



## Comparing Idaho Charter Schools with Their Home Districts

By John T. Wenders

*When considering total taxpayer support from state and local property taxes, charters operate at a cost of about 60% to 70% of the traditional district schools.*

In the debate over Idaho's charter schools, much has been made of the fact that charter schools are treated differently by the state funding formulas. The upshot of this differential treatment is that the charters receive more state funding per student (in ADA) than their home school districts. The other side of the story is that charters receive no funding from local property tax levies.

### Two Sources of Funding

The differential in State funding stems from two sources. First, state funding per ADA favors smaller school districts, and since charters are generally much smaller than the districts within which they operate, they end up receiving more state aid per student than the districts within which they operate.

Second, the state funding formula, when dividing up discretionary state funding among school districts, deducts (by imputation) a rate equalized local property tax effort by each district. Districts with relatively large property tax bases (per student) end up having more local property taxes deducted than poorer ones, so the former end up with less state aid (per student) than the latter.

This, of course, is no accident. The state funding formula introduced in 1994 purposely made total school funding more equal across districts by relating state aid inversely to local property tax bases. And the charter school law of 1998 was purposely integrated the charters into the state funding formulas.

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Since charter schools have no property tax base, and thus receive no local property taxes, they have no imputed local property taxes deducted from their discretionary state funding, and thus they receive a relatively larger share of state funding per student than the districts within which they operate.

Much has been made of this funding differential by charter school opponents, which has left much of the public and the media with the mistaken impression that charter schools receive more in total taxpayer support. As we shall see, even though the charter schools receive more state funding than the districts within which they operate, since they receive no local property tax monies, they end up getting less tax payer money. Generally speaking, non-virtual charter schools operate at 60-70% of the cost of the traditional public schools.

### Charter School State Funding Relative to Their Home Districts

Table One shows the amount of charter state funding relative to the funding of the districts within which they operate. Column 1 lists the charter schools operating in 2002-03, column 2 shows their Average Daily Attendance (ADA), and column 3 shows the average revenue per student received by each charter from the state.

These data were obtained from Carolyn Maurer at the Idaho Department of Education. The fourth column shows the calculated home district revenues per ADA. This calculation was made by dividing each district's total state revenues received by that district's ADA.<sup>1</sup>

Column 5 shows that generally the charter schools received more in state aid than their home districts. The exception is the virtual charter schools, which I discuss in more detail below.

Table One:  
Charter School State Revenues Compared to  
Home District Revenues

CHARTER SCHOOL (HOME DISTRICT)	Charter ADA	Charter Ave. StateAid Per ADA	Calculated Home District State Aid Per ADA	Charter As % of Home State Aid \$/ADA
ANSER (BOISE)	133.8	\$5,223	\$3,457	151.06%
HIDDEN SPRINGS (BOISE)	305.9	\$4,012	\$3,457	116.05%
MERIDIAN (MERIDIAN)	164.4	\$6,776	\$3,880	174.65%
POCATELLO (POCATELLO)	170	\$4,899	\$4,339	112.91%
ID. LEADERSHIP (SNAKE RIVER)	129.7	\$6,155	\$5,001	123.06%
BLACKFOOT (BLACKFOOT)	54.0	\$5,110	\$4,631	110.36%
SANDPOINT (LAKE PDO)	83.5	\$6,474	\$3,444	187.97%
ID. VIRTUAL (BUTTE)	846.6	\$3,199	\$4,096	70.09%
LIBERTY (NAMPA)	322.8	\$5,438	\$4,056	134.60%
ID. VIRTUAL HS (MT. HOME)	112.9	\$3,525	\$4,413	79.87%
COEUR D'ALENE (CDA)	280.9	\$5,585	\$3,468	161.05%
MOSCOW (MOSCOW)	100.7	\$4,343	\$4,100	105.94%
RENAISSANCE (MOSCOW)	88.6	\$6,328	\$4,100	154.35%

Table Two summarizes these data by showing various averages. The table shows averages relative to *schools* (the first four numeric columns) and averages relative to *students* ADA (the last two columns). For example, the table shows that the average charter *school* received \$5,159 per ADA, but the average charter school *student* received \$4,623 because the number of students was concentrated in lower cost, virtual, schools. The averages across students are clearly the more relevant for making financial comparisons.

Table Two:  
Summary of Charter School Funding  
Relative to Home District 2002-03

	Charters' State Revenues per ADA	Home District State Revenues per ADA	Charters as % of Home District Average	Charters as % of Home District Ave. (Weighted ADA)	Charters Ave. Revenues per ADA	Average Charter Student Revenue/ADA as % of Home State Aid per ADA
All Charters	\$5,159	\$4,034	127.89%	129.96%	\$4,623	116.28%
Non-Virtual Charters	\$5,485	\$3,994	137.35%	139.22%	\$5,348	137.36%
Virtual Charters	\$3,362	\$4,255	79.02%	78.98%	\$3,237	78.31%

Thus, in 2002-03, the average student in all charter schools received state funding of about 116% of the home district in which that student's charter operated. The average student in a non-virtual charter received funding of about 137% of the home dis-

trict's average, and the average student in a virtual charter school received state funding of about 78% of the home district's state funding.

The differential in funding between the virtual and non-virtual charters in 2002-03 results from the Salary Based Apportionment (SBA) part of the state funding formula. As its name suggests, the SBA allocates state aid to local school districts on the basis of district salary and benefits expenditures, albeit in a very complicated way.

Since the virtual charter schools deliver education by providing computer and internet curriculum support for home schooled students, they have far fewer employees per student than the regular public schools. (In the jargon of economists, the virtual schools substitute capital for labor in delivering education.)

As it existed in 2002-03, the SBA thus produced much lower state funding per student for the virtual charter schools. This inequity was remedied by the Legislature in 2004, so beginning in 2003-04 the virtual school's total funding per student will be brought toward the non-virtual charter schools' funding. As a result, one would expect that in years subsequent to 2002-03, all charter school state funding will move toward an average of about 137% of their home districts'.

### Other Comparisons

Table Three presents several other funding comparisons between charters and their home districts. The column (1) shows Home District State Aid plus Local Taxes per ADA. Local Tax revenues were computed for each school district by multiplying the property tax rate times the property tax base as shown in *Tax Levies for School Purposes, 2002-2003*, from the State Department of Education's web site.<sup>2</sup>

This was then added to the appropriate state aid for that district from Table One, column (4) to arrive at the entry shown in Table Three Column (1). The next column in Table Three shows the charter school's state revenues from Table One as a percentage of the entry in the first column. The summary at the bottom shows that the average charter school's revenues--across students, not schools--were approximately 78.2% of the state aid plus local taxes received by the home school district. For the non-virtual and virtual charter schools the percentages were 85.9% and 60.9% respectively.

Table Three:  
Summary of Charter School Funding  
Relative to Home District 2002-03

CHARTER (HOME DISTRICT)	(1) Home District State Aid + Local Taxes per ADA	Charters Ave. Revenue As %	(2) Home District Current Spend. \$/ADA	Charters Ave. Revenue As %	(3) Home District Total Spend. \$/ADA	Charters Ave. Revenue As %
ANSER (BOISE)	\$7,581	68.88%	\$7,965	65.56%	\$9,029	57.83%
HID. SPRINGS (BOISE)	\$7,580	52.92%	\$7,965	50.36%	\$9,029	44.43%
MERIDIAN (MERIDIAN)	\$5,632	120.30%	\$5,691	119.06%	\$7,271	93.19%
POCATELLO (POCATELLO)	\$5,676	86.31%	\$6,743	72.66%	\$6,911	70.89%
ID. LEADER. (SNAKE RIVER)	\$5,763	106.79%	\$6,096	100.96%	\$6,391	96.30%
BLACKFOOT (BLACKFOOT)	\$5,559	91.93%	\$6,748	75.73%	\$7,325	69.76%
SANDPOINT (LAKE PD'O)	\$5,808	111.47%	\$6,842	94.63%	\$6,880	94.10%
ID. VIRTUAL (BUTTE)	\$5,326	60.05%	\$6,756	47.34%	\$6,965	45.92%
LIBERTY (NAMPA)	\$4,686	116.04%	\$6,013	90.43%	\$8,360	65.04%
ID. VIRTUAL HS (MT. HOME)	\$5,223	67.49%	\$6,418	54.92%	\$6,980	50.50%
COEUR D'ALENE (CDA)	\$5,964	93.64%	\$6,225	89.71%	\$6,533	85.48%
MOSCOW (MOSCOW)	\$7,772	55.88%	\$8,141	53.35%	\$8,735	49.72%
RENAISSANCE (MOSCOW)	\$7,772	81.42%	\$8,141	77.73%	\$8,735	72.44%
Ave. All/ADA	\$5,911		\$6,796		\$7,521	
All Charter %		78.20%		68.03%		61.47%
Ave Non- Virt/ADA	\$6,224		\$6,837		\$7,810	
Non-Virt. %		85.93%		78.22%		68.47%
Ave. Virt./ADA	\$5,314		\$6,716		\$6,967	
Virtual %		60.92%		48.20%		46.46%

Column (2) shows each charters' home district's current spending per ADA, and the charters' state aid revenues as a percentage of column (2) are shown in the next column. The summary figures at the bottom of column (2) show that all charters' state revenues were about 68.03% of their home district's current spending. For the non-virtual and virtual charters, the comparable percentages were 78.22% and 48.20% respectively.

Column (3) shows each charters' home district's total spending per ADA, and the charters' state aid revenues as a percentage of column (3) are shown in the next column. The summary figures at the bottom of column (3) show that all charters' state revenues were about 61.47% of their home district's current spending. For the non-virtual and virtual charters, the comparable percentages were 68.47% and 46.46% respectively.

One reviewer of this analysis has suggested that it is improper to include the Meridian Charter school in this analysis since it is operated by the home school district, is not independent, and was apparently formed largely so the district could become eligible for federal and foundation money limited to charters. Thus, if one were making comparisons between independent charter schools and their home school districts, a case can be made for excluding the Meridian Charter School.

However, excluding this school does not significantly change either the analysis or conclusions. For example, in the last column of Table Two, excluding Meridian lowers the percentage of all charter schools' state aid to their home districts state aid from 116.28% to 112.72%. For the non-virtual charter schools--Meridian is one of these--the same percentage is lowered from 137.36% to 133.71%. Similarly, in the last column of Table Three, excluding Meridian lowers all charters' average state aid as a percent of their home district's total spending from 61.47% to 59.55%. For the non virtual charter schools this percentage is lowered from 68.47% to 66.22%.

Finally, a document has recently emerged from the Idaho State Department of Education that explores the differential funding of charter schools as compared to their home districts for the most recent school year, 2003-2004. The analysis calculates support units for the charter schools, and compares them to the support units that would be generated had these same students been in their home district. (Support units are generated from student ADA in a manner prescribed by the relevant statute and are the most important driver in the state funding formulas to determine a school's state aid.)

The support unit differential between the charters and their home district is  $289.89 - 216.71 = 73.18$ . Thus, the charter schools support units are 133.77% ( $289.89/216.71$ ) of the support units their enrollment would generate in their home districts. Since support units drive state aid, it is not surprising that this result is very close to the ratio of average non-virtual charter state aid to their home districts' state aid reported in the last column of Table Two above--137.36%. It is also virtually identical to the same percentage if Meridian were excluded from the non-virtual charter schools--133.71%. This close correspondence lends credence to any conclusions drawn from data analyzed above for the year 2002-2003.

The same document quantifies the difference in funding between the charters and their home districts by multiplying the support unit differential by \$85k, which yields a total funding differential of \$6,220,300. Whether \$85k is the value of a support unit for 2003-04 is problematical, as the average value of a support unit for the charters in 2002-03 was \$73.6k, and the incremental value of a support unit was \$78.7k. But it is possible that it is in the ballpark.

It is unclear what conclusion is to be drawn from the calculation of the \$6.22 million differential, other than to possibly evoke envy for the favorable funding embodied in the charter school law. In any event, it is useful to place the \$6.22 million differential in context. In 2002-03, the home districts for the charter schools received \$416,217,155.82 in total state support, a figure which is undoubtedly higher this year. Thus, the charter school funding differential is less than 1.49% the total state funding received by their home districts, a trivial fraction.

## Conclusion

Which is the most relevant comparison between charter schools and their home districts? The charter schools pay for their facilities--either lease or mortgage payments--out of their state aid. Since the issue is the efficiency of the charter schools relative to the public schools, the relevant comparison is between the charter schools' funding and the total funding of the public schools--the last column of Table Three--which includes the public schools' spending for facilities via bonds and interest.

On this score, the charter schools operate at a cost of about 60-70% of the public schools. It is possible that in the future the charters will receive federal funding in addition to their state funding. However,

since federal funding makes up only about 8% of present Idaho public school funding, it is difficult to imagine future federal funding adding significantly to the charters' funding. Adding 8 percent federal funding to the charters' might push their average funding toward the high end of the 60-70% range, but it still leaves charters well below public school funding. No matter how you cut it, they are a bargain for taxpayers.

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### References

1. See: [http://www.sde.state.id.us/finance/docs/02-03financialsum/02-Table One 03 FinancialSummariesTotalsandDistrictComparisons.pdf](http://www.sde.state.id.us/finance/docs/02-03financialsum/02-Table%20One%2003%20FinancialSummariesTotalsandDistrictComparisons.pdf)
2. See: <http://www.sde.state.id.us/finance/docs/taxlevies/2003-2004TaxLeviesBooklet.pdf>