Arizona Charter Schools Are Draining the State Budget

Charter schools have 15% of state enrollment but take 26% of the K-12 education budget

By

Jim Hall

Arizonans for Charter School Accountability

Arizona ranks 4th in the nation for the number of charter schools in operation, but ranks first in the percentage of students attending charter schools – 15.1% of all K-12 students in Arizona.[[1]](#footnote-1) Arizona also leads the nation in permissive charter regulation while providing lucrative financing that entices large national charter corporations like Imagine, Leona, Great Hearts, BASIS, and K-12 to set up shop in Arizona. Charter schools in Arizona do not have to worry about local funding or reliance on property taxes. The state picks up the tab for all charter operations and guarantees additional inflation adjusted funds of $1,752/pupil for K-8 and $2,042/pupil 9-12 to pay for new buildings and equipment. [[2]](#footnote-2) It is a sweet deal as evidenced by the plethora of lavish new charter facilities springing up all over Arizona.

Public districts have not been as fortunate. Beginning in 2009, the Arizona Legislature drastically cut funding for capital expenses for textbooks, computers, buses, and building repairs. Public districts received about $450/pupil for capital expenses in 2008. Today, districts receive about $60/pupil – a reduction of 85%. A lawsuit has been filed by the Arizona Center for Law in the Public interest to address the issue.[[3]](#footnote-3)

The capital reduction, combined with the failure of the Legislature to fund inflation increases over the years, has forced districts to resort to override measures that shift the burden of funding schools to local property owners. Since 2003, public districts have seen the percentage of their budget provided by the state drop from 44% to 39% with the local community forced to make up the difference.

Charter schools have been spared from such reductions. State spending for charter schools increased by 36% from $5,482/pupil in 2003 to $7,454/pupil in 2016. State funds provided to districts rose just $7.30/pupil 2003-2016, an increase of .19%. See Table 1. [[4]](#footnote-4) (See the Appendix for the complete spreadsheets for state expenditures 2003-16)

**Table 1** Charter and district per pupil state revenue 2003-2016

|  |  |  |
| --- | --- | --- |
|  | Charter State Revenue/Pupil | District State Revenue/Pupil |
| 2002-03 | **$5,482** | **$3,769.45** |
| 2003-04 | $5,578 | $3,703.90 |
| 2004-05 | $5,549 | $3,859.59 |
| 2005-06 | $5,964 | $4,153.86 |
| 2006-07 | $6,419 | $4,685.20 |
| 2007-08 | $6,740 | $4,703.44 |
| 2008-09 | $6,805 | $4,188.02 |
| 2009-10 | $5,960 | $3,427.81 |
| 2010-011 | $6,328 | $3,379.85 |
| 2011-12 | $6,258 | $3,267.56 |
| 2012-13 | $6,466 | $3,350.99 |
| 2013-14 | $6,789 | $3,586.89 |
| 2014-15 | $6,718 | $3,538.69 |
| 2015-16 | **$7,454** | **$3,776.76** |
| Increase 2003-2016 | $1,973 | $7.30 |
| % Increase 2003-2016 | 36% | 0.19% |

**The difference between district and charter financing**

As you can see from the chart above, charter schools receive most of their funding from the state budget while districts receive about half as much. Public districts operate on an equalization formula based on the property values in the district. A wealthy district is expected to pay for most K-12 educational costs because they are able to generate a great deal of revenue with a modest property tax rate. A poor district would have to set an exorbitant tax rate to pay for education, so the state provides money to equalize the funds they receive.

But equalization doesn’t make the funding of public districts equal. Scottsdale Unified is a very wealthy district with an assessed valuation of over $4.5 billion. Scottsdale receives a fraction of its budget from the state with property taxes providing the bulk of funding. Scottsdale residents have voted for both budget overrides and a $200 million bond issue yet residents pay just $3.90 in property taxes.

If you live in Buckeye you don’t have it so good. Buckeye has over $4.3 billion less in property value than Scottsdale, so Buckeye Elementary receives most of its funding from the state. Even so, Buckeye residents still pay 40% more in property taxes than in Scottsdale.

When it comes to voters passing overrides and bond issues that increase property taxes, which district would be more likely to be able to pass these measures? Rich folks in Scottsdale can have the best of everything and pay lower property taxes than parents in Buckeye. See Table 2

**Table 2** Revenue and tax rates Scottsdale Unified and Buckeye Elementary 2016

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Local Revenue from Property taxes | State Funds/pupil | Tax rate | Total Assessed valuation | Outstanding Bonds |
| Buckeye Elementary | $5,496,027 | $4,304 | $5.58 | $167,481,283 | $21,985,000 |
| Scottsdale Unified | $5,394,985 | $1,457 | $3.85 | $4,520,829,405 | $202,430,000 |

Charters are funded equally regardless of the local neighborhood. Charters receive that same per pupil funding as including equal additional funding for students with special needs. Since charter schools cannot have bonds paid for by local taxpayers to make capital purchases and build schools, they receive additional funds - $1,752/pupil for K-8 students and $2,042/pupil for 9-12 students. [[5]](#footnote-5) This additional assistance automatically increases for inflation every year. The charter additional assistance has increased 19% since 2008 while district capital allocations were reduced by 85% over the same time period. No property taxes are used to fund charter schools. Their revenue comes strictly from the state general fund.

Public districts, on the other hand, are funded by the state based on the wealth of the community. Public districts must beg their property owners, the majority of which do not have children in school, to increase their taxes so schools can be adequately funded, buy textbooks, make repairs, and build facilities. Charters get these funds automatically, and they all come out of the state general fund.

In 2016 the state contributed an average of $7,454/pupil to charter schools and average of $3,777/pupil to districts - $3,677/pupil less than charters receive.

College prep charters like BASIS that are mostly in affluent neighborhoods get a bigger share of state money because the majority of funds the local districts the children are leaving come from property taxes. For example, a student that leaves Scottsdale Unified to go to BASIS Scottsdale costs the state more because Scottsdale Unified only receives $1456/pupil in state funds, rather than the $3,777/pupil average public districts receive. The wealthier the public district charter students come from, the more state money is required.

**The cost of school choice:**

Charter schools are taking an ever -increasing proportion of the state education budget. Charter schools made up 7% of enrollment in 2003 and accounted for 10% of the state education budget. Charter schools now serve 15% of students in Arizona but take over 26% of the state budget. See Table 3

Table 3 Charter percentage of enrollment and

the state budget 2003-2016

The increase in charter school students since 2002 has put a huge burden on the state education budget – a budget that provides the second lowest per pupil spending in the country.[[6]](#footnote-6) If Arizona had capped the number of charter students at the 2003 level of 66,000 students, the state would have $360,000,000 more to spend on public education in Arizona. See Table 4

Table 4 Savings if charter enrollment capped to 2003 levels

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| New charter students since 2003 | District State Revenue per pupil 2016 | Cost if in District School | Charter State Revenue per pupil 2016 | Cost if in Charter School | Difference |
| 98,042 | $3,777 | $370,304,634 | $ 7,454 | $730,805,068 | $360,500,434 |

**Conclusions:**

School choice is an expensive proposition. Every student that leaves a public district leaves behind a building that was paid for by bonds financed by local property owners. The State of Arizona now has to pay an additional $1,700-$2,000 so that the student can go to a new building built by a charter owner – a building the charter holder owns, even if the charter goes bankrupt. The district property owners provided a substantial amount of the funding for the student’s education. When students move to a charter school the state must pay for their education – spending an average of $3677 more from the state education fund than if the student was in a public district, leaving less money available for all public education.

The taxpayers of Arizona are subsidizing charter students at a rate of $3,677/pupil in additional state funding causing the state education fund to lose $360 million to charter schools since 2003. Arizona can’t afford to lose even $3,677 for one student out of the general fund when public schools are in need of basic repairs and teachers are leaving the profession in droves because of low pay.

The Governor and the Legislature need to be held responsible for undermining public education for the benefit of their ideology that is bent on privatizing education. Legislation needs to be passed to make charter schools accountable for how they spend public funds. If the Auditor General reported on the excessive speeding on administration and facilities that 40% of charter owners are guilty of, the public would realize that charter schools are over-funded, at the expense of neighborhood schools and the children of Arizona.[[7]](#footnote-7)

If the Governor and Legislature would like to keep this expensive program, perhaps they should look for a new revenue stream to pay for it, rather than steal it from public districts.

**Appendix:**

Table 5 Charter State Revenue 2003-2016

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Charter ADM | Total Revenue | % State | State Revenue | State Revenue/Pupil |
| 2002-03 | 66,309 | $453,392,400 | 0.8017 | $363,484,687 | $5,482 |
| 2003-04 | 74,711 | $505,219,581 | 0.8249 | $416,755,632 | $5,578 |
| 2004-05 | 83,606 | $558,159,498 | 0.8312 | $463,942,175 | $5,549 |
| 2005-06 | 84,641 | $608,147,358 | 0.8301 | $504,823,122 | $5,964 |
| 2006-07 | 88,587 | $675,226,730 | 0.8422 | $568,675,952 | $6,419 |
| 2007-08 | 93,668 | $734,708,174 | 0.8593 | $631,334,734 | $6,740 |
| 2008-09 | 99,018 | $789,071,084 | 0.8539 | $673,787,799 | $6,805 |
| 2009-10 | 106,882 | $896,028,500 | 0.7109 | $636,986,661 | $5,960 |
| 2010-011 | 118,897 | $931,450,319 | 0.8078 | $752,425,568 | $6,328 |
| 2011-12 | 128,427 | $958,116,004 | 0.8388 | $803,667,704 | $6,258 |
| 2012-13 | 140,906 | $1,093,452,422 | 0.8332 | $911,064,558 | $6,466 |
| 2013-14 | 150,120 | $1,207,181,668 | 0.8442 | $1,019,102,764 | $6,789 |
| 2014-15 | 161,136 | $1,297,757,909 | 0.8341 | $1,082,459,872 | $6,718 |
| 2015-16 | 164,351 | $1,445,941,003 | 0.8473 | $1,225,145,812 | $7,454 |
| Increase 2003-2016 | 98,042 | $992,548,603 | 4.56% | $861,661,125 | $1,973 |
| % Increase 2003-2016 | 147.9% | 218.9% | 5.7% | 237.1% | 36.0% |

Table 6 District State Revenue 2003-2016

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | District ADM | Total Revenue | % State | State Revenue | State Revenue/Pupil |
| 2002-03 | 840,053 | $7,141,498,532 | 0.4434 | $3,166,540,449 | $3,769 |
| 2003-04 | 859,023 | $7,224,652,807 | 0.4404 | $3,181,737,096 | $3,704 |
| 2004-05 | 887,379 | $7,660,297,853 | 0.4471 | $3,424,919,170 | $3,860 |
| 2005-06 | 913,580 | $8,215,816,676 | 0.4619 | $3,794,885,723 | $4,154 |
| 2006-07 | 931,773 | $8,953,120,539 | 0.4876 | $4,365,541,575 | $4,685 |
| 2007-08 | 946,957 | $9,232,916,095 | 0.4824 | $4,453,958,724 | $4,703 |
| 2008-09 | 935,619 | $8,899,358,506 | 0.4403 | $3,918,387,550 | $4,188 |
| 2009-10 | 940,404 | $8,907,241,738 | 0.3619 | $3,223,530,785 | $3,428 |
| 2010-011 | 926,089 | $8,757,804,630 | 0.3574 | $3,130,039,375 | $3,380 |
| 2011-12 | 914,413 | $8,222,060,909 | 0.3634 | $2,987,896,934 | $3,268 |
| 2012-13 | 912,782 | $8,291,471,122 | 0.3689 | $3,058,723,697 | $3,351 |
| 2013-14 | 891,154 | $8,420,633,934 | 0.3796 | $3,196,472,641 | $3,587 |
| 2014-15 | 921,540 | $8,599,799,578 | 0.3792 | $3,261,044,000 | $3,539 |
| 2015-16 | 918,291 | $8,831,579,351 | 0.3927 | $3,468,161,211 | $3,777 |
| Increase 2003-2016 | 78,238 | $1,690,080,819 | -5.07% | $301,620,762 | $7.30 |
| % Increase 2003-2016 | 9.3% | 23.7% | -11.4% | 9.5% | 0.19% |

1. See: <http://www.publiccharters.org/wp-content/uploads/2017/01/EER_Report_V5.pdf> [↑](#footnote-ref-1)
2. A.R.S. 15-185.4 [↑](#footnote-ref-2)
3. <http://www.azcentral.com/story/news/politics/arizona-education/2017/04/28/arizona-schools-sue-state-over-funding-again-education/306900001/> [↑](#footnote-ref-3)
4. All data on state funding in this report is from the Annual Report of the Superintendent of Public Instruction 2006 and 2016 at: http://www.azed.gov/finance/reports/#SafrTop [↑](#footnote-ref-4)
5. A.R.S. 15-185.4 [↑](#footnote-ref-5)
6. http://centerforstudentachievement.org/arizona-ranks-49th-in-education-funding-how-did-we-get-here/ [↑](#footnote-ref-6)
7. See: Arizona Charter School Classroom Spending 2016 Part 2 available at azcsa.org “Past Research” [↑](#footnote-ref-7)