on the funding of open-enrollment charter schools, charter schools receive state funding and are eligible to receive funding from federal categorical programs such as for special education or economically disadvantaged (Title I) students. However, unlike traditional public school districts, charter schools do not receive local property tax revenues and are not eligible to receive state funding for debt service tax rate equalization programs through either the Existing Debt Allotment (EDA) or the Instructional Facilities Allotment (IFA).

There are significant differences between accounting principles for open-enrollment charter schools and those for traditional public schools. Differences between charter school financial reporting and traditional public school financial reporting that clearly exist include the following:

- The lack of reporting of capital outlays as an expense for charter schools. These outlays are effectively classified as a change in assets for the charter school. Outlays are included as a “Note” to the charter district’s annual financial report, but are not included in the PEIMS reporting system, and are not captured on TEA standard financial reports. The result is that **charter school expenditures are under-reported when compared to traditional public schools.**
- In the area of debt service, only interest on outstanding indebtedness is recorded as an expenditure for charter schools while traditional ISDs record both repayments of principal and interest. The TEA reporting system follows this pattern. The result is **that debt service expenditures for charter schools are under-reported when compared to traditional public schools.**
- Depreciation on facilities and equipment is recorded as an operating expense for charter schools, but is not reported as an expense for traditional public schools. The result is that **charter school expenditures are over-reported when compared to traditional public schools.**
- Rental of facilities is recorded by both entities as an expense. However, the high level of charter school rental expenditures is indicative of the use of the alternative method of providing facilities by many charter schools. This high level of expenditure has the effect of **overstating charter district operating expenditures while understating expenditures on the purchase or acquisition of facilities.**
- Payments made to the Teachers Retirement System (TRS) on behalf of school districts are not included as an expense for charters. The result is **charter school expenditures are under-reported when compared to traditional public schools.**

Because of these differences, MCA had to make adjustments to the data so that comparable information could be analyzed. The major differences in accounting relate to differential treatment

of Teacher Retirement System (TRS) contributions, depreciation, debt, and capital outlay. As was noted above, prior studies by TCER, ERC at Texas A&M, and the Texas Charter School Association failed to recognize these differences in reporting and accounting. As a result, the MCA analyses that follow and the data reported in the tables in this section will differ not only from prior studies but also from TEA data.

Table 15 displays by function 2012-13 “operating” expenditures for charter schools and traditional public schools. “Functions” are categories of expenditures in which schools operate, such as Instruction, Curriculum and Staff Development, Instructional Leadership, etc. These categories are defined very clearly by TEA and all districts report under TEA definitions so that the data are comparable across districts and schools. As mentioned earlier, however, definitions for the charter schools differ somewhat than those for the traditional public schools. To use comparable data, MCA excluded TRS payments (6144 - TRS on-Behalf) in ISDs, two-thirds of rent (6269 - Rent (2/3 excluded) in charter schools, and depreciation (6449 – Depreciation).

In Table 15, and other tables below, a positive difference per enrolled pupil means that traditional schools spend more per pupil than do the open-enrollment charter schools, and a minus number means that the charter schools spend more per pupil than the traditional public schools. Traditional public schools spend more per pupil in all categories, except Curriculum and Staff Development, School Leadership, General Administration, and Data Processing.

In Basic Education categories, traditional public schools expended \$117 more than charter schools and \$263 more in total operating expenses. For the traditional schools, the other operating expenses include Community Services and facilities costs.

Table 15. Comparison of Operating Expenditures for Charter Schools and Traditional Schools by Function, 2012-13

Function	Charter Schools		Traditional Schools		Difference per enrolled pupil
	Total	Per enrolled pupil	Total	Per enrolled pupil	
Instruction	\$745,674,076	\$4,186	\$22,238,658,640	\$4,542	\$356
Instructional Resources & Media Services	\$5,336,865	\$30	\$530,943,993	\$108	\$78
Curriculum & Staff Development	\$32,508,691	\$182	\$791,986,552	\$162	-\$21
Instructional Leadership	\$28,448,775	\$160	\$567,685,806	\$116	-\$44
School Leadership	\$130,037,952	\$730	\$2,206,344,850	\$451	-\$279
Guidance Counseling & Evaluation	\$33,375,263	\$187	\$1,392,897,349	\$284	\$97
Social Work Services	\$2,817,816	\$16	\$109,881,928	\$22	\$7
Health Services	\$5,832,602	\$33	\$398,683,840	\$81	\$49
Student (pupil) Transportation	\$25,249,199	\$142	\$1,160,948,927	\$237	\$95
Food Services	\$76,898,277	\$432	\$2,355,624,237	\$481	\$49
Extracurricular Activities	\$16,574,772	\$93	\$1,140,503,396	\$233	\$140
General Administration	\$130,449,458	\$732	\$1,124,943,086	\$230	-\$503
Facility maintenance & Operations	\$127,557,690	\$716	\$4,032,258,267	\$823	\$107
Security & Monitoring Services	\$9,323,892	\$52	\$320,328,558	\$65	\$13
Data Processing Services	\$27,757,395	\$156	\$615,046,929	\$126	-\$30
Fund Raising	\$0	\$0	\$9,324,981	\$2	\$2
Total Basic Education	\$1,397,842,722	\$7,847	\$38,996,061,337	\$7,964	\$117
Community Services	\$4,398,889	\$25	\$185,856,156	\$38	\$13
Debt Service	\$74,300	\$0	\$18,502	\$0	\$0
Fund Raising	\$6,624,046	\$37	\$0	\$0	-\$37
Facilities Acquisition & Construction	\$0	\$0	\$258,861,293	\$53	\$53
Incremental Costs/Chapter 41	\$0	\$0	\$21,748,848	\$4	\$4
Payments - Shared Services	\$0	\$0	\$200,817,718	\$41	\$41
Payments To Tax Increment Fund	\$0	\$0	\$160,213,767	\$33	\$33
Other Intergovernmental Charge	\$0	\$0	\$194,127,203	\$40	\$40
Total Operating	\$1,408,939,956	\$7,909	\$40,017,704,825	\$8,172	\$263

SOURCE: TEA FSP files with calculations by MCA.

Table 16 examines the major functional areas and shows that the traditional public schools spend more for Instruction and Operations per enrolled pupil than do the open-enrollment charter schools, but less for Administration, and marginally less for Instructional Support.

Table 16. Summary of Functional Expenditures by Major Function Area 2012-13

Major Function	Charter Schools		Traditional Schools		Difference per enrolled pupil
	Total	Per enrolled Pupil	Total	Per enrolled Pupil	
Instruction	\$783,519,632	\$4,398	\$23,570,914,166	\$4,814	\$415
Instructional Support	\$217,087,180	\$1,219	\$5,815,997,168	\$1,188	-\$31
Operations	\$266,786,452	\$1,498	\$8,484,206,917	\$1,733	\$235
Administration	\$130,449,458	\$732	\$1,124,943,086	\$230	-\$503
BASIC EDUCATION COST	\$1,397,842,722	\$7,847	\$38,996,061,337	\$7,964	\$117
Other	\$11,097,234	\$62	\$1,021,643,487	\$209	\$146
TOTAL OPERATING	\$1,408,939,956	\$7,909	\$40,017,704,825	\$8,172	\$263

SOURCE: TEA FSP files with calculations by MCA.

Table 17 displays a comparison of operating expenditures by object of expenditure for 2012-13. Just as in the other delineations of expenditures, traditional public schools expended more per pupil than did the charter schools on Instructional and Non-Instructional Payroll, Utilities, and Supplies, but less per pupil than did the charter schools on Contracted Instructional and Non-Instructional Services and Other Operating costs. In other words, charter schools were more likely to contract out for instructional and non-instructional services than were the traditional public schools.

Table 17. Comparison of Operating Expenditures for Charter Schools and Traditional Schools by Object 2012-13

Object	Charter Schools		Traditional Schools		Difference per Pupil
	Total	Per Pupil	Total	Per Pupil	
Instructional Payroll	\$619,824,549	\$3,479	\$21,221,906,765	\$4,334	\$854
Non-Instructional Payroll	\$304,617,738	\$1,710	\$9,742,214,232	\$1,990	\$280
Contracted Instructional Services	\$75,101,504	\$422	\$716,834,479	\$146	-\$275
Contracted Non-Instructional Services	\$171,963,527	\$965	\$1,928,607,700	\$394	-\$571
Utilities	\$39,069,646	\$219	\$1,291,693,486	\$264	\$44
Supplies	\$135,080,416	\$758	\$3,857,874,816	\$788	\$30
Other Operating	\$63,282,577	\$355	\$1,258,573,347	\$257	-\$98
TOTAL OPERATING EXPENDITURES	\$1,408,939,956	\$7,909	\$40,017,704,825	\$8,172	\$263

SOURCE: TEA FSP files with calculations by MCA.

Comparisons of Revenue by Source

Table 18 displays 2012-13 revenues per student by source of the revenue, for both charter schools and traditional public schools. As was explained earlier, charter schools do not have access to local tax revenues like the traditional public schools, and so the majority (80.5%) of their revenues are derived from State FSP support, compared to 35.2 percent for traditional public schools.

Table 18. Comparisons of Revenues per Student by Source, Traditional Schools and Charter Schools 2012-13

Source	Charter Schools		Traditional Schools		Difference per Pupil
	Total	Per Pupil	Total	Per Pupil	
Local Gifts/Bequests	\$45,376,735	\$255	\$90,562,440	\$18	-\$236
Local Non-Tax Revenue	\$60,423,186	\$339	\$2,139,802,648	\$437	\$98
Local Tax Revenues	\$0	\$0	\$21,904,547,178	\$4,473	\$4,473
State FSP Support	\$1,319,906,542	\$7,409	\$16,530,829,587	\$3,376	-\$4,033
Other State	\$9,631,522	\$54	\$931,171,982	\$190	\$136
Federal	\$203,826,900	\$1,144	\$5,366,361,941	\$1,096	-\$48
Total	\$1,639,164,885	\$9,202	\$46,963,275,776	\$9,591	\$389
Percent of Total:					
Local Gifts/Bequests	2.8%		0.2%		-2.6%
Local Non-Tax Revenue	3.7%		4.6%		0.9%
Local Tax Revenue	0.0%		46.6%		46.6%
State FSP Revenues	80.5%		35.2%		-45.3%
Other State	0.6%		2.0%		1.4%
Federal	12.4%		11.4%		-1.0%

SOURCE: TEA FSP files with calculations by MCA.

Capital Outlay and Debt Service

Turning to the area of facilities financing, the differences between the charters and the traditional schools are significant. Two programs, the Existing Debt Allotment (EDA) and the Instructional Facilities Allotment (IFA) provide debt service or facilities financing support to traditional school districts but not to open-enrollment charter districts. The amount of the allotment was set in 1999 at \$35 per penny of tax effort per student in ADA and has remained unchanged since that time (\$46.031 for EDA and \$46.001 for IFA).

Both funds are structured like the FSP in some respects, with a guaranteed yield on tax collections for voter-approved debt. To receive funds from EDA, a traditional school district must issue debt and begin making payments from local funds before state aid would be available. Funds have the same local contribution requirements as the FSP, and some districts with high property wealth would not receive any funds from EDA. IFA provides state assistance at the time eligible debt is issued, and is awarded through an application process in which districts are rank-ordered on the basis of property wealth. Because program funding levels have been low, IFA awards typically go only to those districts with low property wealth per student.

Therefore, traditional ISDs have access to two basic forms of support for the financing of capital costs. The primary method is through general obligation bond issues that are secured by the combination of a voter approved tax for facilities, often with additional assistance through Chapter 46 Texas Education Code equalized state support (IFA and EDA), and the guarantee of the bonds in most cases by the Permanent School Fund. The second source of financing is through the use of general revenue funds not used for operating expenses. In 2012-13, total capital outlays for traditional ISDs from these two methods were \$5.8 billion (\$5.0 billion from bond sales and \$800 million from general revenue resources).

Charter school resources for facilities **include revenue bonds and direct outlays from general funds**. The state does not supply direct assistance for these bonds or capital outlays. In most cases, however, charter school capital expenditures are financed through the use of state funds described above. Most charter school facility support utilizes State funds originally allocated for operations. For many charter schools, facilities are supported through the lease or rental of all or part of the charter's facilities. In 2012-13 the charter schools spent \$80.1 million or an average of \$450 per enrolled student to rent or lease facilities. Traditional school districts rarely rent or lease facilities.

Annual financial reports do include information on the level of indebtedness of each charter. If only those schools reporting interest payments on bonded debt are considered, 41 charters were financing \$923.4 million in debt in 2012-13 through the issuance of bonds. An additional \$61.4 million was spent on interest payments on loans, leases, and other financing.

In 2013 legislation passed by the 83rd Legislature (HB 885) addressed refunding and refinancing of bonds issued by charter schools. Under this new legislation, a charter district may apply for refunding and refinanced bonds to be guaranteed by the Permanent School Fund (PSF). IRS proposed rulemaking on such refunding and refinancing was published in September 2013 and final SBOE rules were issued in January 2014. Commissioner rules on the reserve fund under HB 885 were expected in Spring 2014, with full implementation of the program after final adoption of the rules. Although this new fund does not provide actual funding for facilities and not all charters will be eligible for the fund, for those charters eligible, the fund should result in lower interest rates for bonds, a definite financial advantage.

Data regarding capital outlay and debt service for charter schools is significantly complicated by differences in treatment under the Texas Education Agency (TEA) accounting systems prescribed for use in charter schools. Charter school operators are treated under different accounting rules than traditional public schools. These differences together with differences in charter school finances may easily lead to misinterpretation of charter school data by analysts, and, for the most part, these differences have not been considered in previous analyses of open-enrollment charter school funding.

As was mentioned earlier, four differences between charter school financial reporting and traditional public school financial reporting clearly exist. These include:

- The lack of reporting of capital outlays as an expense for charter schools. These outlays are effectively classified as a change in assets for the charter school. Outlays are included as a “Note” to the charter district’s annual financial report, but are not included in the PEIMS reporting system, and are not captured on TEA standard financial reports. The result is that **charter school expenditures are under-reported when compared to traditional public schools.**
- In the area of debt service, only interest on outstanding indebtedness is recorded as an expenditure for charter schools while traditional ISDs record both repayments of principal and interest. The TEA reporting system follows this pattern. The result is **that debt service expenditures for charter schools are under-reported when compared to traditional public schools.**
- Depreciation on facilities and equipment is recorded as an operating expense for charter schools, but is not reported as an expense for traditional public schools. The result is that **charter school expenditures are over-reported when compared to traditional public schools.**
- Rental of facilities is recorded by both entities as an expense. However, the high level of charter school rental expenditures is indicative of the use of the alternative method of providing facilities by many charter schools. This high level of expenditure has the effect of **overstating charter district operating expenditures while understating expenditures on facilities.**

Open-enrollment charter school expenditures have been reclassified to account for these four areas. Rental costs, depreciation and debt service principal all are directly related to the commitment of charter schools to provide for school facilities. However, without comprehensive data regarding capital outlay, TEA reporting systems do not provide a basis for a total calculation.

Inspection of annual financial reports of large charter schools does provide additional information. Outstanding bonded indebtedness and interest on debt are presented in Appendix C for selected charter schools for the 2012-13 school year. These schools include IDEA, KIPP, Harmony, and Uplift Education. Among this group of open-enrollment charter schools, 2012-13 interest on debt per enrolled pupil varied from a low of \$8 to a high of \$1,382 and averaged \$829 per enrolled pupil.

Total bonded indebtedness for this group of open-enrollment charter schools averaged \$16,299 per enrolled pupil.

Comparing the facility provisions for charters and traditional schools is fraught with a variety of problems and missing data. The state has provided a basis for the financing of facilities not provided to the charter schools. However, only limited data suggest that charter school facilities are inadequate. As in the area of operations, the complexity of measuring the gap is substantial. Charter schools over the past 18 years have adapted to the circumstances they faced. Larger class sizes, lower salaries, less experienced personnel, high dependence on leased facilities and other factors have all contributed to these adaptations and have permitted charters to prosper. The facilities gap issues should be examined in terms of an overall need for an overhaul of the Texas school finance system.

On the surface charter school financing for operations and facilities have elements of commonality which suggest a parity in operating expenditures and a gap in facility support. In actuality, both the similarities and differences are more complex. The measurement is complicated by a lack of comparable data and a failure to use measurable and reportable data. The Legislature should consider an overhaul of the finance for all types of district including charters.

4. Measuring the Gap in Revenue Between Open-Enrollment Charter Schools and Independent School Districts

Much has been said about the relative funding advantages and disadvantages of independent school districts and open-enrollment charter schools. Testimony at the recent school finance trial identified revenue disparities between the two groups. Witnesses for both the state and the group of charter school plaintiffs identified gaps in revenue per WADA between traditional independent school districts and open-enrollment charter schools that had been present over time. The gaps were presented as varying between about \$500 and about \$1,300 per WADA during the 2005-06 and 2014-15 school years, depending on the year and the method used to determine the average gap. To better understand the meaning of this reported gap, it is important to identify the various factors that contribute to it, as well as the different definitions for determining the averages.

A major factor in the disparity was the lack of debt service taxes and state aid for debt service in open enrollment charter schools, a subject dealt with in the prior section of this report. For the 2012-13 school year, the last year for which relatively final data were available at trial, TEA witnesses identified a disparity in “FSP” funding of \$1,089 per WADA using students as the unit of analysis. Of this amount, \$875 or just over 80% was associated with debt service funding, and the remaining 20% was associated with funding for maintenance and operations. For this purpose, “FSP” funding corresponds to the revenue streams available through the statutory funding structure found in Education Code Chapters 41, 42, and 46 for independent school districts, and Chapter 12 for open-enrollment charter schools. It excludes federal funds, special state grants, funding for instructional materials, and private/donated resources.

The state’s data shows \$40.08 billion of “Total FSP Revenue” in 2012-13, that is, the sum of all state aid and local taxes associated with the formula system expressed in Chapters 12, 41, 42, and 46 of the Education Code. That amount includes \$4.61 billion of local taxes for debt service, and \$0.62 billion in state aid for debt service. The amounts for debt service are exclusively within the school districts, as charters do not levy taxes, and are therefore not eligible for the state’s debt service tax equalization programs, the Existing Debt Allotment, and the Instructional Facilities Allotment. The subject of facilities funding and debt service programs is dealt with separately in this document. The remainder of this section will address the sources of disparity in revenue for maintenance and operations.

Evidence regarding revenue gaps was presented using two different approaches to averaging. One version, referred to in the trial materials as a student unit of analysis, sums all revenue for a group and divides by the sum of all WADA for the group. This method gives more weight in the average to districts and charters that have more WADA, generally those that are larger in size. The other method, referred to as a district unit of analysis, calculates a revenue per WADA value for each district or charter, then sums together the per WADA amounts and divides by the number of members in each group to determine an average. This method gives each organization, district or charter, the same weight in the average.

Tier 1 Features Impacting Operations Revenue per WADA

There are numerous aspects of the Foundation School Program formula system that result in revenue differences between groups or between members within a group. In the structure of the school finance system in operation in 2012-13, many of the allotments described in Chapter 42, Subchapters B and C, are determined by applying weights to the adjusted allotment, then multiplying by the student participation in those services. Most of these Tier 1 allotments contribute to WADA, but not all do. The fact that WADA is a function of some of the allotments in Tier 1, but not all, means that there are always differences in revenue per WADA resulting from the Tier 1 formulas. For a more complete discussion of WADA and its nuances, see the section below titled “WADA Computation.”

Some of the sources of differences in revenue per WADA between traditional ISDs and charters can be traced to differences in participation in certain services.

Transportation. The transportation allotment does not use the basic allotment for its calculations, and is specifically excluded from the calculation of WADA. Any variance in transportation allotment creates variances in revenue per WADA, except in certain situations involving property-wealthy school districts.

Transportation reimbursement rates also vary significantly across school districts, and the incidence of mileage per student also varies. The amount of transportation allotment has a high value within traditional ISDs of \$710 per WADA, and a low of \$0. However the 100th highest ISD has only about \$116 per WADA, and the 100th lowest has about \$24. Only about 4% of ISDs show no transportation allotment.

Among charters, the highest amount of transportation allotment in 2012-13 was about \$285 per WADA, and the low was \$0. The 10th largest charter amount was about \$127 per WADA, and the 10th lowest was \$0 per WADA. Almost 2/3rds of the charters show no transportation allotment. The average amount of transportation allotment in ISDs in 2012-13 was about \$53 per WADA, whereas the amount in charters was about \$26.

High School. Similar to the transportation allotment, variances in the proportion of students that are in grades 9-12 can contribute to variances in M&O revenue per WADA. In this case, because all districts receive the high school allotment along with the per capita allocation from the Available School Fund as a minimum state aid amount, these variances contribute to differences in M&O revenue per WADA. Not all charter districts enroll high school students.

The average amount of high school allotment in ISDs for 2012-13 was almost \$57, whereas the amount in charters was almost \$43, even though all charters did not enroll high school students.

Compressed rate less than \$1.00. School districts with compressed rates less than \$1.00 receive reductions in the basic allotment. This feature of the formula system was added in 2009-10. The impact of this reduction is that while the WADA count is unaffected, the amount of money allocated to a district as “Tier 1” is reduced. It may, depending on the district’s adopted tax rate, lead to less access to revenue at a given tax rate.

This effect also impacts open-enrollment charter schools. All charters are assigned the average basic allotment observed among traditional independent school districts, just as they are assigned the average adjusted basic allotment and the average adjusted allotment. The 2012-13 basic allotment for charters was \$4,625, representing approximately a 3% reduction from the statutory \$4,765. The effective basic allotment among independent school districts, measured on a student-weighted (total ADA) basis, is approximately \$4,688. The implication of these differences is that a disparity of approximately 1.35% between charters and traditional districts in Tier 1 funding would be expected, even if all other aspects of funding were equal.

Since the funding of charters is supposed to be based on state average adjustments to the basic allotment, a natural question is how the disparity described above can exist. The explanation is that the charter funding element for the basic allotment is calculated using a district unit of analysis. Each traditional district’s basic allotment is summed and the result is divided by the number of districts. The average referenced for ISDs, \$4,688, is the result of using a student unit of analysis, which weights the averaging by the number of students in each district. The result is that larger districts, which tend to experience less reduction for compressed rates less than \$1.00, carry more weight in the averaging.

Set asides. Currently, portions of the allotments for gifted/talented and special education are withheld in the calculation of Tier 1 state aid for most districts. This causes relatively small variations in the amount of M&O revenue per WADA because the amounts are withheld in proportion to the tax base of the school district, not the student counts. Further complicating this measurement, when calculating WADA, the portion of the gifted/talented allotment that is set aside is excluded, but the portion of the allotment for special education is included. Charters experience no reduction for set-asides, and therefore have a slight revenue advantage.

New Instructional Facilities Allotment (NIFA). In a manner similar to the high school allotment, the New Instructional Facilities Allotment is also a component of a minimum state aid distribution to school districts. However, there have been no appropriations for this allotment since 2011-12.

Mismatch Between Local Fund Assignment and Taxes at Compressed Rate. The FSP generates an amount of entitlement to certain allotments based on a series of formulas in subchapters B and C of Chapter 42. The state aid amount related to those allotments is determined by applying a school district’s compressed tax rate to the preceding year’s taxable value of property as determined by the Comptroller’s annual property value study. School districts collect taxes based on the current year’s taxable value as determined by the county appraisal district, and those taxes are attributed by TEA to the compressed tax rate, the next six pennies of adopted rate, and anything in excess of the compressed rate plus 6 cents. The amount attributed by TEA can be less than or greater than the calculated local share of Tier 1.

Were the local tax collections attributed to the compressed rate exactly equal to the local share of Tier 1, there would be no variation caused by this factor, since charters are entitled to the allotments in Tier 1 without a local share. In 2012-13, the extra M&O tax revenue collected by districts

accounted for about \$81 of variance per WADA compared to charters, although in any individual district, the mismatch between collections and local share can be either positive or negative. In years of aggregate property value decline, it is possible for this factor to actually result in less revenue per WADA for ISDs compared to charters.

Recapture and Discounts on Recapture at the Compressed Rate. The amount of recapture a district must pay is calculated on property wealth per WADA, based on two distinct equalized wealth levels. The first equalized wealth level applies to all taxes attributed to the compressed tax rate, and is supposed to be generally comparable to the “yield” per penny per weighted student applicable to Tier 1. But for all the reasons cited above concerning the exclusions of certain amounts from the calculation of WADA, it is possible and even likely that the revenue left after recapture will vary from the amount that a less wealthy district might have in Tier 1. An illustration appears below, where the same data other than property value is used to calculate revenues available at the compressed tax rate. Additionally, because certain discounts and credits are available in Chapter 41 for property wealth districts, the variance in M&O revenue is further enhanced.

Table 20. Comparison of Houston ISD with Different Property Values – 2013-14

		2013-14 Actual Data*	2013-14 With Higher Property Values and Tax Collections**
A	Total Cost of Tier 1	\$1,346,302,979	\$1,346,302,979
B	Less Local Share	<u>-\$1,066,167,486</u>	<u>-\$2,132,334,971</u>
C	State Aid Tier 1	\$280,135,494	\$60,421,332
D	Tax Collections @ Compressed	\$1,117,749,435	\$2,235,498,870
E	Less Recapture	<u>\$0</u>	<u>-\$948,158,815</u>
F	Net Taxes @ Compressed	\$1,117,749,435	\$1,287,340,055
G	ASATR	\$0	\$0
H	Charge for School for the Deaf, School for the Blind and Visually Impaired	-\$179,387	-\$358,774
I	M&O Revenue (C+F+G+H)	\$1,387,705,542	\$1,347,402,613
J	WADA	261,681.801	261,681.801
K	M&O Revenue per WADA	\$5,341.24	\$5,149.01

* Based on May 9, 2014 Summary of Finances

** Comptroller value and local tax collections both doubled for the sake of this illustration.

Table 20 illustrates that the effects of recapture can cause a district to actually have less M&O revenue, and less revenue per student, despite no change in the student population, and a doubling of tax base. Additionally, discounts on the amount of recapture owed for early agreements and the cost of tax appraisal leads to more variance. These adjustments mean there is even less likelihood that districts are recaptured to a level equal to the cost of Tier 1.

Additional State Aid for Tax Reduction (ASATR). Since 2006-07, the state has provided extra funding beyond the standard formulas so that districts and charters would not be financially harmed by the compression of tax rates. As described above, charter funding for ASATR began during a time of transition of the funding structure, and despite the fact that charters have no tax base, they were provided supplemental funding to prevent losses resulting from the implementation of the new formula system, starting in 2006-07.

ASATR funding only assures that a district at its compressed rate (or a charter at the Tier 1 funding level) is held harmless. As such, its calculation and amount are directly linked to the revenues available at the compressed rate, as well as the target level established for each entity in 2006-07. These targets were quite varied, as the system of formulas in place in 2005-06 prior to tax compression was not perfectly equal for all districts and charters, and it was this prior system of formulas that established the targets.

In 2012-13, the amount of ASATR per WADA for ISDs ranged from \$0 to \$6,619. The statewide average among ISDs was only \$104, and the median value was \$0, indicating more than half the ISDs showed no ASATR. The range among charters was much smaller, with the highest value being only \$324 per WADA and a low value of \$0 per WADA. The statewide average amount was \$68, but the median value of \$46 per WADA indicates that it was much more common for charters to receive ASATR support. About 68% of ISDs show no ASATR in 2012-13, but only about 33% of charters show no ASATR.

WADA Computation. Assessing the legitimacy of comparisons of maintenance and operations revenues for traditional independent school districts and open-enrollment charter schools requires not only a thorough understanding of the revenue system and what is included in the revenue amounts presented, but also a deeper understanding of how WADA is calculated and what it represents. WADA is a construct based on financial information, not an actual count of students. The definition in statute (Texas Education Code §42.302(a)) is:

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section

WADA is often described as a way of representing the aggregate financing needs of each school district and charter school in a standardized fashion so that comparisons can more readily be made between districts. However, as can be seen simply by reviewing the definition, some of the financing needs of school districts as represented in allotments defined in Chapter 42 of the Education Code are specifically excluded: the transportation allotment, the New Instructional Facilities Allotment, the High School Allotment, and 50% of the adjustment from the cost of education index.

Another way to express the funds used to calculate WADA is:

	Regular Education Allotment (TEC §42.101-42.105)
+	Special Education Allotment (TEC §42.151)
+	Compensatory Education Allotment (TEC §42.152)
+	Bilingual/ESL Allotment (TEC §42.153)
+	Career and Tech Allotment (TEC §42.154)
+	Gifted and Talented Allotment (TEC §42.156)
+	<u>Rider 37 (Early Childhood Intervention Set-Aside)</u>
	Subtotal

The exclusion of 50% of the effect of the CEI is accomplished by the following formula, which creates a factor that is applied to the Subtotal identified above:

	Basic Allotment (TEC §42.101)
	<u>Adjusted Basic Allotment (TEC §42.102)</u>
-	Difference
×	<u>50%</u>
	Result
÷	<u>Adjusted Basic Allotment</u>
	Result
+	<u>1.0000</u>
	Factor

When the Factor is applied to the Subtotal, it results in an Adjusted Total that is then divided by the district's basic allotment to determine WADA.

	Subtotal
×	<u>Factor</u>
	Adjusted Total
÷	<u>Basic Allotment</u>
	WADA

Because the amounts of the excluded allotments and adjustments vary across school districts and charter schools, the exclusion of some of the funding provided in Tier 1 of the Foundation School Program means that WADA does not actually represent all the financing needs of the district. Since the measurement of revenue per WADA counts all the revenue allocated by the system, but the divisor (WADA) does not, there inherently is variation in the resulting amounts in proportion to the variance in the excluded amounts.

Additionally, as noted in previous discussions, the structure of school finance formulas allows independent school districts to exercise some discretion with respect to tax rates, which impacts funding available for Tier 2. The system of finance also places limits on the revenues that can be generated by school districts with high tax bases per student through the recapture system, but generally speaking, property-wealthy districts have access to more revenue per WADA than do less-wealthy school districts. Lastly, layered on top of all of the formula structure and the variation caused by it, some school districts still receive substantial amounts of Additional State Aid for Tax Reduction (ASATR) as a result of the legislated compression of tax rates in 2006. All of the

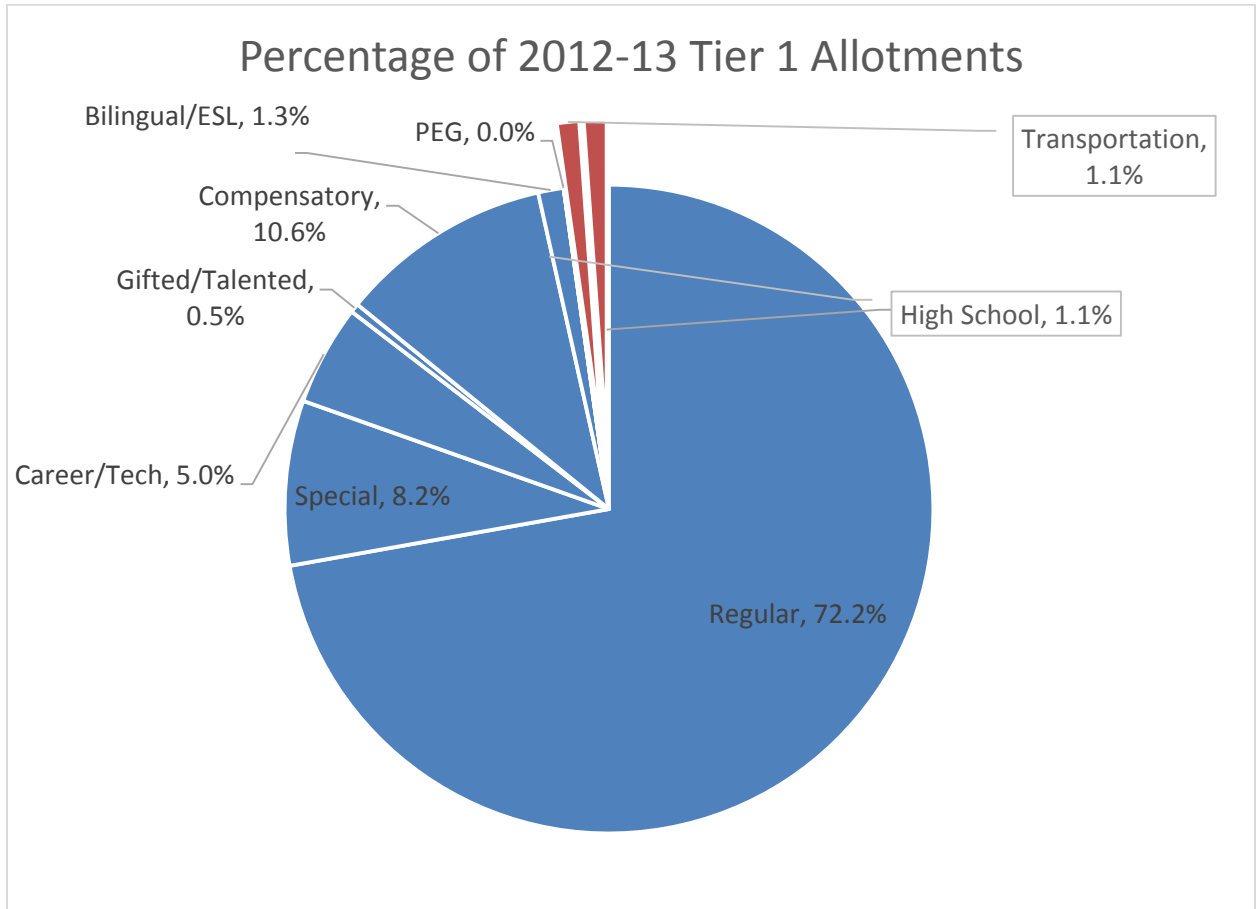
ASATR payments by the state represent money not available to other districts at their compressed tax rates.

Explaining the variation in M&O revenue per WADA between school districts and charter schools is therefore a complicated task. As represented by the testimony of witnesses for the charter school plaintiffs at the recent “*Texas Taxpayer v. Williams*” trial, open-enrollment charter schools receive \$215 less revenue per WADA, about 4%, on average than do traditional independent school districts. This comparison between groups fails to describe the substantial variation that occurs within each group. For example, the M&O revenue per WADA in traditional districts varies from \$4,518 to \$47,059, and within charter schools from \$5,243 to \$6,028.

As variances in revenue per WADA are compared, it must also be considered that the divisor in the calculation, WADA, is itself a calculated number. Some of the exclusions from the calculation of WADA described above, such as transportation allotment, NIFA, and high school allotment, are not based on the basic allotment. One of the exclusions, though, is explicitly an adjustment to most of the allotments in Tier 1, the cost of education index. The CEI impacts approximately 98% of all Tier 1 allotments in 2012-13.

Comparisons of revenue usually are centered on the gap in revenue per WADA. In the case of comparing charters to traditional ISDs, **revenue or expenditures per WADA are not proper comparisons**. Fundamental to this point is the definition of WADA under current law. Assessing the legitimacy of comparisons of maintenance and operations revenues for traditional independent school districts and open-enrollment charter schools requires not only a thorough understanding of the revenue system and what is included in the revenue amounts presented, but also a deeper understanding of how WADA is calculated and what it represents. Charter school WADA is an artificial construct based in large part on state averages, not on calculations made with district specific data regarding education costs and the size of the district.

Chart 3: Tier 1 Allotments for 2012-13



Conceptually, the revenues to be measured on a per WADA basis are a direct function of the CEI, but the WADA divisor excludes part of that revenue stream in its definition. The consequence is that, mathematically, a district with a higher CEI value will show higher revenues per WADA even if all other factors and counts are identical. Table 21 illustrates this effect. In this illustration, hypothetical districts with no other adjustments show significantly different results in terms of revenue per WADA. Table 22 then illustrates that if part of the cost of education index were not excluded, the revenue per WADA in all cases would be identical. A portion of all variance in revenue per WADA is therefore attributable to the way in which WADA has been defined.

Table 21. Standard WADA Calculation, Basic Allotment=\$4,765, District ADA = 10,000, No Special Program Participation

A	B	C	D	E	F	G	H
CEI	Adjusted Basic Allotment (ABA)	Adjusted Allotment (No Small or Mid-Size Adjustment)	Tier 1 Total Cost (10,000 ADA × "C")	Exclusion of 50% of CEI	Adjusted Tier 1 ("D" minus "E")	WADA ("F" ÷ \$4,765)	Revenue per WADA ("D" ÷ "G")
1.02	4,832.66	4,832.66	48,326,630	338,315	47,988,315	10,071.00	4,798.59
1.03	4,866.49	4,866.49	48,664,945	507,473	48,157,473	10,106.50	4,815.21
1.04	4,900.33	4,900.33	49,003,260	676,630	48,326,630	10,142.00	4,831.72
1.05	4,934.16	4,934.16	49,341,575	845,788	48,495,788	10,177.50	4,848.10
1.06	4,967.99	4,967.99	49,679,890	1,014,945	48,664,945	10,213.00	4,864.38
1.07	5,001.82	5,001.82	50,018,205	1,184,103	48,834,103	10,248.50	4,880.54
1.08	5,035.65	5,035.65	50,356,520	1,353,260	49,003,260	10,284.00	4,896.59
1.09	5,069.48	5,069.48	50,694,835	1,522,418	49,172,418	10,319.50	4,912.53
1.10	5,103.32	5,103.32	51,033,150	1,691,575	49,341,575	10,355.00	4,928.36
1.11	5,137.15	5,137.15	51,371,465	1,860,733	49,510,733	10,390.50	4,944.08
1.12	5,170.98	5,170.98	51,709,780	2,029,890	49,679,890	10,426.00	4,959.69
1.13	5,204.81	5,204.81	52,048,095	2,199,048	49,849,048	10,461.50	4,975.20
1.14	5,238.64	5,238.64	52,386,410	2,368,205	50,018,205	10,497.00	4,990.61
1.15	5,272.47	5,272.47	52,724,725	2,537,363	50,187,363	10,532.50	5,005.91
1.16	5,306.30	5,306.30	53,063,040	2,706,520	50,356,520	10,568.00	5,021.11
1.17	5,340.14	5,340.14	53,401,355	2,875,678	50,525,678	10,603.50	5,036.20
1.18	5,373.97	5,373.97	53,739,670	3,044,835	50,694,835	10,639.00	5,051.20
1.19	5,407.80	5,407.80	54,077,985	3,213,993	50,863,993	10,674.50	5,066.09
1.20	5,652.90	5,652.90	56,529,000	4,439,500	52,089,500	10,931.69	5,171.11

Table 22. Alternative WADA Calculation Including 100% of the Effect of CEI, Basic Allotment=\$4,765, District ADA = 10,000, No Special Program Participation

A	B	C	D	E	F	G	H
CEI	Adjusted Basic Allotment (ABA)	Adjusted Allotment (No Small or Mid-Size Adjustment)	Tier 1 Total Cost (10,000 ADA × "C")	Exclusion of 50% of CEI (N/A)	Adjusted Tier 1 ("D" minus "E")	WADA ("F" ÷ \$4,765)	Revenue per WADA ("D" ÷ "G")
1.02	4,832.66	4,832.66	48,326,630	0	48,326,630	10,142.00	4,765.00
1.03	4,866.49	4,866.49	48,664,945	0	48,664,945	10,213.00	4,765.00
1.04	4,900.33	4,900.33	49,003,260	0	49,003,260	10,284.00	4,765.00
1.05	4,934.16	4,934.16	49,341,575	0	49,341,575	10,355.00	4,765.00
1.06	4,967.99	4,967.99	49,679,890	0	49,679,890	10,426.00	4,765.00
1.07	5,001.82	5,001.82	50,018,205	0	50,018,205	10,497.00	4,765.00
1.08	5,035.65	5,035.65	50,356,520	0	50,356,520	10,568.00	4,765.00
1.09	5,069.48	5,069.48	50,694,835	0	50,694,835	10,639.00	4,765.00
1.10	5,103.32	5,103.32	51,033,150	0	51,033,150	10,710.00	4,765.00
1.11	5,137.15	5,137.15	51,371,465	0	51,371,465	10,781.00	4,765.00
1.12	5,170.98	5,170.98	51,709,780	0	51,709,780	10,852.00	4,765.00
1.13	5,204.81	5,204.81	52,048,095	0	52,048,095	10,923.00	4,765.00
1.14	5,238.64	5,238.64	52,386,410	0	52,386,410	10,994.00	4,765.00
1.15	5,272.47	5,272.47	52,724,725	0	52,724,725	11,065.00	4,765.00
1.16	5,306.30	5,306.30	53,063,040	0	53,063,040	11,136.00	4,765.00
1.17	5,340.14	5,340.14	53,401,355	0	53,401,355	11,207.00	4,765.00
1.18	5,373.97	5,373.97	53,739,670	0	53,739,670	11,278.00	4,765.00
1.19	5,407.80	5,407.80	54,077,985	0	54,077,985	11,349.00	4,765.00
1.20	5,652.90	5,652.90	56,529,000	0	56,529,000	11,863.38	4,765.00

In examining the variances caused by the exclusion of part of the CEI from the calculation of WADA, MCA calculated an alternate version of WADA that does not exclude 50% of CEI. This reduced each district's and charter's measured revenue per WADA. Table 23 shows the degree to which revenue per WADA is impacted by the CEI, grouped by size of district/charter.

Table 23. Impact of WADA Definition on Charters and ISDs

Enrollment Size category	Charters			ISDs			Percent of Enrollment
	Rev/WADA	Rev/WADA with Alternate CEI Deduction	Difference	Rev/WADA	Rev/WADA with Alternate CEI Deduction	Difference	
< 200	\$5,423.28	\$5,277.46	(\$145.82)	\$6,460.12	\$6,311.99	(\$148.13)	0.4%
200 -499	\$5,363.92	\$5,219.69	(\$144.23)	\$6,165.68	\$6,040.87	(\$124.82)	1.8%
500 -999	\$5,391.45	\$5,246.48	(\$144.97)	\$5,829.33	\$5,705.96	(\$123.38)	3.5%
1,000–1,999	\$5,372.42	\$5,227.96	(\$144.46)	\$5,831.88	\$5,686.77	(\$145.11)	5.0%
2,000 -4,999	\$5,383.66	\$5,238.90	(\$144.76)	\$5,707.14	\$5,530.74	(\$176.40)	11.2%
5,000 –19,999	\$5,396.82	\$5,251.71	(\$145.11)	\$5,630.69	\$5,408.73	(\$221.96)	22.9%
20,000 or more	N/A	N/A	N/A	\$5,509.18	\$5,252.80	(\$256.38)	55.1%
Group Totals	\$5,385.81	\$5,240.99	(\$144.82)	\$5,602.18	\$5,373.96	(\$228.22)	

A significant observation concerning the table above is that the impact on charters is relatively uniform, as are the amounts of revenue per WADA generally, with the differences in impact seemingly a function of rounding in the calculations. The typical degree of change in the calculated M&O revenue per WADA in charters using the alternative WADA calculation to include 100% of CEI is about 2.7%.

The other significant observation is that the impact on ISDs varies significantly, as does the revenue per WADA amount itself. For ISDs, there is a more significant reduction in calculated M&O revenue per WADA in larger districts, which generally have higher CEI values. In addition, the average percentage reduction in the calculated M&O revenue per WADA is about 4.1%, but in the category of enrollment 20,000 and greater, the percentage reduction is nearly 4.7%. This category actually represents more than half of the enrollment in the state.

Were WADA simply defined differently to include the entire effect of the CEI, it would impact the difference between charters and ISDs, narrowing the gap in M&O revenue per WADA significantly.

Other Formulas Impacting Operations Revenue per WADA

In addition to the Tier 1 funding that results in disparities between ISDs and Charters in maintenance and operations revenue per WADA, there are other formula features that also account for some of the differences.

Tier 2 Level 1 – the Austin Yield. Tier 2 Level 1 provides a guaranteed yield equal to the Austin ISD yield per penny per WADA for the first six cents of adopted tax rate above the compressed rate. Each penny of calculated rate was worth a minimum of \$59.97 in 2012-13. This zone of taxing is also free of recapture, meaning that ISDs that have higher property value per WADA than Austin ISD can actually gain a revenue advantage over other ISDs.

For charters, the calculations are uniform. The data used in the recent litigation indicated that for 2012-13, each charter was assigned a “DTR” of \$0.056093, or about 5.61 cents of tax effort. This level of DTR equates to an entitlement of \$336.37 per WADA ($\$59.97 \times \0.056093×100). (The most recent data for charters for 2012-13 shows a slightly higher DTR of about \$0.056476, resulting in a slightly higher amount of entitlement per WADA.)

Among ISDs, the results are much more variable. While the simple average of each district’s DTR is about 5.61 cents, the actual range is from \$0.0000 to \$0.4740. This extraordinary high value was found in a very small district with unusual property value growth. The distribution of DTRs for ISDs is shown in Table 24.

Table 24. Distribution of DTRs for Tier 2 Level 1

Range of DTR Level 1	Number of ISDs
< 0.01	9
0.01 to < 0.02	0
0.02 to < 0.03	1
0.03 to < 0.04	111
0.04 to < 0.05	208
0.05 to < 0.06	266
0.06 to < 0.07	345
>= 0.07	81

For any ISD with a DTR less than 5.61 cents, the district would have less revenue per WADA than a charter, unless the district were property-wealthy. On average, the amount of ISD Tier 2 Level 1 state and local revenue per WADA in the data used for litigation purposes was \$305.14, using a student weighted analysis. The implication is that charters each had more revenue per WADA than was typical of school districts in this zone of the school finance structure. When viewed on a district unit of analysis, the average was skewed higher for ISDs at \$380.38. Many of the ISDs

with higher revenue amounts tend to be very small, with much of the additional revenue coming from taxes that are not subject to recapture.

Tier 2 Level 2 – \$31.95 Yield. Similar to Tier 2 Level 1, Tier 2 Level 2 provides additional guaranteed yield funding to both ISDs and charters. Tier 2 Level 2 provides a guaranteed yield equal to \$31.95 per penny per WADA for and taxes attributed to adopted rates greater than 6 cents above the compressed rate. This zone of taxing is subject to recapture, meaning that property-wealthy school districts generally have minimal advantage, if any, over other ISDs.

For charters, the calculations are again uniform. The data used in the recent litigation indicated that for 2012-13, each charter was assigned a “DTR” for this level of \$0.0481157, or about 4.81 cents of tax effort. This level of DTR equates to an entitlement of \$153.73 per WADA ($\$31.95 \times \0.0481157×100). (The most recent data for charters for 2012-13 shows a slightly higher DTR of about \$0.0484748, resulting in a slightly higher amount of entitlement per WADA.)

Table 25. Distribution of DTRs for Tier 2 Level 2

Range of DTR Level 2	Number of ISDs
< 0.03	577
0.03 to < 0.06	82
0.06 to < 0.09	62
0.09 to < 0.12	174
0.12 to < 0.15	75
0.15 to < 0.18	34
0.18 to < 0.21	12
0.21 to < 0.24	6
>= 0.24	4

As was the case with Tier 2 Level 1, results for ISDs are quite variable. Because this level is also impacted by each district’s compressed rate as well as its adopted rate, there are multiple factors that impact the distribution of rates. Additionally, since these taxes are subject to recapture, many property-wealth districts have chosen to avoid taxing in the Tier 2 Level 2 zone.

As can be seen, ISDs show a bimodal distribution of values. Many of the values are very low in part because of the tax rate adoption limitations. In order to exceed a tax rate of \$1.04 (which for many ISDs equates to the compressed rate plus 4 cents, and therefore no taxes in this zone of the finance structure), ISDs must hold elections. Those that do hold elections tend to ask for approval of the maximum rate of \$1.17.

As a result of the greater variability of DTR rates for Tier 2 Level 2, the revenue among ISDs is also more variable. While the statewide average revenue per WADA among ISDs is \$82.08, the range is from \$0 to \$1,125.19. Technically, two districts actually showed negative revenue per WADA due to a minimum cost of recapture calculation that actually exceeds the amount of tax revenue attributed to this zone. At the high end, the greatest amounts of Tier 2 Level 2 revenue per WADA tend to be found in districts with very low compressed rates. The distribution of revenue per WADA in Tier 2 Level 2 is shown in Table 26.

Table 26. Distribution of Revenue per WADA in Tier 2 Level 2

Revenue per WADA Tier 2 Level 2 Ranges	Count of Districts
Less than \$50	531
\$50 - \$99	50
\$100 - \$149	47
\$150 - \$199	35
\$200 - \$249	34
\$250 - \$299	30
\$300 - \$349	75
\$350 - \$499	178
\$500 - \$749	42
\$750 or more	4

Other Programs. There are several additional allocations of funds by the state or reductions in state aid related to special circumstances that affect the amount of revenue per WADA identified in the evidence used in the recent litigation. Of these, only one applies to both ISDs and charters. The Staff Allotment, allocates \$500 for each full-time and \$250 for each part-time staff member not subject to the state’s minimum salary schedule. While the allotment is available in both types of entities, the amount per WADA is notably higher in ISDs than in charters. The statewide average amount per WADA in ISDs in 2012-13 was \$21.69, whereas in charters the average was only \$5.48. The inference from this difference is that charters employ significantly fewer of the kinds of staff that would qualify for the allotment, such as bus drivers, cafeteria workers, custodial employees, etc. Charters may be using either more contracted services or simply staffing at lower levels for certain functions than ISDs.

A handful of additional allotments or reductions also apply to ISDs, but do not apply to charters. These are presented in Table 28, along with the average amount per WADA in 2012-13.

Table 27. Average per WADA Amounts of Special Allotments

Special ISD Allotment or Charge	2012-13 Average Amount per WADA
Charge for Texas School for the Deaf	- \$0.58
Charge for Texas School for the Blind and Visually Impaired	- \$0.13
Regular Program Adjustment Factor Adjustment	+ \$0.02
Tax Increment Financing Zone Supplemental Payment	+ \$5.29
Tax Code Chapter 313 Tax Credits	+ \$1.53
Tuition Allotment	+ \$0.03
Total	+ \$6.15

While the average amount per WADA of these adjustments is relatively small, the allotments and charges are not widespread among ISDs, so the amounts can cause significant variation in the revenue per WADA observed for each ISD.

Summary of Variances Between Charters and ISDs

Table 28. Summary of Sources of Variance in M&O Revenue per WADA between Charters and ISDs

	Charters	ISDs	ISDs minus Charters
Tier 1	\$4,821.87	\$5,082.98	+ \$261.11
ASATR	\$68.36	\$104.14	+ \$35.78
Tier 2 Level 1	\$336.37	\$305.14	- \$31.23
Tier 2 Level 2	\$153.73	\$82.08	- \$71.65
Other Programs (Excluding ASATR)	\$5.48	\$27.84	+ \$22.36
Total	\$5,385.81	\$5,602.18	+\$216.37

The amounts per WADA and the difference shown above are slightly different than was used in the recent litigation due to the inclusion of several special school districts that have no tax base and a small number of charters for which data were not available for all years examined at the trial.

Application of Formulas

As noted previously, the formulas used in the calculation of state aid for charters are different in some respect from those used for ISDs. In particular, for charters, the basic allotment, the adjustment basic allotment, and the adjusted allotment amount all are set to state averages that were determined using a district-level analysis (all district amounts are summed and then divided by the number of districts). Additionally, Tier 2 funding uses uniform measures of tax rates derived from similar averaging of the observed rates in each ISD.

The relationship between the basic allotment assigned to charters (\$4,625 in 2012-13) and the adjusted basic allotment (\$4,888 in 2012-13) represents a 5.69% adjustment. In an ISD, this relationship would be achieved with a cost of education index of approximately 1.08. Charters are not assigned individual cost of education index values, as the last time the index was adopted, charters did not exist in the school finance system.

The relationship between the adjusted allotment assigned to charters (\$5,926 in 2012-13) and the adjusted allotment (\$4,888) represents a 21.236% adjustment. In ISDs, this relationship is a function of the small district adjustment found in Education Code §42.103. A 21.236% adjustment could be achieved by two of the three formulas contained in that section of law. If an ISD had about 751 regular program ADA and less than 300 square miles, or had about 531 regular program ADA and more than 300 square miles, its adjusted allotment would be 21.236% higher than its adjusted basic allotment.

Because of these assigned allotment amounts, based on state averages, it can be said that all charters receive the same funding in Tier 1 as a school district with a cost of education index of 1.08 and 751 regular program ADA. Another way of stating this is that all charters are funded on a per student basis as if they have about 751 regular program students, regardless of the actual number of students.

The same is obviously not true for ISDs. Each ISD has its own assigned CEI, and only 115 have been assigned 1.08 (548 have been assigned lower values). Each district is also evaluated on the basis of its own student population for purposes of the small district adjustment. While there were about 26 districts in 2012-13 with regular ADA between 700 and 800 (14 with more than 300 square miles and regular ADA between 500 and 600), most ISDs are not particularly close in size to the values used to determine charter allotments.

In point of fact, most charters are not that size either. Only 13 charters in 2012-13 (about 6%) had regular program ADA between 700 and 800. As presented earlier, most charters are smaller, but most charter school students are in charter organizations that are larger.

A natural question arises about the consequences of the state formula structure and the use of state averages when the characteristic of size is readily observable. While the state may have legitimate policy reasons for not awarding the small district adjustment based on a specific charter's size, the current structure does provide resources that in some cases are not available to similarly sized ISDs, or in some cases result in less funding for a charter than if it were to receive the adjustment.

To quantify this effect, MCA used its school finance models to examine the consequence of awarding small and mid-size adjustments based on each charter's using the same formulas as the traditional public schools, with size adjustments made to the charters and cost level adjustments applied. The revenue implications of this alternative structure for the 2013-14 school year are shown in Table 29.

Under this scenario, charter schools would receive \$72.5 million or 4.6% less than currently received. Smaller charters (less than 1,000 ADA) would gain revenue but larger charters (more than 1,000 students) would lose 11.1 percent of state revenues, as shown in Table 29. Charters gaining would be those smaller than the state average, while the largest charter schools, especially those that have become large charter systems with multiple schools, would lose the funding advantage they currently hold over similar size traditional schools.

Table 29. Impact of Assigning County Average CEI and Directly Applying Size Adjustments to Charters

Charter Size (ADA)	2014 Total RADA	Current Total General Fund	Alternative Total General Fund	Change in Revenue	% Change in Revenue
Less than 200	6,383	\$62,205,789	\$71,151,190	\$8,945,401	14.4%
200 – 399	12,985	\$115,861,297	\$130,445,967	\$14,584,670	12.6%
400 – 599	17,180	\$152,938,525	\$166,612,736	\$13,674,211	8.9%
600 – 999	27,358	\$232,328,640	\$236,449,450	\$4,120,810	1.8%
1,000 – 1,999	31,500	\$275,905,630	\$257,455,760	(\$18,449,870)	-6.7%
More than 2,000	90,172	\$753,122,438	\$657,755,974	(\$95,366,464)	-12.7%
Grand Total	185,579	\$1,592,362,319	\$1,519,871,077	(\$72,491,242)	-4.6%

Source: MCA Calculations of TEA basic data.

While these impacts should be taken as general indicators of the effect since the 2013-14 school year data were not final at the time of the analysis, it is a strong indicator that larger charters would see significant revenue reductions if the small and mid-size adjustments were applied in the same manner as for ISDs. The most negative impact is on larger charters, which lose an average of 13% of current revenue. Smaller charters tend to gain revenue.

While the analysis above indicates significant shifting of revenue resulting from direct application of size-related adjustments, the analysis was built on the statewide average basic allotment and adjusted basic allotment. The legislature may have had a rationale for using state averages, but ISDs with low compressed rates have more access to Tier 2 revenue at the discretion of school districts and taxpayers that allow them to overcome the impact of having a reduced basic allotment. ISDs also are assigned their own CEI values, which tend to be higher in urban areas where most charters are located.

If using formulas that more closely resemble the formulas applicable to independent school districts, albeit at the highest level of basic allotment and CEI available to ISDs, can result in significant losses of revenue in some charters (despite what appears to be more revenue per WADA), what would the current charter formulas produce were they applied to all independent school districts?

To answer that question, we again turned to the MCA model, this time applying charter formulas to all ISDs. Table 30 displays the comparison of current law for 2013-14 to the alternative of applying the charter formulas. In this case, ISDs retained the level of Tier 2 tax effort which they were expected to show, since modifying the tax rates would have implications for local tax revenue and recapture that require assuming changes in each district's taxing behavior. In addition, it is technically not possible for independent school districts to adopt less than 6 cents above the compressed rate before adopting taxes above that level, while the charter averaging process basically reflects that circumstance.

Table 30. 2013-14 General Fund Revenue of ISDs Using Charter Basic Allotment, Adjusted Basic Allotment, and Adjusted Allotment

Enrollment	Current Total General Fund	Charter Formula Total General Fund	Change in General Fund	% Change in General Fund
Less than 500	\$917,399,897	\$814,991,380	-\$102,408,517	-11.2%
500 to 999	\$1,269,759,024	\$1,217,265,445	-\$52,493,579	-4.1%
1,000 to 1,599	\$1,282,299,698	\$1,339,748,300	\$57,448,601	4.5%
1,600 to 2,999	\$1,989,127,742	\$2,196,254,528	\$207,126,786	10.4%
3,000 to 4,999	\$2,422,970,659	\$2,761,136,296	\$338,165,637	14.0%
5,000 to 9,999	\$3,409,874,433	\$3,968,743,015	\$558,868,583	16.4%
10,000 to 24,999	\$6,302,645,471	\$7,321,467,836	\$1,018,822,365	16.2%
25,000 to 49,999	\$7,797,635,730	\$9,019,990,793	\$1,222,355,063	15.7%
50,000 and Over	\$10,445,190,816	\$11,908,486,928	\$1,463,296,112	14.0%
Grand Total	\$35,836,903,471	\$40,548,084,521	\$4,711,181,050	13.1%

Source: MCA calculations of TEA basic data

In the aggregate, ISDs would gain more than \$4.7 billion per year in revenue were the charter basic allotment, adjusted basic allotment, and adjusted allotment used instead of the standard formulas. While most size groups of ISDs show significant gains, ISDs with less than 1,000 students enrolled would generally lose revenue.

Perhaps more interesting is the impact of the formula change on revenue per WADA, presented in Table 31. Despite a 13.1% increase in general fund revenue, the calculated revenue per WADA actually decreases by 2.7%. Two categories of school districts, the groups for the smallest ISDs, show increases in revenue per WADA, although only 1% or less.

Table 31. Change in 2013-14 ISD Revenue per WADA Using Charter Basic Allotment, Adjusted Basic Allotment, and Adjusted Allotment

Enrollment	Current WADA	Current General Fund / WADA	Charter Formula WADA	Charter Formula General Fund / WADA	Change in General Fund / WADA	% Change GF / WADA
< 500	140,653.02	\$6,522.43	123,725.73	\$6,587.08	\$64.65	1.0%
500 to 999	213,826.46	\$5,938.27	203,771.76	\$5,973.67	\$35.40	0.6%
1,000 to 1,599	212,953.55	\$6,021.50	224,140.21	\$5,977.28	-\$44.22	-0.7%
1,600 to 2,999	333,593.76	\$5,962.72	374,331.31	\$5,867.14	-\$95.58	-1.6%
3,000 to 4,999	414,900.09	\$5,839.89	481,516.37	\$5,734.25	-\$105.64	-1.8%
5,000 to 9,999	574,265.55	\$5,937.80	688,405.49	\$5,765.12	-\$172.68	-2.9%
10,000 to 24,999	1,080,549.75	\$5,832.81	1,286,745.23	\$5,689.91	-\$142.90	-2.4%
25,000 to 49,999	1,354,435.34	\$5,757.11	1,606,873.33	\$5,613.38	-\$143.73	-2.5%
50,000 and Over	1,816,175.35	\$5,751.20	2,152,638.27	\$5,532.04	-\$219.16	-3.8%
Grand Total	6,141,352.87	\$5,835.34	7,142,147.70	\$5,677.30	-\$158.05	-2.7%

A reasonable inference from this examination of formulas and revenue is that comparisons of revenue per WADA are more complicated than would initially appear, and that a more complete examination of revenue structures is appropriate when the legitimacy of disparities under the current formula system are in question.

Appendix A

Open-Enrollment Charter Schools Funding History

1995

Open-enrollment Charter Schools were first authorized in statute in 1995, along with a distinct funding structure that had different characteristics from the operations of the Foundation School Program (FSP) for traditional school districts. The original funding provisions were contained in Texas Education Code §12.106 and §12.107.

§12.106 State Funding

(a) An open-enrollment charter school is entitled to the distribution from the available school fund for a student attending the open-enrollment charter school to which the district in which the student resides would be entitled

(b) A student attending an open-enrollment charter school who is eligible under Section 42.003 is entitled to the benefits of the Foundation School Program. The commissioner shall distribute from the foundation school fund to each school an amount **equal to the cost of a Foundation School Program** provided by the program for which the charter is granted as determined under Section 42.251, including the transportation allotment under Section 42.155, **for the student that the district in which the student resides would be entitled to, less an amount equal to the sum of the school's tuition receipts under Section 12.107** plus the school's distribution from the available school fund.

§12.107 Local Funding

(a) Except as provided by Subsection (b), an open-enrollment charter school is **entitled to receive tuition from the school district in which a student attending the school resides** in an amount equal to **the quotient of the tax revenue collected by the school district for maintenance and operations for the school year for which tuition is being paid divided by the sum of the number of students enrolled in the district** as reported in the Public Education Information Management System (PEIMS), **including the number of students for whom the district is required to pay tuition.**

(b) The tuition to be paid under Subsection (a) be a school district with a wealth per student that exceeds the equalized wealth level under chapter 41 shall be based on the district's tax revenue after the district has acted to achieve the equalized wealth level under chapter 41. (emphasis added)

As enacted, the funding structure presented many administrative challenges, and created an inherent conflict with the operation of the FSP for traditional school districts. The funding described for charters first identified that each individual child would be funded based on the amounts to which that child would be entitled if that student attended school in the district of residence. However, open-enrollment charter schools were allowed to enroll students from a broad geographic region, and in some cases from vastly different parts of the state. As a result, each individual child could theoretically have a different funding amount associated with him or her. An Illustration of this appears in Table A-1.

Table A-1. Illustration of Original Funding Structure Variation Based on District of Origin of Open-enrollment Charter Schools Students

Funding Component*	San Antonio ISD	Northside ISD	Alamo Heights ISD	Harlandale ISD
Tier 1 State Aid	\$144,440,453	\$105,980,414	\$1,181,709	\$45,421,303
Tier 2 State Aid	\$69,599,534	\$35,299,265	\$0	\$24,155,118
M&O Tax Collections	\$100,748,031	\$187,660,706	\$36,367,236	\$10,770,338
Recapture	\$0	\$0	(\$12,189,777)	\$0
Net M&O Revenue	\$314,788,018	\$328,940,385	\$25,359,168	\$80,346,759
WADA Revenue per WADA	74,697.393 \$4,214.18	77,772.472 \$4,229.52	5,086.183 \$4,985.89	19,165.879 \$4,192.18

* Data shown are for 2000-01 as an illustration because they are the oldest data still available on TEA's web site. The actual application of this process considered the specific programs students participated in or qualified for under the funding formulas, and each district of origin's funding elements were applied.

This structure required an adaptation of TEA data collection structures so that any child attending an open-enrollment charter school could be associated with a district of residence, and required open-enrollment charter schools to track that information.

Additionally, the funding structure that required the sharing of local tax funds with charters created a conflict with traditional school districts as a result of the mechanics of the FSP. Because the FSP defines the local share responsibility as a function of the Comptroller's determination of tax base for the preceding year, or in the case of Tier 2 as a function of tax collections, when a student leaves a traditional district (or fails to ever enroll), the amount of state aid the district foregoes is the full formula cost of that student. In other words, a district loses state aid equal to what the student is worth in the formula system whenever a student departs. A simplified illustration of this effect is shown in Table A-2.

Table A-2. Illustration of the Impact of Loss of Student to an Open-enrollment Charter School.

	Calculations for San Antonio ISD, 2000-01	Calculations for SAISD Minus 1 Regular Program ADA, 2000-01	Change
Tier 1 Cost	\$198,572,164	\$198,569,375	(\$2,789)
Less Tier 1 Local Share	(\$54,131,711)	(\$54,131,711)	\$0
State Aid	\$144,440,453	\$144,437,664	(\$2,789)
Tier 2 DTR	0.572559	0.572559	\$0
Tier 2 Entitlement	\$105,638,602	\$105,637,083	(\$1,519)
Tier 2 Local Share	(\$36,039,068)	(\$36,039,068)	\$0
Tier 2 State Aid	\$69,599,534	\$69,598,015	(\$1,519)
Tie 1 & Tier 2 State Aid	\$214,039,987	\$214,035,679	(\$4,308)

When the statute called for a payment of tuition to an open-enrollment charter school from the district of residence, the statute ignored the impact of that requirement on the district, which would have effectively cost the traditional district more than the funding brought to the table by the individual student, and more than if the student had simply moved to another school district or to a private school. This tuition requirement would have had SAISD pay an additional \$1,759 for a student living in SAISD but attending an open-enrollment charter school. Because this exaggerated negative impact would have not only had a financially harmful impact on the traditional school districts, but would also have likely prompted the traditional districts to oppose open-enrollment charter schools, TEA chose to seek a letter of legislative intent that would allow the Agency to follow much of the funding envisioned by the legislation without harming the finances of traditional school districts.

The mechanism created by TEA provided full state funding of the open-enrollment charter school students, and did not require traditional school districts to contribute local taxes. TEA set up two different funding structures, and allowed open-enrollment charter schools to receive the greater of the two. Each of the calculations was based on funding formulas or data for the district of residence of the student. The first provided an amount per student in average daily attendance (ADA) equal to the amount per ADA in the district of residence from the available school fund allocation plus the local tax revenue after deducting the district's expenses for recapture. The second mechanism provided an amount per student in weighted average daily attendance (WADA) equal to the amount per WADA obtained by the district of residence through the funding formulas for Tier 1 and Tier 2 of the FSP.

Because the funding formulas and local tax revenue of districts varied, the amounts of the alternative funding structures showed significant variation as well. Additionally, the record-keeping and calculations needed for the funding structure were significantly more complex because of that variability among traditional school districts, particularly for those open-enrollment charter schools in urban areas that drew students from many different school districts.

1999

In 1999, the legislature revisited the funding structure and made significant changes both for all future open-enrollment charter schools that would be authorized as well as for those already in existence. The new statute removed the local funding provisions previously contained in TEC §12.107, and required that all open-enrollment charter schools not yet in operation September 1, 2001 be funded by using the state averages for certain funding elements. Those operating prior to September 1, 2001 would undergo a 10-year transition to the use of state averages, beginning in 2003-04.

§ 12.106. STATE FUNDING

(a) A charter holder is entitled to receive for the open-enrollment charter school funding under Chapter 42 as if the school were a school district without a tier one local share for purposes of Section 42.253 and without any local revenue ("LR") for purposes of Section 42.302. In determining funding for an open-enrollment charter school, adjustments under Sections 42.102, 42.103, 42.104, and 42.105 and the district enrichment tax rate ("DTR") under Section 42.302 are based on the average adjustment and average district enrichment tax rate for the state.

(b) An open-enrollment charter school is entitled to funds that are available to school districts from the agency or the commissioner in the form of grants or other discretionary funding unless the statute authorizing the funding explicitly provides that open-enrollment charter schools are not entitled to the funding.

(c) The commissioner may adopt rules to provide and account for state funding of open-enrollment charter schools under this section. A rule adopted under this section may be similar to a provision of this code that is not similar to Section 12.104(b) if the commissioner determines that the rule is related to financing of open-enrollment charter schools and is necessary or prudent to provide or account for state funds.

Uncodified Transition Provision:

SECTION 40. (a) The change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act, applies beginning with the 2001-2002 school year, except as provided by this section.

(b) An open-enrollment charter school operating on September 1, 2001, is funded as follows:

(1) for the 2001-2002 and 2002-2003 school years, the school receives funding according to the law in effect on August 31, 2001;

(2) for the 2003-2004 school year, the school receives 90 percent of its funding according to the law in effect on August 31, 2001, and 10 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act;

(3) for the 2004-2005 school year, the school receives 80 percent of its funding according to the law in effect on August 31, 2001, and 20 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act;

(4) for the 2005-2006 school year, the school receives 70 percent of its funding according to the law in effect on August 31, 2001, and 30 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act;

(5) for the 2006-2007 school year, the school receives 60 percent of its funding according to the law in effect on August 31, 2001, and 40 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act;

(6) for the 2007-2008 school year, the school receives 50 percent of its funding according to the law in effect on August 31, 2001, and 50 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act;

(7) for the 2008-2009 school year, the school receives 40 percent of its funding according to the law in effect on August 31, 2001, and 60 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act;

(8) for the 2009-2010 school year, the school receives 30 percent of its funding according to the law in effect on August 31, 2001, and 70 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act;

(9) for the 2010-2011 school year, the school receives 20 percent of its funding according to the law in effect on August 31, 2001, and 80 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act;

(10) for the 2011-2012 school year, the school receives 10 percent of its funding according to the law in effect on August 31, 2001, and 90 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act; and

(11) for the 2012-2013 school year and subsequent school years, the school receives 100 percent of its funding according to the change in law made by Sections 12.106 and 12.107, Education Code, as amended by this Act.

(c) The commissioner of education may adopt rules as necessary to implement this section.

While the notion of using state averages would seem to be a simpler approach to funding, for some open-enrollment charter schools the use of state averages would have a significant negative impact for funding, as those schools had drawn their populations from traditional districts with higher funding levels. Therefore, the extended transition period for those already in operation allowed for a gradual adjustment to the new funding levels.

The 1999 law directs that the TEA provide funding based on the average adjustments described in four specific sections of law:

- §42.102 – Cost of Education Adjustment
- §42.103 – Small and Mid-Sized District Adjustment
- §42.104 – Use of Small or Mid-Sized District Adjustment in Calculating Special Allotments
- §42.106 – Sparsity Adjustment

As implemented, the agency used the statewide averages of the results of the statutory provisions to make funding calculations for open-enrollment charter schools, rather than the average of the adjustments.

The statute also called for TEA to use the statewide average “DTR” for purposes of computing Tier 2 state aid (TEC §42.302), but in order to compute Tier 2, the agency had to construct a WADA count for each charter. That required the comparison of the statewide average “Adjusted Basic Allotment” (ABA) to the basic allotment in order to exclude half of the effect of the cost of education adjustment, even though there is no direct application of the cost of education adjustment to open-enrollment charter schools.

2006

In 2006, the Legislature adopted a tax compression scheme in which school districts were required to lower their Maintenance and Operations tax rates in two stages to 66.67% of the 2005 tax year rate. While districts were given some flexibility to raise rates above that level, the maximum tax rate permitted for almost all districts was dropped from \$1.50 per hundred dollars of taxable value to \$1.17. At the same time, the Legislature also restructured several funding elements of the Foundation School Program, including increasing the basic allotment, dividing Tier 2 into three different levels with different yields per penny per WADA, and adding new allocations of funding for a teacher pay increase and a high school allotment. The Legislature also created a statutory guarantee that no district would lose M&O revenue at the new compressed tax rate compared to what the prior law would have given the district in revenue per WADA in either 2005-06 or 2006-07. This new protection became known as a “revenue target”, and the state aid that resulted from the guarantee was described as “Additional State Aid for Tax Compression” or ASATR. These new provisions began to take effect in the 2006-07 school year, and tax compression reached full implementation in 2007-08.

While there were no changes to the open-enrollment charter school funding law adopted in 2006, the legislative changes to the Foundation School Program had a significant impact on open-enrollment charter school funding. As of 2006-07, most open-enrollment charter schools were in the middle stage of transition to the state average funding mechanism, with 60% of funding determined by the district of residence of open-enrollment charter school students, and 40% determined by state averages. With the legislative changes to the funding elements, the state averages were impacted. Additionally, the school districts of residence for students in open-enrollment charter schools were directly impacted by the same funding element changes. As a result, TEA had to not only implement the new elements, but also had to determine new state averages that would drive open-enrollment charter school funding, in particular for the new three-level Tier 2 funding and the revenue protection ASATR.

In implementing the new funding structure for 2006-07, TEA continued to compute statewide averages for the adjusted basic allotment and adjusted allotment by summing the amounts for each district, then dividing by the number of districts, with the results reflecting the increased basic allotment. In computing the average tax effort for Tier 2, TEA constructed a similar average for each of the three “DTR” values observed in each school district. This led to some unexpected results. While an independent school district did not have access to Level 3 of Tier 2 until it adopted a tax rate more than 6 cents above the compressed rate (the maximum for Level 2), the statewide averages allowed open-enrollment charter schools to receive some credit for Level 3 DTR without getting credit for the maximum amount of Level 2 DTR. The statewide average amount of ASATR was also computed based on a simple average of each independent school district’s amount of ASATR per WADA (\$459 in 2007-08).

2009

In 2009, the Legislature again revised the funding structure, and this time amended the laws that specifically deal with the funding of open-enrollment charter schools.

§12.106 State Funding

(a) A charter holder is entitled to receive for the open-enrollment charter school funding under Chapter 42 equal to the greater of:

- (1) the amount of funding per student in weighted average daily attendance, excluding enrichment funding under Sections 42.302(a-1)(2) and (3), as they existed on January 1, 2009, that would have been received for the school during the 2009-2010 school year under Chapter 42 as it existed on January 1, 2009, and an additional amount of \$120 for each student in weighted average daily attendance; or
- (2) the amount of funding per student in weighted average daily attendance, excluding enrichment funding under Section 42.302(a), to which the charter holder would be entitled for the school under Chapter 42 [as] if the school were a school district without a tier one local share for purposes of Section 42.253 and without any local revenue [“(LR”) for purposes of Section 42.2516 [42.302].

(a-1) In determining funding for an open-enrollment charter school under Subsection (a), adjustments under Sections 42.102, 42.103, 42.104, and 42.105 [and the district enrichment tax rate (“DTR”) under Section 42.302] are based on the average adjustment [and average district enrichment tax rate] for the state.

(a-2) In addition to the funding provided by Subsection (a), a charter holder is entitled to receive for the open-enrollment charter school enrichment funding under Section 42.302 based on the state average tax effort.

(b) An open-enrollment charter school is entitled to funds that are available to school districts from the agency or the commissioner in the form of grants or other discretionary funding unless the statute authorizing the funding explicitly provides that open-enrollment charter schools are not entitled to the funding.

(c) The commissioner may adopt rules to provide and account for state funding of open-enrollment charter schools under this section. A rule adopted under this section may be similar to a provision of this code that is not similar to Section 12.104(b) if the commissioner determines that the rule is related to financing of open-enrollment charter schools and is necessary or prudent to

provide or account for state funds.” (underlining indicates new language, strike-through indicates removed language)

This statutory change immediately moved all open-enrollment charter schools to the state average basis of funding calculations, with the exception that if the funding provided under the previous calculations for 2009-10 were greater (including the prior mix based on district of residence and statewide averages), the open-enrollment charter school would receive the greater amount. So, while the system for funding open-enrollment charter schools nominally is based entirely on statewide average elements, for some open-enrollment charter schools, the amount could be based on prior law.

At the same time, the legislature again significantly revised funding formulas for independent school districts. It raised the basic allotment amount to a much higher level (\$4,765), re-defined the local share of Tier 1 funding to be based on the compressed tax rate of each district, proportionately reduced the basic allotment for districts with compressed tax rates less than \$1.00, and eliminated the first level of Tier 2 that had been associated with taxes between the previous local fund assignment rate of \$0.86 and the district’s compressed rate. These revisions presented TEA with a need to determine which averages to use for funding calculations for open-enrollment charter schools, and how those averages would be computed. Because the basic allotment would no longer be uniform across all districts, TEA chose to add an average basic allotment to the set, drop the Tier 2 Level 1 DTR that no longer existed in law, and drop the state average amount of ASATR per WADA. TEA chose to continue with the simple average process of adding up the funding elements (basic allotment, adjusted basic allotment, adjusted allotment, Level 2 - Austin yield DTR, and Level 3 - \$31.95 yield DTR) as calculated for each independent school district, then dividing the sum by the number of districts.

The resulting state average funding elements for 2009-10 through 2013-14 are shown in Table A-3.

Table A-3. State Average Funding Elements, 2009-10 through 2013-14.

State Averages	2009-10	2010-11	2011-12	2012-13	2013-14 (est.)
Basic Allotment	\$4,625	\$4,625	\$4,625	\$4,625	\$4,805
Adjusted Basic Allotment	\$4,888	\$4,887	\$4,887	\$4,888	\$5,077
Adjusted Allotment	\$5,933	\$5,932	\$5,931	\$5,926	\$6,155
DTR – Austin Yield Level	\$0.0514	\$0.0521	\$0.0525	\$0.0565	\$0.0545
DTR - \$31.95 Yield Level	\$0.0363	\$0.0414	\$0.0453	\$0.0485	\$0.0501
Revenue per WADA Target	\$4,971	\$4,971	\$4,971	\$4,971	\$4,971

Due to the requirement to provide open-enrollment charter schools with the greater of the calculated revenue or the revenue that would have been available under prior law, TEA also calculates the revenues of prior formulas, including the prior ASATR amount. The prior funding is comprised of 30% derived from the revenue levels of the resident district, and 70% based on state averages using the prior set of formulas, as would have been the case in 2009-10.

The 2009-10 school year calculations became the basis for calculating subsequent years' targets for purposes of determining ASATR. Specifically, TEA calculated a 2009-10 statewide average revenue per WADA at the compressed tax rate and a charter-specific amount of revenue under prior formulas

APPENDIX B

Prior Reports on Charter School Funding

As was indicated in the introduction, there have been other studies of charter school funding. State law (TEC §12.1013) requires that the commissioner have prepared an annual report that compares performance of charter schools to matched traditional campuses. The Texas Center for Educational Research (TCER) did the annual report for the years 2003-04, 2004-05, 2005-06, 2006-07, and 2007-08, providing information not only on the funding of charters but also enrollment, staffing, student and family satisfaction, charter school student performance, and the legal framework for Texas charter schools. The Education Research Center (ERC) at Texas A&M University completed the annual evaluation for 2009-10. (NOTE: MCA could not find more recent evaluations of the charter schools as is required by law.) In addition, for the school finance court case (*Texas Taxpayer et al v. Williams*), the Texas Charter Schools Association (TCSA) and its expert witnesses introduced information on charter school funding as evidence in their pleadings. Information was presented by David Dunn and Toni Templeton of the TCSA on funding in general, and by expert witnesses Wood, Rolle and Associates (WRA) and Thomas Sage that relate in more detail to facilities funding.

The reports produced by TCER and ERC are evaluations of all charter schools, not just open-enrollment charters, and therefore, contain additional information beyond the funding of open-enrollment charter schools. Each of the evaluation reports is organized into sections describing the history of charters in Texas; statutory provisions for charter schools; characteristics of charter schools and the students served by the charters; results of surveys of principals, teachers, students, and parents; student performance; and revenues and expenditures, with key findings highlighted. Because these reports are evaluations of all Texas charter schools, the information on funding includes analyses of charters other than open-enrollment charter schools.

Each of the TCER and ERC prior reports includes a synopsis of the law in effect as of the year for which data are presented. Therefore, the changes to law in 2006 impacted funding for the 2006-07, 2007-08, and 2008-09 years, and were included in the analyses in the TCER reports for 2007-08 and 2008-09, as the reports include the latest data available, which is a year before other data in the report. Changes to law in 2009 were effective for the 2009-10 and the analysis completed by ERC contained funding data for 2008-09 although the narrative explained the changes in law. Analyses completed by TCSA and WRA did consider at least some of the changes to law in 2009 but not all of the nuances mentioned above that will be discussed in the funding section of this report.

Each of the reports examines the characteristics of open-enrollment charter schools, and compares these schools to traditional public school districts. The findings are consistent with the data in this report, although the reports were done at different times. The data indicate that open-enrollment charter schools:

- are smaller than traditional public school districts;
- are clustered in urban areas;
- are growing at a faster rate than traditional public schools;
- enroll a greater proportion of Hispanic and African-American pupils than do the traditional public schools;
- have a greater percentage of students in elementary and middle school grades;

- had a greater proportion of bilingual and compensatory education students, but much fewer numbers of these students than traditional public schools;
- enrolled smaller percentages of special education, career and technical, and gifted/talented students than did the traditional public schools;
- have teachers who earn less on average than teachers in traditional public schools, are less experienced, and have higher turnover rates;
- relative to enrollment, have more administrators than public schools, with lower salaries than those of public schools.

Each of the reports examines funding for the charter schools relative to the traditional public schools, but uses somewhat different frames of analysis. All of the reports emphasize the differences between funding for traditional public schools and funding for open-enrollment charter schools. Most obviously, open-enrollment charter schools do not have a tax base against which taxes to fund the school may be levied. Thus, open-enrollment charter schools must draw only on state and federal funding, donations, and other non-tax revenues. In contrast, traditional public school districts draw the majority of funding from local property taxes and may receive funding from other sources as do the charter schools. Because they do not have a local tax base, open enrollment charters do not receive funding for facilities through a local tax, nor do they receive state funds for facilities funding. (This aspect will be discussed in a later section of the report.)

Each of the reports emphasizes that the specific characteristics of each open-enrollment charter school are not used to calculate funding for the charter school, unlike funding for each traditional school district which does use the individual characteristics. Particularly noted in each report are the adjustments for factors that affect the cost of schooling, including the district size (i.e., small and middle size adjustments), regional cost variations (COE index), and programmatic needs of students, such as special, compensatory, bilingual, career and technology, and gifted/talented education. The analyses ignore that the Adjusted Basic Allotment (explained in the prior section on history of funding) reflects the impact of the Cost of Education Index and that the Adjusted Allotment is skewed to the high end because of the large number of traditional school districts that receive size adjustments. Also omitted from the comparisons is the understanding that some charter schools, i.e., those that choose to provide transportation, receive additional funding for transportation in exactly the same way that traditional school districts receive funding for transportation services, about the basic school formulas. Only a small percentage of open-enrollment charter districts choose to offer transportation, although the majority of traditional school districts offer this service, thus contributing to differences in spending per pupil.

Because each of the earlier reports approaches analysis somewhat differently, although the conclusions reached are similar, each report's analysis of funding will be summarized separately.

TCER

The TCER reports use ADA as the unit of analysis. ADA is used because this count of students is consistent with the Texas funding formulas that distribute funding based on ADA not enrollment. TCER provides a table showing the impact of using enrollment or ADA as the unit of measure. In some of its tables, TCER displays funding information on all charter schools, not just open-enrollment charter schools, and so the data have to be carefully examined to ensure that only open-enrollment charter schools are included in the analysis. In 2005-06, consistent with prior years' data, TCER reported that charter schools receive more funding from federal and state sources and significantly less from local tax sources. Including all sources of revenue, charter schools received

\$623 per pupil less in funding than did traditional schools. The primary source of this variation is related to facilities funding (TCER, 2007-08, p. 57).

When examined based on “student need” as measured by participation in the federal free and reduced meal program (FARM), both charters and traditional districts with greater proportions of FARM students received higher appropriations. Because charters do not receive a size adjustment based on their own size but rather on a state average, charters with fewer than 500 students received less funding than comparably sized school districts.

On the expenditure side, open-enrollment charter districts spending patterns differed from that of traditional school districts. For all operating expenditures, open-enrollment charters spent about \$2,000 per student in ADA than did traditional public schools, even including expenditures for capital outlay and debt service. Charters spent less on payroll but more on other operating costs; less on Instruction and Instructional Resources, but more on School Leadership, General Administration, Plant Maintenance and Operations, and Data Processing. Examined a different way, open-enrollment charters expended less per-ADA for basic educational services, and services for students with disabilities, but more for accelerated instruction.

ERC

The report from ERC also uses data from TEA’s AEIS and PEIMS, but for the 2008-09 school year. Some of the findings are consistent with the TCER findings: open-enrollment charter schools received less revenue per pupil than did traditional public schools but spent more on operations, \$8,700 vs \$8,490 in traditional school districts. (The ERC report does not note which measure of enrollment is being used in the comparisons: enrollment, ADA, or WADA.) Just as with the TCER report, the primary difference is related to facilities funding.

The ERC report then made adjustments to open-enrollment charter school expenditures for regional differences in the cost of labor and for size. After making these adjustments, ERC reported that open-enrollment charter schools spent 15% less than traditional school districts of comparable size, on average. ERC matched districts through their own statistical methodology.

TCSA and Consultants WRA

In testimony and expert witness reports related to the school finance court case (*Texas Taxpayer et al v. Williams*), and its consultants provided information on per student in weighted average daily attendance (WADA) funding for all charter schools compared to traditional public schools. Historically, WADA was an adjusted student count based on individual student needs and community cost differences; however, under current law WADA is computed as a ratio between the total funds allotted and the basic allotment, as explained in the discussion of the history of charter school funding. More discussion of the use of WADA and its impact on comparisons is provided in the next section of this report.

WRA’s testimony reported finding that are similar to that of the other reports: charter schools are smaller than traditional public schools, serve somewhat different populations of students, are located predominantly in urban areas, and receive no state assistance for facilities funding. WRA does note that the accounting system used by charter schools results in differences in reporting of depreciation and other facilities costs. WRA also provided an equity analysis of the funding.

The TCSA testimony indicated that the 83rd Legislature did not change the charter school funding mechanism, no state funding was provided for facilities, and that the characteristics of individual charter schools were not used to calculate funding allotments. Further, the testimony notes that the program weights and CEI are out-of-date, and this is true for the funding calculations used for traditional public schools, as well.

TCSA concluded that charter schools receive “significantly less funding than similar-sized ISDs” in 2014, since average ISD FSP funding per WADA was \$6,565 and average charter FSP funding was \$5,467, a difference of \$1,098.

Appendix C
Charter School Expenditures per Pupil, 2012-13

APPENDIX D

Table D-1. Capital Outlay and Debt Service Expenditures for Selected Charter Schools 2012-13

Charter School	Bonds Outstanding	Per Pupil	Interest on Debt	Per Pupil
IDEA PUBLIC SCHOOLS	\$131,455,000	\$10,460	\$8,302,537	\$661
KIPP INC CHARTER	\$120,783,255	\$18,041	\$4,614,500	\$689
LIFE SCHOOL	\$38,515,000	\$9,157	\$2,956,695	\$703
HARMONY SCIENCE ACADEMY	\$63,332,076	\$18,194	\$2,980,101	\$856
HARMONY SCIENCE ACAD (WACO)	\$36,921,606	\$9,973	\$1,956,613	\$529
HARMONY SCIENCE ACAD (FORT WORTH)	\$33,955,099	\$9,923	\$2,005,118	\$586
HARMONY SCHOOL OF EXCELLENCE	\$29,858,240	\$7,735	\$1,802,954	\$467
HARMONY SCIENCE ACADEMY (AUSTIN)	\$20,785,968	\$7,022	\$1,187,496	\$401
HARMONY SCIENCE ACAD (SAN ANTONIO)	\$20,103,506	\$9,359	\$1,137,750	\$530
HARMONY SCHOOL OF SCIENCE - HOUSTO	\$15,039,840	\$10,053	\$882,718	\$590
HARMONY SCIENCE ACAD (EL PASO)	\$14,228,812	\$6,296	\$849,943	\$376
HARMONY SCIENCE ACAD (LUBBOCK)	\$4,615,309	\$5,436	\$278,559	\$328
HARMONY SCIENCE ACAD - BROWNSVILLE	\$60,294	\$138	\$3,466	\$8
UPLIFT EDUCATION - WILLIAMS PREPAR	\$38,582,127	\$24,685	\$1,843,069	\$1,179
UPLIFT EDUCATION-SUMMIT INTERNATIO	\$46,970,614	\$27,760	\$1,818,998	\$1,075
UPLIFT EDUCATION - PEAK PREPARATOR	\$26,019,770	\$16,489	\$1,158,420	\$734
UPLIFT EDUCATION - NORTH HILLS PRE	\$32,948,735	\$16,802	\$911,528	\$465
UPLIFT EDUCATION - HAMPTON PREPARA	\$15,903,754	\$20,495	\$843,109	\$1,086
KIPP SOUTHEAST HOUSTON	\$120,783,255	\$63,940	\$2,611,312	\$1,382
ADVANTAGE ACADEMY	\$14,110,000	\$7,155	\$1,184,154	\$600
ORENDA CHARTER SCHOOL	\$10,510,000	\$10,521	\$787,741	\$789
WINFREE ACADEMY CHARTER SCHOOLS	\$8,085,000	\$5,369	\$731,650	\$486
FOCUS LEARNING ACADEMY	\$1,653,874	\$1,798	\$720,438	\$783
EDEN PARK ACADEMY	\$0	\$0	\$704,039	\$1,078
AMIGOS POR VIDA-FRIENDS FOR LIFE P	\$9,785,031	\$19,186	\$617,690	\$1,211
FAITH FAMILY ACADEMY OF OAK CLIFF	\$330,000	\$162	\$556,188	\$273
NEW FRONTIERS CHARTER SCHOOL	\$7,240,000	\$11,547	\$536,664	\$856
GOLDEN RULE CHARTER SCHOOL	\$7,500,000	\$6,173	\$521,057	\$429
BURNHAM WOOD CHARTER SCHOOL DISTRI	\$7,820,000	\$9,125	\$480,725	\$561
NOVA ACADEMY (SOUTHEAST)	\$6,055,915	\$9,317	\$394,960	\$608
SOUTHWEST PREPARATORY SCHOOL	\$7,590,781	\$14,942	\$392,009	\$772
TRINITY BASIN PREPARATORY	\$288,750	\$178	\$369,125	\$228
MAINLAND PREPARATORY ACADEMY	\$4,442,715	\$11,333	\$320,428	\$817
SCHOOL OF SCIENCE AND TECHNOLOGY	\$6,311,886	\$7,487	\$293,568	\$348
CHAPARRAL STAR ACADEMY	\$0	\$0	\$206,934	\$567
WAXAHACHIE FAITH FAMILY ACADEMY	\$15,485,000	\$34,411	\$176,330	\$392
TEXAS LEADERSHIP	\$0	\$0	\$167,082	\$174
SOUTH TEXAS EDUCATIONAL TECHNOLOGI	\$2,500,000	\$2,838	\$142,756	\$162
JOHN H WOOD JR PUBLIC CHARTER DIST	\$0	\$0	\$125,613	\$226
ARISTOI CLASSICAL ACADEMY	\$2,830,000	\$8,844	\$43,584	\$136