



NEW YORK CITY
CHARTER SCHOOL
CENTER

It's about great public schools.

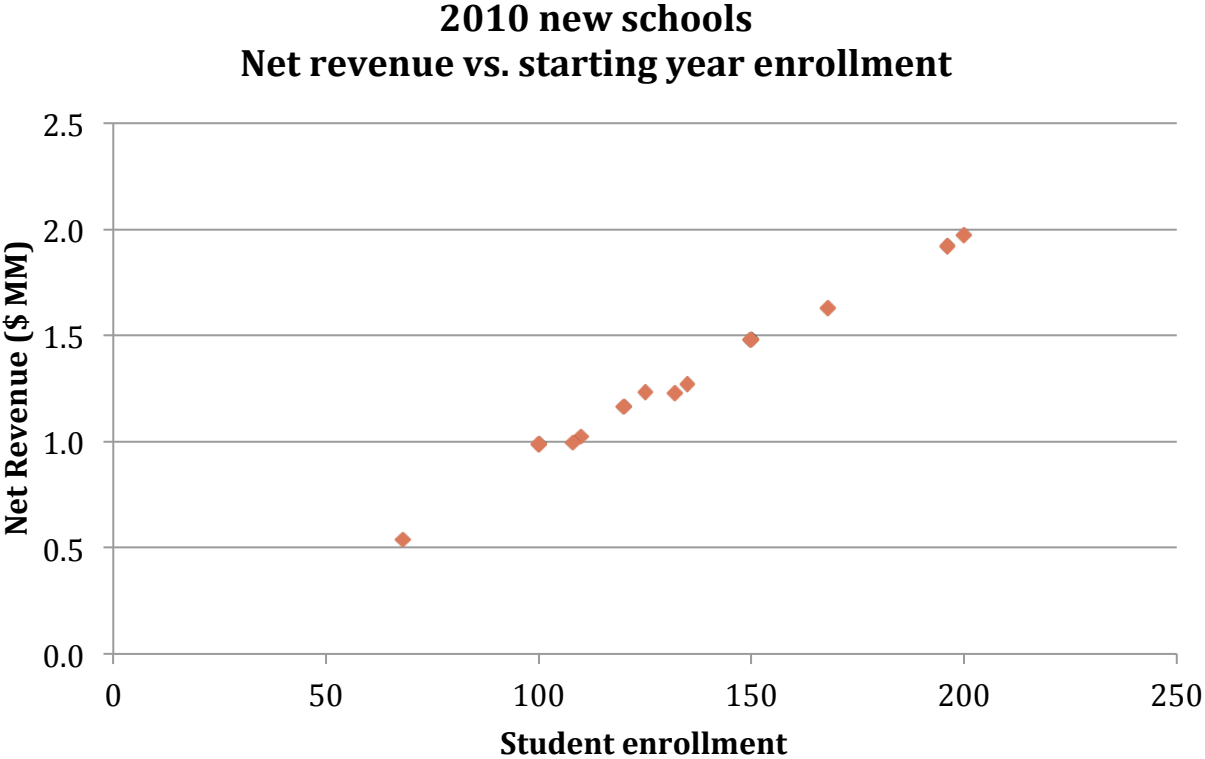
Developing a Sound School Budget



Assumptions Tab

Student enrollment drives discretionary revenues

- Schools with a minimum scale of 100 students in their first year will have more than \$1 MM to spend after paying classroom teachers
- By contrast a school with 70 students will have only about half as much



Assumptions

- **Transportation**

- Common error – not including busing costs for schools in operation outside the DOE calendar
- Students only eligible for busing K-6 and more than ½ mile from school (K-2), 1 mile from school (3-6)
- Are only bused if route available

- **Facility**

- DOE shared, DOE alone, private facility
- For non-DOE shared, schools typically forget to include costs for security, nursing, cleaning and maintenance
- Private facility plan information can be entered into spreadsheet

Revenue Tab

Assumptions

- Enrollment: include attrition for grades no longer backfilling (attrition 5%-10%)
- Special education
 - May 2010 Act: targets for special education
 - To meet these targets, need to serve students requiring high, full-time resources (>60% i.e., CTT, 12-1, 8-1)
 - Comparing district numbers for K-5, remember that special education rises over these grades
- Free and reduced price lunch
 - Typically reduced price lunch $\frac{1}{4}$ of free lunch

Be conservative!!!

Per pupil funding

- Per pupil funding is supposed to be based on the last 2 years expenditure by the district
- However, the teachers unions convinced the legislature to freeze charter funding in school year 2009-10 at 2008-09 levels
- There was a similar push last spring to freeze 2010-11 funding to 2008-09 levels

Fundraising

- The recession has hurt individual donations and foundations
- Only a small number of foundations fund charter schools in NYC
- Grants are becoming much more competitive

Per pupil funding

- General education funding
 - Based on student enrollment dates in school
- Special education funding
 - Two types of IEP-driven services
 - ✦ **Does not require full-time staff** (i.e., speech, OT, counseling).
 - Outsource to DOE or use school staff/ contracted services
 - ✦ **Requires full-time staff** (i.e., CTT, 12-1, 8-1, full-time para)
 - ✓ Can NOT outsource to DOE
 - ✓ Use school staff / contracted services
 - × Discharge student to district

Revenue: Per pupil funding

- **Special education funding**
 - If the school (NOT the DOE) is providing staff / contracted services for IEP-required services, the school receives additional per pupil payment of:

Funding amount (SY 10-11)	Service level on IEP
\$0	20% of the school day
\$10,390	20-59% of the school day
\$19,049	>60% of the school day

- Track per pupil and IDEA special education funding and ensure it is spent on special education-related expenses, not general operating expenses

Additional Revenue Sources

- **Title I and II**
 - Treated as unrestricted in this budget tool
- **E-rate**
 - Not filled in because differs greatly from school to school depending on technology plan, # of free and reduced lunch students
- **CSP**
 - A competitive grant – Out of 27 schools that opened in 2010, 8 schools received funding (30% chance)

Compensation Tab

INSTRUCTIONAL STAFF

Why are charter schools recommended for closure?

- In New York state
 - #1 reason – academic failure
 - Charter schools trade autonomy for accountability
 - NY authorizers hold schools accountable
 - ✦ This year, Harlem Day charter school and Ross Global charter school are being recommended for closure for poor academic performance
 - All the hard work and money involved in starting a charter school is wasted if the school cannot reach its academic goals

How long does a charter have to reach academic success?

- May seem like 5 years
- However from opening day to starting the renewal process, actually 4 years
- High stakes tests (state ELA and math tests) come sooner than you think
 - K-1: 2 years and 10 months
 - K-2: 1 year and 10 months
 - ***3-8: 10 months***
- ***The most important hire for a new school is the instructional leader***

From the get-go, the stand-alone instructional leader has more responsibilities than the CMO instructional leader

Typical CMO

- Network level
 - Curriculum decisions and development
 - Assessment decisions and development
 - Professional development
 - Teacher evaluation methodology
 - Recruitment
- School level – Role of Instructional leader
 - Hiring teachers
 - Coaching teachers
 - Evaluating teachers
 - Implementing instructional changes based on assessments

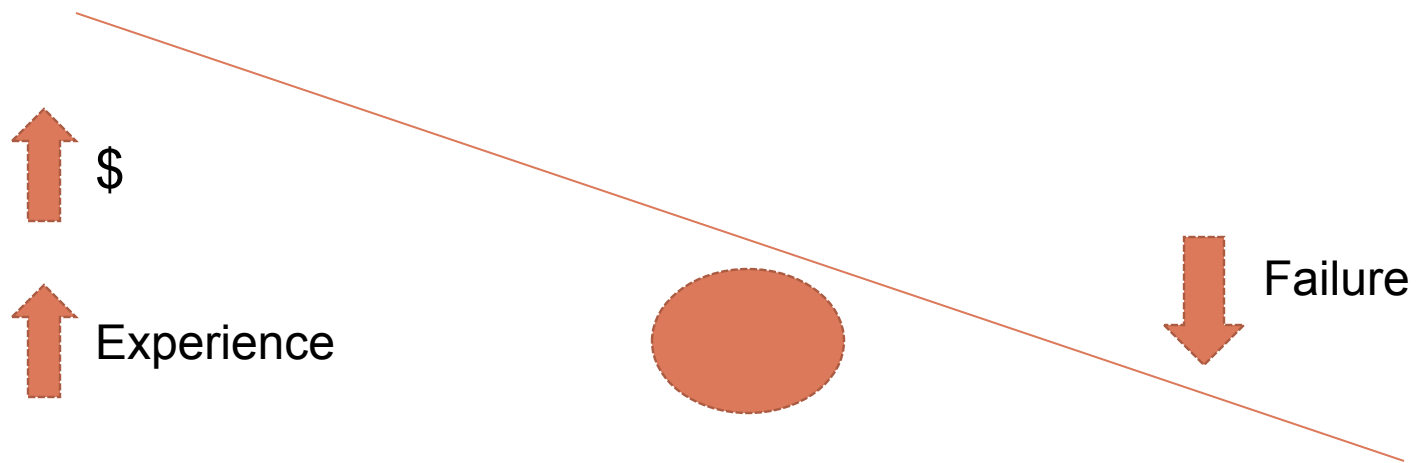
Typical Stand Alone

- School level – Role of Instructional leader
 - Curriculum decisions and development
 - Assessment decisions and development
 - Professional development
 - Teacher evaluation methodology
 - Recruitment
 - Hiring teachers
 - Coaching teachers
 - Evaluating teachers
 - Implementing instructional changes based on assessments

Instructional leader role

- Instructional leader has:
 - More responsibilities than CMO instructional leader, often including:
 - ✦ developing and implementing a new curriculum
 - ✦ developing and implementing a new assessment strategy
 - Very short time frame to get school to academic success
 - Large number of staff to oversee – from roughly 10-14 staff the first day to up to 40 by year 3
 - Challenging urban student population, usually already academically behind
- Best candidate?
 - ✓ *Can prove success in a similar role* – has rapidly brought a school to academic success – especially experience in implementing curriculum and assessments
 - ✓ Has overseen a similar number of staff
 - ✓ Has worked with a similar student population and similar grades

Tradeoff for all hiring: proven experience vs. \$

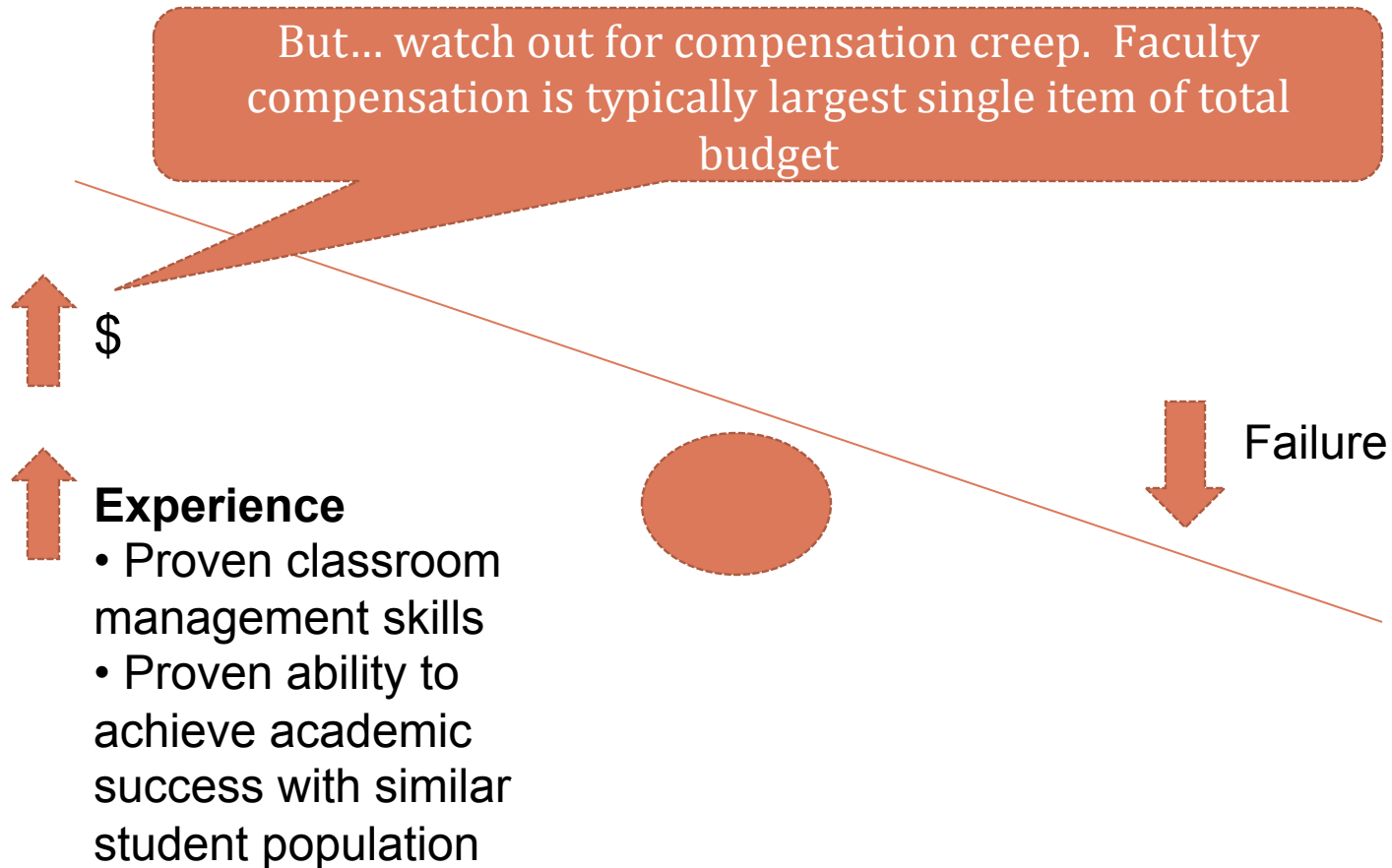


How much does a proven instructional leader cost?

Closest competitors for talent

- NYC DOE
 - *Starting* salary for first year elementary school principal: \$123,457
- Stand-alone (2008 Form 990, top performing schools 4th grade ELA, Math - 2009)
 - \$160k, \$163k, \$143k, \$132k, \$125k
- CMO (2008 Form 990, top performing schools 4th grade ELA, Math)
 - \$148k, \$120k, \$129k, \$106k, \$111k
 - Note: CMO instructional leader typically has fewer responsibilities than a stand-alone instructional leader

Teacher hiring equation



How much does a proven teacher cost?

Closest competitors for talent

- Charter schools historically tended to pay DOE scale + 10%
- NYC DOE starting salary for a teacher with no masters degree is \$45,530

Experience level	DOE pay scale	DOE + 10%
Starting teacher – no masters	\$45,530	\$50,083
3-years experience – no masters	\$48,836	\$53,720
3-years experience with masters	\$54,329	\$59,761

Additional student-related staff – Special Education

- New targets for special education students
 - Schools need to serve more resource-heavy special education students
 - Full time special education professional cannot be outsourced to DOE
 - Require special education teachers
- Special education administration typically requires 0.5 person in a year 1-2 school, may be higher for middle school / high school

Additional student-related staff

- #1 surprise for 1st year schools, especially K-5: behavioral problems in students
 - Typical school has 2-3 students per 50 children requiring significant behavioral intervention
 - Strong school culture and routines can alleviate some of these issues – typically requires some time before school year formally starts to instill culture and routines. Dean of Students can manage culture and discipline functions
 - However, some children will require counselor / social worker to create and implement behavior modification plans – sending children to office to be dealt with by instructional leader or business staff is not a solution

Compensation Tab

BUSINESS STAFF

What are the business functions of a charter school?

- **Operations**
- **Finance**

Common error in designing a school– not realizing that schools must have a finance function – either outsourced or inhouse. *One person alone cannot handle operations and finance.*

- Facility/real estate
- Human resources
- Technology
- Marketing
- Development / fundraising
- External relations (community engagement, etc.)

Will evolve into full-time positions depending on school needs

Mismanaging public funds is serious

- “An audit by the state of **Texas** has found rampant financial mismanagement at three family-run **Dallas** area charter schools . . . **The Texas Education Agency has forwarded its findings to the Dallas County district attorney's office for possible prosecution...** They (the schools) have been the target of numerous state audits and investigations into allegations of **nepotism, sloppy record-keeping and loose financial controls.**” (American School and University, 2008)
- “**Historic Native Charter School Closed for Financial Mismanagement.** A school founded 30 years ago to provide a nurturing atmosphere for Native American children is on the verge of collapse because financial oversight is so lacking...a recent state-mandated audit revealed more than \$160,000 missing... **The executive director is under investigation.**” (American Indian AirBlog, 2008)
- “**FBI seizes records of N. Phila. charter school.** Federal agents yesterday seized financial records from a North Philadelphia school, another move in a widening federal probe of area charter schools.” (Philadelphia Inquirer, 2009)

How did 2010 schools organize their business staff?

# of schools	Finance			Operations	Combined	Other	Chief of Staff	Dir. Develop.
	Dir. Finance	Bus. Manager	Outsourced Finance	Dir. Ops	Dir. Ops & Fin	Co-leader, Business		
<i>DOE Shared Facility Schools</i>								
2	✓			✓				
1		✓		✓				
1			✓	✓				
1				✓			✓	✓
<i>Private facility Schools</i>								
1			✓	✓		✓		
1		Part time	✓	✓				
3	✓			✓				
2			✓		✓			

How did 2010 schools organize their business functions?

- Operations – requires at least 1 full-time staff
 - School-related services: food, transportation
 - Student-related services: recruitment, enrollment, reporting, etc
 - Student movement: arrival, dismissal, lunch
 - Facility management: cleaning, set-up, security
 - Staff oversight: office staff
- Finance: 3 separate levels of experience. In-house or outsource
 - Low: ~3 days bookkeeping and purchasing
 - Medium: Create and manage budgets, create financial statements, oversee grant reporting, audit, regulatory reporting. In small schools, manage HR
 - High: CPA – either accountant or auditor

Historically, DOO/DOF positions have high turnover

Reasons:

- Hiring inexperienced or under-qualified staff
- Not dedicating enough budget resources to this area
- Not hiring enough junior staff – e.g., having the DOF do bookkeeping; DOO handle lunch room duty
- Not defining the job – 10 page job descriptions
- Excluding business staff from a leadership role in the organization
- Having business staff report to someone with no business experience
- Having the wrong person interviewing business staff

Compensation Tab

**LEADERSHIP STAFF AKA
DO WE NEED AN EXECUTIVE DIRECTOR?**

Thinking about what a charter school is...

- **School – needs an instructional head**
 - This is the person that oversees instruction and instructional staff. Can be called school leader, principal or even executive director – refer to as Principal
- **A non-profit educational service provider – needs business head(s)**
 - In new charter schools, tends to be the person(s) in charge of a functional area
- **Who reports to whom?**
 - For stand-alone schools, business head typically reports to instructional head
 - ✦ 1 person responsible to board
 - ✦ Feels like a traditional school, where principal is at the top
 - Keep in mind, however:
 - ✦ Most instructional heads have no experience with the business side of a charter school
 - ✦ Having the instructional leader oversee the business side of a charter school takes time away from their key duty – academic achievement
 - For CMOs, more common to have co-leaders of school

Thinking about what a charter school is...

- Where does adding an executive director level make sense?
 - School is planning to replicate
 - School has large business project, such as a new facility
 - ✦ But may be better structure to add in a new business head, not put someone above instructional leader
 - Many senior staff covering instruction and business – executive director ties it all together

How have new schools organized themselves?

- **2010**
 - 1 school Executive Director, Principal – school is planning to replicate
 - 1 school Co-Leaders
 - 11 schools Principal is head of school – business reports to principal
- **2009**
 - 4 schools Executive Director, Principal
 - 1 school Executive Director, Asst. Principal
 - 6 schools Principal is head of school
- **2008**
 - 2 schools Executive Director, Principal – 1 school planning to replicate
 - 1 school Co-Leader
 - 5 schools Principal

Expenses Tab

Expenses

- **Instructional expenses**
 - Textbooks and materials, classroom supplies, assessment materials, educational software, etc
 - Instructional consultants
- **School services**
 - Food and meal expenses
 - Transportation expense (if your school year is longer than NYCDOE school year)
- **Operational expenses**
 - Telephone, internet, mail, copy, office supplies
 - Paper is always much higher than you would expect, especially if not using box curriculum
 - Operational consultants (e.g. accounting, legal, IT)

Additional expenses if in not in DOE shared space

- **Nursing**
 - Department of Health provides a nurse if you have more than 300 students
 - Otherwise, hire a nurse on staff (could be part-time) or outsource to an agency
- **Facility-related expenses**
 - Maintenance
 - Cleaning

Food Service Tab

Food Costs

Food program consists of three components

- **SchoolFood costs**
 - NYCDOE SchoolFood charges \$1.50 for lunch and \$0.75 for snack
- **Parent contribution**
 - Full price students are billed \$1.50 for lunch and \$0.75 for snack
 - Reduced-price students are billed \$0.25 for lunch and \$0.15 for snack
- **Federal Reimbursement**
 - Federal government reimbursement amounts to:
 - ✦ \$1.50 for free price lunch and \$ 1.25 for reduced-price lunch
 - ✦ \$0.75 for free price snack and \$0.60 for reduced-price snack

Capital Expenses Tab

Capital Expenses: Technology and Furniture

- **Technology expenses**
 - Classroom technology: computers, smart boards, projectors
 - Staff technology: computers, printers
 - School-wide technology: networking
- **Furniture expenses**
 - Classroom furniture

Cash Flow Tab

18-month cash flows

- **Revenue cash flows**
 - Per-pupil funding is disbursed every 2 months; first invoice is due in June and first payment is received in July
- **Payroll cash flows**
 - Teacher payroll typically starts August 1
 - Administrative staff payroll starts July 1
- **Expense cash flows**
 - Upfront start-up expenses in July and August include
 - ✦ classroom supplies, furniture and computers and technology
 - ✦ insurance
 - School-year expenses: school services (food, transportation), operational expenses (office supplies, phone, internet, etc)

Final thoughts

Keep in mind when creating your financial plan

- 80/20 rule: 80% of your budget will have the same assumptions as other schools – don't reinvent the wheel
- Staffing will make or break your school; err towards more senior (and expensive!) candidates that have demonstrated prior success
- Understand where your school's expenses will differ dramatically– e.g., higher special education, private facility
- Be conservative, especially with per pupil revenue and fundraising