

Arizona

by Jay F. May

Summary and Highlights

This snapshot analyzes the revenue sources and funding equity of district public schools and charter schools in Arizona and, in particular, Maricopa County (Phoenix and environs) for FY 2006-07 (Figure 1).¹

how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district per pupil revenue varies between districts. The weighted values estimate how much more or less per pupil funding charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

In the following figures, the statewide values show

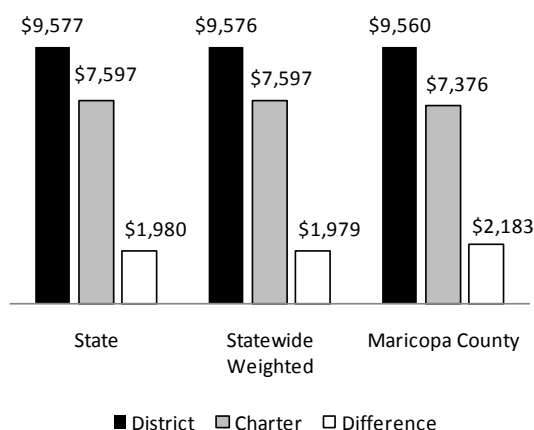
Figure 1: District and Charter School Revenues and Enrollments

Arizona (2006-07)	Statewide		Statewide Weighted for Charter Enrollment		Maricopa County	
Per pupil Revenue						
District	\$9,577		\$9,576		\$9,560	
Charter	\$7,597		\$7,597		\$7,376	
Difference	(\$1,980) (20.7%)		(\$1,979) (20.7%)		(\$2,183) (22.8%)	
Per pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	\$1,022	\$658	\$1,003	\$658	\$771	\$393
State	\$4,669	\$6,402	\$4,653	\$6,402	\$4,452	\$6,409
Local	\$3,882	\$523	\$3,916	\$523	\$4,334	\$565
Other	\$4	\$14	\$4	\$14	\$2	\$9
Indeterminate	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$9,577	\$7,597	\$9,576	\$7,597	\$9,560	\$7,376
Enrollment						
District	934,596		N/A		587,563	
	91.3%		N/A		90.9%	
Charter	89,219		N/A		58,577	
	8.7%		N/A		9.1%	
Charter Schools	448		N/A		194	
Total Revenue						
District	\$8,950,571,469		N/A		\$5,616,885,964	
	93.0%		N/A		92.9%	
Charter	\$677,775,800		N/A		\$432,075,120	
	7.0%		N/A		7.1%	
Total	\$9,628,347,269		N/A		\$6,048,961,084	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	10.7%	8.7%	10.5%	8.7%	8.1%	5.3%
State	48.7%	84.3%	48.6%	84.3%	46.6%	86.9%
Local	40.5%	6.9%	40.9%	6.9%	45.3%	7.7%
Other	0.0%	0.2%	0.0%	0.2%	0.0%	0.1%
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in district school funding if subjected to charter funding structure						
	(\$1.9 billion)				(\$1.3 billion)	

Highlights of Our Findings

- Arizona charter schools received \$7,597 in revenue per pupil compared to \$9,577 in revenue per pupil for district public schools — a difference of \$1,980, or 20.7 percent (Figures 1 and 2).
- Arizona charter schools received \$7,597 per pupil in revenue, but district schools would have received an estimated \$9,576 to educate the same students — a difference of \$1,979, or 20.7 percent. Weighting the district per pupil revenue for charter enrollment, therefore, decreases the funding disparity by only \$1.
- Maricopa County charter schools received \$7,376 in revenue per pupil compared to \$9,560 in revenue per pupil for district public schools — a difference of \$2,183, or 22.8 percent (Figures 1 and 2).
- Charter schools in Arizona serve 8.7 percent of students but receive only 7.0 percent of total public-school revenues (Figure 1).

Figure 2: Per Pupil Total Revenue for Arizona District vs. Charter Schools, FY 2006-07



Primary Reasons for Funding Disparities

- Differing student needs and school characteristics are not great enough to account for statewide and Maricopa County *district vs. charter school* per pupil revenue differences as

large as \$1,980 and \$2,183, respectively — there is a funding disparity.

- District public schools have full access to local revenues, whereas charter schools do not. Local revenue accounts for 40.5 percent of district revenues and only 6.9 percent of charter school revenues. State revenues are used to partially equalize revenues, but not sufficiently to achieve equity (Figure 1).
- Arizona charter schools do not receive revenues for facilities and debt service that are available to district public schools.
- Arizona has a long history of challenges to its state funding practices for public schools — the most recent in September, 2009.²

How Arizona Funds Its District Schools

Arizona public schools are funded based on a per pupil formula that provides foundation funding and additional revenue based on school size and/or whether the pupil is enrolled in grades K-8 or 9-12. Other revenue is available for students who qualify for various state and federal programs (e.g., special education, Title I, and free and reduced price lunch). District public schools also receive local revenues and an additional per pupil amount in teacher compensation, capital outlay, and soft capital.

How Arizona Funds Its Charter Schools

For charter schools authorized by local school boards, funds pass through the state department of education to the county, to the hosting school district, and then to charter schools. For other charter schools, funds pass through the state department of education to the state treasurer, and then to charter schools. For charter schools authorized by local school boards, funding is calculated for the state through a per pupil formula. As part of the contract between a local school board and a charter school, a local school board may withhold a negotiated portion of the funding for oversight. For other charter schools, funding is determined by a similar per pupil

formula. The state does not provide start-up or planning grants to charter schools. Charter schools do not have access to local revenue sources or debt service revenues.

Figure 3: State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X ³
Charter schools are eligible for local funding		X	
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding	X		
State allows district to withhold funding from charter schools for providing administrative services	X ⁴		
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district		X	
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X ⁵		

Facility Funding

Arizona provides little facilities assistance to charter schools. The Arizona Department of Education is required to publish a list of vacant buildings owned by the state and school districts that are "suitable" for use by charter schools.

While charter schools can utilize these facilities "free of charge," the charter school is responsible for all expenses and maintenance. Few charter schools actually use district facilities. Non-profit charter schools may apply for bond financing from Industrial Development Authorities.

District public schools, on the other hand, rely on county governments to issue and repay bonds for school construction, maintenance, and renovation. State policies pertaining to charter school funding are presented in Figure 3.

Primary Revenue Sources for Arizona's Public Schools

The per pupil funding formula in Arizona provides a Base Level Amount for maintenance and operations to district public schools and charter schools equally based on average daily membership. This Base Level Amount is funded using a combination of state and local funds. District public schools receive additional funding to boost teacher compensation.

District public schools in Arizona and Maricopa County received 40.5 percent (\$3,882 per pupil) and 45.3 percent (\$4,334 per pupil) of their revenue, respectively, from local sources; whereas, charter schools in Arizona and Maricopa County received 6.9 percent (\$523 per pupil) and 7.7 percent (\$565 per pupil) of their revenue, respectively, from local sources. Since charter schools do not benefit from local property taxes and cannot pass local bond measures, they receive a greater portion of their revenue from state sources.

Charter schools in Arizona receive a higher percentage of revenues from private grants and contributions than district public schools. However, private funding for most charter schools is less than 8 percent of total revenues, and is insufficient to explain the district vs. charter schools disparity.

Figure 4: Per Pupil Revenue by Source for Arizona District vs. Charter Schools, FY 2006-07

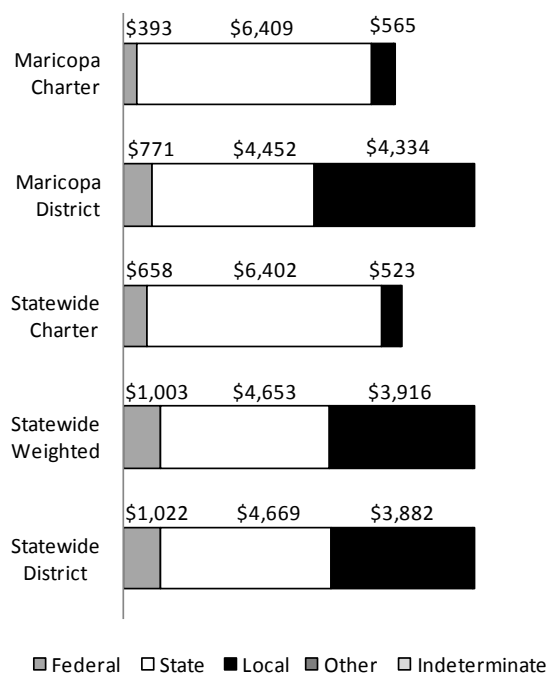


Figure 5 shows that differences between the student populations of district public schools and charter schools in Arizona do not appear to explain funding differences, because the populations are similar. A larger percentage (41.7 percent vs. 31.6 percent) of district public schools were eligible for and participated⁶ in Free or Reduced Price Lunch, and a similar percentage (56.3 percent vs. 56.1 percent) were Title I eligible (Figure 5).⁶

Figure 5: School Characteristics

Arizona (2006-07)	Statewide District	Statewide Charters
Percentage of students eligible for free or reduced price lunch ⁷	41.7%	31.6%
Percentage of schools eligible for Title I	56.3%	56.1%
Percentage of students by school type:		
Primary (K-5)	55.1%	42.6%
Middle (6-8)	16.1%	3.0%
High (9-12)	26.5%	31.6%
Other (K-12, K-8, etc.)	2.3%	22.8%

In practice, there is a high variability in per pupil revenues for districts and for charter schools. Per pupil revenues for unified school districts with at least 1,000 students range from a low of \$7,437 to a high of \$14,969, after eliminating the lowest 5 and highest 5 unified districts with enrollments of at least 1,000 students. Per pupil revenues for charter schools with at least 100 students range from a low of \$6,144 to a high of \$13,220, after eliminating the lowest 5 and highest 5 charter schools with at least 100 students. This high variability in per pupil revenues for districts and charter schools is not explained by differences in student needs, special education programs, or by allowances for district or charter remoteness. This variability appears to be rooted in the inability of the state funding mechanisms to equalize *total revenues* sufficiently.

District public schools served similar percentages (26.5 percent vs. 31.6 for charter schools) of high school students (grades 9-12). The per pupil funding formula compensates schools that serve pupils in grades 9-12 at a higher rate than in grades K-8 (Figure 5).

State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as to the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education. Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding.

Figure 6: State Scorecard

Findings		AZ
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y
	Percentage of federal revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Percentage of state revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	>
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N ⁸
	Percentage of local revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	Y
	Percentage of facilities revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	P ⁹
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

“Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered an LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

Endnotes

¹ The source for revenue and enrollment data was the Arizona Department of Education’s (ADE) web site. District and charter data were obtained from the FY 2006-07 Annual Report of the Arizona Superintendent of Public Instruction, Volume I and Volume II. The web: <http://www.ade.state.az.us/schoolfinance/Reports/Default.asp>

² A civil rights action seeking declaratory relief, stating that “the scheme for financing public education in charter schools and some low-funded district schools violates the Arizona Constitution,” was filed in September 2009. The Plaintiffs will seek a Court Order declaring that the Arizona Constitution requires the State of Arizona to finance education in public schools in a nondiscriminatory manner, and to direct the State of Arizona to develop funding systems that do not discriminate against children enrolled in low-funded district schools and charter schools. According to Plaintiffs, Arizona’s current system of school finance “wrongly and illegally denies equal resources, equal educational opportunities, and a uniform public education to far too many of Arizona’s schoolchildren.”

³ All *state-approved* charters function as local education agencies (LEAs), act as their own independent fiscal agents, and receive their funding directly from the state; whereas *district-*

sponsored charter schools receive their funding through their district and do not act as their own independent fiscal agent, but provide an adequately detailed Annual Financial Report (AFR) of revenues and expenditures for purposes of identifying the sources of revenues.

⁴ As part of the contract between the local school board and the charter school, the board may withhold a negotiated portion of funding for oversight and services provided to the charter.

⁵ Arizona charter schools are open to all students in the state. While admission requirements are not permitted, charters schools can provide preferences for enrollment to the siblings of current students and, if sponsored by a local school board, to district residents.

⁶ As a general rule, all districts participate in the national Free and Reduced Price Lunch Program; but, not all charter schools participate even though they may have students who are eligible.

⁷ In an attempt to validate the NCES Percentage for Free or Reduced Price Lunch (FRL) an Excel file was downloaded from the Arizona Department of Education website. The Arizona ADE file used an unusual percentage methodology for local reporting. ADE's percentage of FRL is calculated solely on meals served (paid and not) statistics, rather than "eligible" students, by taking the total of free or reduced meals served and dividing by the total of all meals served (including paid meals). The spreadsheet did not allow for computation of a percentage based on "eligible" students. Therefore, the NCES percentage is the best percentage available, and was used as the source of FRL percentages.

⁸ Although Figure 6 indicates that charter schools do not receive local funding according to state statute, Figure 1 shows a small amount of local funding for charter schools. This amount consists of earnings on investments, activity fees, and other non-tax revenues; and may

include immaterial amounts of local revenues not required by state statutes.

⁹ All charter schools are considered LEAs for purposes of receiving and administering federal funds; however, district-sponsored charter schools receive their funding through their host district.