

California Charter School Finance in a Nutshell

Source: *Charter School Development Center (CSDC)*

California's charter schools are funded much like other non-charter California public schools. They receive funding from local property taxes, state education aid programs, the California Lottery, the federal government, fundraising, and other sources. They are prohibited from charging tuition, but may charge fees for certain items to the same extent as non-charter public schools may.

California's original charter school laws (1992) contained many unclear legal provisions that generally attempted to provide charter schools with a mix of funding entitlements that were similar to those received by the charter-granting school districts. This system, however, proved unworkable and was replaced in 1999 by a "new" system that attempted to simplify and clarify California charter schools' funding entitlements.

The following is a brief overview of the charter school funding system. For more in-depth information, see the links and resources at the bottom of this page (insert anchor link).

How Much Funding Do Charter Schools Receive?

Charter schools are entitled to funding from five primary sources:

- The "Charter School General Purpose Grant,"
- The "Charter School Categorical Block Grant,
- State categorical and special-purpose programs,
- The California Lottery, and
- Federal categorical programs.

In addition, many charter schools seek substantial grant funding and/or engage in various fundraising activities, sometimes raising considerable amounts of funds and/or in-kind support.

General-Purpose Grant

The general purpose grant is the largest source of funding for most charter schools and provides several thousand dollars for each unit of "average daily attendance" (ADA, a metric used to gauge student attendance) generated by charter school students. The amount of funding provided varies by grade level as illustrated in the following table:

Grade Range	Grades K-3	Grades 4-6	Grades 7-8	Grades 9-12
Amount Per ADA	\$5,562	\$5,640	\$5,798	\$6,727

Categorical Block Grant

The Categorical Block Grant was reformulated in 2005 and currently provides a per- ADA amount of funding to all charter schools. This block grant is provided in lieu of funding from dozens of state education aid programs, most of which are restricted, special-purpose programs designed to fund specific populations, services, or functions in school districts.

The intent of the categorical block grant is to provide charter schools with a share of categorical funding that is comparable with that provided to school districts but free of “red tape.” Unlike traditional school districts, charter schools may spend the funding from the block grant for any purpose and are not required to comply with the often extensive “red tape” that usually accompanies categorical funding.

The 2005 reformulation of the block grant set the per-ADA funding rate at \$400 per ADA for the 2005-06 fiscal year, \$500 per ADA for the 2006-07 fiscal year, and calls for annual cost-of-living and other adjustments in subsequent years. The law also calls for triennial reviews of the list of programs that constitute the block grant, starting in fall of 2007.

The Categorical Block Grant is supplemented with so-called “In-Lieu Economic Impact Aid.” These funds are provided to charter schools that serve economically disadvantaged students (students whose family incomes fall below specified federal poverty income caps) and students who are English learners. The funding is provided in lieu of a large categorical funding program for school districts called “Economic Impact Aid.” The funding provided varies each year. In 2006-07, this source provided a formula amount of approximately \$300 per qualifying student. Schools serving small numbers of qualifying students received a flat, “base” amount from this source in lieu of the per-student formula as follows:

1-10 eligible students	\$5,500
11 or more eligible students	\$8,300

Lottery Funding

Charter schools also qualify for a per-ADA share of funding from the California Lottery. The amounts provided vary each year, depending on the annual receipts of the Lottery Commission’s sales. Estimated per-ADA rates for the 2006-07 fiscal year are in the range of \$150 per ADA.

Restricted State Categorical Programs

Charter schools may also qualify for funding from various state-funded, restricted categorical programs. Whether a charter school qualifies for funding from these programs depends on various factors specific to each funding program, usually related to student characteristics or the school’s instructional program. Some of these programs include, but are not limited to the following:

- **Grades K-3 Class Size Reduction.** The large program provides around \$1,000 per student in grades Kindergarten through three if the school maintains a student-to-teacher ratio of 20 or below.

- **Supplemental Hourly (“Summer School”) Instruction.** This source includes four separate programs that provide funding on a student-hour basis to support instruction outside of the normal instructional day for specified student populations, mostly for students who are struggling academically.

- **Tobacco Use Prevention.** This minor program provides support to schools to operate tobacco use prevention programs.

Restricted Federal Categorical Programs

The federal government supports elementary and secondary schools through several programs. Most of these programs are provided for very specific student populations and/or programs and are associated with complex application and compliance requirements. One of the largest federal education funding programs is the Title I compensatory funding program. Charter schools generally receive a formula amount (around \$425 in 2005) for each Title I-eligible, economically-disadvantaged student (based on whether students’ family incomes qualify for free- or reduced-price meals).

Several other federal programs provide additional support for teacher training, reading instruction, English learner instruction, and other items, though amounts from these programs are very small relative to the large Title I program.

Facilities Funding

Most California charter schools struggle to secure facilities funding. California’s laws were amended effective in 2003 to generally require school districts to provide facilities to charter schools. In practice, few charter schools are housed under these laws and many charter schools have sought court orders to compel districts to comply with the law. California operates one small, state-funded facilities lease aid program for charter schools, though amounts appropriated have fallen far short of need. This program provides up to \$750 per ADA to reimburse up to 75 percent of an eligible school’s facilities rent/lease costs. The funds are allocated to schools serving high proportions (70 percent or higher) of students who qualify for free- or reduced-price meals, or schools located in areas serving such students. Funding for even this targeted population has consistently fallen far short of demand and in 2005 only 55 percent of eligible schools’ entitlements were funded.

In addition to the state lease aid program, voters have approved two state school facilities bond measures, one in 2002 (Proposition 47) and another in 2005 (Proposition 55), that contained a total of \$400 million in set-asides for charter school facilities needs. The program requires a 50 percent match by the charter school and title to funded facilities vests with the local school district, not the charter school. In practice, many charter schools have found that these

unfavorable provisions, combined with the myriad restrictions on using the bond funds make the program impractical.

Special Education

Charter schools are prohibited from discriminating against students with exceptional needs (disabilities). A complex range of federal and state laws govern these matters. Both the federal and state governments provide substantial funding for these needs, though the amounts provided generally fall far short of the full costs of serving special needs students. The funds are not provided directly to charter schools, but are instead allocated to regional special education consortia of schools and districts called Special Education Local Plan Areas (SELPA). Each of California's 119 SELPAs has its own policies on how special education funding and services are provided. In practice, most charter schools coordinate special education finance and service delivery with their local school district and pay a substantial fee to the district.

Funds Transfer and Cash Flow

Share of Local Property Taxes

Charter schools' General Purpose Grants are funding from a mix of state and local property tax funds. First, charter schools receive a per-ADA share of the property tax receipts of their charter-granting district. In most cases, these local property tax funds provide only a fraction of the total general purpose aid entitlement and the state provides the remaining funds through the state aid program. Funds for the Categorical Block Grant and other state categorical programs are all funded through state aid.

Cash Flow

Each charter school funding program has its own schedule for apportioning funds to charter schools. The details are a bit arcane and beyond the scope of this web page and can also vary from year-to-year.

"Direct" versus "Local" Funding

The above-referenced share of local property taxes must be provided by school districts to charter schools based on their attendance rates and according to a cash flow schedule specified in state law. Charter schools may opt to receive their state and federal funds either directly or through their charter-granting district. Schools that seek a high degree of fiscal autonomy generally opt for direct funding. Locally-funded schools must work in close coordination with their local district.

Financial Management

California's charter schools employ a broad range of strategies to manage their fiscal resources. Some schools function as free-standing enterprises and manage their own budgeting, accounting, payroll, banking, and business affairs with minimal involvement by their local district. Others may contract with their district, county office of education, or other agency (e.g., business support firm or organization) to provide various business services.

For More Information:

CSDC is widely regarded as California's leading authority on charter school financial management matters and is the primary source of comprehensive, in-depth expertise on all aspects of charter school finance.

<http://www.cacharterschools.org/>