

The Charter School Funding Formula Is Broken—and Wreaking Havoc With Municipal Finances

One doesn't have to choose sides in the long debate over charter schools in order to raise legitimate questions about the approach being taken in Massachusetts. I count myself among those who have adopted a nuanced view—one that is philosophically supportive of a range of ambitious K-12 education reforms, including charters, but that also recognizes where charter school policy itself is in need of reform.



Having worked for several years now to support local reforms in traditional public schools while also supporting local charter school successes, I can see that one aspect of state charter school policy—the local funding mechanism—appears to be in dire need of an overhaul. Others share my view, and a consensus seems to be building in school districts across Massachusetts.

In New Bedford and comparable communities, there is increasing recognition that the Commonwealth's method for funding charter schools is fundamentally broken, divorced from the intent of the lawmakers who designed it and having unintended, deleterious effects on certain municipalities and school districts across the state.

The experience of New Bedford illustrates the point. Each year, the Commonwealth automatically sends 9

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percent of New Bedford's Chapter 70 school aid to the city's three local charter schools. (This is the net loss, after accounting for any state reimbursements.) Meanwhile, the city and its School Committee conduct a rigorous and very public budget process to arrive at an allocation for the school district that broadly reflects community sentiment. Hard decisions are made to distribute scarce resources fairly between education and other key municipal services.

Always front and center is the question of affordability: How much can we dedicate to our schools before we begin to compromise other essential services or burden homeowners and businesses who might choose to relocate (and whose relocation erodes the tax base and further jeopardizes the delivery of essential services)?

Despite these fiscal constraints and attendant political risks, the City of New Bedford has committed itself to wholesale reform of its public schools and found the resources necessary to back up those

reforms. Leaders from across our community stepped up and displayed admirable courage in an effort to put our school district back on an upward trajectory.

And yet charter schools get a free pass from this local democratic, deliberative process, as funds that would otherwise be available for municipal purposes are simply redirected each year without any real public process at all.

To add insult to injury, when a community does decide to extend itself and chooses to exceed its local school spending requirement under state law, any charter school accepting children from that community's school district also reaps the financial benefit—again without any say by anyone in the community.

Statewide Impact

To be sure, New Bedford, with about 1,175 students in its charter schools, is hardly the poster child for charter school-driven budgetary impacts. Even after accounting for state reimbursements, Amherst loses about a quarter of its

THE CHARTER SCHOOL FUNDING FORMULA IS BROKEN

Chapter 70 aid to charters (26 percent), as do Northampton and Randolph. Marlborough and Plymouth each lose 27 percent. Barnstable loses 28 percent, Salem and Pelham each lose 29, and Melrose loses 30. Medford and Saugus each lose more than a third—38 percent. Somerville loses 40 percent, and Newburyport loses a bit more than *half* of its Chapter 70 aid to charters (53 percent). Hadley loses 58 percent, and Boston loses a whopping 69 percent. Across the state, 72 municipal and regional school districts lose at least 10 percent of their Chapter 70 aid to charters, even after accounting for state charter school reimbursement payments, according to data from the Department of Elementary and Secondary Education.

Statewide, communities are transferring on average 12.6 percent of all Chapter 70 funding directly to charter schools, according to DESE, even though only 4 percent of public school students attend them. These losses are putting enormous pressure on school budgets and forcing an increased reliance on the local property tax to fund public education—exactly the opposite of the intent of education reform.

For their part, state policy-makers have long recognized the problematic, real-world implications of the simple diversion

of local school aid to charter schools.

If, for example, a district loses 20 percent of its state aid, it quite obviously can't eliminate an equivalent proportion of its building space, lay off that proportion of its teachers, reduce gymnasiums by the same amount, plow a smaller percentage of the parking lots, or shrink school libraries or lower heating bills by the same proportion.

Moreover, students going to charter schools are usually spread across classrooms and schools, so even if the total number of students were equal to the size of one full classroom or school, it's highly unlikely that the district could simply close either of them. The district needs to remain open and ready to accept any kid who walks through the door.

The problem here is that the relief that state policymakers devised to soften the blow of funding losses isn't working. By law, the state is supposed to compensate by reimbursing districts for 100 percent of the charter school losses in the first year, followed by 25 percent in each of the following five years.

Yet, this relatively new "100/25/25/25/25/25" formula has never been fully funded. In fiscal 2013 and 2014, the state met 97 and 98 percent of its obligation, respectively, but this was

followed by 69 percent in fiscal 2015, 62 percent in 2016, 59 percent in 2017, and just 52 percent this year.

Things aren't looking any better for next year, either. The governor's budget proposed level-funding charter school reimbursements—despite the growth in assessments—which would leave the account about 47 percent funded. The Legislature may do a little better in its final budget, but that remains to be seen.

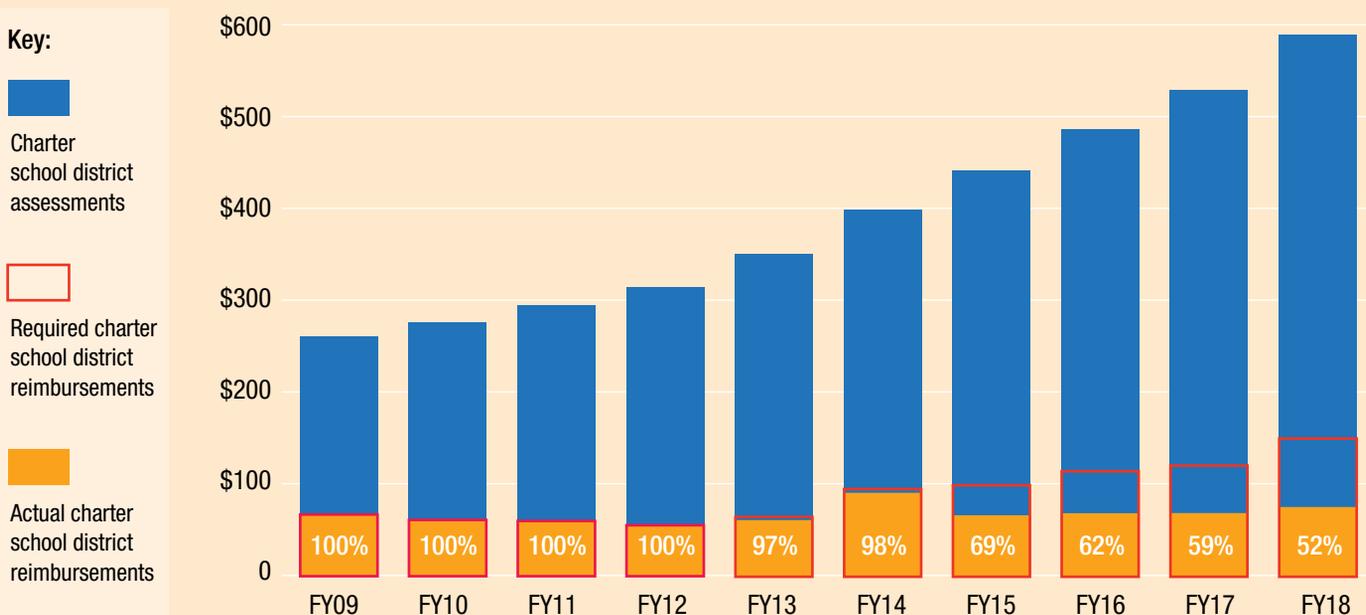
Due to the funding shortfall, DESE is now prioritizing reimbursements to districts during the first year of a tuition increase. This effectively shifts the formula so that sending districts receive a certain percentage in the first year—though less than 100 percent—and nothing at all in the subsequent five years.

A Growing Problem

In the past few years, while Chapter 70 aid has been growing at 2 to 3 percent per year, charter school assessments have been growing by 12 percent per year. According to DESE, assessments are slated to grow by one-third over the course of fiscal 2017 through 2019.

In fiscal 2018, charter school tuition deductions grew by \$60.3 million statewide, while total Chapter 70 education aid grew by just \$119 million.

CHARTER SCHOOL DISTRICT ASSESSMENTS AND REIMBURSEMENTS (millions)



Source: Massachusetts Department of Elementary and Secondary Education

This means that charter schools, which educate about 4 percent of the state's public students, *absorbed 51 percent* of the total increase in K-12 education aid.

Over the ten-year period from fiscal 2009 through fiscal 2018, deductions from Chapter 70 to fund Commonwealth charter schools statewide grew by nearly \$337 million, or an astounding 130 percent, to \$596.5 million. Over that same period, however, charter school reimbursements went from \$71.3 million to \$80.5 million, a difference of just 13 percent. The \$80.5 million figure for fiscal 2018 is a little more than half the requirement set by state law, and reimburses districts for a mere 13.5 percent of the nearly \$600 million in Chapter 70 funding that was diverted to charter schools.

In New Bedford, the city will pay an estimated charter school assessment of \$14.58 million for fiscal 2018, with an estimated state reimbursement of \$2.3 million, meaning that net support from the city will be \$12.27 million. Over the last seven years, New Bedford's net support for its charters has increased by \$8.08 million, or nearly 300 percent.

The amount of local Chapter 70 school aid that is withheld to be paid to charter schools as tuition, even after partial reimbursement, dramatically reduces resources for our traditional public schools and erodes the delivery of education services to the 13,000 New Bedford students who do not attend charter schools.

New Bedford has a lot of company. School aid deductions are affecting a large number of communities, including many of the state's poorest and most financially distressed cities and towns. Underfunding the charter school reimbursement formula harms our most vulnerable children and our most challenged school districts and communities.

A fiscal resolution adopted by MMA membership at the association's Annual Meeting in January put it succinctly: "[R]apid growth in state-imposed assessments on local governments to fund charter schools has resulted in significant budget shortfalls in communities across the state, particularly where there is a large concentration of charters, and this has forced cities and towns to scale back



Mayor Jon Mitchell greets students at the William H. Taylor Elementary School in New Bedford. (Courtesy Photo)

spending and programs that serve the vast majority of students who remain in the local K-12 school system, and has also forced cutbacks in municipal services.”

Additional Inequities

The case for a broken charter school funding formula doesn't end there. For starters, charter schools tend to educate fewer in-district special education students, but the formula assumes that charters educate an equal share of special education students as district schools, so charters often end up receiving a disproportionate share of district special education funding.

According to the Massachusetts Budget and Policy Center, 14.3 percent of charter school students received special education services in fiscal 2016, while 17.4 percent of students in sending districts received special education services.

Another challenge some districts face is providing transportation to charter schools that operate on schedules that vary significantly from the schedule of district schools, creating both a logistical and a financial burden.

What's clear is that the entire charter school funding system needs to be fixed. One possible solution is to follow the lead of other states that provide direct funding to charter schools, instead of the current pass-through system that spends local tax dollars without appropriation.

Our children deserve a new policy solution that makes charter schools viable without having traditional public schools pay the price, as they do under the current broken policy. The sooner we fix the problem, the better off all our children will be—regardless of where they happen to attend school. ❁