

STILL BUILDING INEQUALITY

How New York's Charter Public School Students
Continue to Bear the Cost of School Facilities

DATA ANALYSIS

November 2014

#BuildingEqualityNow



Executive Summary

New York lawmakers recently authorized the first-ever public funding for charter schools' ongoing facility costs—but only for new or expanding charter schools in New York City. Our analysis shows the size of the remaining inequity:

- ➔ 127 New York State charter schools in private facilities spent an estimated \$118 million on rent and other facility costs during the 2013-14 school year—money that should have been spent for the educational benefit of 49,000 students.
- ➔ Absent a change in funding, this disparity is reoccurring annually; as new charter public schools are opened outside of New York City, it will grow. In 2013-14 alone, New York State invested \$1.26 billion in school building aid to school districts where charter schools operate without public facility funding, along with local contributions that are conservatively estimated to reach nearly another \$1 billion. None of this money benefited the students who are educated in charter schools.

A Longstanding Disparity

In 2013, a first-ever statewide survey found that New York State charter public schools were diverting millions of dollars to cover facility costs, without—at that time—*any* systematic public funding to cover these basic expenses.

That report, *Building Inequality*, pointed to a troubling disparity affecting students across the state, with a disproportionate impact on independent charter schools not affiliated with any network.¹

The report described schools such as Growing Up Green, an independent charter public school in Jackson Heights, Queens that serves students whose families speak 25 different languages. Even though Growing Up Green is popular with families in a community where public school seats are in severely short supply (and many district buildings are over-crowded), the school still must divert about \$500,000 per year in operating funds to rent a privately-owned facility. As parent Erin Boyle Acosta described it in 2012:

The rent we pay for this space is not covered by outside donors, nor have we asked to co-locate in a district school building [in our crowded district]. Instead, we stretch our share of what New York City spends to operate a school—our money for teachers and supplies, in other words—and extend it to also pay the rent.²

Progress in 2014

In 2014, New York state leaders took bold action to address the inequality in charter school facility funding. At the urging and with the leadership of Governor Andrew Cuomo, the legislature approved a package of budget legislation that included the first-ever provision for some charter schools to receive either free space or monetary assistance to pay their rent.

This change in state law secured the continued growth of the charter sector into the future and set an important precedent: *that students in both district and charter public schools could and should benefit from public investments in school facilities.*

It was not a full victory for charter school students, however, since the legislation included two crucial limitations. Rental assistance is available 1) only to charter schools in New York City; and 2) even in NYC, only to schools and grade levels that are operating for the first time.

In order to gauge the size of the remaining disparity in public school facility funding, the New York City Charter School Center and the Northeast Charter Schools Network collected and analyzed public data about facility expenses across the state.

How much do private facilities cost charter public schools?

Charter schools are required to conduct independent financial audits every year, resulting in a year-by-year record of each school’s functional expenses. By collecting these audited financial statements and tabulating charter schools’ reported costs related to private facilities, we can arrive at a close estimate of total facility spending in a given school year. (For a longer description of our methods, see p. 9.) This figure correlates to the amount of money that charter public schools are forced to divert from educational purposes.

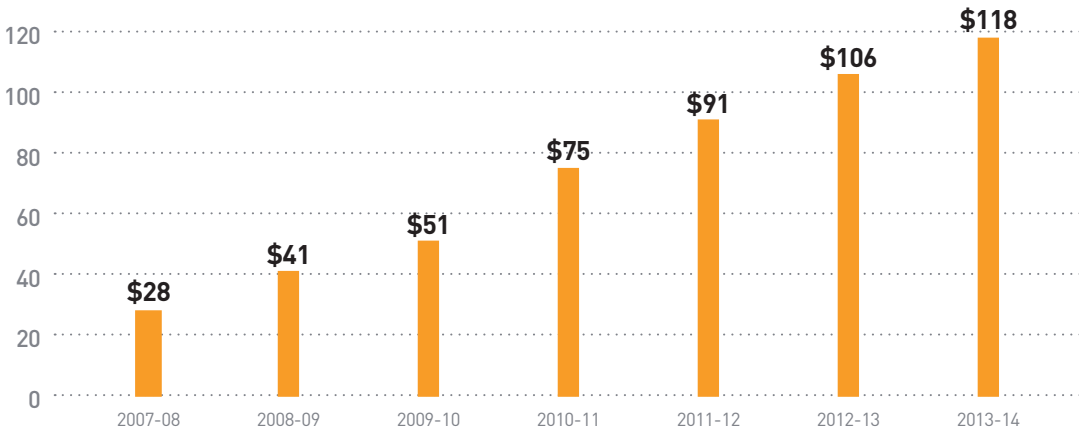
Our analysis finds that charter schools’ total facility spending increased steadily between school years 2007-08 and 2012-13, as new charter schools opened and existing charter schools added new grade levels. Based on this spending data along with enrollment data and our knowledge of further school expansions, we can estimate spending in 2013-14 as well:

- **New York State charter schools in private facilities spent an estimated \$118 million on rent and other facility costs during the 2013-14 school year.**
- **This cost was approximately \$2,250 per student statewide, on average, with an average of \$2,500 per student in NYC and \$1,700 per student in other areas of the state.**

How could \$118 million be spent to improve students’ education?³

- 508** Teachers’ salaries and benefits; **and**
- 254** Guidance counselors’ salaries and benefits; **and**
- 127** Science labs (fully furnished); **and**
- 9,240** iMac or Macbook Pro computers

ANNUAL FACILITY EXPENSES OF NEW YORK STATE CHARTER SCHOOLS (\$ millions)



**2013-14 figure estimated based on enrollment growth and historical spending. Other figures include estimates for missing data. For more information on methods, see p. 9.*

Because every charter school grade level that was open in 2013-14 is ineligible for the facility rental assistance provisions added to state law in 2014, this nine-figure unfunded need is left unaddressed by current law and is reoccurring annually.

The number of New York State students who are left without any charter facility funding is at least 49,000 in existing grade levels statewide, plus an additional 1,800 students that charter schools outside of New York City are already approved to add over time.

These 50,800 total students “frozen out” of facility funding will be joined by students at new charter schools approved to open outside of New York City in the future, growing the inequality that exists in funding between district public schools and charter public schools even further.

How Much Does New York Invest in School District Facilities?

The funding disparity between district and charter school students is partly driven by the context of the investments that the state makes in traditional district school facilities. While eligible charter public schools are navigating a new, limited rental assistance process for the first time, traditional school districts continue to benefit appropriately from massive public investments in school facilities. In New York City, some share of this investment goes to benefit the 52% of charter school students who are co-located in district schools without cost, but none of it reaches the 29,000 NYC students in private charter school facilities. District schools’ facility costs are paid by a combination of state and local spending. By collecting records from the New York State Education Department’s SAM reports, however, we can determine an exact total of the state building aid paid to school districts where charter schools also operate without public facility funding. (For a longer description of our methods, see p. 9.)

→ In school year 2013-14 alone, New York State invested **\$1.26 billion in school facilities aid to school districts** where charter schools operate without public facility funding.

ANNUAL STATE BUILDING AID TO SCHOOL DISTRICTS WHERE CHARTER SCHOOLS OPERATE (\$ billions)

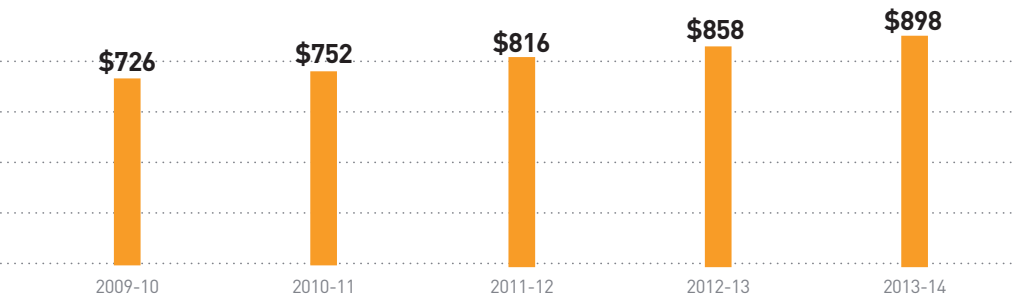


The billions of dollars that school districts spend from *local* revenue sources in a given year are difficult to track with precision, but the state data can offer at least a sense of scale. State aid is capped as a percentage of the cost of any given facility, with the specific ratio varying depending on the relative wealth of the district. As a result, the *theoretical minimum* contribution made by school districts to their own building projects can be calculated based on the state building aid, and building aid ratio, for each district.

This is only a theoretical minimum because school districts regularly construct school buildings that are not entirely covered by the state building aid program, leaving a portion for which the state pays no share. Yet even the theoretical minimum contributions by local school districts suggest local spending on school facilities of nearly another billion dollars annually.

→ In school year 2013-14 alone, school districts where charter schools operate spent **roughly \$1 billion in local contributions** to school facility projects, in addition to state aid.

ANNUAL LOCAL SCHOOL BUILDING SPENDING BY SCHOOL DISTRICTS WHERE CHARTER SCHOOLS OPERATE: THEORETICAL MINIMUM (\$ millions)



In addition to annual spending, of course, charter and district public schools face radically different facility circumstances due to their differences in *accumulated* facility assets. In New York City alone, district public schools stretch over more than 500 campuses representing more than two centuries of taxpayer investments in school facilities. While the value of district buildings cannot “follow the child” who elects to attend a charter school, it represents yet another vast disparity with charter public schools without public buildings *or* aid.

→ School districts also benefit from the **accumulated facility assets** representing decades, and sometimes centuries, of public investment.

Conclusion

When New York lawmakers created the first-ever system of reliable facility funding for select charter schools, they took a critical step toward eliminating one of the most arbitrary and pernicious disparities in the state’s system of public education. Students’ right to adequate facility funding—which no lawmaker had ever publicly denied—will now be honored in new and expanding charter schools.

But while this new aid will ensure fairer treatment for thousands of at-risk charter school students, it also throws into stark relief the continuing disparity affecting more than 49,000 charter school students around the state. These are public school students, overwhelmingly from disadvantaged backgrounds, whose educational experience is about \$118 million poorer every year because of a retrograde provision from an earlier era. While these 49,000 students see their learning resources reduced to pay the rent, their local school districts collectively spend billions of dollars to replenish facilities that have already been built up by decades of such public investment.

As our state leaders consider their public agenda for the 2014-15 legislative year, they should plan to bring all charter school students in from the cold.

Methods

Charter School Facility Spending

Charter schools without facility funding represent 52% of all charter schools in New York State and 40% in NYC. In order to estimate the amount of money spent on facility space in 2013-14, we collected 510 audited financial from the 127 charter schools that were operating in private space that year. These statements, from school years 2007-08 through 2012-13, represent 96% of the annual audits for these schools and years. For each audited financial statement, we captured the annual totals from the functional expenses listed as any of the following: “Rent”; “Rental Expense”; “Repairs and Maintenance”; “Utilities”; “Real Estate Taxes”; “Depreciation”; “Amortization”; “Occupancy”; “Facility Management Fees”; “Building Permits”; and “Interest on Facility Loan.” Any expenses listed as “Equipment and Furnishings” or “Donation of DOE Space” were *not* included.

For the 4% of statements that were not immediately available, we imputed estimates based on annual, regional averages for those missing years. Based on this historical data, on average, expenses grew by 2.5% each year. For the schools with available data from the 2012-13 year, we applied this 2.5% growth rate to estimate 2013-14 facility expenses. For schools that opened in the 2013-14 year in private space, we estimated facility expenses based on enrollment data and per-pupil expense averages by region.

State Building Aid to Districts

In order to estimate state investment in district facilities, we drew from the New York State Education Department’s publicly available State Aid Management System (SAMS).⁴ We pulled school year 2009-10 through 2013-14 investments, identified as Building Aid, from the General Formula Aid Output Reports for each district hosting a charter school. Building Aid categories were combined to determine the investment in each district and then totaled. The actual total for the 13-14 school year is \$1,264,635,098 in building aid to the following school districts: Albany, Buffalo, Ithaca, Hempstead, Kenmore-Tonowanda, Lacakwanna, Mt. Vernon, Newburgh, New York City, Niagara-Wheatfiled, Riverhead, Rochester, Roosevelt, Syracuse, Troy, Utica, and Yonkers. No data is available prior to school year 2009-10. Additional building expense ratios were collected from the SAMS database in order to calculate local district facility contributions. The yearly “Selected Building Aid Ratio” was used as the ratio the state contributed of the total (state and local) facility expense, with the remainder used as the proportion the local district spent on facility costs.

¹ New York City Charter School Center, Northeast Charter School Network, and Colorado League of Charter Schools. *How the Lack of Facility Funding Hurts New York’s Public Charter School Students*. June 2013. Available online at <http://www.nyccharterschools.org/resources/building-inequality>.

² Testimony to Education Reform Commission, 2012, cited in *Ibid.* p. 4.

³ Assumes the following costs: Teacher salary and benefits: \$80,000; guidance counselor salary and benefits: \$85,000; science lab: \$330,500; iMac or Macbook Pro computers: \$1,499

⁴ Available online at https://stateaid.nysed.gov/sams/sams_info.htm.



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