

FY2011
F
Grade based on % of Weighted Funding Disparity

Maryland

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Introduction

This chapter compares district and charter school revenues statewide, and for Baltimore City and Prince George's County, for fiscal year 2011 (FY11).¹

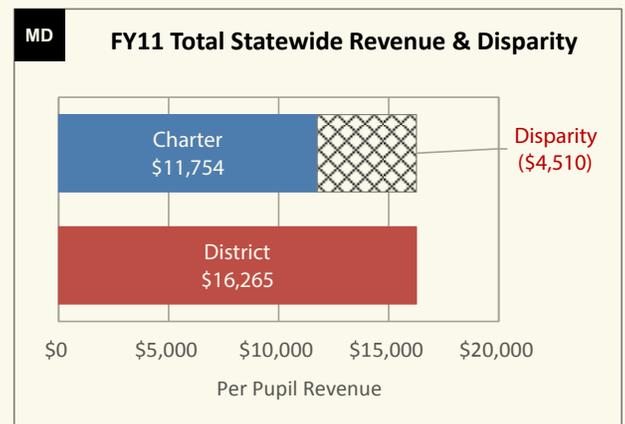
Maryland was added to the revenue study

states for this analysis of FY11 data, and has no comparative data for FY03 or FY07. Funding disparities between districts and charter schools for the same geographic area are explored. The per pupil funding values in the analysis are weighted to compare district and charter schools as though they served the same proportions of urban and suburban students (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

- The 41 charter schools analyzed in Maryland, in aggregate, received 27.7 percent less in revenues on a per pupil basis than district schools. Charter schools received \$11,754 vs. \$16,265 for district schools — a difference of \$4,510 (Figures 1 & 3).
- If districts were to educate the same *urban/metropolitan vs. suburban/rural proportion* of students as charter schools do, the district *weighted* per pupil would be \$19,101, or \$7,345 (38.5%) more than charter schools (\$19,101 less \$11,754; see Figure 3).
- The 32 charter schools in Baltimore City, in aggregate, received 41.6 percent less in revenues on a per pupil basis than Baltimore City district schools. Charter schools received \$11,710 vs. \$20,042 for district schools — a difference of \$8,331 (Figure 3).
- The 4 charter schools in Prince George’s County, in aggregate, received 24.5 percent less in revenues on a per pupil basis than district schools. Charter schools received \$11,754 vs. \$15,574 for district schools — a difference of \$3,819 (Figure 3).
- Charter schools in Maryland educate 1.8 percent of total public school enrollment but receive only 1.3 percent of total revenues (Figure 3).
- Magnitude of Disparity: If all Maryland districts received the same level of per pupil funding as charter schools, districts would have received \$3,643,107,183 less in total funding (Figure 3).

Figure 1



Key observations about Figure 3 are as follows:

- The Maryland State Department of Education does not collect detailed, consistent revenue data from charter schools. Independent audits of charter schools are required by law and are the responsibility of county school districts to collect, but were not provided for the analysis. Instead Federal Forms 990 and district budget documents were used as the revenue source for the analysis. The Forms 990 and budget documents lack sufficient detail to accurately classify revenues by source, so all charter school revenues are classified as Indeterminate (see Figure 3).
- Statewide district funding, Baltimore City funding, and Prince George’s funding varies significantly (\$16,265, \$20,042, and \$15,574, respectively); whereas, charter school funding remains constant (\$11,754, \$11,710, and \$11,754, respectively). This may be an indication that state funding processes more closely follow student needs for districts than for charter schools (see Figure 3).
- Focus area districts educate 23.0% of all district students in the state; whereas, focus area charter schools educate 87.7% of all charter students in the state. Proportionately, charter schools educate more *urban/metropolitan* area students than non-focus area *suburban/rural* students compared to districts (see Figure 3).

Figure 2

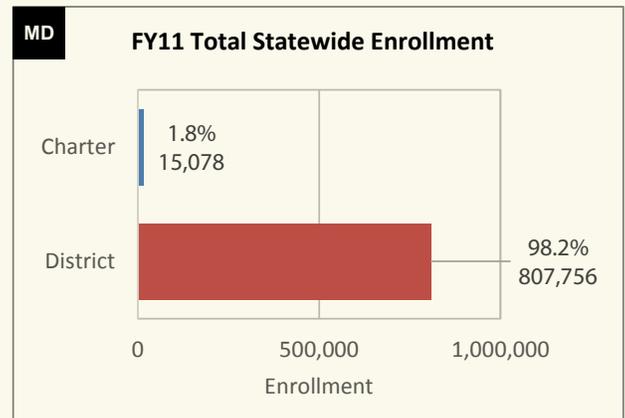


Figure 3

MD Summary Data Table								
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Baltimore City		Prince George's County	
Per Pupil Revenue								
District	\$16,265		\$19,101		\$20,042		\$15,574	
Charter	\$11,754		\$11,754		\$11,710		\$11,754	
Difference	(\$4,510)		(\$7,347)		(\$8,331)		(\$3,819)	
% of District	(27.7%)		(38.5%)		(41.6%)		(24.5%)	
Per Pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	\$1,407	\$0	\$3,285	\$0	\$3,812	\$0	\$1,934	\$0
State	\$6,796	\$0	\$11,830	\$0	\$13,289	\$0	\$7,714	\$0
Local	\$7,785	\$0	\$4,548	\$0	\$3,746	\$0	\$5,804	\$0
Other	\$496	\$0	\$1,048	\$0	\$1,240	\$0	\$268	\$0
Public-Indeter.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indeterminate	(\$219)	\$11,754	(\$1,610)	\$11,754	(\$2,044)	\$11,710	(\$147)	\$11,754
Total	\$16,265	\$11,754	\$19,101	\$11,754	\$20,042	\$11,710	\$15,574	\$11,754
Enrollment								
District	807,756 98.2%		Focus Area Districts Educate 23.0% of All District Students		67,195 85.1%		118,762 98.8%	
Charter	15,078 1.8%		Focus Area Charters Education 87.7% of All Charter Students		11,731 14.9%		1,485 1.2%	
Total Enrollment	822,834		N/A		78,926		120,247	
Charter Schools*	41		N/A N/A		32		4	
Revenue								
District	\$13,137,835,388 98.7%		N/A N/A		\$1,346,693,215 90.7%		\$1,849,585,007 99.1%	
Charter	\$177,233,610 1.3%		N/A N/A		\$137,373,057 9.3%		\$17,455,359 0.9%	
Total Revenue	\$13,315,068,998		N/A		\$1,484,066,272		\$1,867,040,366	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	8.7%	0.0%	17.2%	0.0%	19.0%	0.0%	12.4%	0.0%
State	41.8%	0.0%	61.9%	0.0%	66.3%	0.0%	49.5%	0.0%
Local	47.9%	0.0%	23.8%	0.0%	18.7%	0.0%	37.3%	0.0%
Other	3.1%	0.0%	5.5%	0.0%	6.2%	0.0%	1.7%	0.0%
Public-Indeter.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indeterminate	-1.3%	100.0%	-8.4%	100.0%	-10.2%	100.0%	-0.9%	100.0%
Magnitude of Disparity = Total funding Difference times District enrollment (see above)								
	(\$3,643,107,183)				(\$559,822,312)		(\$453,602,956)	

* Published charter school counts in FY11 include 34 charter schools in Baltimore City and 5 charter schools in Prince George's County; with a total in state of 44. The charter school counts above differ slightly because only charter schools with paired enrollment data to revenue data were analyzed – 32 for Baltimore City, 4 for Prince George's County, and 41 statewide. Sometimes new charter schools and closing charter schools don't have either enrollment data or revenue data.

Probable Causes of Disparities

Probable causes of Maryland's district-to-charter funding disparities include:

- District vs. Charter Equalization Inequity – Maryland's Bridges to Excellence in Public Schools Act in 2002 placed greater funding emphasis on ensuring adequacy, equalization, and having funding follow greater student needs for economically disadvantaged, limited English proficient, and special education students. The significant variation in total district funding statewide vs. Baltimore City vs. Prince George's County (\$16,265, \$20,042, and \$15,574, respectively) may reflect equalization factors and student *need-based* funding attributes. However, the lack of variation in total charter funding Statewide vs. Baltimore City vs. Prince George's County (\$11,754, \$11,710, and \$11,754, respectively) appears to demonstrate that increased funding for *equalization* and for *student need* is not reaching charter schools, unless all jurisdictions in Maryland have similar demographics.
- Non-LEA Charter Schools – Maryland charter schools are not LEAs and receive their revenues through their authorizing district. Nationally, non-LEA charter schools tend to receive less revenue than LEA charter schools. Federal revenues tend to be lower for non-LEA charter schools than for LEA charter schools because, as a general rule; a non-LEA charter school is limited to only those federal grant opportunities in which their authorizing district participates. Federal funding disparities may also occur: a) when small charter schools choose not to pursue certain federal revenues due to associated administrative burdens, b) because the rules for qualifying for Title I funds favor larger entities like districts, and/or, c) if funds from the Federal American Recovery and Reinvestment Act (ARRA) and State Fiscal Stabilization Fund (SFSF) grants provided to the state did not get distributed equitably.
- Good Equity Intent, Loose Accountability and One-Sided Negotiations – The *good district-to-charter equity intent* is the fact that Maryland law requires county school boards to disburse to charters an amount of county, state, and federal money that is commensurate with the amount disbursed to other public schools in the local jurisdiction. The *loose accountability* stems from the fact that the Maryland State Department of Education does not collect detailed, consistent revenue data from charter schools; thus thwarting any potential to analyze charter school revenue data regarding equity. When those facts are combined with the fact that charter schools must negotiate revenue flow-through processes, administrative support service fees, and use of facilities with the entity that decides whether or not they will come into existence and stay in existence, by their authorizing district (a *one-sided negotiation* at best), then the outcome of a \$4,510 per student funding disparity favoring districts appears consistent with funding process and accountability design.
- Facilities Funding – Charter school access to capital funding opportunities is much more restrictive than district access. This is a likely source of a portion of the funding disparities.

Figure 4

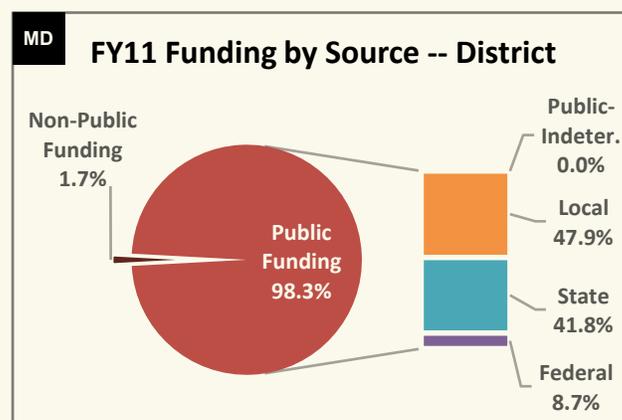


Figure 5, which shows funding by source for charter schools is intentionally not included in this chapter because data sources for charter schools could not be determined from available data sources.

Where the Money Comes From

Maryland's general fund revenues come from income taxes – in brackets from 2.0 to 6.25 percent of personal income. The City of Baltimore and Maryland's 23 counties levy local "piggyback" income taxes at rates between 1.25 percent and 3.2 percent of taxable income. Maryland's sales tax is 6 percent. Cities and counties can set their own local property tax rates. State and County income taxes and County property taxes are the primary revenue sources for public schools.

How Maryland Funds its Districts

Maryland's school district boundaries are co-terminus with the state's 23 counties, and Baltimore City. School districts are revenue dependent without taxing authority. County governments (and City Government for Baltimore City) have local property taxing authority, and approve school district budgets and control revenue flows to school districts. State general fund revenues flow to county governments (for purposes of this report, reference to "county" is inclusive of Baltimore City). Local county property taxes flow to county governments. School district funding flows from the county's general fund.

County Executives and County Councils approve funding levels for public schools from the County general fund. The last major update in state funding processes was in 2002. Maryland adopted the Bridges to Excellence in Public Schools Act in 2002. This law initiated major changes in the state financing of public schools. This law enabled:

- increases in state aid to education to ensure adequacy;
- enhanced equalization of funding between school systems; and,
- additional support for economically disadvantaged students, students with limited English proficiency, and special education students.

The new law required a \$1.3 billion increase in state aid over six years. The new legislation was student performance-based. The law's measure of success was not based on how funds were distributed, but rather how well students reach goals of academic success.

Maryland's funding process includes a foundation amount called Basic State School Aid (\$4,865 in FY11; up to \$5,196 in FY14), and a Maintenance of Effort (MOE) law. According to MOE, in order to receive any increase in basic state aid, each county must appropriate an amount equal to or greater than its prior year per pupil appropriation. The MOE law states that if there is no enrollment growth, local funding can remain the same as that of the previous year in terms of total dollars. If there is enrollment growth, local funding is to remain the same on a per pupil basis. The MOE does not take into account varying student needs.

How Maryland Funds its Charter Schools

Maryland charter schools are not local education agencies (LEA); their authorizing district is the LEA.² All charter school funding flows through the charter's authorizing district. Maryland law requires county school boards to disburse to charters an amount of county, state, and federal money that is commensurate with the amount disbursed to other public schools in the local jurisdiction. However, there is no visible means in the state to enforce this requirement. The Maryland State Department of Education does not collect revenue data or independent audits from charter schools. The County Departments of Education do not collect revenue data from charter schools; but, indicate that they do collect independent audits. Each charter school pays a 2% administrative fee to the LEA, and must negotiate other fees for operating services with its authorizing district. Without the Maryland State Department of Education being able to analyze detailed, consistent, charter revenue data against the terms of negotiated charter agreements and state statute, there are no visible means for enforcement of equitable funding for charters.

Funding for Public School Facilities

Maryland, through its Department of Planning, has provided more than \$6.2 billion in funding to assist local education agencies (LEA) with the construction of public school facilities during the last three decades. In its role on the Interagency Committee on School Construction (IAC), the Maryland Department of Planning advances policies that encourage local jurisdictions to construct and rehabilitate neighborhood schools. The General Assembly's Public School Facilities Act of 2004 established a minimum goal of \$250 million per year in state funding for school construction for FY06 through FY13. That goal was met or exceeded from FY06 through FY09.³ In the 2013 Legislative Session, Baltimore City obtained over \$1 billion in block school construction funding. Charter schools in their own buildings are not eligible to receive any of this funding.

The IAC is the state body that takes school construction requests from counties, assures equity in construction standards, prioritizes requests, approves school construction requests, and provides state funding for projects.

None of the above facilities funding processes are available directly to charter schools. However, Maryland law provides that charter schools are eligible for tax-exempt debt from the Maryland Industrial Development Financing Authority – but not backed by the “full faith and credit” of the State of Maryland.

If a county school board determines that a school site or building is no longer needed for school purposes, the county school board must notify public charter schools of site availability, dependent on terms determined by the county school board. Charter schools do not have right of first refusal to lease or purchase these sites or buildings at or below fair market value.

Funding Patterns

The state of Maryland was added to the revenue study for this FY11 analysis, and there are no previous study data for FY03 and FY07 for comparative purposes. There also are limited observations regarding funding patterns because charter school revenue by source was unavailable. The most significant funding patterns are discussed above. Therefore, Figures 6 through 9 are intentionally deleted from this chapter.

Figure 10 provides a summary Total Funding disparity for FY11.

Figure 10

MD			
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	-27.7%
Baltimore City	N/A	N/A	-41.6%
Prince George's County	N/A	N/A	-24.5%

Select Enrollment Characteristics

Charter school percentages for free or reduced-price lunch, a proxy for low-income, and Title I are greater than district percentages.⁴ On a percentage basis, districts and charter schools educate a similar percentage of special education students.⁵

Figure 11

MD 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	39.6%	N/A	N/A	27.4%	N/A	N/A	12.4%
Statewide Charter	N/A	N/A	66.9%	N/A	N/A	61.4%	N/A	N/A	12.0%

Funding Practices Summary

Figure 12

MD Funding Practice 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>	NO DATA	NO DATA	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	Yes	No				
In practice, do charter schools have at least as much access to this funding source as districts have?	UK	UK	UK	UK	1			
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	UK	UK	UK	UK	1			
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?				No				
FUNDING FORMULA								
Are charter schools treated as LEAs for funding purposes?				No				
Does the state provide funding for charter schools and districts based primarily on student enrollment?				Yes				

1 “UK” means unknown. The Maryland State Department of Education does not collect detailed, consistent revenue data from charter schools. Independent audits of charter schools are required by law and are the responsibility of county school districts to collect, but were not provided for the analysis. Instead federal Form 990’s and district budget documents were used as the revenue source for the analysis. The Form 990’s and budget documents lack sufficient detail to accurately classify revenues by source, so all charter school revenues are classified as Indeterminate. The answers to these questions in Figure 12 are, therefore, unknown.

Endnotes

- 1 The sources for revenue data were Federal Forms 990 and district budget documents. The Maryland State Department of Education does not collect detailed, consistent revenue data from charter schools. Independent audits of charter schools are required by law and are the responsibility of county school districts to collect, but were not provided for the analysis. Instead Federal Forms 990 and district budget documents were used as the revenue sources for the analysis. The Forms 990 and budget documents lack sufficient detail to accurately classify revenues by source, so all charter school revenues are classified as Indeterminate. The source for district revenue data was an Excel file named, SFD_Part1_110512_.xls downloaded from:

www.marylandpublicschools.org/.../34541/SFD2011_Part1_110512_.xls. The sources for enrollment were the Maryland Fact Book 2010-2011, downloaded from the following site: marylandpublicschools.org/.../31190/Fact_Book_2010_2011_1.pdf; and School Profiles.

- 2 Maryland State Department of Education. Maryland's Public Charter School Program. 2011. <www.msde.maryland.gov/.../33262/2011_Charter_School_Report.pdf>.
- 3 Maryland State Department of Education. Public School Construction in Maryland. Slides. <<http://www.msde.maryland.gov/NR/rdonlyres/27C05E63-FEBD-49BF-9DE1-7792F78E3AAC/20042/PowerPoint.pdf>>.
- 4 National Center for Educational Statistics (NCES). "Common Core of Data, Table Generator." FY11. <<http://nces.ed.gov/ccd/elsi/>>.
- 5 For districts: Department of Legislative Services. Overview of State Aid to Local Governments. Fiscal 2011 Allowance. <http://dls.state.md.us/data/polanasubare/polanasubare_intmatnpubadm/polanasubare_intmatnpubadm_annrep/2011-State-Aid-to-Local-Govt.pdf>.

For charter schools: Maryland State Department of Education. Maryland's Public Charter School Program, a Charter School Annual Report. 2011. <www.msde.maryland.gov/.../33262/2011_Charter_School_Report.pdf>.