

## Traditional and Charter School Funding in Arkansas

*Charter schools, once considered an anomaly, are becoming increasingly common in the U.S. There are concerns among some education stakeholders that charter schools pull funding away from traditional public schools, since a large portion of education funds follow the student to the charter school. Conversely, some argue that there are funding inequities that favor public schools. These individuals claim that since charter schools are public schools, the funds allocated to them should be the equivalent of that received by the traditional public schools. This brief examines funding of traditional and charter schools in Arkansas.*

### Funding Dynamics in Arkansas

There are two types of charters that operate in Arkansas: conversion charter schools and open-enrollment charter schools. Conversion charter schools have some flexibility in the manner in which they operate, but are governed by the leadership of the school district in which they are located and only pull students from within the boundary lines of that particular district. Therefore, the flow of funds to conversion charter schools is consistent with that of traditional school districts. Open-enrollment charter schools are governed independently of local school districts and do not enroll students from any one particular district. When students leave the traditional school district, their respective state and federal funds follow them. Some in the traditional public school district are concerned with this loss. However, local funds, including those raised

### this brief

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### Summary Points

- Traditional public school districts and public charter schools in Arkansas are funded based on Foundation Formula.
- All public (traditional or charter) schools have access to the foundation amount (\$6,023 in 2010-11) for each student enrolled and to any appropriate categorical funds.
- Traditional public schools can also generate funds through local millage above the minimum 25 mill level; open-enrollment charter schools do not have access to local millage.
- Across the state, charter schools have less total funding per pupil (approximately 30% to 40%) and less net current funding per pupil (20% to 30%) than traditional public schools.
- Charter schools with more funding are generally those serving economically disadvantaged students.

through property taxes, do not follow the student. This is the primary reason for the discrepancy between traditional and charter school funding. Additionally, districts receive restricted categorical state funds, as described below, which are provided in excess of foundation funding.

To fully understand the flow of funds to charters and public schools, one first must understand revenue generation for public schools in Arkansas. There are three primary funding sources for public education in Arkansas: federal dollars, state funds, and local funds. The federal funds make up a relatively insignificant amount of funds, the vast majority of which are restricted. The distribution of federal funds is equitable between charters and traditional districts.

State and local funds are more complex as they are interwoven. Arkansas, like many other states, uses a foundation formula for education funding. This foundation amount, which was \$6,023 in 2010-11, represents the minimum allowable expenditure per student and is comprised of a local portion and the state equalization amount. Local funds are generated from 25 mills of the local property assessment each year known as the uniform rate of taxation (URT).

Then, state funds are used to make up the difference between the per pupil local funds and the per pupil foundation amount so that each school district in Arkansas has access to at least the **\$6,023** foundation for each student. In addition to foundation amount, districts receive “categorical” funds for students of certain populations including economically disadvantaged students and English Language Learners.

Districts are authorized to generate additional local funds by holding millage elections, wherein constituents may vote to raise the rate of taxation higher than 25 mills. Revenue generated above the 25 mills may be used by the district for items such as facilities or other purposes. Open enrollment charter schools draw students from across district lines and do not have access to these funds and as such; consequently, charter school leaders must find other sources of funds for capital expenses.

### Charter and TPS Spending Statewide

One challenge to comparing school spending is that there are a variety of measures commonly used, ranging from the most broad (all expenditures) to only those funds directly spent on teacher salaries. In this brief, we focus on two common measures: Total Expenditures per Pupil (TOT) and Net Current Expenditures per Pupil (NCE), a measure of annual operating expenses that does not include capital expenses and debt services).

As can be seen in Table 1, in 2010-11, open enrollment public charter schools across the state had an

average total spending level of \$8,842 per pupil; traditional public school districts across the state spent an average of \$11,918 per pupil, approximately \$3,000 more (or 25% more) than the total spending in public charter schools in 2010-11. As noted above, much of the difference in total spending is due to the ability of traditional public school districts to use local taxation (above the minimum 25 mills) for capital spending. Accordingly, the difference in net current expenditures between traditional schools and charter schools is much less. While traditional public schools had \$9,315 in net current spending in 2010-11, public charter schools had net current spending of \$7,618 per pupil. This amounted to a difference of just under \$1,700, or 22%. As can be observed in Table 1, these patterns are not simply a one year phenomenon, but instead have been consistent over the past four years.

While these statewide differences are interesting, they do not necessarily tell the whole story because public charter schools are not distributed evenly across the state. Rather, because charter schools are located in only a few regions of the state, we present regional school spending comparisons in the section that follows.

Table 1. Traditional and Charter School Spending Statewide: 2007-11

	Traditional Districts	Charter Schools	Difference
<b>2007-08</b>			
Number of Districts	245	10	
Total ADA Students	433,333	2,445	
Total Exp. Per Pupil (TOT)	\$10,747	\$7,385	<b>\$3,362</b>
Net Current Exp. Per Pupil (NCE)	\$8,256	\$6,556	<b>\$1,700</b>
<b>2008-09</b>			
Number of Districts	245	17	
Total ADA Students	432,219	4,143	
Total Exp. Per Pupil (TOT)	\$10,819	\$8,862	<b>\$1,957</b>
Net Current Exp. Per Pupil (NCE)	\$8,308	\$6,801	<b>\$1,507</b>
<b>2009-10</b>			
Number of Districts	246	18	
Total ADA Students	432,529	5,119	
Total Exp. Per Pupil (TOT)	\$11,691	\$9,042	<b>\$2,649</b>
Net Current Exp. Per Pupil (NCE)	\$9,112	\$7,510	<b>\$1,603</b>
<b>2010-11</b>			
Number of Districts	239	17	
Total ADA Students	433,949	5,997	
Total Exp. Per Pupil (TOT)	\$11,918	\$8,842	<b>\$3,075</b>
Net Current Exp. Per Pupil (NCE)	\$9,315	\$7,618	<b>\$1,697</b>
<b>4-Year Average</b>			
Number of Districts	244	16	
Total ADA Students	433,007	4,426	
Total Exp. Per Pupil (TOT)	\$11,294	\$8,533	<b>\$2,761</b>
Net Current Exp. Per Pupil (NCE)	\$8,748	\$7,121	<b>\$1,627</b>

The following schools only had two years of data available: Little Rock Preparatory Academy (2009-10, 2010-11), Jacksonville Lighthouse Charter (2009-10, 2010-11), Hope Academy (2008-09, 2009-10), and School of Excellence Charter (2008-09, 2009-10).

The following schools only had three years of data available: Osceola Community, Arts, and Business Charter (2008-09, 2009-10, 2010-11); Covenant Keepers Charter School (2008-09, 2009-10, 2010-11); eSTEM Elementary (2008-09, 2009-10, 2010-11); eSTEM Middle (2008-09, 2009-10, 2010-11); eSTEM High (2008-09, 2009-10, 2010-11), and LISA Academy North (2008-09, 2009-10, 2010-11).

## Regional Comparisons of Charter and Traditional School Spending

The majority of open enrollment charter schools in Arkansas are located in the Little Rock area. Table 2 shows the two school spending indicators and enrollment for the region's charter schools and the three traditional districts in the metro area (Little Rock SD, North Little Rock SD, and Pulaski County Special SD). The eleven charter schools are located in the Little Rock metro area and pull students from these three districts, thus making the comparison appropriate.

The differences in spending (both total spending and net current spending) between traditional schools and charter schools are greater in Little Rock than statewide. Over the past four years, total spending in Little Rock traditional schools averaged just under \$14,000 per pupil while total spending in the region's charter schools was just under \$9,000 per pupil. This represents a difference of roughly 35%. Similarly, the traditional school / charter school difference in net current spending per pupil is over \$3,600 (33%).

Indeed, Dreamland Academy and Little Rock Preparatory Academy are the only two charter schools with per-pupil expenditures comparable with the Little Rock three-district average.

Table 2. Comparison of TPS Districts and Charters in Little Rock

	2010-11			4-Year Avg. (2007-2011)		
	TOT	NCE	ADA	TOT	NCE	ADA
<b>LR 3-Dist. Average**</b>	<b>\$15,671</b>	<b>\$12,058</b>	<b>15,649</b>	<b>\$13,966</b>	<b>\$10,899</b>	<b>15,831</b>
<b>LR Charter Average</b>	<b>\$8,549</b>	<b>\$7,475</b>	<b>346</b>	<b>\$8,751</b>	<b>\$7,264</b>	<b>304</b>
Academics Plus	\$7,133	\$6,316	582	\$6,674	\$6,103	471
LISA Academy	\$8,195	\$7,481	458	\$7,300	\$6,739	415
Dreamland Academy	\$11,378	\$11,175	257	\$9,869	\$9,399	260
Covenant Keepers	\$9,062	\$8,877	173	\$9,527	\$8,999	155
eSTEM Elementary	\$9,161	\$7,593	355	\$8,749	\$7,576	354
eSTEM Middle	\$8,022	\$7,379	485	\$8,001	\$7,192	420
eSTEM High	\$9,032	\$7,661	328	\$9,420	\$8,067	195
LISA Academy North	\$7,701	\$6,248	404	\$8,919	\$6,205	350
LR Prep. Academy	\$10,119	\$9,307	76	\$13,222	\$11,882	61
Jacksonville Lighthouse	\$9,049	\$6,742	385	\$11,533	\$6,338	360
UCPC*	\$8,820	\$7,681	302	\$8,820	\$7,681	302

\*Data for UCPC (the Urban Collegiate Public Charter School) were only available for the 2010-11 academic year.

\*\*The Little Rock Metro 3-District Average includes Little Rock, North Little Rock, and Pulaski County School Districts.

Table 3 below illustrates a similar trend in the Northwest Arkansas region. None of the three charters in Northwest Arkansas has spending levels near those of the fifteen traditional districts in Northwest Arkansas. In the most recent year, the total spending per pupil in the traditional schools is approximately \$4,000 greater (36%) than the corresponding figure for the two charter schools in the region. Again, the difference is smaller in the case of net current spending per pupil, where traditional schools outspend the charter schools by more than \$2,600 (more than 31%). Only the 4-year spending average for the Northwest Arkansas Academy of Fine Arts even approaches that of the traditional schools in Northwest Arkansas. These patterns are consistent with those observed in the Little Rock area and across the state.

Table 3. Comparison of TPS Districts and Charters in NW Arkansas

	2010-11			4-Year Avg. (2007-2011)		
	TOT	NCE	ADA	TOT	NCE	ADA
<b>Northwest Arkansas 15 District Average**</b>	<b>\$11,094</b>	<b>\$8,661</b>	<b>4,574</b>	<b>\$10,686</b>	<b>\$8,315</b>	<b>4,413</b>
HAAS Hall Academy	\$6,696	\$5,648	281	\$6,472	\$5,658	165
Benton County School of the Arts	\$7,105	\$5,967	688	\$6,802	\$5,519	552
Northwest Arkansas Academy of Fine Arts*	--	--	--	\$8,454	\$7,542	174

\*In the case of Northwest Arkansas Academy of Fine Arts, the most recent year of data available are from the 2008-09 academic year because the school merged with Benton County School of the Arts at the close of this academic year. Data were only available for the Northwest Arkansas Academy of Fine Arts from the 2007-08 through the 2008-09 academic years.

\*\*The 15 districts included in the Northwest Arkansas average are: Bentonville, Decatur, Elkins, Farmington, Fayetteville, Gentry, Gravette, Greenland, Lincoln, Pea Ridge, Prairie Grove, Rogers, Siloam Springs, Springdale, and West Fork School Districts (all the districts in Washington and Benton Counties).

The remaining open enrollment charter schools in operation in 2010-11 are spread throughout Arkansas outside of the Little Rock region and the Northwest Arkansas region. Thus, in Table 4, the spending figures for these public charter schools are presented next to the corresponding figures for the neighboring traditional public school districts. In the first two charter schools listed below, we find spending patterns similar to those observed in Little Rock, Northwest Arkansas, and statewide. Spending for the Arkansas Virtual Academy is compared with statewide spending since the virtual school is free to draw students from across the state while the Osceola Charter School is compared to the Osceola School District. In these two cases, total spending and net current spending per pupil for the charter schools is well below that of their traditional counterparts in 2010-11. The Virtual Academy's total spending is 41% less than the statewide figure while the net current spending level is 25% less than the statewide figure; Osceola Community, Arts and Business Charter had total spending that was 21% lower and net current spending that was 12% lower than the neighboring traditional schools.

Table 4. Comparison of Individual TPS Districts and Charters Throughout Arkansas

	2010-11			4-Year Avg. (2007-2011)		
	TOT	NCE	ADA	TOT	NCE	ADA
Traditional District State Average	\$11,918	\$9,315	433,949	\$11,294	\$8,748	433,007
<b>Arkansas Virtual Academy (ARVA)</b>	\$6,977	\$6,946	484	\$6,810	\$6,704	480
<b>Difference</b>	<b>\$4,942</b>	<b>\$2,369</b>		<b>\$4,485</b>	<b>\$2,044</b>	
Osceola Traditional District	\$14,234	\$12,218	1,299	\$13,011	\$10,520	1,400
<b>Osceola Communication, Arts and Business Charter Schools**</b>	\$11,237	\$10,807	74	\$9,586	\$8,826	70
<b>Difference</b>	<b>\$2,998</b>	<b>\$1,411</b>		<b>\$3,425</b>	<b>\$1,694</b>	
Sloan-Hendrix Traditional District	\$9,837	\$8,326	611	\$10,345	\$8,247	524
<b>Imboden Charter School</b>	\$9,641	\$8,580	60	\$8,607	\$7,930	56
<b>Difference</b>	<b>\$196</b>	<b>-\$255</b>		<b>\$1,738</b>	<b>\$316</b>	
Helena/W. Helena & Blytheville Traditional District Average†	\$12,296	\$11,500	2,417	\$12,128	\$10,689	2,575
<b>KIPP: Delta Charter Schools</b>	\$15,050	\$11,346	608	\$15,155	\$10,115	425
<b>Difference</b>	<b>-\$2,754</b>	<b>\$154</b>		<b>-\$3,027</b>	<b>\$574</b>	

\*Data were only available for the School of Excellence Charter from the 2008-09 through the 2009-10 academic years.

\*\*Data were only available for Osceola Charter for the most recent three years (from the 2008-09 through the 2010-11 academic years).

†Data for the Helena/W. Helena and Blytheville Districts were weighted by ADA. These districts were chosen because they are the TPS districts that correspond to the two KIPP campuses, located in Helena/W. Helena and Blytheville. Data for KIPP Charter Schools were reported in aggregate, making individual campus comparisons impossible.

Only the Imboden Charter School and the KIPP Charter Schools did not follow the predominant trend. In 2010-11, the Imboden Charter School was funded at a slightly lower level of total expenditures but at a slightly higher level of net current expenditures. In the three years prior to 2010-11, Imboden was funded much more similarly to the other charter schools across the state. The KIPP Delta Charter Schools have net current spending levels only marginally less than those of the neighboring school districts over the last four years, but actually had total spending that was nearly 25% greater than the spending at traditional schools over the same time period. This difference is mostly a function of capital spending at KIPP schools during this time, in which KIPP Helena underwent capital expansion and KIPP Blytheville spent start-up funds.

## Conclusion

In Arkansas, as expected based on the details of the school funding formula, most charter schools across the state have lower levels of total spending than their traditional public school district counterparts; these differences range between 30% and 40% and are due largely to the ability of traditional districts to raise funds for capital expenses through local taxation. Some of this additional funding is allocated to net current spending also, as traditional schools have net current spending levels that are 20% to 30% greater than those of charter schools. While these are the differences on average, there are some charter schools with funding levels close to or even higher than those of traditional schools.

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