

Conversion Charter Schools — Do They Impact Financial Analysis

By Larry Maloney

Conversion charter schools constitute a minority of charter schools across the country, but they remain controversial. Many of these schools do not have independent authority from the school districts responsible for authorizing them, leaving some to question whether they should be called charter schools at all. Additionally, conversion charters are perceived to potentially skew the findings in reports such as this study as they are believed to get a higher level of district funding and/or services, which would inflate the revenues of all charters in this type of research. But, is it true that they receive more funding than charter schools that operate independently of the school district system? And by removing these schools, would this research indicate even lower per pupil revenues for independent charter schools?

Finding answers to this question should be easy, but like all questions related to charter school finance, the devil is in the details. The first problem to resolve is what constitutes a conversion charter school. Typically, a conversion charter school would be one that literally converted from an existing traditional public school, does not have its own board of directors, does not manage its own funds and does not have local education agency (LEA) status for federal funding purposes.

At this point in the development of the charter school movement, however, the parameters that define a conversion charter school vary from state to state, with small nuances that make it difficult to cleanly separate charter schools into camps of conversion versus independent. Some conversion charter schools that entered the charter school world within those parameters have since become independent. Bruce Guadalupe in Milwaukee serves as an example, where the school now operates as part of the University of Wisconsin – Milwaukee charter school system, where the school has complete autonomy over its budget, operates its own board and has LEA status. Other charter schools have been called conversions even though they are startups, such as the conversion charter schools created by the Ohio educational service centers.

The National Alliance for Public Charter Schools collects data on the conversion status of charter schools; their database served as the foundation for this chapter. With that information, charter school associations in each state were contacted and asked to verify the conversion status based on the following criteria:

- The school existed previously as a traditional public school;
- The school does not have an independent board of directors;
- The school does not manage its own funds; and,
- The school does not have LEA status for federal funding purposes.

Of the 30 states and the District of Columbia included in the revenue study, the National Alliance database contains data on 478 conversion charter schools in 20 states and the District of Columbia. Upon consultation with state charter school associations, 17 of the 478 conversion charter schools were reclassified for this research as they did not meet the criteria of a conversion charter school.

After determining the universe of charters schools that fit the criteria of a conversion charter, the data collected for the revenue study were analyzed to determine if separate financial records existed for those schools in the data collected for the revenue study. This process resulted in all the conversion charters in Arkansas, Georgia and Texas being dropped from the analysis as those schools do not report financial data independent of their school districts. A similar problem occurred with California, where identifiable financial data separate from school district data could be located for only 29 of the state’s 134 conversion charter schools (Figure 1). After reviewing all the data for the revenue study, financial files could be found for 169 conversion charter schools.¹

After identifying all the conversion charter schools with financial data in the revenue study, those schools were recoded as district schools to determine what, if any, impact their inclusion with district schools would have on the district and charter financial analysis. Additionally, enrollments at the conversion charter schools were reclassified as district schools. Figure 2 shows the total enrollment in each state classified as conversion enrollment, as well as the total number of charter school pupils in each state prior to the conversion charters being reclassified. In five of the 17 states with conversion charter schools, the percentage of conversion students fell below five percent of total charter school enrollment in the state, while seven states recorded conversion charter enrollment between five and 10 percent of the total charter enrollment. Five states recorded conversion charter populations greater than 10 percent of total charter school enrollment – Hawaii, Louisiana, Maryland, South Carolina and Wisconsin.

Figure 1

State	Total Conversion Charter Schools in State	Total Conversion Charter Schools with Financial Data
California	134	29
Colorado	5	4
Florida	18	17
Hawaii	5	5
Illinois	8	6
Indiana	1	1
Louisiana	23	13
Massachusetts	7	7
Maryland	11	11
Minnesota	1	1
New York	10	6
Ohio	51	51
Oregon	13	4
Pennsylvania	1	1
South Carolina	2	2
Tennessee	1	1
Wisconsin*	28	10

Figure 2

State	Number of Conversion Charter Schools With Financial Data in Revenue Study	Number of Conversion Charter Pupils	Number of Total Charter Pupils	Percentage of Conversion Charter Pupils
California	29	17,059	319,136	5.3%
Colorado	4	258	72,146	0.4%
Florida	17	13,321	210,928	6.3%
Hawaii	5	1,612	8,202	19.7%
Illinois	6	985	41,433	2.4%
Indiana	1	325	22,372	1.5%
Louisiana	13	7,580	36,117	21.0%
Massachusetts	7	2,809	28,214	10.0%
Maryland	11	4,052	15,078	26.9%
Minnesota	1	153	37,245	0.4%
New York	6	2,923	53,592	5.5%
Ohio	51	5,807	97,927	5.9%
Oregon	4	837	15,847	5.3%
Pennsylvania	1	740	89,889	0.8%
South Carolina	2	2,070	16,085	12.9%
Tennessee	1	395	6,657	5.9%
Wisconsin*	10	3,583	15,677	22.9%

As seen in Figures 3 and 4, conversion charter schools hold a minor market share in the 17 states with conversion charter schools. Of all public school students, conversion charter schools accounted for less than one percent of all public school students in those 17 states. Among the total charter school market, however, conversion charter schools enroll six percent of all charter school students in those same states.

Figure 3

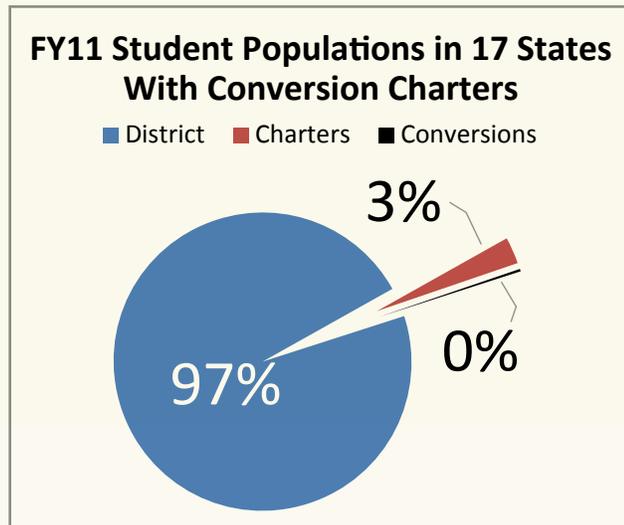


Figure 4

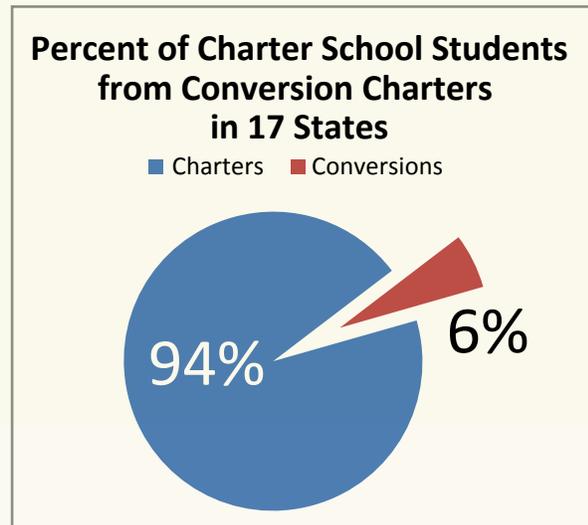


Figure 5

State	Conversion Charter Revenue	Total Charter Revenue	Conversion Charter % Total Charter Revenue
California	\$141,066,095	\$2,656,411,568	5.3%
Colorado	\$5,734,611	\$633,845,847	0.9%
Florida	\$102,454,760	\$1,697,430,495	6.0%
Hawaii	\$22,257,151	\$86,627,164	25.7%
Illinois	\$11,779,490	\$472,663,548	2.5%
Indiana	\$2,410,354	\$193,984,362	1.2%
Louisiana	\$72,022,706	\$402,133,520	17.9%
Massachusetts	\$28,238,930	\$398,948,608	7.1%
Maryland	\$45,349,366	\$177,233,610	25.6%
Minnesota	\$1,235,427	\$425,670,064	0.3%
New York	\$47,757,610	\$853,172,486	5.6%
Ohio	\$46,864,505	\$840,227,962	5.6%
Oregon	\$8,638,752	\$97,094,078	8.9%
Pennsylvania	\$8,035,928	\$1,123,168,594	0.7%
South Carolina	\$20,233,801	\$146,075,823	13.9%
Tennessee	\$5,962,299	\$70,798,141	8.4%
Wisconsin*	\$35,297,267	\$165,886,425	21.3%

After adjusting the financial data, comparisons were made between total revenue provided to conversion charter schools and to all charter schools within in state (Figure 5). Three of the 17 states reported total conversion revenues of less than one percent of total charter school revenues, while two states reported total conversion revenues of less than five percent. Seven states reported total conversion charter revenue between five and ten percent, and five states reported total conversion revenues above 10 percent – Hawaii, Louisiana, Maryland, South Carolina and Wisconsin.

Figure 6

State	Conversion Per Pupil Revenue	Total Charter Per Pupil Revenue
California	\$8,269	\$8,324
Colorado	\$22,227	\$8,786
Florida	\$7,691	\$8,047
Hawaii	\$13,807	\$10,562
Illinois	\$11,959	\$11,408
Indiana	\$7,416	\$8,671
Louisiana	\$9,502	\$11,134
Massachusetts	\$10,053	\$14,140
Maryland	\$11,192	\$11,754
Minnesota	\$8,075	\$11,429
New York	\$16,339	\$15,920
Ohio	\$8,070	\$8,580

State	Conversion Per Pupil Revenue	Total Charter Per Pupil Revenue
Oregon	\$10,321	\$6,127
Pennsylvania	\$10,859	\$12,495
South Carolina	\$9,775	\$9,081
Tennessee	\$15,094	\$10,635
Wisconsin*	\$9,851	\$10,582

Total revenues were divided by total enrollment to determine whether conversion charter schools received more or less funding than charter schools as a whole. Figure 6 compares per pupil revenue for the conversion charters to the charter school population as a whole in each state. Of the 17 states analyzed, conversion charter schools in seven states received higher per pupil revenues than the charter schools as a whole. Of the five states that recorded the highest per pupil counts and the highest revenues of all conversions, however, only two of those states, Hawaii and South Carolina, also reported a higher per pupil revenue number for conversion charter schools.

Figure 7

State	District Per Pupil Revenue Pre-Conversion Addition	District Per Pupil Revenue Post-Conversion Addition	% Change	Charter Per Pupil Revenue Pre-Conversion Subtraction	Charter Per Pupil Revenue Post-Conversion Subtraction	% Change
California	\$11,172	\$11,163	-0.07%	\$8,324	\$8,327	0.04%
Colorado	\$11,016	\$11,020	0.04%	\$8,786	\$8,737	-0.56%
Florida	\$10,154	\$10,141	-0.13%	\$8,047	\$8,071	0.30%
Hawaii	\$14,161	\$14,157	-0.03%	\$10,562	\$9,768	-8.13%
Illinois	\$12,881	\$12,880	-0.01%	\$11,408	\$11,394	-0.12%
Indiana	\$11,055	\$11,054	-0.01%	\$8,671	\$8,689	0.21%
Louisiana	\$12,220	\$12,188	-0.26%	\$11,134	\$11,568	3.75%
Massachusetts	\$17,020	\$16,998	-0.13%	\$14,140	\$14,592	3.10%
Maryland	\$16,265	\$16,239	-0.16%	\$11,754	\$11,961	1.73%
Minnesota	\$12,476	\$12,476	0.00%	\$11,429	\$11,433	0.03%
New York	\$21,152	\$21,147	-0.02%	\$15,920	\$15,896	-0.15%
Ohio	\$10,998	\$10,988	-0.09%	\$8,580	\$8,612	0.37%
Oregon	\$10,806	\$10,805	-0.01%	\$6,127	\$5,893	-3.97%
Pennsylvania	\$15,045	\$15,043	-0.01%	\$12,495	\$12,509	0.11%
South Carolina	\$11,055	\$11,051	-0.04%	\$9,082	\$8,979	-1.15%
Tennessee	\$9,223	\$9,225	0.02%	\$10,635	\$10,354	-2.72%
Wisconsin*	\$19,313	\$18,809	-2.68%	\$10,582	\$10,798	2.00%

Finally, the isolated conversion charter revenues and enrollments were removed from the charter school revenues and population and were added to the district calculations with the purpose of understanding the impact on financial analysis of the conversion charter schools. Figure 7 shows the per pupil revenue for districts prior to including the conversion charter schools, as well as the per pupil totals after including conversion charter schools in the district revenues and enrollments. For districts, conversion charter schools have negligible impact on financial analysis: in only one state, Wisconsin, did the inclusion of conversion charter schools have a noticeable impact

on district data, lowering the per pupil revenue of district students \$504 per pupil, or 2.7 percent. In 13 of the 17 states studied, adding conversion charters lowered the per pupil revenue amounts between \$1 and \$32. The addition of conversions resulted in zero change to district data in Minnesota. In only two states did the inclusion of conversion charter schools increase the per pupil revenue numbers for districts by no more than \$4, Colorado and Tennessee.

Figure 7 also includes the impact on charter financial analysis once conversion charter schools are included in district data. Removing conversion charter schools lowered the charter school per pupil by \$14 to \$49 per pupil in Colorado, Illinois and New York. Charters in four states recorded reductions in per pupil revenue, ranging from 1.2 percent in South Carolina (\$103) to 8.1 percent in Hawaii (\$794). The remaining states studied recorded an increase in the charter per pupil revenue amount once conversion charters were removed: gains were under one percent six of those states. Only four states recorded gains in per pupil revenues greater than one percent after removing conversion charter schools: Louisiana’s per pupil revenue rose 3.8 percent (\$434); Massachusetts rose 3.1 percent (\$452); Maryland per pupil revenue increased 1.7 percent (\$207); and, Wisconsin’s per pupil revenue increased 2.0 percent, or \$216 per pupil.

The impact on the study of moving conversion charter schools to the district schools can be found in Figure 8, which shows the unweighted disparity prior to reclassifying conversion charter schools as district schools. In nine of the 17 states with conversion charters, the disparity narrowed: in six of those states, the disparity narrowed less than two percent. The most significant decline occurred in Louisiana, where adjustments for the conversion charter population resulted in a decline in the disparity from \$1,086 to \$620 per pupil, or 42.9 percent. Massachusetts and Tennessee also recorded double-digit declines, 16.5 and 20.1 percent, respectively, once conversion charter schools were counted as district schools.

The disparity in funding actually worsened in only six states once conversion charter schools were reclassified as district schools: in five of those states, the disparity increased by five percent or less. Only in Hawaii did the reclassification of conversion charters result in a double digit increase in the disparity. In that state, counting conversion charter schools as district schools increased the disparity by \$790 per pupil, increasing from \$3,599 to \$4,389 per pupil, or a 22.0 percent increase.

Figure 8

State	Unweighted Disparity Pre-Conversion Analysis	Unweighted Disparity Post Conversion Analysis	Difference in Pre and Post Conversion Unweighted Disparity	% Difference in Pre and Post Conversion Unweighted Disparity
California	\$2,848	\$ 2,837	-\$11	-0.4%
Colorado	\$2,230	\$ 2,283	\$53	2.4%
Florida	\$2,107	\$ 2,070	-\$37	-1.8%
Hawaii	\$3,599	\$ 4,389	\$790	22.0%
Illinois	\$1,473	\$ 1,486	\$13	0.9%
Indiana	\$2,384	\$ 2,365	-\$20	-0.8%
Louisiana	\$1,086	\$ 620	-\$466	-42.9%
Massachusetts	\$2,880	\$ 2,406	-\$474	-16.5%
Maryland	\$4,511	\$ 4,278	-\$233	-5.2%
Minnesota	\$1,047	\$ 1,043	-\$4	-0.4%
New York	\$5,232	\$ 5,251	\$19	0.4%
Ohio	\$2,418	\$ 2,376	-\$42	-1.8%

State	Unweighted Disparity Pre-Conversion Analysis	Unweighted Disparity Post Conversion Analysis	Difference in Pre and Post Conversion Unweighted Disparity	% Difference in Pre and Post Conversion Unweighted Disparity
Oregon	\$4,679	\$ 4,912	\$233	5.0%
Pennsylvania	\$2,550	\$ 2,534	-\$16	-0.6%
South Carolina	\$1,973	\$ 2,072	\$99	5.0%
Tennessee	(\$1,412)	\$(1,129)	\$283	-20.1%
Wisconsin*	\$8,731	\$ 8,011	-\$720	-8.3%

Endnotes

- 1 Wisconsin has 28 conversion charter schools, but no independent financial data exists on any charter school in Wisconsin except for Milwaukee. Therefore, the Milwaukee analysis in this chapter is used as a proxy for Wisconsin.