

FY2011
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Grade based on % of Weighted Funding Disparity

Arkansas

By Meagan Batdorff

Introduction

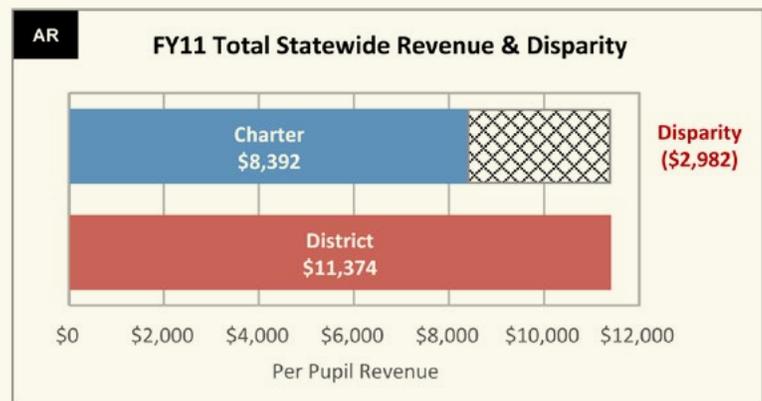
This chapter compares district and charter school revenues statewide and for Little Rock for fiscal year 2011 (FY11)¹. This is the first year Arkansas has been included in this series of studies and therefore no longitudinal data and analyses are included in this chapter.

Funding disparities between districts and charter schools for the same geographic area are explored. The weighted values in the analysis match comparative per pupil funding assuming districts had the same urban vs. suburban proportion of enrollment as charter schools (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. The monograph also includes a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

Highlights of the FY11 Analysis

- Statewide, Arkansas' 17 open enrollment charter schools² received 26.2 percent less funding than district schools: \$11,374 vs. \$8,392 per pupil (Figures 1 & 3).
- Arkansas charter schools received \$8,392 per pupil, but district schools would have received an estimated \$12,521 to educate the same students – a difference of \$4,130 or 33.0 percent. Weighting the district PPR for charter enrollment therefore increases the funding disparity by \$1,148 from the statewide difference above (Figure 3).
- Arkansas statute limits charter school revenues to state and federal tax sources only; charter schools do not have access to local tax revenues, which includes any local revenues raised beyond the required mills for foundation funding. The majority of the difference between charter and district school funding (26.2%) is likely a result of charters' lack of access to these local revenues.
- Little Rock's seven charter schools received 43.4 percent less funding than district schools: \$8,151 vs. \$14,411 per pupil, a difference of \$6,260 per pupil (Figure 3).
- Charter schools in Arkansas educate 1.4 percent of total public school enrollment but receive only 1.0 percent of total revenues (Figures 2 & 3).
- Magnitude of Disparity: In Arkansas, if districts statewide received the same level of per pupil funding as charter schools in FY11, they would have received over *one billion dollars less* in total revenues (\$1,376,329,821).

Figure 1



Probable Causes of the Disparities

Disparities by Design³

(1) Local Revenue Access

- Arkansas statute does not give open enrollment charter schools access to Local tax revenues. School districts can raise local mills beyond the 25 mills required contribution to “foundation” funding for capital and M & O purposes, none of which charter schools have access to.

(2) Lack of Equalization

- The charter school funding law does provide “foundation funding” on an equal basis to district and charter schools and categorical funding is distributed to charter schools based on based on prior year enrollment counts, in the same manner it is for district schools. However, the charter funding law limits the sources of revenue to pay for charter school foundation, enhancement, and categorical revenues to State sources only. Statute does not establish any equalizing measures for charter schools' lack of access to Local funding. Although Figure 3 above shows charters statewide receiving

Figure 2

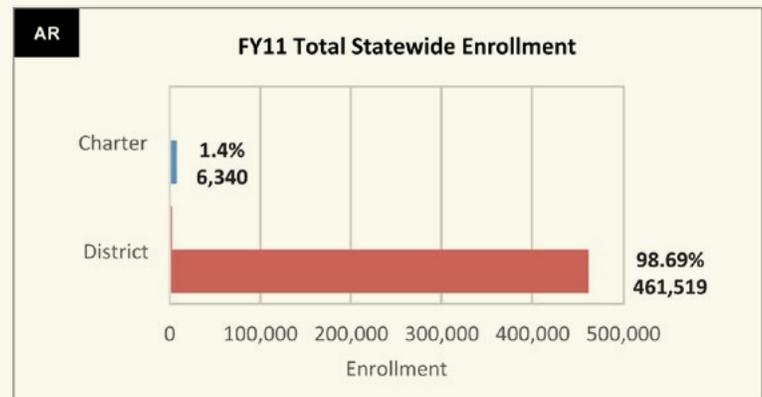


Figure 3

AR Summary Data Table						
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Little Rock School District	
Per Pupil Revenue						
District	\$11,374		\$12,521		\$14,411	
Charter	\$8,392		\$8,392		\$8,151	
Difference	(\$2,982)		(\$4,130)		(\$6,260)	
% of District	(26.2%)		(33.0%)		(43.4%)	
Per Pupil Revenue by Source						
	District	Charter	District	Charter	District	Charter
Federal	\$1,766	\$1,211	\$1,983	\$1,211	\$2,339	\$1,295
State	\$5,141	\$6,239	\$5,323	\$6,239	\$5,622	\$6,139
Local	\$3,140	\$0	\$4,131	\$0	\$5,763	\$0
Other	\$1,319	\$941	\$1,080	\$941	\$686	\$718
Public-Indeter.	\$7	\$0	\$5	\$0	\$1	\$0
Indeterminate	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$11,374	\$8,392	\$12,521	\$8,392	\$14,411	\$8,151
Enrollment						
District	461,519		Focus Area district schools educate 5.2% of students in Focus Areas		24,226	
	98.6%				90.3%	
Charters	6,340		Focus Area charter schools educate 41.0% of students in Focus Areas		2,602	
	1.4%				9.7%	
Total Enrollment	467,859		N/A		26,828	
Charter Schools	17		N/A		7	
Revenue						
District	\$5,249,197,193		N/A		\$349,130,781	
	99.0%		N/A		94.3%	
Charter	\$53,202,532		N/A		\$21,208,724	
	1.0%		N/A		5.7%	
Total Revenue	\$5,302,399,725		N/A		\$370,339,504	
Percentage of Revenue by Source						
	District	Charter	District	Charter	District	Charter
Federal	15.5%	14.4%	15.8%	14.4%	16.2%	15.9%
State	45.2%	74.4%	42.5%	74.4%	39.0%	75.3%
Local	27.6%	0.0%	33.0%	0.0%	40.0%	0.0%
Other	11.6%	11.2%	8.6%	11.2%	4.8%	8.8%
Public-Indeter.	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Magnitude of Disparity = Total Funding Difference x District Enrollment (see above)						
	(\$1,376,329,821)				(\$151,666,316)	

*Only open enrollment charter schools are included in this analysis. The Arkansas Department of Education had financial data for 17 of 19 schools operating during FY11. Arkansas also has conversion charter schools but no financial data is available for those schools separate from their authorizing school districts.

\$1,098 more per pupil in State revenues, when Local and State revenues are combined, districts statewide generated \$2,042 more per pupil than charter schools (\$8,281 vs. \$6,239). Little Rock charter schools received only \$517 more per pupil in State funds than Little Rock district schools, leaving a disparity of \$5,763 per pupil in Local revenue favoring Little Rock district schools.

(3) No Facilities Funding

- Statute does not provide charter schools any capital funding – from Local or State sources.

Access, Distribution & Participation

(1) Federal Revenue Access or Distribution

- According to statute, charter schools have equal access to Federal revenues. Charter school Federal revenues were far less than traditional district Federal revenues on a statewide basis (\$1,211 vs. \$1,766) and for the focus district (\$1,295 vs. \$2,339). Some of the differences are very likely due to the overall lower percentages of at-risk students served by charter schools and lower rates of participation and application for federal program revenues (see Figure 11). However, as commonly seen in other states, it could also be a problem of access and distribution.

Analysis of Revenues by Funding Source

*Note ~ Arkansas has been added to this series of studies for the FY 2011 analysis. Therefore, no longitudinal data are available and Figures 6-9 will not appear in this chapter.

Total Funding

Figure 3 above shows Little Rock School District topping-out the funding levels at \$14,411 per pupil, \$6,260 more per pupil than Little Rock charter schools received for a total disparity of 43.4 percent (Figure 10). The general trend amongst the states in this study is for charter schools in focus districts to generate more revenue per pupil than charter schools statewide. However, that is not the case for Arkansas where charters statewide received \$241 more per pupil than Little Rock charters. The total statewide disparity is nearly half of what it is in Little Rock (26.2%), with charter schools receiving \$2,982 per pupil less than district schools (Figure 10).

Figure 10

AR Disparity as Percent of District -- Over Time			
Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	N/A	N/A	-26.2%
Little Rock School District	N/A	N/A	-43.4%

Total Funding Less Other

Our study includes total funding whether the funds originate from public or private sources. Other is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Public funding includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate. In Figures 4 and 5 above, Other revenues – or Non-Public dollars – are broken out to determine if funding from public sources is distributed equitably to districts and to charter schools.

Although public revenues comprised near equal percentages of total revenues for both districts and charters statewide (88.4 percent and 88.8 percent respectively), Arkansas charter schools received 25.9 percent less in

public tax revenue sources than school districts, or \$2,604 less per pupil. In addition, charter schools statewide received \$555 less in Federal revenues per pupil, which contributes to the total disparity.

For the seven charter schools located in Little Rock, the disparity in public tax revenues jumps to 45.8% percent (Figure 3), favoring Little Rock district schools. As stated above, the majority of the disparity in public revenue funding comes from Local and State sources combined, which for Little Rock School District was \$11,385 per pupil, whereas Little Rock charter schools received \$6,139 per pupil, or 53.9 percent less. But the total disparity is also fueled by a difference in Federal dollars favoring Little Rock district schools in the amount of \$1,044 per student. Even with a disparity in Federal revenues over a thousand dollars per student, Federal revenues comprise a near equal percentage of total revenues for Little Rock district schools and charters: 16.2% vs. 15.9% respectively (Figure 3).

Other Funding

Other revenues encompass all forms of revenue not originating from public revenue sources, such as returns on investments, charges for facility rentals, food service charges and philanthropy. Historically, Other revenues have played a significant role in shoring-up funding gaps for charter schools. And, although we do not have longitudinal data to track Other revenues for Arkansas, the prominence of Other dollars is not significant for charter schools in Arkansas for FY11, a change in trend we've seen across many states for FY11.

Statewide, charter schools were only able to generate 71.3 percent of the Other dollars that district schools received (\$941 vs. \$1,319). However, that figure is \$223 more than what Little Rock charter schools generated and in the same vein, Arkansas districts statewide brought in \$633 more per pupil than Little Rock School District (11.6% of total revenues vs. 4.8%). Arkansas, therefore, deviates from the national trend where we generally see the focus districts and focus district charter schools generating more Other revenues than the state as a whole.

Where the Money Comes From⁴

At the state level, public K – 12 education is funded through the General Fund. The majority of General Fund revenues come from the state's 6 percent sales/use tax and the individual income tax. Other General Fund taxes include: alcohol and tobacco, corporate income tax, gaming, and severance taxes. Local revenues that support education primarily come from local property taxes through millages.

How Arkansas Funds its Districts

Due to a 2002 Arkansas Supreme Court ruling that found the state's public education funding system unconstitutional, the Arkansas public school funding system was redesigned to set an "adequate" foundation funding level across the state and a process by which property-poor districts would receive additional State funds if the district required 25-mills contribution to foundation funding is not met, in addition to categorical funds to support the education of students that cost more to educate. The court gave the state until 2004 to implement a new, equitable system of funding. A series of appeals and stays and Court appointed "special masters" ensued and it wasn't until the legislative session ended in 2007 that the special masters reported that the legislature had complied with court rulings and had established a constitutionally acceptable finance system.⁵

Arkansas now funds public school districts using a formula to determine a "base" foundation amount that all students receive in a district. For FY11, the base foundation amount was \$6,023 per pupil. Arkansas requires that each district raise 25 mills, which contributes to the legislatively set base foundation funding level. For districts that cannot meet the required 25-mill contribution, the state makes up the difference. School districts then receive additional per-student categorical funding based on four categories: Alternative Learning Environment (ALE), Secondary Vocational, English Language Learners (ELL), and National School Lunch Act (NSLA).⁶

The 2002 Court ruling also required that the state provide funding for adequate school district facilities. A total of \$750,000 was spent on capital improvements between 2004 and 2010.⁷ The state also approved 220 capital projects in FY11 totaling \$189,432,683 through the Arkansas Division of Public School Academic Facilities and Transportation’s Partnership Program.⁸

In addition to the State and Local sources described above, traditional school districts can levy mills above and beyond the required 25 mills for foundation funding. These additional Local tax dollars support Maintenance and Operations (M&O) in addition to debt service payments and special capital projects. Another source for district capital projects is through the Arkansas Division of Public School Academic Facilities and Transportation, which funds district projects through special application and requests.⁹

How Arkansas Funds Its Charter Schools¹⁰

According to Title 6 of the Arkansas Charter Schools Act of 1999, open enrollment charter schools “shall receive funds equal to the amount that a public school would receive under § 6-20-2305(a) and (b) as well as any other funding that a public charter school is entitled to receive under law or under rules promulgated by the State Board of Education.” Open enrollment charter schools should receive State foundation funding equal to what district schools would receive for similar students. However, charter schools are not eligible for any Local revenues raised by school districts and therefore the state funds the entire foundation amount per pupil. The State Board of Education determines the amount of funding to be set aside from State foundation funding aid in the State School Fund. Funding is based on average daily membership counts with categorical funding provided based on prior year enrollment. the enrolled student population. Open enrollment charter schools are considered Local Education Agencies (LEAs) for funding purposes and are therefore eligible to apply for Federal funding as an independent district.

Funding for Facilities

For traditional public schools, capital projects are paid for through local millages raised by school districts and through the Arkansas Division of Public School Academics and Facilities. Arkansas does not provide facilities funding for charter schools. State Statute does provide open enrollment charter schools first right of refusal for available/vacant public school facilities at fair market value but charter schools must pay for facilities out of operational revenues.

Select Enrollment Characteristics ¹¹

Figure 11 below shows data for both charter and district school demographics. We include this data, if available, to look at possible differences in the types of students served to discern if high need student populations may be resulting in higher levels of funding for either charter or district schools.

Figure 11

AR		Select Enrollment Characteristics								
Student Group >>>	Year >>>	Percentage of Total Enrollment								
		Free & Reduced Lunch			Title I			Special Education		
		FY03	FY07	FY11	FY03	FY07	FY11	FY03	FY07	FY11
Statewide District		N/A	N/A	64.7%	N/A	N/A	74.9%	N/A	N/A	11.6%
Statewide Charter		N/A	N/A	48.0%	N/A	N/A	55.5%	N/A	N/A	5.4%

Across the board, Arkansas district schools serve a more at-risk population of students, which likely contributes to the higher amounts of Federal revenues received by school districts statewide (\$555 more per pupil than charters) and in the Focus District (\$1,044 more per pupil than charters). A closer look at State sources of categorical revenues also shows district schools statewide receiving \$138 more per student than charter schools statewide in total State categorical funding (\$434 vs. \$296 per pupil). These categorical revenues target students that are costlier to educate.

Funding Practices Summary

We have assigned ratings to each state based on the quality of the data available, as well as to the extent charter schools have access to specific streams of revenue (Figure 12).

Figure 12

AR Funding Practices Summary								
PURPOSE	GRADE			FUNDING				REF
	FY2003	FY2007	FY2011	Federal Source	State Source	Local Source	Facilities Source	
<i>This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.</i>	N/A	N/A	F					
	Grade based on % of Weighted Funding Disparity							
ACCESS TO FUNDING SOURCES								
Do charter schools have access to this funding source according to state statutes?	Yes	Yes	No	No				
In practice, do charter schools have at least as much access to this funding source as districts have?	Yes	Yes	No	No				
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	No	Yes	No	No				
DATA AVAILABILITY								
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?							Yes	
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?							Yes	
FUNDING FORMULA								

1~ The open enrollment charter schools included in this analysis have LEA status for funding purposes. However, the state's conversion charter schools do not.

Endnotes

- 1 FY2011 detailed revenue and enrollment data for both district and charter schools were provided by the Arkansas Department of Education, Accountability and Reporting. Revenue data for charter schools and school districts is collected and reported separately. Any non-tax source revenues that are classified as Local by ADE were moved to Other for consistency across all states in this analysis and any PreK or adult education revenues, along with corresponding enrollments, were deducted from revenue totals.
- 2 Only open enrollment charter schools are included in this study. Arkansas statutes also permits the authorization of conversion charter schools, but no data is available for these schools independent of their authorizing school districts.
- 3 "Arkansas Quality Charter Schools Act of 2013."
- 4 "Arkansas State Budget Facts," Department of Finance and Administration. FY2011: http://transparency.arkansas.gov/Documents/budget_facts-1.pdf.
- 5 "Arkansas." National Access Network, Teacher's College, Columbia University. Last Updated February 2008. http://www.schoolfunding.info/states/ar/lit_ar.php3.
- 6 "A Citizen's Guide to Arkansas Public School Financing." Arkansas Advocates for Children and Families. March 2012.
- 7 "Arkansas Equity Plan." Arkansas Department of Education. Updated May 20, 2010.
- 8 Commission for Arkansas Division of Public School Academic Facilities and Transportation. (April 20, 2011.) Meeting Minutes. Retrieved February 20, 2014: http://arkansasfacilities.arkansas.gov/public/userfiles/Commission_Meeting/Merged_Agenda_Minutes_20110420.pdf
- 9 "Traditional Public School and Charter School Funding." University of Arkansas, Office for Education Policy. Vol. 11, Issue 1, January 2014.
- 10 "Arkansas Quality Charter Schools Act of 2013." http://www.arkansased.org/public/userfiles/Learning_Services/Charter%20and%20Home%20School/Charter%20School-Division%20of%20Learning%20Services/Arkansas_Quality_Charter_Schools_Act_of_2013.pdf
- 11 Title I data from: National Center for Educational Statistics (NCES). Common Core of Data, Table Generator, FY11: <http://nces.ed.gov/ccd/elsi/>. Free or reduced price lunch and Special Education data provided by the Arkansas Department of Education.