

Charter Competition and District Finances

— EVIDENCE FROM CALIFORNIA —

summary of a PACE working paper by Paul Bruno

Effective charter school policy requires understanding not only how effective charter schools are for the students who enroll in them, but also the effects of charter schools on neighboring districts.

WHAT ARE CHARTER SCHOOLS?

Charter schools are



PUBLICLY FUNDED



PRIVATELY OPERATED

schools of choice

Charter schools have more

FLEXIBILITY

than traditional school districts for things like



STAFFING

+



CURRICULUM



There are more than

1,200

charter schools in California that enroll more than

10%

of the state's public school students

What kinds of financial effects might charter schools have on school districts?

FINANCIAL STRAIN

Evidence from other states shows that charter schools can put *financial strain* on school districts.

PROPERTY VALUES & TAX REVENUES

Charter schools may reduce local property values, and thus districts' property tax revenues.

When students exit for charter schools, districts have a harder time paying for *fixed costs* like buildings and retiree benefits.



RESOURCE ALLOCATION

Charter schools might change *how districts allocate resources*.



Competition from charter schools could make traditional public schools *more efficient* and *effective*.



School districts might try to *differentiate* their instructional programs to meet families' demands.

However, the effects of charter schools depend on the economic and policy context.

"[T]he financial impacts of charter schools on [traditional public schools] will be determined to a substantial degree by the policies that allocate funding and responsibilities among school systems."

What effects do charter schools have on districts in California?

EFFECTS ON DISTRICTS

PER PUPIL



SALARIES AND RESERVES

In California, larger charter school enrollments are associated with:

Lower spending per pupil in the local district on day-to-day operations, like teacher and administrator salaries.

Financial strain in the form of lower fund balances and reserve levels.

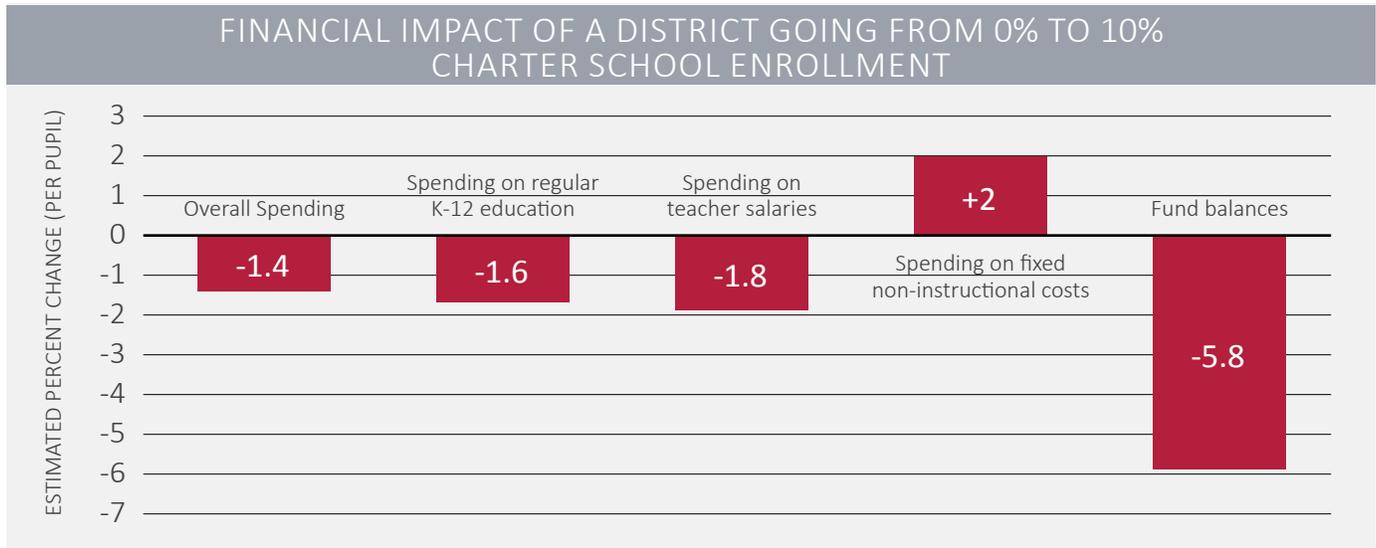


FIXED COSTS

Higher spending on specialized instructional programs in high school and unified districts.

Higher spending per pupil on other, mostly fixed costs, like debt service and retiree benefits.

How would districts' finances change going from 0% to 10% charter school enrollment?



These relationships are smaller than in other states, and become even smaller for districts with larger charter sectors. What might make California different?

1. California districts can be funded by the state using the previous year's attendance if enrollment falls.
2. California's housing market may make property values less sensitive to the presence of charter schools.
3. For most districts in California, if their local revenues fall state aid will increase to make up the difference.
4. Charter schools in California often pay oversight fees to their authorizing districts.
5. California's districts might have more experience with charter schools, making them better able to adapt.

"[T]he stresses I observe in [districts] appear to be less severe than those experienced...in other states, indicating that California's policy context shields districts to a large degree from fiscal strain"

"[W]hether the expansion of charter schools is a worthwhile policy objective depends on many considerations above and beyond the financial implications for [districts]. Nevertheless, whether and how charter schools grow in number is a policy choice that should be made with a full understanding of the implications for affected communities and the financial health of [traditional public schools] will continue to be important so long as they enroll large numbers of students."

What should policymakers keep in mind?

1. Charter schools can impose financial pressure on school districts in some cases.
2. The financial effects of charter schools on districts depend on how both are funded and how responsibilities for services and students are shared between them.
3. School districts in California appear to be relatively insulated from the financial pressures of charter schools.
4. Insulating districts from the financial pressure of charter schools might help them compete. However, it may also be expensive or reduce districts' incentives to compete.
5. The financial effects of charter schools on districts are not the only thing that matters for charter school policy. Policymakers also need to consider the effectiveness of charter schools, how charter schools affect outcomes in neighboring districts, and the overall cost to the state of operating different kinds of school systems.