



MSP - CHARTER SCHOOLS IN UTAH

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
STAFF: BEN LEISHMAN & THOMAS YOUNG

ISSUE BRIEF

SUMMARY

The Legislature established charter schools in Utah approximately 14 years ago. Charter schools are public schools open to all students. As public schools, tuition is not charged and charter schools receive the majority of their funding from the state. Each charter school is an independent Local Education Agency (LEA), similar to a school district.

This brief provides a history of the creation of charter schools in Utah, the growth of student enrollments and schools, and state funding mechanisms. Specifically, the Minimum School Program (MSP) contains two categorical programs that provide supplementary funding to charter schools – the Local Replacement Formula and Administrative Costs.

TIMELINE

The Charter School Legislative Timeline lists significant changes impacting charter schools since their creation in 1997.

Charter schools began in Utah with the creation of the Centennial Charter Schools Task Force by the Legislature. Established in House Bill 389 (1997 General Session), the goal of the taskforce was to study the establishment of charter schools within the state public education system, operation by private providers, funding through the weighted pupil unit, parental involvement, performance standards, and enrollment policies.

The year following the taskforce, the Legislature passed House Bill 145 “Schools for the 21st Century” (1998 General Session) which authorized a charter school pilot program. The pilot program included up to eight charter schools. Section 53A-1a-503 details the purpose of charter schools and remains largely the same as when originally passed in 1998.

The pilot status of charter schools was removed in 2001. Since then, charter schools have developed in Utah’s public education system. Program changes have occurred regularly since the beginning of the pilot program. Many of these change will be discussed in later sections of this brief.

Charter School Legislative Timeline

- 1997** Centennial Charter Schools Task Force
- 1998** Charter School Pilot Program
- 1999** First Seven Charter Schools Opened
- 2001** Pilot Program Status Removed
Authorized 4 New Schools Annually
- 2002** First Start-up Funding
First Local Replacement Funding (LRF)
50% Resident District & 50% State
Based District Transfer Formula
State-Chartered "High Tech High Schools"
- 2003** Local Replacement Formula Created
Removed District 50% Responsibility
Established in Minimum School Program
Adopted Weighting Structure for WPU
- 2004** Required 10% LRF Expenditures on Facilities
State Charter School Board Created & Two FTE
- 2005** Application Deadline for New Charters
State Charter School Board Line-Item Created
Additional Two FTE Transferred from USOE
Federal Start-up Grant Approved
- 2006** First Funding of School Administrative Costs
In-depth Study by Legislature
- 2007** Revolving Loan Account Established
School Level Administration at \$62/Student
- 2008** New Charter School Local Replacement Formula
Reinstated District Responsibility of 25%
School Level Administration at \$100/Student
- 2011** Federal Start-up Grant not Renewed

ENROLLMENTS

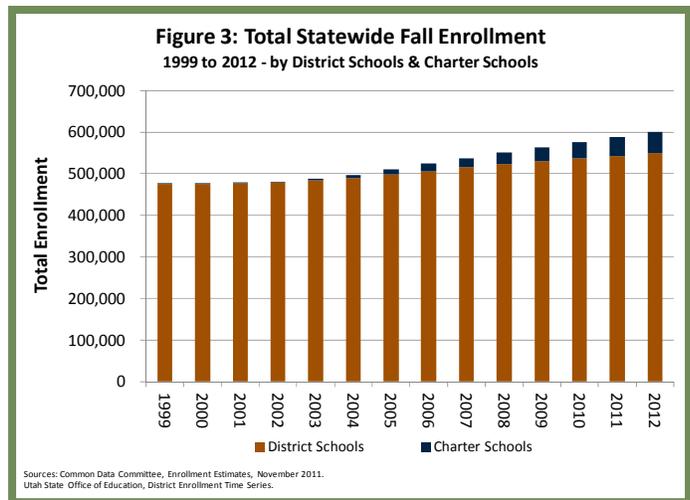
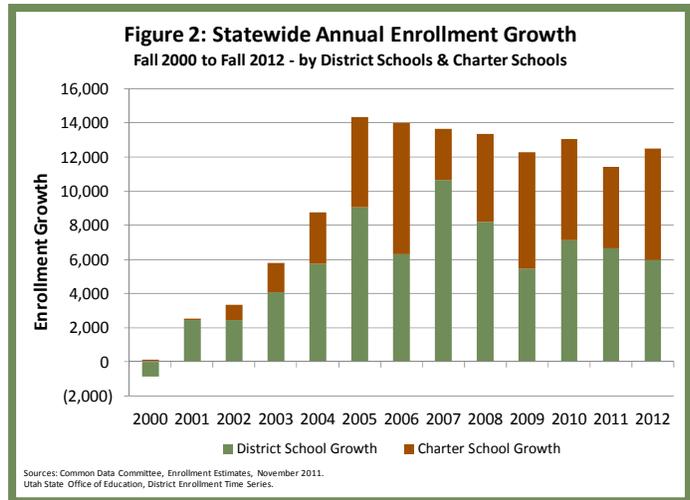
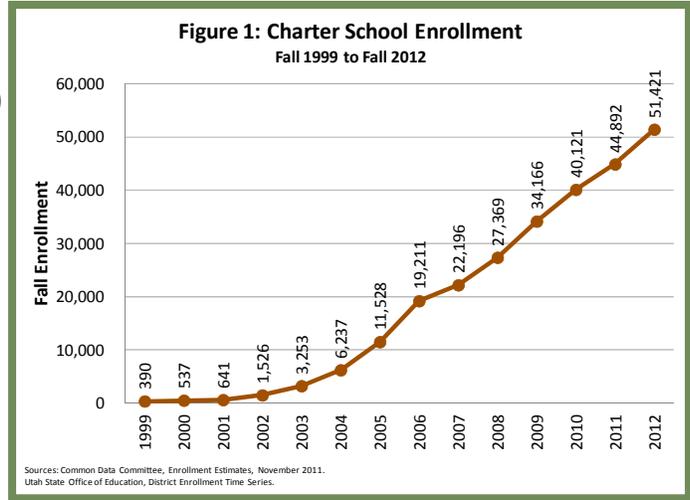
Charter schools now enroll 51,421 students. Since the opening of the first group of charter schools in 1999, enrollment has increased by more than 51,000 students. Figure 1 shows the growth in charter school enrollment since 1999.

The year over year increase in students attending charter schools has ranged from 11.9 percent to 138.1 percent. Figure 2 highlights Statewide Annual Enrollment Growth since 2000, divided between district schools and charter schools.

In 2000, enrollment in district schools decreased while charter school enrollment increased. However, there was a net enrollment decrease in the state of 315 students. Beginning in 2001 enrollments in both district schools and charter schools began to increase, with a dramatic increase in 2005 of 14,330 new students. Since fall of 2005 the annual increase in students has slightly tapered off, with increases ranging from 11,410 to 13,991 each year.

In fall 2000, 2006, 2009, and 2012 (projected) new student enrollment in charter schools exceeded that of district schools.

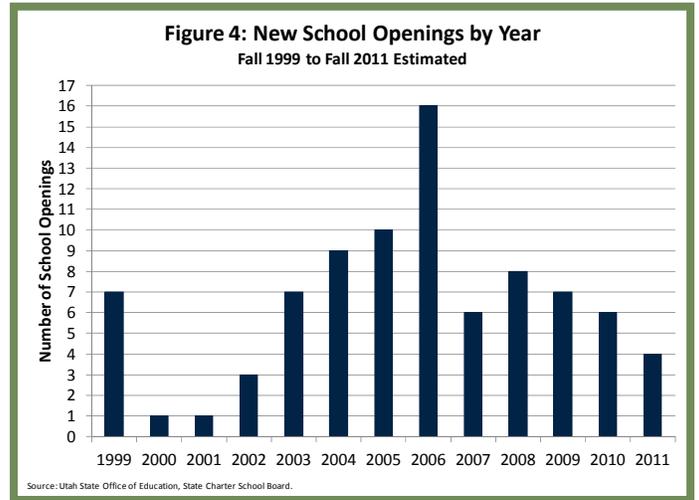
Figure 3, Total Statewide Fall Enrollment shows what portion of total students charter schools enroll. Currently, charter schools enroll approximately nine percent of all public school students in the state.



SCHOOLS

Approximately 85 charter schools have opened in Utah since 1999. In most cases, multiple schools have opened each school year, with the highest in fall 2006 with 16 new schools opening. Four new schools opened this fall (2011).

Five charter schools have closed in the past 14 years. Three of these schools were started by school districts to serve specific student groups and were eventually folded back into district operations. One school, the Jean Massieu School was reassigned by the State Board of Education to the Utah Schools for the Deaf and the Blind. Finally, Success School returned its charter to the State Charter School Board.



FUNDING

As mentioned earlier, one of the main tasks of the Centennial Charter Schools Task Force was to study how to integrate charter schools into the state’s primary funding formula, namely, the Minimum School Program. For the most part, charter schools participate in state funding on the same basis as traditional district schools, assuming they meet all participation requirements.

The Basic School Program in the Minimum School Program provides most operating revenue to public schools through the Weighted Pupil Unit. The program does not differentiate if a student attends a charter school or a traditional district school.

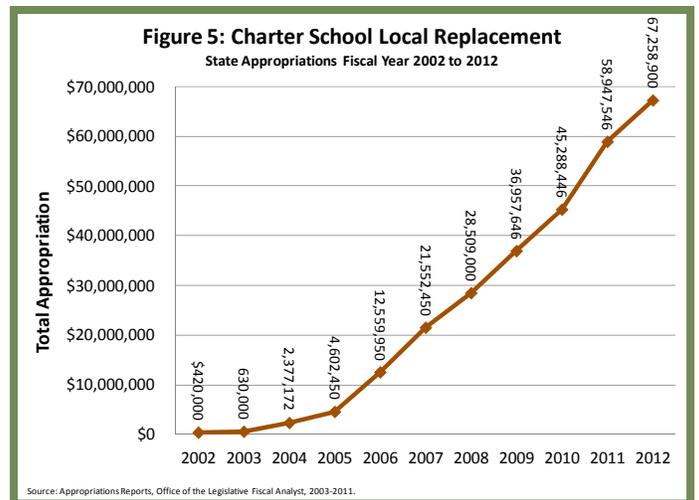
For all other categorical programs in the MSP, participation is based on meeting defined statutory criteria. However, charter schools are exempted by statute from receiving state funding dedicated for student transportation.

The Minimum School Program also contains two restricted categorical programs that provide funding to charter schools: the Local Replacement Formula and Administrative Costs.

LOCAL REPLACEMENT FORMULA

The Local Replacement Formula was established to provide revenue to charter schools to assist in school operations and capital facility needs. Unlike school districts, charter schools do not have the ability to tax their patrons to cover facility costs. The Legislature created a statutory formula that provides an equalized per pupil state appropriation to each charter school to replace some of this locally generated property-tax revenue not available to charter schools.

Figure 5 provides an appropriations history for the Local Replacement Formula. Significant formula changes occurred in FY 2002, FY 2003, and FY 2009.



In FY 2012, a total of \$67,258,900 was appropriated from the education fund to support the program. However, the total cost of the program is just over \$78 million. School districts are required to pay a portion of the total cost. The district contribution is estimated at \$10.2 million for FY 2012, approximately 13 percent of the total.

The original appropriation for the local replacement in FY 2002 was \$420,000.

The statutory formula produces a local replacement rate that each charter school receives per enrolled student. In FY 2012, this rate is \$1,687 and captures per-student local property tax revenue increases in the school districts. Figure 6 shows the annual increases in the local replacement rate since 2005.

Figure 6: Local Replacement Rate History
FY 2005 to FY 2012 Estimated

Fiscal Year	Rate	Change in Dollars	Percent Change
2005	\$1,006		
2006	1,051	\$45	4.5%
2007	1,142	91	8.7%
2008	1,184	42	3.7%
2009	1,427	243	20.5%
2010	1,427	0	0.0%
2011	1,607	180	12.6%
2012	1,687	80	5.0%

Due to a lag in school district financial reporting, the local replacement formula is calculated on the most recent school district property tax revenue data available. The formula estimate for FY 2012 is based on FY 2010 school district property tax revenues reported in the Superintendent’s Annual Financial Report.

Program Origins

The Charter School Local Replacement Formula (CSLRF) program began with the local school districts and the state sharing the costs of the program. The state provided half the per pupil revenue generated in the districts through property tax assessments. School districts in turn transferred the corresponding half to a charter school when a student enrolled.

This program resulted in funding inequities among the different charter schools. Only half the revenue received by a charter school was equalized with state funds. The transfer of local property tax revenue also fostered tensions between school districts and charter schools, making charter schools financially dependent on school districts.

During the 2003 General Session, the Legislature developed a formula that allowed the local school districts to retain all locally generated property tax revenue. The state began providing an equalized average per student amount to charter schools to replace the lost local property tax revenue.

Since 2003, the CSLRF has been modified several times. Each iteration attempts to reach a level of equity in per-student revenues between district schools and charter schools. However, per-student revenue equity has not been defined or universally accepted. The latest version of the CSLRF was approved by the Legislature during the 2008 General Session and took effect in FY 2009.

Current Statutory Formula

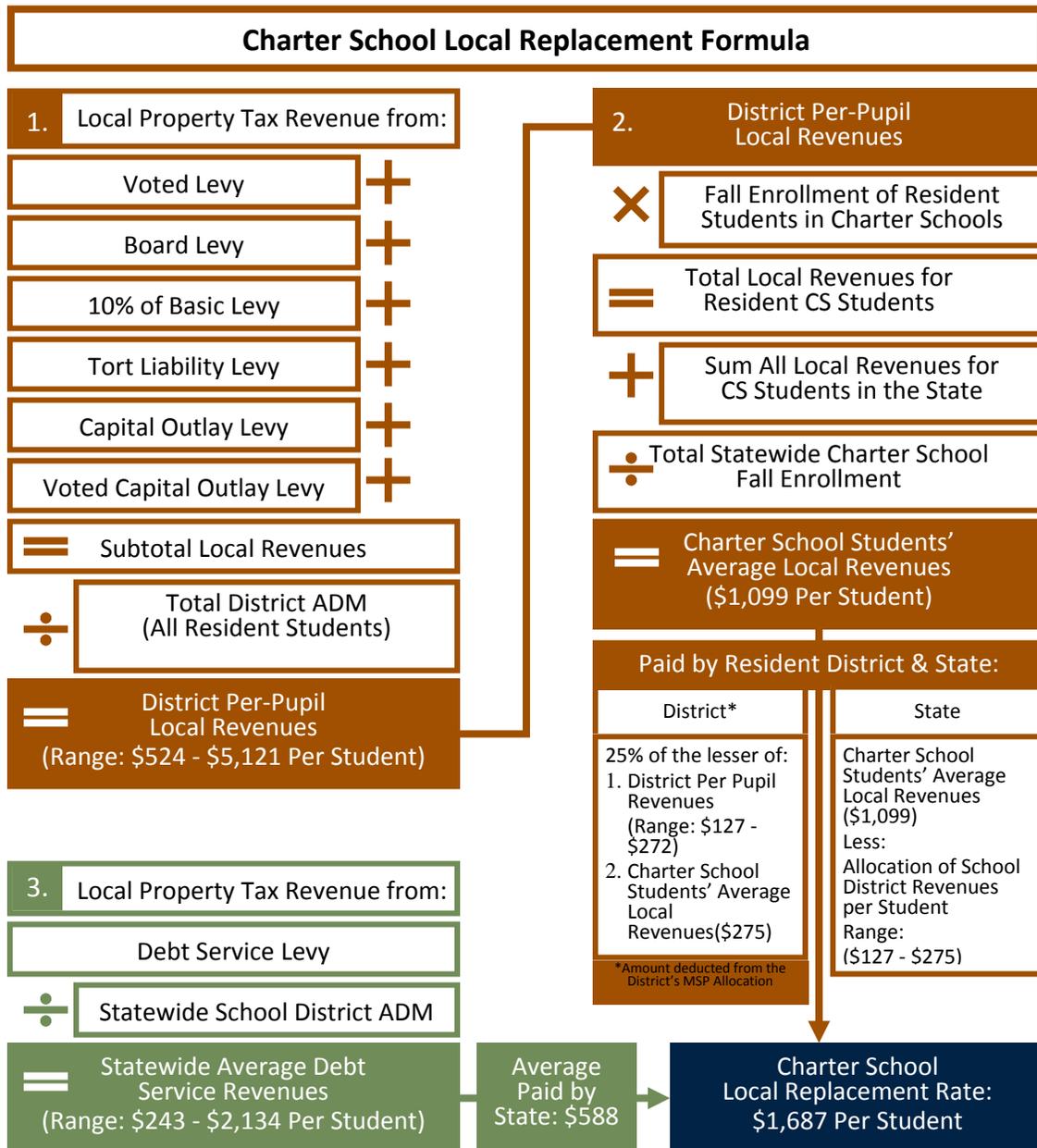
The CSLRF passed during the 2008 General Session maintains some of the same concepts of the earlier versions, but reinstates a cost sharing mechanism between the state and local school districts. Detail on this formula may be found in statute, UCA 53A-1a-513. The diagram below details the current formula.

Statute establishes a "District Average Per Pupil Revenue" rate (step #1 below). This rate is based on the total revenues generated by property taxes in the school districts divided by the total ADM of the school district (including district students attending a charter school). Property taxes included in the formula are the Voted Leeway, Board Leeway, 10 Percent of Basic, Tort Liability, Capital Outlay and Voted Capital levies. Originally, the proposal for this new formula included state guarantee revenues supporting the Voted, Board, and Capital Outlay programs, but these items were excluded from the final formula.

A second component to the formula requires the state to provide a replacement amount for revenues generated by school districts for debt service (step #3 below). The CSLRF provides the state-average per student Debt Service Revenues for each student enrolled in a charter school.

School districts must also contribute to the cost of the local replacement. School districts contribute 25 percent of the lesser of their "District Average Per Pupil Revenue" or "charter school students' average local revenues" (step #2 below). One primary difference between this formula and the original cost-sharing formula used in 2002-03 is that school districts do not directly transfer funding to the charter schools. The Utah State Office of Education deducts from the school district's Minimum School Program allocation funds equal to the qualifying 25 percent.

When all formula components are added together, charter schools receive a Local Replacement of \$1,687 per enrolled student in FY 2012.



ADMINISTRATIVE COSTS

Since FY 2006, the Legislature has appropriated additional funding to support school-level administrative costs for all charter schools in the state. Charter schools have many of the same administrative and data reporting requirements of school districts, but lack the student numbers to offset the cost of these functions. Schools receive funding based on the number of students they enroll. Originally the amount was \$62 per student; it has since increased to \$100 per student. In FY 2012, a total of \$4,627,800 was appropriated to support the program.

FY 2013 FUNDING ADJUSTMENTS

Increased student enrollment impacts both the local replacement and administrative cost programs. In addition to enrolment growth, the statutory formula for the local replacement may also increase the overall cost of the program each year. This impact is dependent on changes in local property tax revenues in the school districts. The following subsections detail these annual adjustments.

The FY 2013 Enrollment Growth Cost Estimate detailed in Figure 5 of the Issue Brief titled “MSP – Basic School Program Annual Adjustment Variables” includes the estimated cost increases for both the local replacement and administrative cost programs detailed below.

Local Replacement

The local replacement formula includes two factors that impact program funding each year, student enrollment and the local replacement rate. Student enrollment growth estimates for this fall (FY 2013) show that an additional 6,529 students may enroll in charter schools, for a total of 51,421. In addition, the application of the statutory formula increases the local replacement rate from \$1,687 to \$1,710. This is an increase of \$23 per enrolled student.

The combination of these two factors increases the cost of the local replacement by \$10.6 million. Figure 7 provides additional detail on this estimate.

Administrative Cost

A total of \$4,627,800 was appropriated in FY 2012 to provide the administrative cost funding to charter schools. In FY 2013, a total appropriation of \$5,142,100 is required to provide the same level of funding for all students estimated to enroll in charter schools this fall. This is an estimated increase of \$514,300.

Figure 7: FY 2013 Charter School Local Replacement Cost Estimate - Based on FY 2011 District Revenues and Fall 2012 Fall Enrollment Estimates

CS Students' Average Local Revenues ⁽¹⁾	\$1,089
Average Statewide Debt Service ⁽²⁾	621
Total Local Replacement Rate:	\$1,710
Projected Fall 2012 Enrollment	51,421
Total Local Replacement Cost	\$87,929,910
Less Estimated District Contribution	(10,061,100)
Estimated State Contribution	77,868,810
Less FY 2012 Ongoing State Funding	(67,258,900)
Total Additional Funding Needed:	\$10,609,910

Notes:

1. School districts contribute 25 percent of this cost. The total estimated district contribution is \$10,061,100. The state contributes the remaining amount, or \$77,868,810.
2. The state also contributes a replacement amount equal to the statewide average per student debt service revenue generated in the school districts. This amount is \$621 per student.

FUNDING DISTRIBUTION

The following table “Charter Schools: FY 2012 Program Funding Distribution” shows the amount received from the Local Replacement Formula and Administrative Cost program for each charter school in the state.

Charter Schools: FY 2012 Program Funding Distribution		
Local Replacement Formula & Administrative Costs		
Charter School	Local Replacement	Administrative Costs
1 Ogden Preparatory Academy	\$1,687,000	\$100,000
2 American Preparatory Acad.	3,137,820	186,000
3 Walden School	759,150	45,000
4 Freedom Academy	1,180,900	70,000
5 AMES	843,500	50,000
6 Pinnacle Canyon Academy	843,500	50,000
7 City Academy	388,010	23,000
8 Soldier Hollow School	401,506	23,800
9 Tuacahn Performing Arts	590,450	35,000
10 Uintah River High	101,220	6,000
11 John Hancock	320,530	19,000
12 Thomas Edison	2,051,392	121,600
13 Timpanogos Academy	742,280	44,000
14 Salt Lake Arts Academy	506,100	30,000
15 Fast Forward High	359,331	21,300
16 NUAMES	792,890	47,000
17 Ranches	614,068	36,400
18 DaVinci Academy	1,518,300	90,000
19 Summit Academy	1,687,000	100,000
20 Itineris Early College	430,185	25,500
21 North Davis Prep. Acad.	1,784,846	105,800
22 Moab Community School	136,647	8,100
23 East Hollywood	534,779	31,700
24 SUCCESS Academy	609,007	36,100
25 UCAS	624,190	37,000
26 Lincoln Academy	1,079,680	64,000
27 Beehive Sci & Tech	463,925	27,500
28 Wasatch Peak Academy	632,625	37,500
29 North Star Academy	856,996	50,800
30 Reagan Academy	1,138,725	67,500
31 American Leadership Acad	2,581,110	153,000
32 Navigator Pointe Academy	894,110	53,000
33 Odyssey	843,500	50,000
34 Intech Collegiate High School	286,790	17,000

Charter Schools: FY 2012 Program Funding Distribution**Local Replacement Formula & Administrative Costs**

Charter School	Local Replacement	Administrative Costs
35 Entheos	877,240	52,000
36 Lakeview Academy	1,223,075	72,500
37 Legacy Prep Academy	1,660,008	98,400
38 Liberty Academy	1,138,725	67,500
39 Monticello Academy	1,265,250	75,000
40 Mountainville Academy	1,265,250	75,000
41 Paradigm High School	927,850	55,000
42 Renaissance Academy	1,160,656	68,800
43 Channing Hall	1,113,420	66,000
44 Spectrum Academy	668,052	39,600
45 Syracuse Arts	1,729,175	102,500
46 George Washington Acad	1,518,300	90,000
47 Noah Webster Academy	995,330	59,000
48 Salt Lake SPA	354,270	21,000
49 Open Classroom	700,105	40,000
50 Canyon Rim	885,675	52,500
51 Guadalupe Schools	210,875	12,500
52 Karl G. Maeser	1,054,375	62,500
53 C.S. Lewis Academy	590,450	35,000
54 Dual Immersion Academy	801,325	47,500
55 Edith Bowen	506,100	30,000
56 Gateway Preparatory	919,415	54,500
57 Merit College Preparatory	716,975	42,500
58 Providence Hall	2,277,450	135,000
59 Quest Academy	1,307,425	77,500
60 Rockwell HS	843,500	50,000
61 Venture	843,500	50,000
62 Center for Science Ed.	590,450	35,000
63 Utah Virtual Academy	3,458,350	205,000
64 Early Light Academy at Daybreak	1,265,250	75,000
65 Excelsior Academy	1,138,725	67,500
66 Hawthorn Academy	1,366,470	81,000
67 Open High School of Utah	674,800	40,000
68 Oquirrh Mountain Charter School	1,298,990	77,000
69 Vista at Entrada	1,476,125	87,500
70 Bear River	303,660	18,000
71 Montessori	826,630	49,000
72 Quail Run	1,093,176	64,800
73 Weilenmann	970,025	57,500
74 Summit Academy High School	674,800	40,000
75 Good Foundations	716,975	42,500
76 Alianza Academy	674,800	40,000
77 Baer Canyon High School	0	0
78 Utah Connections Academy	590,450	35,000
79 Endeavor Hall	1,093,176	64,800
Total Distribution	\$77,188,685	\$4,574,000

Source: Utah State Office of Education, School Finance Distribution Tables.